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Engaging in productive sector development: Comparisons between Mozambique and Ghana

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CONTENTS

ABSTRACT

Through a comparison of sector cases in Mozambique and Ghana, the paper analyzes why and how African states engage in developing productive sectors and with what success. It argues that successful state interventions depend on four factors: (1) sustained political support by the government leadership; (2) the existence of an embedded and mediating bureaucracy; (3) changing the 'rules of the game' which govern the distribution of economic benefits and resources; and (4) the organisation of industry actors and institutionalised interaction between industry actors and state actors.

The paper starts with a case of successful intervention in Mozambique, using the four factors to explain why the Mozambican government's efforts to rehabilitate the sugar industry were successful over a fifteen year period. The paper then considers experiences in three sectors in Ghana that illustrate variation in the four factors and thus different economic outcomes. Specifically, cocoa, export is a case of sustained political support, palm oil is a case of poorly implemented industrial policy, and horticulture export is a case of political neglect of an industry. In concluding, the paper emphasizes the political context in which these sector cases are embedded and which shapes how ruling elites make policies and implement them, placing the comparisons within a broader conceptual framework.

1. INTRODUCTION

Why do states intervene in the economy to support productive sectors? Furthermore, why do states choose particular policies and initiatives as the means of intervention, and why do some state interventions result in better outcomes than others? Whitfield and Therkildsen (2011) present a conceptual framework for answering these questions. The questions are framed in terms of why *states* intervene in order to engage with debates about Developmental States. It makes little sense, however, to lump together different individuals and organizations into one generalised concept of the state, since we need to understand how they interact and the logics driving their actions based on their position within the government, the bureaucracy, the political party, the military, and so on. Even making a conceptual line between the government (political leaders) and the state bureaucracy (civil servants) can be problematic. In some countries there are sharp differences between state bureaucracy and political leaders, while in other countries, such as Mozambique, the ruling political elite and the state bureaucrats overlap due to shifting constellations over time as state bureaucrats have become politicians.[1] Instead, the framework on which this paper draws focuses on incentives facing ruling elites, which are generated by the characteristics of their ruling coalitions.[2]

This paper compares the experiences of Mozambique and Ghana using a sector approach. Economic outcomes not only vary across countries; they also vary within countries across sectors and specific industries. This variation must be explained, and it is argued that the economic attributes of particular sectors cannot fully explain the variation. Rather, what may be changing at the industry level includes what drives ruling elites to support specific productive sectors, who are the relevant productive entrepreneurs, and who are the relevant state bureaucrats. Thus, relations between the ruling elite, business and bureaucrats can and do vary by industry. By looking at several sectors within a single country, we avoid both problems of inappropriate uses of national averages, because national averages hide what is going on in specific sectors and thus give an inaccurate picture, and of invalid part-to-whole mappings where what is going on in one sector is different from than what is going on in others, and thus we cannot generalize from them about the national level (Snyder 2001). We use a sector approach to illustrate the different political logics at play and show how factors come together differently, and thus explain economic performance.[3] It is still important, though, to place industry-specific analyses within a broader understanding of the characteristics of the ruling coalition and the broader dynamics of business-state relations. The sector cases discussed in Mozambique and Ghana are contextualized within the broader political economy dynamics characterizing the country.

1 See Macuane (2010) on the state bureaucracy/technocracy and political leadership in general in Mozambique.

2 By ruling elites we mean the political leaders atop the incumbent government, and by ruling coalition we mean the groups and individuals behind the rise of the ruling elites to power and/or those groups and individuals who support the ruling elites now that they are in power, typically in exchange for benefits.

3 Economic development can be and is driven by a few dynamic sectors at a time, so a country does not have to have a lot of well-performing industries. But what matters for the aggregate economic performance of a country is the characteristics of the well-performing industries in a country at any given time: growth, job creation, upgrading, synergies with other industries, possibilities for linkages, spillovers of technological capabilities from one industry to another.

What we do in this paper is more of an inductive analysis. We started with the empirical research on specific sectors in Mozambique and Ghana, and compared the sector cases with each other and with key bodies of existing literature on business-state relations and the political economy of building technological capabilities. Through this double comparison, we identified four factors critical to good economic performance: (1) sustained political support; (2) an embedded and mediating bureaucracy; (3) changing the rules of the game; and (4) organizing the sector. *These factors explain good economic outcomes, but* why *these factors emerge must still be explained*. Using the conceptual framework by Whitfield and Therkildsen (2011) helps us to situate these case studies within a more general answer to the question of why they do or do not emerge. Thus, this paper starts with presenting the empirical material and arguments about the four factors in each sector and country, and concludes with linking them to the conceptual framework. In the remainder of the Introduction, we briefly present the four factors.

The first factor is *sustained political support from the ruling elite* for developing the industry. Some scholars may refer to this kind of sustained political support as 'political will', but we need to unpack the notion of 'political will', which is too easily used in political analysis as a residual category: Something does not happen because there was no political will, or it does happen because there was political will. Instead, we need to ask why there was sustained support from the ruling elite. In doing so, we explore the linkages between characteristics of the ruling coalition and the desire and ability of the ruling political elites to support specific industries, the policies they choose in doing so, and how they are implemented (see Whitfield and Therkildsen 2011). The imperatives of building and maintaining ruling coalitions as well as winning elections are a critical thread linking the characteristics of ruling coalitions and the incentives they face in making policy decisions and implementing them.

Sustained political support from the ruling elite is the most important of the four factors because to a large extent the other three factors depend on political support being present. Without sustained political support, there might be a competent state agency with political linkages, but bureaucrats' ability to mediate between the ruling elite and industry actors will be less effective. Without sustained political support, bureaucrats will not have the political back-up to change institutions and allocations of resources, which negatively effect powerful groups in society, and they will not be able to effectively liaise with industry associations and use 'carrots or sticks' to get them to organize.

The second factor refers to aspects of state organization relevant to the industry, in particular whether it is characterized by an *embedded and mediating bureaucracy*. By embedded, we mean that the state bureaucrats engaged in institutionalized relations with industry actors, and such interaction was crucial to meeting industry needs and creating credible commitment.[4] The importance of embeddedness is much discussed in the literature on business-state relations in developing countries (see Maxfield & Schneider 1997). The literature argues that embedded bureaucrats have knowledge of the industry and relations with relevant industry actors, which enhances their ability to collect and possess information, moni-

4 Capitalists have reason to discount the value of the incentives and withhold investment, unless government officials can make credible long-term commitments (Schneider & Maxfield 1997: 11). Credible commitment means that capitalists believe what state actors say, and then act accordingly. For Peter Evans (1997), credible commitment is a key aspect of embeddedness.

tor business behaviour, and articulate a vision and viable strategy of how to support particular industries (Evans 1997). The credibility of government's productive sector policies in the eyes of business, and thus business's willingness to undertake risks in conjunction with those policies, are undermined when business is out of the policy loop (Biddle & Milor 1997: 280). Movement of actors in and out of the bureaucracy and business can be important in creating the networks that embed state officials (Thorup & Durand 1997; Schneider 1993). The importance of movement as one way of embedding bureaucrats is evident in the sugar case, as will be discussed shortly. Lastly, it should be noted that this kind of relations between bureaucrats and industry actors can include coercive elements: sticks as well as carrots.

By mediating, we mean that bureaucrats liaised between business and political interests, technical and technocratic concerns, and administrative and legal procedures (see Buur et al. forthcoming 2012). The importance of mediation is less discussed in the literature, but we find it to be very important in some of the specific case studies, particularly in the sugar case. There can be considerable mistrust on the one hand by parts of the bureaucracy and the political elite concerning the intentions and effects of allowing foreign investors to run an industry, and on the other, the foreign investors can have no experience working with a *de facto* one-party state apparatus and political system. As we show, the ability of the bureaucrats in the National Sugar Institute in Mozambique to go-between and bridge different interests and expectations of the political elite and new industry actors throughout the process was crucial to the success of the rehabilitation project.

The third factor that must be considered is the extent to which the *'rules of the game'* have been changed, referring to the formal and/or informal rules which govern the distribution of economic benefits and resources. Because changing the rules of the game almost always produces resistance from the losers, it requires political support to do it. In one of the cases we consider here, the state bureaucracy and the government renegotiated the rules of the game away from sugar traders and in favour of national sugar producers and the creation of a protected internal market (Buur et al. 2011). Generally, African countries operate in market conditions where dependency on volatile export markets for primary or value-enhanced products can be devastating for both investors and peasants, with severe implications for the legitimacy of the government promoting such production. There is therefore often a need for securing both access to markets and a certain relative predictability of revenues, particularly during the initial years of production when productivity is lower, 'sunk costs' are high, and learning and technological upgrading taking place.[5] Furthermore, supporting higher growth requires interventions that often include changes in existing benefits or in the allocation of state resources (Khan 2000, 2009). These types of changes can have detrimental effects for specific groups. Thus interventions to support a particular productive sector can have social costs, which can lead to social conflict and mobilization against changes. If the ruling coalition cannot absorb or tolerate significant social costs from the sources that are affected, then they will not pursue those interventions or abandon such interventions during implementation. Thus, strong political support from the ruling elite is required for negotiating market access for a nascent industry and protecting it while it grows.

5 Sunk costs are costs that have been incurred and cannot be recovered.

The fourth factor involves *the level of organization* among industry actors and institutionalized interaction between the industry and the state. We know that institutionalized interaction between state and business at industry level is important for coordination and collective action, for states to meet industry needs, for credible commitment to materialise, and for monitoring and enforcement of conditions related to learning rents and for incentive structures to be effective. Institutionalised interactions require strong industry associations to interact with ruling elites and state bureaucrats, but strong industry organisations often require external pressure in order to come about (Doner & Schneider 2000). Here the role of the state in facilitating industry actors to organize themselves and solve their own collective action problems, through the use of 'carrots' and 'sticks' is crucial. Furthermore, it can be argued that industries need to be organized as a prerequisite for successful economic performance (Brautigam et al. 2002; Ouma and Whitfield forthcoming 2012).

The paper focuses on a case of successful state intervention to support a specific industry: the rehabilitation of the sugar industry in Mozambique. It explains why the Mozambican government's efforts to rehabilitate the industry were successful, using the four factors presented above. Then the paper briefly considers Ghana's experience with three productive sectors (cocoa export, palm oil and horticulture export) that illustrate variation in the four factors and thus different economic outcomes. Horticulture export is a case of political neglect and unfulfilled potential. Palm oil is a case of poorly implemented industrial policy. Lastly, cocoa export is a case of sustained political support, similar to sugar in Mozambique. However, it is important to note differences between the sugar and cocoa export industries in terms of value-added, technological capabilities of the entrepreneurs and sector-specific potential for upgrading – all of which can have significant implications for economic transformation in the respective countries.

2. THE MOZAMBIQUE CASE: STATE-DRIVEN REHABILITATION OF THE SUGAR INDUSTRY

2.1 Overview

Sugar cane has been produced in Mozambique since the end of the 19th century. At independence in 1975, six sugar estates and industrial plants were in operation. The total sugar production capacity was 360,000 tons with a production record reached in 1972 of 325,051 tons, of which 60 percent was for export. Sugar production was the third biggest export sector and the biggest formal labour employer by the mid-1960s and, the sugar sector had the largest private firm in the whole of Mozambique (INA 2001; Cardoso 1993). Before independence, sugar production had begun to decline due to the rapidly intensifying independence war in northern and central Mozambique that left investors feeling insecure and led to 'disinvestment strategies' (Castel-Branco 2002: 83). Furthermore, up to and after independence, the flight of capital and skilled labour of all types added to the decline, just as global market prices made the sector less profitable. As the destabilisation war turned into a civil war through the 1980s, production fell and, as a result, the import of sugar increased.

From the mid-1990s, the Mozambican sugar sector underwent a steady process of rehabilitating four out of the six sugar estates/factories which by that time the government *de facto* owned.[6] The reha-

6 Ownership after independence and particularly after the Third Frelimo Congress in 1977, when a Marxist-Leninist one-party state was pursued, is complex. Some sugar companies became nationalized, others only intervened in by the state, meaning that there was no legal transfer of the assets implying that former owners could try to reclaim the assets after 1990 when the new liberal multi-party constitution was approved.

bilitation process involved partial privatisation and large-scale foreign direct investments in both cane production and sugar processing and refining capacities. The sugar strategy *Politica e Estratégias para o Desenvolvimento do Sector Açucareiro,* approved by the Council of Ministers in 1996, focused on issues related to privatisation, ownership structure, attracting experienced investors, cost efficiency, human capital development, market creation, the financial viability of rehabilitation, and the potential impact of the sector for the social and economic rehabilitation of the rural areas (see INA 1996). The overall objective of the sugar strategy was to: "Produce sugar in order to satisfy the domestic market and the preferential quotas for export in a manner that is economically and socially efficient and sustainable thereby in the long run contributing to a better food security and sustainable economic growth" (INA 1996: 2). Four out of the six sugar estates were targeted for rehabilitation. Three regional sugar players with productive and marketing capabilities were brought in: the two biggest South African sugar companies at the time (Tongaat-Hulett and Illovo Sugar) and a Mauritian consortium of four companies (FUEL Group, ENL/Savannah, Compagnie d'Investissement et de Développement Ltée and Kalua Properties Ltd. and Stam Investment Ltd.)[7]

- Tongaat-Hulett Ltd. bought into the Xinavana and Mafambisse industrial plants and estates, situated in the south and central regions, after 1996.
- Illovo Sugar Ltd. together with the Petiz Family, the original Portuguese owner who had regained control over the estate after the privatisation process was opened up, took over the Maragra estate and industrial plant, situated in the south, in 1998.
- The Mauritian consortium took over the Marromeo estate and industrial plant in the central-northern region after the new Millennium, but sold its 50 percent share in 2007 to the French company Tereos, the world's fourth largest sugar producer.

The Mozambican state, through *Banco de Mozambique*, retained after privatisation at least 51 percent of the shares in the companies, except for the Maragra estate/plant. The state retained a majority stake in order to lend money for the rehabilitation on behalf of the sugar companies and for the state to monitor the rehabilitation process though representation on the administrative boards. As loans were paid off and/or new investments were made by the companies, the state's shares slowly diminished. However, even today, the state still has shares in at least two of the companies.[8]

The formal target was to bring in private investors with long-term experience and cutting-edge expertise in sugar production and marketing, with solid backup from research (see INA 1996; FAO 2000: 5). This would, it was reasoned in the sugar strategy, rectify all the fault-lines from the political experiments of the 1970s and 1980s. Foreign direct investment was not, therefore, in the first instance about bringing in finance, but rather concerned with bringing in productive capabilities. Finance for the first wave of rehabilitation was primarily secured through government-guaranteed loans, where the government took "cheap loans" at various multilateral and commercial credit

7 The privatization process was not a single event but rather occurred over several years where at least one of the investing companies first was hired on a management contract with the Mozambican state so the future investor could "learn to work in Mozambique with the Frelimo regime" (Interview Director of sugar company March 2011) and the state could see that the company had the management capacity and could deliver on what was expected (Interview former Finance minister (2010).

8 See Buur et al. (2011) on why the government maintained an ownership share.

facilities (such as development banks, special funds and facilities providing such loans primarily to countries). The exception was Illovo, where the investors decided to finance the rehabilitation by themselves out of fear of state intervention and because they wanted to test their capacity to work outside South Africa. This said, over time, all the companies made their own substantial investments.

The use of government-guaranteed loans had been anticipated by the sugar strategy, which also defined key state and government tasks related to the creation and enforcement of a protected internal market, provision of certain forms of infrastructure like electricity from Cahora Bassa, as well as rail and port upgrading. The strategy also anticipated that the role of the state should be carried out by the restructured National Sugar Institute, which was to move from its past role of running (down) the industry to a more facilitating role, and eventually just a monitoring one.

Since the rehabilitation began, the area under cultivation rose from 7,266 hectares in 1998 to 35,000 hectares in 2009, and sugar production increased to just over 200,000 tons of sugar by 2003. By 2003 sugar exports exceeded local consumption, with total export figures reaching 134,796 tons in 2008, even though the industry-owned *Distribuidora Nacional de Açúcar* (DNA) had managed to double national consumption and distribute Mozambican sugar all over the country. Around 32,000 jobs (permanent and temporary jobs) were created at the four rehabilitated sugar estates (CEPAGRI 2009, 2010). The industry also led to jobs in outsourced service functions in land preparation, planting, maintenance and transport as well as independent producers and down- and upstream jobs created along the value chain. The sugar industry is once again the biggest formal non-state employer in Mozambique. These are jobs in rural areas where those taking up employment are a mix of local populations, rural migrant workers and expatriates. Salary scales in the industry are generally well above what can be earned in rurally based agriculture industries.

Social services such as health, education and housing are to a large degree catered for or strongly subsidised by all four factories. Access to social and financial services around the four rehabilitated estates and plants are well above what one normally encounters in rural areas (Locke 2009). The industry is "creating an income multiplier effect, with sugar workers having money to spend on other goods and services [and] the sector also creates the opportunities for other industries to develop, supplying goods and services to the sugar mills" (LMC 2006: 7; see also INA 2005, Capítulo 7). Furthermore, the EU's 6 million Accompanying Measures Fund mitigating the effects of changing the European sugar regime led to an increase in the outsourcing of cane production. Whereas only 0.4 percent of cane was produced by independent Mozambican producers in 2005, this figure increased to 4 percent by 2008 with around 15 associations involving 1,365 producers. The EU Fund also signals the first direct involvement of donor money as part of the rehabilitation process, which in itself is remarkable considering the levels of aid dependence experienced by Mozambique over the past two decades.

How do we explain these outcomes? What are the crucial conditions for successful state intervention to rehabilitate the sugar industry, which saw sustained support among the Frelimo government and state bureaucracy? We will here highlight four factors that can be used comparatively to explain the sector outcomes. The first factor is *sustained political support* from the Frelimo ruling elite. The second is the state organization and to what extent it was characterized by an *embedded and/or mediating bureaucracy*. The third involved *changing the rules of the game*: the formal and/or informal rules which govern the distribution of economic benefits and resources. The fourth factor involved *organizing the industry* referring to the institutionalized interaction between the industry and the state.

2.2 Sustained support from the ruling political elite

The Frelimo ruling elite coalition not only provided support for rehabilitating the sugar industry, but also sustained support over 15 years. An undertaking such as rehabilitating an industry cannot be done quickly; it requires well-thought-out strategies, trial and error, time for production processes and learning to take place, and building new institutional capacities and institutionalized engagement between the state and the industry. Sustained support over a long period of time was crucial. This support involved significant investments and allocation of resources, allowing for the creation of an internal protected market that subsidized the industry while it got on its feet. Lastly, it was support that went against the immediate interests of different economic groups in society financing key parts of the ruling Frelimo coalition, as well as the key financiers of the government budget such as the World Bank, creating resistance that had to be diffused or countered.

One of the most striking features of the organization of power in Mozambique is that it is the same party, and more or less the same group of top Frelimo party leaders, that has been in charge since independence. They have largely been able to stick together through the ideological shifts of the mid-1980s and the multiparty dispensation of the 1990s and into the first part of the new millennium despite substantial differences and conflicts and tensions within the Frelimo ruling coalition. It is a ruling coalition that is still organized in and around the Frelimo party after surviving three leadership changes in the ruling party: Samora Machel, Joaquim Chissano and Armando Guebuza.

Sustained support to the sugar industry was possible because the same ruling elite were in power. However, this point has to be nuanced by looking at dynamics among factions within the higher levels of the ruling Frelimo coalition. It was not just the same ruling elites, but the same faction among the ruling elites under the Presidency of Joaquim Chissano from 1986 to 2004, spanning the introduction of multiparty democracy in 1994. Tensions between different factions within the Frelimo ruling elite are important. Later sections of the paper highlight these tensions and how they were overcome so that the outcome was sustained support for sugar rehabilitation during the Chissano period.

When Chissano took over, he inherited an authoritarian party coalition at war and was initially vulnerable because lower levels of the coalition became increasingly frustrated because their expectations could not be fulfilled. Frelimo's control over the population and territory had since independence been rather fragile, except for the less populous southern and extreme northern provinces, from where most of the Frelimo leadership emerged and where Frelimo's post-independence policies had the greatest resonance. At independence, the party was not entrenched in a majority of provinces, particularly the populous northern provinces of Zambezia and Nampula (which combined account for half the population), while the central provinces of Manica and Sofala had only scantily been affected by the independence war. Thus after independence the rural hinterlands were something to conquer for Frelimo, and this often became, if not directly a violent process then at least quite a forceful course of action (see Mosca 2011) that gradually escalated as the destabilisation war turned into a civil war during the 1980s and

Renamo took control over up to 80 percent of the national territory. In general, the civil war with Renamo turned increasingly into territorial and population contests where both parties tried to conquer as much territory and reign in as much of the population as possible before the peace accord in 1992. But the government was also vulnerable because Frelimo *de facto* governed a limited part of the country with an economy that partly had become a barter economy and with a state apparatus without capacity to implement political decisions.

The constitutional change in 1990 institutionalised a shift from a one-party state to a multiparty democracy, and the 1992 General Peace Accord that ended the civil war also to some extent rewrote the rules for engagement, since elections every five years could formally change the government. The Chissano administration used negotiations leading up to the transition to multiparty democracy to secure a deal that favoured the Frelimo regime and gave the party an advantage before the multiparty elections in 1994, so it could maintain control over the state apparatus and, through it, the economy. It secured a form of "winner takes all" political system where power was centralized. For example, the president had the power to appoint governors of provinces. As a result, Frelimo could exclude the opposition party Renamo from taking up political positions after the 1994 elections, despite it winning the elections in a majority of provinces but loosing the overall elections. Constitutionally, Chissano who won the presidential election had the authority to decide if any of Renamo´s political leaders should be appointed as province governors, district administrators and so on. In the first national elections in 1994, as well as the 1999 elections, Frelimo lost heavily to Renamo in a majority of provinces, particularly the northern ones and the central provinces of Tete and Sofala.

The key constituencies aligned to the ruling Frelimo party coalition changed over time from peasants/workers after independence to state functionaries, and later, after the reforms of the 1980s, expanded to include emerging business groups in communication, tourism, minerals, energy and trading. The business groups aligned to the ruling party became an important constituency in the ruling coalition and in return benefited from privatization and access to state contracts. The lower level factions of the ruling coalition were not very strong, and hence had little influence in the coalition except in the run-up to elections, as they were needed in the tight electoral contests with Renamo in the 1990s. Privatization and other government policies were used as a means to both maintain a strong state presence in the economy (see Pitcher 2002) and to accumulate private wealth by members of the Frelimo ruling elite. Out of these processes an embryonic business group is emerging that form a key constituency of the ruling coalition. However, the rehabilitation of the sugar industry had another political purpose.

Frelimo needed to do something to increase its political support in rural areas, and particularly in Renamo strongholds. The rehabilitation of the sugar industry was a means through which the Frelimo ruling elite under Chissano sought to link up with populations and territory in former Renamo areas in the central and northern provinces and to provide jobs for key southern constituencies after 1994. All of the rehabilitated sugar estates/plants were situated in areas that, by the end of the 1980s, were either controlled or strongly influenced by the opposition forces of Renamo or where Frelimo needed to realign itself to key constituencies. In some of these areas, Frelimo lost the 1994 and 1999 and 2004 elections. By creating job opportunities and supporting the extension or directly providing services like health, education and electricity and by rebuilding destroyed infrastructure and communication networks, the sugar industry allowed the Frelimo government to provide jobs and income opportunities for demobilised soldiers and slowly to assert its control and reorganise and forge new relationships with formerly 'hostile' populations. This strategy was successful: By 2008 and 2009 Frelimo won both local and national elections in former Renamo areas like Marromeo along the Zambezi River.

Long before the General Peace Accord in 1992, the Chissano administration singled out territorial and population control aspects as key factors, for two reasons: (1) winning over the large central and northern populations would be crucial for the legitimacy and survival of the Frelimo regime dominating the political organisation of power in Mozambique, and (2) the untapped natural resource endowment in energy, minerals and oil were all situated in Renamo-controlled areas. As part of preparing for the end of the civil war, a specialised agricultural 'task force' was constituted by high-level members of government ministries and state institutions and tasked with identifying potential agro-industries that could provide income opportunities and crucial export revenues. Equally important was the sector's capacity to provide a certain degree of service provision, so the heavy influx of people to the cities could be stopped, and demobilised soldiers would see a future in the rural areas, as well as presenting the Frelimo government in a more benevolent manner than many rural populations had hitherto experienced.

The sugar sector was identified as a core strategic industry based on post-independence policies that referred to the potential of the sugar industry, due to its superior track record as an export commodity, as well as its capacity to industrialize and 'urbanize' the rural areas where 'monetizing rural economies' changed labour relations. This concern for providing superior, quasi-urban social services in housing, education, health and water, besides changing rural labour relations from barter towards exchange based on money, had a particular historical and ideological background. After independence and the Third Frelimo Congress in 1977, when Mozambique formally became a one-party state, the economic and social policies tried to create a new type of modern person – the "New Man" who should run the "New Society" with a "People's Economy" (Buur 2010). The transformative capacity of the industry had ideological underpinnings related to modernization of the rural areas, which, after the end of the civil war in 1992, would take place through and with capitalist relations. As both socialism and capitalism are based on a concept of modernization, switching from socialism to capitalism in order to achieve modernization was not as hard as it would first seem. The fact that the rehabilitation of the sugar industry could tap into such a long-term ideological project of Frelimo meant that members of the ruling coalition who were strongly against the turn to a mixed capitalist economy could still find reason for not outright rejecting and directly working against the rehabilitation project.

The intense focus on social service provision and infrastructure within the sugar rehabilitation process engendered support from the electorate. The creation of employment opportunities for lower level factions of the Frelimo party worked to maintain the Frelimo ruling coalition and expand its political support among the electorate. Whereas the sugar estates/plants did not become profitable until after 2008, there were immediate benefits from the rehabilitation in terms of job creation, service provision and infrastructure development. It is, therefore, not totally wrong to argue that this was a strategy to build political support that had a long time horizon, and it took almost a decade to bear fruit election-wise.

The key question that arises is why did the Frelimo ruling elite (or a significant portion of the factions that comprise it) chose to mobilize political legitimacy, and thus political support at election time, through developing an agro-processing industry, rather than broadening its political support through 'side payments to popular sectors'? The Frelimo ruling elite faced significant internal threats (concluding a civil war and facing limited political support with large parts of the population that disliked it) and they lacked resources with which to make easy side payments, constraining them in their options but pressuring them to do something.

2.3 An embedded and mediating bureaucracy

Sustained political support during the Chissano period also included support for the state bureaucrats in the National Sugar Institute in terms of resources as well as political back-up, which were prerequisites for the state bureaucrats to play their mediating and embedded roles. The origins of the mediating and embedded bureaucracy in the sugar case are to be found in the fact that many of the state and industry actors had worked in relation to the sugar industry in private, bureaucratic and political positions (in different constellations) since the 1970s. It is a phenomenon encountered in some countries that have been a one-party state and are now a dominant-party state. In Mozambique, the political elite and bureaucrats in one way or another – by default, incapacity or structural constraints (but often all of them at the same time) – have ended up running (down) productive enterprises in the past while also gaining valuable trial-and-error lessons that could be used in the future. In important ways, this experience created the possibility for some parts of the bureaucracy to operate as a "mediating institution", as state bureaucrats understood both Frelimo's and the sugar industry's needs, perspectives and expectations, while still operating with a keen eye for the pragmatics of the art of government (see Buur et al. forthcoming 2012).

The sugar sector had for the first ten years a functional National Sugar Institute where the director had worked in the sugar industry as a lower level functionary during the colonial era. After independence he continued in the sector and was director for one of the sugar estates and industrial plants during the first attempts to rehabilitate at the end of the 1980s and early part of the 1990s. Notably, the person in charge of writing the 1996 sugar rehabilitation strategy had also worked in the industry since independence before becoming director of the National Sugar Industry in the mid-1980s during the last phase of the state-run era. After rehabilitation began, he became a state-appointed representative on various administrative boards before ending up as general director of the biggest South African investor in the sugar industry in Mozambique, Tongaat-Hulett. The present director of the Sugar Production Association was a politically appointed director (party oversight of a state-run industry) of one of the sugar companies in Sofala during the 1980s, and during the 1990s he was advisor to the governor in Sofala when the decision was taken on which estates would be rehabilitated. In the same manner, the present provincial director for agriculture is a former employee at three sugar estates where he worked during the 1980s and 1990s. Furthermore, before independence his education was paid for by one of the sugar companies where his father worked as an office clerk. All the rehabilitated sugar companies have either employed or continue to employ former top state bureaucrats taking up key positions in company agricultural units, small- and medium-scale cane production units or human resources.

During the height of implementing the surcharge, when a tough stand on contraband sugar imports had to be implemented, the then finance minister, Luisa Diogo, set up a special Task Force comprising representatives from the industry, upstream users of sugar, custom authorities, police and military, besides representatives from all implicated ministries that met monthly and tasks were delegated. She personally chaired the meetings and the Director for the National Sugar Institute functioned as the acting secretary, making sure decisions were followed up upon. Most of the people involved would have experiences from being part of running an industry at one level, being part of political bodies within the party during the state intervention years or working as a state bureaucrat which allowed for considerable knowledge about how to get politically sensitive, bureaucratically complicated and highly legal issues through the political system without compromising the industrial needs and requirements to such an extent that it would have brought the industry to a standstill.

The sustainability of the relationships between state, government and the sugar industry – be they driven by the priorities of the foreign investors, political priorities or bureaucratic considerations – were ensured by being 'embedded' in these different ways. The industry's needs and functions were combined with social and political imperatives (whether deliberately or by default), which reduced social and political uncertainties enough to reassure those investing in the sector and also allowed diverse political imperatives to be catered for so that support could be negotiated when needed.[9]

9 Under Guebuza, support to the sugar industry has waned, partly because all the key players from the state and government by then had left the sector or had been redeployed elsewhere, and partly because of changes in the institutional setup where the National Institute for Sugar was transformed into a Center for the Promotion of Agricultural Investments, which slowly undermined capacity and longstanding relationships between the different interest groups and the state's capacity to fulfil its monitoring mandate.

2.4 Negotiating market access and renegotiating the rules of the game

The sugar sector is known for highly volatile markets where the free world market price can often be lower than production costs due to overproduction and price speculation. For the same reason, all the top sugar producers in the world protect their sugar industries through different forms of tariff regimes. The global sugar industry is generally based on production for home markets, where some countries like Brazil have diversified the home market early on with, for example, conversion to ethanol so either sugar or ethanol can be favoured, depending on world market prices for sugar, ethanol and oil. In Mozambique a protected internal market was necessary in order to create a favourable milieu that could stimulate new investments that promoted efficient production to mitigate the effects of the world market, which was volatile and based on dumping prices. Furthermore the internal market was necessary while negotiations with preferential markets were ongoing. When rehabilitation of the sugar industry began, there were no substantial and favourable trade agreements in place that gave access to preferential markets. A smaller preferential trade arrangement with the US – amounting to 1.3 percent of total US imports – allowed Mozambique to export between 14,000 and 26,000 tons during the 1990s, stimulating a small increase in production for a period (INA 2001: 4). In the 2000s, developments around the European market and mechanisms such as the Economic Partnership Agreement and Everything but Arms Agreement created favourable conditions that allowed unlimited access to the European market.[10] Ironically, this happened exactly when world market prices skyrocketed and honour-

10 For the history, see Goodison (2007).

ing the agreement with the EU was less favourable than selling unilaterally through the free market. But, as history had shown, relying on the free market would sooner or later become an industry killer, which made the Mozambican sugar industry cautious about burning any bridges to preferential markets.

Establishing a protected market for sugar had implications for the distribution of benefits and resources in several ways. First, it challenged trade monopolies and the informal (contraband) sugar trade in order to create the space for an internal formal sugar market based on Mozambican sugar production. From the outset of the rehabilitation of the sector initiated in 1997, a 'price policy' with a flexible levy (surcharge) on sugar imports that catered for the creation and protection of an internal market had been anticipated. Its implementation had to wait until the new millennium because there was not enough sugar produced in Mozambique to protect.

By the time sufficient sugar became available and the national marketing mechanism needed to be implemented, it had become an important political issue and created substantial public discussion, with the industry pressing for its implementation, and different Frelimo and government factions either supporting or resisting it. Particularly, top members of the party who were involved in transporting formal and informal or legal and contraband sugar, and party members in economic partnerships with powerful importer groups tried in various ways to undermine the implementation and enforcement of the pricing policy. The party factions in favour were primarily top party, government and state bureaucrats who were in charge of bringing in the foreign investments and who were in charge of the custom reform and the sugar strategy, as well as the powerful factions that for ideological reasons were in favour of a national industry but uncomfortable with foreign direct investment (they reluctantly supported it, but were important for winning the internal battle in the party).

The surcharge became the litmus test for state and government commitment to the sector. It involved a number of ministries and regional coordination of harbour and border control entities, leading eventually to a major overhaul of customs and immigration structures and affecting investment policies already in effect, as well as curbing Indian family trade houses, which earned well on the informal sugar trade. Challenging trade monopolies, which often spanned several continents and had strong economic holding power and internal cohesion (besides paying generously for protection to the Frelimo party and individuals) required considerable political support for the national sugar industry and continual and skilful liaison, both within the governing party and with external actors.

Moving from imported sugar to nationally produced sugar also had implications for the upstream industries, primarily in the beverage sector. The beverage sector had been the site of considerable investments by big multinational companies as well as members of the newly created Mozambican economic elite, which became an important constituency of Frelimo after the first and second waves of privatisation during the 1980s and 1990s. The shift from import sugar to national sugar increased the price for refined sugar considerably, up to two or three times after the surcharge was implemented. Some beverage industry actors speculated in dumping price setting (for example Coca-Cola), and protected the need for importation by requiring a certain refinement level for the sugar used in soft drink production, which was not available at that time in Mozambique, or if it was available it was produced up-country in Sofala making its use around the downstream companies in Maputo excessively costly. In the end, a compromise was struck where upstream industries bought sugar from the sugar industry at a favourable price that was considerably lower than the reference price used for defining the surcharge, and white sugar was provided for the now considerable local beverage industry, including fruit juice, beer and soft drinks after a 'tollgate refining' where brown sugar was exchanged for white sugar from South Africa and the price difference was paid by the Mozambican sugar industry (see CEPAGRI 2009; Interviews DNA 2009, 2010).

Lastly, the steep price increase mentioned above was also passed direct to urban consumers and, over time as the industry managed to set up and expand its national marketing and distributional network, to the rest of the country. This happened during Chissano's last elected period from 1999 up to the local elections in 2003 and national elections in 2004. While the surcharge measurement underwent adjustments after the first period of implementation and was downsized in 2003 for raw sugar and 2004 for refined sugar (LMC 2004:5), this was "relatively fair", according to FDI industry actors, as it did not undermine industry needs for paying back loans and generating funds for new investments (Interview Executive Director sugar estate 2008).

The Chissano-run dominant Frelimo ruling coalition carried through the sugar policy despite being close to losing the 1999 general elections and its unpopularity among Frelimo key urban voters. This was possible probably only because changing the distributional rules did not benefit any particular individuals or groups in the ruling coalition. There are no indications that any from the top leadership benefited directly or indirectly from rehabilitating the sugar sector. Instead, supporting the sugar sector allowed the state and government to fashion new links to rural electoral constituencies in areas where it had struggled to assert itself before. It also allowed the government to raise its credit rating, because the foreign companies running the sugar estates paid back their state-guaranteed loans.

2.5 Organizing the industry

The original sugar rehabilitation strategy anticipated the need for institutional organisation. It aimed to ensure that "the different sector interests – government (economy), industrialists (producers and users) and agriculturalists (cane producers) coordinated their industry interests and managed conflicts emerging from different interests" (INA 1996: 14). But there was no institutional organisation of the industry when the rehabilitation of the sugar industry was initiated besides the National Sugar Institute, which during the one-party years after 1977 catered for the needs of the both the state and the industry. Organizations were established when the need for organised encounters emerged, and when they were no longer needed they tended to disappear. The institutional organisation of the industry is by implication intimately related to the creation and protection of an internal market. In the concrete programme for the creation of the internal market it was suggested that each company could market and sell sugar individually within a "domestic quota system", as the sector became liberalised and when production levels allowed for it. For exporting, it proposed defining one single export agency for national sugar in order to reduce transaction costs, which could be a sugar-producing association or a commercial company contracted by the association after a public tender. Along the same lines it was further suggested that "a division of revenues provided by the preferential quotas, between the sugar companies in relation to annual production" should be implemented that also included "non-preferential export by each sugar company" so they got "remuneration proportional to exports channelled through the export agency" (INA 1996: 77).

The first organisation to emerge was the *Associaçao dos Produtores de Açúcar de Mozambique*, the national sugar-producing organisation also known as APAMO. It emerged after

1998 first taking care of the sugar producers' interests during the first phase of the rehabilitation process, but it has the potential to become the organisational centre for future investments in cane-based bio-fuel as well. APAMO is the organisational centre for the tripartite minimum salary negotiations and the organization that acts as a mediator between the state and industry when necessary. The second important institutional access point for state-industry relations was the emergence of the industry-owned National Sugar Distributor (DNA), which was created for marketing all sugar internally as well as externally, which hugely cut down transactions costs[11].

The Frelimo government pressured sugar producers to organise themselves in branch organisations, or what we positively could call 'rent sharing organisations', as key government officials were tired of having to attend to each investors particular concerns and needs, many of which had consequences for other actors. The enforcement was done through cutting communication until an organisation was created with the mandate to speak on behalf of the industry regarding sugar marketing and distribution. Intra-industry collective action crystallised around the sharing of rents that the rehabilitation of the industry and creation of the protected internal market created: a) domestic rents generated by the protected market pricing policy (both revenues and taxes); b) international rents generated from first preferential export quotas to US and later on export access to the European and other markets as they became available; and c) rents created by preferential treatment of upstream industries, primarily in the beverage sector. Here a special pact evolved with a sharing deal between producers and the state that by and large eliminated, or at least limited, the shares/rents usually claimed by, for example, domestic traders and/or the international free market industries characterised by dumping prices and industries speculating in such dumping prices. The sugar industry managed to develop mechanisms of coordinating marketing strategies that allowed the different companies to take advantage of international "preferential quotas and avoid having to dump sugar into world markets" (Castel-Branco 2002: 179).

In reality the union for sugar workers, SINTIA, became reorganised and strengthened (making it after a few years the largest affiliate under the national federation) right from the outset of the rehabilitation process as part of trying to manage labour conflicts and disputes during the privatization phase. SINTIA became an important union, as the president also became president for the national federation. Another organisations that emerged in order to take care of collective action problems was an upstream organisation for industries depending on sugar – the Organisation for Sugar Using Industries – comprising both multinational and national beverage producers. The organisation was active particularly during the creation and enforcement of the internal market, where the organisation participated in the Task Force and in negotiations around the surcharge, but as demands were catered for it vanished. The same happened to a consumer organisation, which was also created during the implementation of the surcharge when

11 The industry tried at first to run the National Sugar Distributor (DNA) with each of the four companies nominating a person. But later on a public tender gave the managing contract to an internationally recognised company with a solid managerial track record, capacity to mediate between different business interests and the state, as well as international networks spanning Europe, Asia, Latin America and USA, bringing substantial organisational, marketing, and business knowledge to the sector. Much suggests that the role of DNA will change as the ownership structure of the four rehabilitated estates and sugar plants change and they become part of even larger corporations with their own corporate strategies for marketing, access to markets, distribution networks and so forth.

prices for ordinary urban residents rose sharply. It also seems to have disappeared from the picture since, as the price setting stabilised.

Through the organisational engagement, institutions are created which have a certain durability. As a director for a sugar company phrased it "Systems are resilient. They don't depend on one person or the order of a minister" (Interview 2008 Maragra). But importantly, the organisational features of the industry evolve as needs, demands, and policy requirements produce new situations. As such it forms part of creating predictability, as the combined effects allow the government and subsequent governments to commit scarce resources to the development of the sector, despite resistance from other sectors of society and donor groups like the World Bank and IMF. Organising the industry also means that institutional assurance can be given in contrast to personalised assurance to shore up commitment by different political groups even within the same ruling coalition.

2.6 Conclusion

Is sugar unique due to the particular characteristics of the global economy and consolidation and vertical integration of multinational sugar companies? Is the sugar industry unique in Mozambique in the sense that the four factors discussed above do not exist in any other productive sector? The sugar sector in Mozambique is generally considered by commodity and value chain analysis an exceptional case, due to the fact that it is a vertical integrated sector involving regionally and internationally powerful sugar companies with considerable holding power (management and technological capacity, access to finance etc.). However, when the rehabilitation began between 1994 and 1996, the situation in Mozambique was risky and not conducive to foreign sugar investment. The infrastructure was in ruins and all services monopolised, making transport costs three times higher than elsewhere in the region. The industry was confronted with severe human resource gaps caused by war, neglect and policy failures. Even though at least two of the three initial investment groups from South Africa came from solid companies, they still needed the state bureaucracy and the government on their side for accessing cheap loans through state guarantees (Buur et al. 2011).

We will suggest that the four factors identified above can explain the varying degrees of success in other formerly strategic sectors that the Frelimo government attempted to rehabilitate, including cotton, cashew and fisheries. They also created either job opportunities for former state and party employees or income through cash crop participation (for example cashew, cotton and tobacco) and supported the extension of social services like health, education, and electricity, in addition to technical extension and rebuilding infrastructure and communication networks. It was through the productive sectors, usually based on foreign investments though in some cases (like cashew and cotton) with national participation, that the Frelimo government tried to assert its control and increase political support. By doing this through foreign direct investment or concessions, the Frelimo government could largely control accumulation streams in opposition areas, ensuring that independent accumulation would not support the opposition party Renamo. None of the investments in former strategic sectors, including sugar, created any structural changes to the economy, but they did allow the ruling coalition to reproduce itself as the legitimate government.

The cashew industry illustrates how the four factors are important and play out differently. The Frelimo government's initially ambivalent relationship to the cashew sector should be seen in the context of Frelimo's control over accumulation. After the sector was privatised, it was pressured by the World Bank to liberalise its export market for raw nuts, undermining the vast and quite uncontrolled industry in key opposition strongholds. On the one hand this was problematic as it led to the retrenchment of urban workers, but on the other hand it allowed the Frelimo government to over time to get relative control over accumulation patterns while securing access for some members of the ruling coalition to enter the lucrative export regime.

Before privatisation and liberalisation during the 1970s and 1980s, the cashew industry benefited from export restriction of raw nuts in order to protect and secure sufficient volumes of raw nuts for the industry. By the end of the civil war the cashew sector was debilitated and clearly needed state assistance and protection. Export tariffs were considerably lowered, making it more profitable to export raw cashew to India, and some new exporters affiliated to the Frelimo party were licensed in addition to the Asian family-based trade-houses, making huge profits in this realm (see Pitcher 2002). The local industry nonetheless totally collapsed, but as many exporters also had stakes in the industry, the losers were largely industrial workers and a few people who had bought themselves into the sector during the privatisation process but then had been trapped by the changing export regime.

When attempts, by national industry players and the USAid-funded American NGO TechnoServe, were made after the new millennium to restructure the industry and bring in new technology and management skills, there was a need to renegotiate the export tariffs with the mainly Asian family-based trade houses and the new members of the ruling coalition that got export licenses. Such negotiations involved, among others, then President Chissano, who personally met with the biggest Asian trader in the sector and persuaded him to accept changes over time, and a new cashew industry is now slowly but steadily emerging. The owners of the emerging industry include some of the Asian-based trader-families also involved in the export of cashew, as well as newcomers and people affiliated to the Frelimo party who during the privatisation phase bought themselves into the industry . With new affordable technology and access to assistance and raw cashew nuts former unused industrial plants have become resurrected, sometimes in joint ventures with investors, in other cases based on own access to finance.

It is with regard to these changing rules that the biggest difference between sugar and cashew emerges. Both sectors were singled out as long-term strategic sectors, but cashew received concrete political support much later than sugar. While changing the rules of the game was necessary for both sectors, for cashew it required a redistribution of resources between groups forming part of the ruling elite coalition, whereas there were no individuals or groups in the ruling coalition that benefited directly or indirectly from rehabilitating the sugar sector.

An important characteristic of all sectors that have had some recent success in Mozambique is that many of the state and sector leaders have worked in different constellations within the sector in positions within the private sector and within the state since the 1970s. There is therefore a group of people with experience and knowledge about both the industry and the bureaucracy, as well as good political networks to liaise between business and political interests. The organisational model for cashew differed nonetheless from the sugar model. The US-based NGO TechnoServe, which to some extent drove the process of technological upgrade of the cashew sector, contracted key sector personnel, hiring the person in charge of producing the sector plan in the National Cashew Institute. This person had long-term experience during both the post-independent period and after liberalisation and privatisation. Despite the existence of a formally independent National Cashew Institute, it was considered necessary to push for changes in the sector (including how raw cashew was distributed between exporters and industry groups) by a person liberated from the shackles of being a state employee. This was considered necessary because being within a state institution governed by the ruling Frelimo coalition while at the same time having to negotiate changes to the rules of the game with top members of the ruling coalition was not considered viable due to political pressure.

3. GHANA COMPARISON[12]

3.1 Characteristics of the ruling coalitions in Ghana

Compared to Mozambique, Ghana has a very different distribution of power within society and thus different characteristics of the ruling coalition and its stability. In the contemporary period (1980s to the present), and during the same period when the Chissano-led Frelimo ruling coalition was in power in Mozambique, Ghana had three different ruling coalitions: the Provisional National Defence Council (PNDC) under the leadership of J.J. Rawlings; after the introduction of multiparty elections, the National Democratic Congress (NDC) government under the Presidency of Rawlings; and the New Patriotic Party (NPP) government under the Presidency of J.A. Kufuor. By the beginning of 2009, it had yet another ruling coalition: the J.A .Mills-led NDC government. The Ghanaian political landscape became characterized by two strong political factions organized around the NDC and NPP political parties. Thus, there has been little stability of the ruling elite in power, even across the PNDC and NDC periods.[13] Ghana also does not have the same stability in particular state-owned or 'intervened-in' industrial sectors (created since the 1960s), largely because parastatal managers were replaced with each change of regime – and there were many! But it must be recognized that Ghana and Mozambique had different economic legacies from colonialism, with the Portuguese leaving a historical experience with manufacturing (including agro-processing) that the British in Ghana did not.

Ghana's bipolar political coalition formation is the result of path dependence in elite

12 This section is based on empirical research carried out in during the period 2009 through July 2010. The research focused on the palm oil and horticulture export industries, recent and past government initiatives targeting these two industries, and Ghanaian national politics in general. The data is derived from extensive interviews with industry actors, politicians, bureaucrats and donor agency staff relevant for these two industries. The material on the cocoa export industry is based on government and consultancy documents as well as academic working papers, but has also benefited from discussions with Abdul-Gafaru Abdulai (whose ongoing doctoral research includes the cocoa export sector). For more information on the horticulture export industry, see Whitfield (2010b; forthcoming 2012) as well as a forthcoming DIIS working paper by Whitfield on the politics of policymaking regarding the industry. On the palm oil industry, see the forthcoming DIIS working paper by Fold and Whitfield comparing the Malaysia and Ghana oil palm industry. On the general politics, see the forthcoming DIIS working paper by Whitfield on the characteristics of ruling coalitions in contemporary Ghana and the general economic implications. These forthcoming DIIS working papers include documentation of empirical sources and grey literature as well as more background information with references to the limited published material on these topics.

13 There was great instability in the composition of the PNDC elite, and most of the key political elite who spearheaded economic reforms under the PNDC did not remain in the NDC by the late 1990s. The PNDC did include many technocrats who had been in government under earlier regimes and brought that experience to bear on the general economic restructuring under structural adjustment programmes, but their experience centred on macroeconomic reforms and largely account for Ghana's success in that area in the 1980s.

formation and the mythologies surrounding two political traditions on which the two political parties are based. However, the ruling elite within these two coalitions are not very cohesive. There are strong forces driving elites to be aligned with one party or the other, but no strong centripetal forces within the parties. Fragmentation within the higher levels of the ruling coalition results in weak internal discipline among the ruling elite and little control over elite accumulation strategies or rent seeking, as long as some of it goes to the party coffers.

The lower level factions of the ruling coalition (whether NDC or NPP) are strong. Party delegates are in charge of selecting parliamentary and presidential candidates, and it is not uncommon for incumbent ministers to loose their party primary. The constituency-level party activists, referred to as party 'foot soldiers', are critical to delivering votes at election time, and thus also wield influence within the ruling coalition and pressure on the ruling elites for redistributive policies which benefit them. These features of the internal structure of ruling coalitions shape the ruling elites' policy decisions and constrain their ability to enforce discipline within their coalitions.

Another key constituency of the ruling coalition (whether NDC or NPP) are businessmen aligned to the political parties. Much of the domestically-owned business sector in Ghana is aligned with the NDC or NPP and expect to benefit when their party is in power. This alignment is the result of historical legacies (NPP is the party of the merchant class) as well as trends in the contemporary period where much of the domestic formal private sector consists of businesses that depend on state contracts or access to state-provided resources (such as low-interest loans). As a result, business-state relations in contemporary Ghana have been unstable. They changed depending on which party controlled the state. Increasing vulnerability of ruling coalitions to losing power at the next election resulted in two tendencies. First, the ruling elite focused on extracting as many rents through political office as possible. Sometimes this involved creating their own businesses to take advantage of opportunities created by state regulation or intervention, but often in areas that were not directly productive. Second, businesses attached to the ruling coalition have short time horizons, with entrepreneurs focused on sectors with quick, certain returns to investment (again, often not in productive sectors).

In addition to the structure of the ruling coalitions, the competitiveness of elections in Ghana has a significant impact on the actions of ruling elites. In Ghana under the Fourth Republic, the NDC and NPP became increasingly competitive after several electoral cycles. This situation led to a strengthening of the lower level factions, but also to the increasing importance of 'floating voters', who are not party loyalists and may change their vote with each election. Loyal voters of each party are not enough to win elections, so political parties must capture swing votes. Electoral contests are about winning swing voters, and so the ruling elite pursue 'election-driven' initiatives which are defined by the characteristics they have in common: the initiatives cover a large geographic area; produce immediate, visible results; and are implemented in ways where the government can claim credit directly.

In sum, the structure of the NDC and NPP political coalitions are similar, and thus they illustrate similar tendencies in office. Key constituencies of the ruling coalitions are higher level factions of the political elite, lower level party executives and activists, and aligned businesses, but the ruling elite are also influenced by wooing swing voters in the electorate. The four year term in office means that there is not much time to recoup political investments and reward loyal party members, and coalitions are vulnerable to losing the next election.

Access to state resources is crucial to holding both the NDC and NPP political coalitions together. There are no large sources of finance outside of the state that political factions can easily tap into, such as finding big capitalists as clients. One might wonder then why the very competitive elections in Ghana do not spin out of control into violence. This is because the Electoral Commission in Ghana is independent and strong, the political elite have agreed to share power in this way, and the constituencies of the ruling coalitions cut across ethnic cleavages (Whitfield 2009). Ghanaian history has left an impression among the political elite that other means of rotating the elite factions in power (i.e. through military coup) leads to economic decline. Having said that, the very close electoral contests in Ghana lead to legal and illegal political accumulation by the ruling elite to fund election campaigns as well as to public spending aimed at loyal and swing voters. In turn, these processes create macroeconomic instability and thus serious, negative effects on the economic transformation process. For example, Ghana's economic crisis at the end of 2008 was not caused by global financial markets, but was largely of its own creation (see Whitfield 2010a).

The government's budget is dependent on foreign aid direct transfers (money that goes through the state), but the ruling elite are also dependent on foreign aid administered outside the state in order to provide social services and goods. The state used to be heavily dependent on export taxes from the cocoa sector, but this dependence declined in the 2000s as VAT tax became more important. Another important source of tax revenue is customs tax, especially since Ghana serves as a gateway for many countries around it. Thus, it is not surprising that the state agencies responsible for governing sectors important for financing the state, such as the Cocoa Board, the Internal Revenue Service and Customs Service, and the Ports and Harbours Authority, are very effective state agencies. It is also not surprising that the ruling elite sign off on many donor-funded projects just for the resources without caring too much about the content of the project or about supporting the state bureaucrats who negotiate with donors over the content.

The remainder of this section presents a brief, stylized summary of three productive sectors in Ghana that are characterized by different levels of support from the ruling elite, which corresponds with differing levels of success in either developing new industries or expanding and upgrading old ones. These sectors are cocoa export, oil palm and horticulture export. In each sector, we briefly explain the reason for political support (or neglect) and the degree of success of state actions targeting the sector, by looking at the four factors identified in the successful Mozambican sugar case.

3.2 Cocoa export: this is Ghana's 'sugar'

Cocoa export in Ghana strongly resembles the sugar case in Mozambique on all of the four factors, which, we argue, explains its relative success in Ghana. Of crucial importance is the sustained support that the cocoa sector has received since the 1980s – support sustained across all three ruling coalitions. When the PNDC government had to revive the economy in the early 1980s, the ruling elite chose cocoa as the centre of its economic recovery strategy because of the cocoa sector's history as the pillar of the colonial and post-colonial economy. Cocoa dominated exports (over 50 percent of export revenue), was the main foreign exchange earner, was a key source of state finance because a significant portion of cocoa revenue stayed with the state through export taxes, and was a key source of income in rural areas in the southern part of the country. Over time other sources of government revenue increased (and cocoa taxes decreased), but cocoa continued to be a key source of income in the rural south (produced in almost all southern regions) and a key driver of poverty reduction over the 1990s and 2000s (see Whitfield 2010a). Thus, all ruling coalitions have used it to generate political support, and would not risk doing anything seen to undermine this 'holy cow'. In this sense, cocoa was to Ghana's ruling coalitions what sugar was to Frelimo.

The different ruling coalitions' political support for cocoa is evident in the ability of ruling elites to negotiate hard with the World Bank and IMF on cocoa sector reforms over the course of the 1980s, 1990s and 2000s, and to largely succeed in getting their way: to only partially liberalize internal and external marketing and partially privatize the state buying company. Ghana is the only cocoa-producing country in the world that has maintained a heavy state presence in the cocoa sector, while all other West African countries completely dismantled their cocoa marketing boards under Bank and Fund pressure. There is a consensus across the NDC and NPP that full liberalization is not desired. Through the Cocoa Board, the Ghanaian state plays an important role in assuring bean quality, which secures Ghanaian beans a premium on the international market. International buying companies supported the governments and the Cocoa Board in fighting off Bank and Fund pressure for full liberalization of the sector.

Cocoa is the main (successful) example of the Ghanaian government developing a productive sector as a means to increase political support. In terms of exports, it is the only success. Cocoa constitutes at least one third of exports. Gold exports constitute another third, but have marginal benefits for the population and in the building of technological capabilities, because mining capabilities have limited spillovers to other sectors. There is no other large export sector, nor is there another productive sector that affects incomes significantly.[14] Horticulture and palm oil were the largest non-traditional exports in 2007, but together they only accounted for about 4 percent of total non-traditional exports.

On the second factor of an embedded and mediating bureaucracy, the cocoa sector scores quite high. The sector has its own state agency, the Cocoa Board, which is under the authority of the Ministry of Finance and not the Ministry of Agriculture (indicating its importance).[15] The Cocoa Board has generally been empowered by the ruling elite to play a key role in negotiations over cocoa sector reforms and in running the sector. Cocoa Board technocrats have a lot of experience and expertise, even though they may have presided over running down the cocoa sector in early decades (as was also the case in sugar in Mozambique). Reforms of the Cocoa Board across the 1980s and 1990s acted to strengthen the organization, making it more efficient and more capable. The Cocoa Board is no longer dependent on government resources for buying cocoa, but rather raises finance through international syndicated loans. However, the government allocates money from the national budget to the Cocoa Board for other programmes administrated by the Board such as increasing productivity and providing social benefits. Cocoa Board bureaucrats have institutionalized interactions with cocoa farmers and the licensed buying agents, especially through the Producer Price Review Committee that sets the producer price for cocoa. There are

14 In 2007, there were an estimated 720,000 cocoa farmers with an average productive cocoa area per household of about 5 acres (or 2 hectares).

15 The Cocoa Board consists of several arms: Quality Control Division, Cocoa Marketing Company (under which is the Produce Buying Company), Cocoa Services Division, Cocoa Research Institute, and Cocoa Processing Company..

weaknesses in the Cocoa Board's performance, though, especially in increasing the productivity of smallholders, partly because the specific cocoa extension service was hived off to the Ministry of Agriculture (as part of a concession to the World Bank in negotiations) and functions poorly.

Regarding the third factor, the Cocoa Board is in charge of negotiating access to export markets. Its *de facto* monopoly on export marketing means that it can enforce quality standards as well as export large volumes and thus have significant leverage with international buyers. The Cocoa Board controls the rules of the game, which are in favour of cocoa bean exports. It is not a case of an import-substitution good, so importers are not relevant. A few cocoa-processing factories emerged in the 2000s, but the Cocoa Board allows only a limited amount of beans to be processed, so the rules of the game are in favour of exporting beans and rather than in moving up the value chain. However, the extent of opportunities in domestic processing in the cocoa value chain has been questioned (Fold 2002).

Regarding the fourth factor, the cocoa industry is very organized. The heavy presence of the state in organizing the sector was necessary due the fact that production was (and still is) dominated by a very large number of smallholders. The Cocoa Board organizes quality check and assurance to international buyers, export marketing, support to farmers in increasing productivity, and secures finance for the sector. The Board used to organize collection and internal marketing until that was liberalized in early 1990s, and the state buying agent remained the dominant internal buyer until very recently, but was partially privatized through listing on the Ghana stock exchange in 2000.

However, a key difference between sugar in Mozambique and cocoa in Ghana concerns the economic implications of the two sectors. Sugar is a processed good, and as with the manufacturing sector, it has more positive effects on the economy: It involves developing domestic manufacturing capabilities (managerial, technical, artisan) that can spill over to other sectors, more linkages with the economy (upstream and downstream), creates more jobs, and higher multiplier effect within communities. The sugar estates also provide social services. The cocoa sector has less economic effects. Cocoa production is still characterized by low-technology cultivation, very small farms and a high use of family labour. There is limited value-addition, and limited linkages between the cocoa sector and other sectors of the economy.

Another difference is that the sugar industry is largely driven by foreign investors and the state, whereas the cocoa industry is largely driven by smallholder farmers, licensed buying agents (for collecting and selling to the state, which include foreign and Ghanaian companies), and the state (in charge of export marketing and finance). But they share two common features: (1) the absence of a domestic capitalist class driving production, and (2) the ability of the ruling elite to monitor the accumulation process within the sector. The two are probably connected, and flag an important issue within the politics of building productive sectors in African countries.

3.3 Palm oil: a rather unsuccessful industrial policy initiative

The palm oil industry shares many structural similarities to sugar in Mozambique, but also important differences. Palm oil is a processed good with many possibilities in moving up the value chain and in linkages with other industries.[16] The Ghanaian palm oil industry consists of four oil palm estates with processing

16 The fruit of oil palm trees are processed into a crude palm oil by extracting oil from the nuts, which can then be refined into various types of oil products that can be used as an input into many types of edible and non-edible manufactured goods.

mills, which were previously either state-owned or were joint ventures between the state and foreign investors and which were privatized in the 1990s and early 2000s. However, unlike the Frelimo government, the ruling coalitions in Ghana did not have a strategy for the palm oil industry when they privatized the estates; rather the focus seems to have been on getting the most money out of privatization, and there was no significant government support to rehabilitate and expand the industry. The new foreign owners were expected to bring new investments and were left to do their thing.

One reason why the Ghanaian governments may not have wanted to support the newly privatized palm oil estates has to do with the structure of the industry, which is fragmented into two sub-sectors. The modern sector, which produces oil for industrial purposes, consists of the four large estates/mills that were privatized and a handful of medium and small mills owned by Ghanaians. The traditional sector, which produces oil for the domestic market (because crude palm oil is used in cooking), consists of a large number of informal processors, who use very basic technology or even do it manually, and many smallholder farmers. The smallholder farmers straddle both sectors, as the estates only produce about 50 percent of their raw supply and have to buy the rest from smallholders, including formal contracts with outgrowers. Ghanaian governments in the 1960s and 1970s that created the large estates ran into many problems with expropriating land and with smallholders who were to be outgrowers for the estates. In the contemporary period, smallholders see the foreign-owned estates as exploitative. Thus, the ruling elite would probably not want to be seen as supporting the foreign-owned estates, and as not supporting smallholders. The sugar industry in Mozambique does not have this formal/informal or industrial use/consumption divide; there was not a history of smallholder production of sugar and the sugar estates have only just started to implement smallholder outgrower schemes.

In short, the palm oil industry in Ghana was largely ignored under the PNDC and NDC, apart from improving the efficiency of the large state-owned estates in the lead up to privatization. This neglect of the industry was seemingly reversed when President Kufuor of the NPP government included oil palm production as one of his President's Special Initiatives (PSI) announced in 2001, which aimed to develop new pillars in the economy. The Oil Palm PSI aimed to support smallholders to increased oil palm production and link them with newly created mills, in which they would have ownership.

The Oil Palm PSI focused on the smallholder producers of oil palm fruit bunches, and did not take into account the needs of the existing estates/mills (foreign and Ghanaian-owned) or the linkages between the existing estates/mills and smallholders. These existing modern processors had no influence over the design of the initiative. Rather, the design was driven by two people. One of these people, a ruling elite who was the architect behind the PSIs, was close to President Kufuor and became in 2003 Minister of Trade and Industry and made a close bid for the NPP presidential nomination for the 2008 national elections. The other person was the politically-appointed bureaucrat in charge of implementing the Oil Palm PSI based in the new PSI Secretariat, who had a background in the Ghana palm oil industry. These two people converged on the desire not to work through and with the existing estates in order to expand the industry, but to create something new and separate and which was driven by the state. However, they diverged on the specific models. The bureaucrat wanted to learn from the Malaysian example of large-scale state investment in and management of plantations comprised of land worked by smallholders, while the ruling elite person wanted a more modest scheme with more private investment and management but still with the state as the leader.

Getting state resources to fund the Oil Palm PSI (for either model) was difficult because the PSIs in general did not have the united support of the NPP ruling elite, despite being closely connected with the President, and the President was unable to create that support. The PSIs came to be seen as the project of the individual ruling elite leading them, who was seen as President Kufuor's choice as his successor as early as in 2003. As a result, the PSIs became caught up in the power struggle among the NPP ruling elite over control of the party and selection of the next presidential candidate after Kufuor stepped down.[17] This internal party struggle translated into a struggle over financing for the PSIs in general, and the Oil Palm PSI in particular. Kufuor lacked control over the party and the ability to make different factions within the ruling elite tow his line; he spent a lot of time and resources rewarding and punishing the ruling elite by moving them in and out of positions. He also had a lot of other demands on a limited amount of resources, demands seen as equally pressing in maintaining the ruling coalition and winning elections, as well as averting short-term economic crises. In short, the PSIs were not adequately funded. Even the minimal budget allocations from the Ministry of Finance were often delayed or not forthcoming. Domestic banks invested some money. And the ruling elite person leading the initiative would not seek Parliamentary approval for the PSI Secretariat to take foreign loans, presumably afraid of his ability to garner the necessary political support.

Regarding factor two, there was no mediating and embedded bureaucracy. The PSI Secretariat, a new state agency, was created in order to implement the PSIs and placed under the Office of the President. However, the location of the PSIs was moved several times within the bureaucracy. The PSI Secretariat bureaucrats were competent and loyal to the NPP, but they suffered from the NPP internal power struggles, which denied it adequate resources to implement the initiative – even the more modest model envisioned by the individual ruling elite leading the PSIs. Yet, even when the financing from the government was not forthcoming, the PSI bureaucrats did not change their approach. Notably, at the same time, an existing large estate/mill was negotiating a project with the Ministry of Agriculture and a donor agency that combined donor financing and the technical and managerial skills of an existing estate to organize and support smallholder farmers in an outgrower scheme. Nor did the bureaucrats attempt to create an environment and use incentives to allow existing estates to expand, with or without smallholder schemes. Of course, the lack of change in the bureaucrats' approach could have been caused by the lack of support from the ruling elites. In late 2006, bureaucrats leading all the PSI initiatives were replaced, undermining continuity in implementation and revealing conflicts between the bureaucrats and ruling elites.

The PSIs were created just after the 2000 national elections which the NPP just barely won. Despite the real economic objectives behind the Oil Palm PSI, it quickly became politicized. The individual ruling elite wanted to claim credit for the benefits of the PSI, as part of his larger political ambitions. Other NPP politicians wanted to use the PSI to deliver something to their constituency, with their eye towards the next elections. And still other NPP

17 Note that this internal struggle for the 2008 national elections started before the 2004 national elections in which Kufuor was nominated unopposed as the party's presidential candidate. In Ghana, the President can only serve two terms.

politicians and party leaders wanted to take advantage of the economic opportunities that the PSI offered. These factors affected exactly how the initiative was implemented, but did not necessarily lead to negative economic outcomes. In fact, one of the most positive outcomes of the Oil Palm PSI is major investment in a new processing mill by Ghanaians within the higher level of the NPP ruling coalition. It is difficult to say that participation by NPP politicians and party leaders was the downfall of the initiative. Rather, it was the inability of the individual ruling elite leading the PSIs to secure financing (and thus to secure support across the NPP ruling elite), to shield the Oil Palm PSI from being used by other politicians to meet redistributive demands in their electoral constituencies, and to adequately support the entrepreneurs (NPP or not) who took up the economic opportunities.

On the industry's side, its association was weak and basically defunct. After privatization, with the exit of the state's role, the industry faced severe collective action problems. The only thing the association does is set the price of domestic palm oil. Palm oil is an import-substitution good, in the sense that it is produced largely for the domestic market. The domestic industry cannot meet the country's demand and thus palm oil has always been imported. The foreign investors who took over after privatization did not intend to export outside of the West African regional market, because the domestic and regional markets are large enough. Furthermore, there is no need to export when producers can get the same price domestically as they could on the export market, due to an agreement among palm oil producers and users in Ghana. Through their association, they agreed in the 1980s that users would only import palm oil (or a substitute oil) to meet their demand in excess of what domestic producers could supply. The price of domestic palm oil is set through a formula that was collectively agreed, and which adjusts the domestic price to be equal to the price of oil that is imported. This formula clearly benefits the producers, rather than the users, and was negotiated at a time when the producers were trying to get on their feet. Downstream producers of goods that use palm oil, especially soap manufacturers, complain about the flood of cheap imports, and of the need to reassess the price setting formula.

Thus, the palm oil industry is not organized. It is dichotomized into two sub-sectors which are largely parallel but with smallholder producers straddling the two sub-sectors. This structure makes it difficult to expand and improve the performance of the industrial subsector, especially in the context of difficulty for estates in accessing large tracks of land. Industry actors are not organized within, much less across, the two sub-sectors. The large estates are fragmented along corporate interests and have not taken a lead role in addressing coordination and collective action problems within the industry.

In sum, the Oil Palm PSI achieved something, but much less than what was envisioned. Funds were wasted on nursery operators who abandoned operations when the government money stopped flowing and on farmers that could not keep up the size of farms they had planted. However, the initiative led to a modest expansion in oil palm cultivated by 2009, an estimated 25,000 hectares. This figure seems more impressive given that at the start of the PSI in 2003 there were about 250,000 hectares of oil palm cultivated, which increased to 300,000 hectares by 2008, with at least half of the increase due to the PSI. It also expanded the use of higher-yielding oil palm seedlings among smallholder farmers.

3.4 Horticulture export: a neglected opportunity

Ghana began exporting pineapples to Europe in small quantities in the mid1980s and exports grew slowly. At that time, the Ivory Coast almost monopolized the supply of fresh pineapples to the European market. Ghana carved out a niche in the European market as a primary supplier of top quality pineapples shipped by air, and in the second half of the 1990s began shipping pineapples by sea. However, from 2005 Ghana's pineapple export industry went into crisis, as it failed to remain internationally competitive. Total exports decreased and the industry was restructured. Just before the crisis, pineapple production for export was split between approximately 12 large farms (300-700 ha), about 40 medium farms (20-150 ha) and possibly as many as 10,000 smallholders (0.2-10 ha). The crisis led to the exit of smallholders from export production and to the collapse of many medium and large producer-exporters. In 2009, total pineapple exports began to rebound, but production had become concentrated among a handful of very large farms.[18]

Pineapple export has been the largest of Ghana's horticulture exports, and to date, none of the other fresh whole horticulture products have really taken-off. Nor has the horticulture export sector received significant government support, which arguably could have helped to avert the crisis. The horticulture export sector has all the features that should make it matter to the ruling elite. It is a non-traditional export, grown in the rural areas, and predominantly controlled by Ghanaian entrepreneurs. Yet ruling elites across both ruling coalitions have shown little interest in the sector. Why has it been so neglected? The short answer is that it could be neglected. There was no state presence in the sector, horticulture exports were not a large foreign exchange earner or a major export product, and horticulture producers and exporters did not wield political influence as group of domestic capitalists or as members of the ruling coalition. There was little mutual interest between the horticulture entrepreneurs and the ruling elites. In fact, it seems that ruling elites across both parties are not interested in seeing domestic capitalists prosper who are not closely linked to their party, and thus where ruling elites can see the benefit to their political survival strategies.

There was a small initiative of the PNDC Minister for trade and industry, in collaboration with the Ghana Export Promotion Council, to support pineapple exports in the 1980s, but it was very significant for the industry which was in its infancy. However, it was the initiative of one individual and when he 'fell out' with Rawlings and left the ruling PNDC, there was not interest among other ruling elites in supporting the new horticulture producers and exporters. Initiatives to support horticulture exports in the 1990s and 2000s were donor-driven, particularly by the World Bank, and primarily targeted at smallholders and not at building the industry. Thus, the needs of the industry as a whole were not met, particularly in terms of the provision of public and industry-specific goods necessary to make the industry more competitive.

Regarding factor two, bureaucrats involved in the horticulture export sector have not been given political support. A small unit devoted to horticulture export within the Ministry of Agriculture has developed significant expertise and experience since the 1990s, but bureaucrats in this unit have largely been ignored, have lacked political leverage in negotiations with donors, and have not shared a vision of the industry with horticulture producer-ex-

18 For the detailed case study of pineapple exports, see Whitfield (2010b) and Whitfield (forthcoming 2012).

porters. Regarding the latter, the bureaucrats have focused on smallholder production, without considering the needs of the industry as a whole, although the crisis sparked a rethink and reorientation of many of these bureaucrats towards looking at the industry as a whole. On the other side, the industry associations are fragmented and weak. They have not been proactive in lobbying the government due to internal collective action problems. There is not much direct engagement between industry associations and the bureaucracy or between the associations and the ruling elite.

The horticulture export sector, and the pineapple export industry in particular, is not very organized, which has been one of the factors undermining its competitiveness (see Whitfield 2010b). After the crisis in 2005, the numbers of producers shrank, so it is more organized now, but still plagued by significant collective action problems. Marketing is done by individual companies, with significant negative effects on quality, price, cost of production and leverage in international markets, in contrast to the cocoa sector.

4. CONCLUSIONS

The discussion of Mozambique's and Ghana's experiences emphasized not only the extent to which the four factors (seen as crucial to explaining economic outcomes) existed, but also how and why they came about in a country-specific context. In concluding, we focus on these 'how and why' questions, abstracting from the country-specific context to make more general arguments about the political economy of development and thereby linking the paper to the argument by Whitfield and Therkildsen (2011) . We take each factor in turn and show how it links to features of the distribution of power in society and the characteristics of the ruling coalition.

We know that sustained political support from the ruling elite for an industry is important, but the question is why do ruling elites support an industry? The answer is that ruling elites must have a significant interest in doing so, which stems not from an economic rationale but a political one. Ruling elites are looking for ways to maintain their ruling coalitions and, in nominal democracies, to win elections. The kinds of strategies that they choose in fulfilling these political imperatives stem from the characteristics of their present ruling coalition and the broader political and economic context in which they function, as illustrated by the sugar case from Mozambique. Included in the characteristics of the ruling coalition is the financing to which the ruling elites have access in order to fund coalition maintenance and winning elections. There are two types of financing that ruling elites need. One type includes state revenues and foreign exchange, in order to fund their policies and strengthen the state. Cocoa export in Ghana is a case where the importance of the industry to financing the state was initially the compelling reason for supporting it. The second type of financing is the revenues that ruling elites can use to pay for the organization of the ruling coalition and to advance individual political ambitions, as illustrated by the trade houses which controlled the internal sugar trade in Mozambique.

In short, there must be a mutual interest or mutual dependence between ruling elites and the relevant industry actors in order for the two sides to cooperate in building productive sectors. The mutual interest gives industry actors the ability to influence policy decisions and implementation. When there is no mutual interest, there is unlikely to be sustained political support, as ruling elites' initial interest can evaporate, as the case of horticulture export in Ghana illustrates.

Second, also important is the extent to which the bureaucratic agencies implementing policies can be characterized as embedded and mediating. These aspects are the essence of bureaucratic capacity and are required to create what have been referred to as 'pockets of efficiency'. The competence of bureaucrats is not just about technical knowledge, but also involves relationships with ruling elites (which hinge on loyalty and trust) and with industry actors (which hinge on information flows, credible commitment, and to a certain extent a shared vision). Again, the question is how do they come about? Their existence depends on relations between ruling elites and state bureaucrats on the one hand, and relations within the ruling coalition on the other hand.

The sugar case illustrates this point well. Bureaucrats in the Sugar Institute were not only competent, they were also loyal to the Frelimo ruling elites due to mutual interests between the ruling elites and bureaucrats. They shared the common economic desire to rehabilitate the industry and the common political objective of supporting Frelimo, because their position and advancement were tied to Frelimo's political success. Relations among the Frelimo ruling elites also played a critical role in making it possible for the Chissano-led faction to push through its policies in the face of resistance from some members of the ruling elite to foreign direct investment and privatization as well as from ruling elites linked to the trade houses. The Frelimo ruling elite is characterized by greater cohesion as a result of the civil war and the existential threats it posed. The loss of control of much of the country, the extent of economic devastation, and the near loss of the 1994 and 1999 elections pushed the Frelimo ruling elite to act more concertedly and gave Chissano some leverage over other factions within the ruling elite, at least with regard of the sugar sector.

Third, changing the 'rules of the game' can be essential for building productive sectors, but it requires the active will and ability of the ruling elite to do so. Such changes in the existing distribution of benefits and allocation of state resources require that ruling elites be able to take decisions and enforce them despite the negative effects on the short-term interests of some groups in society. It is here that the characteristics of the ruling coalition matter. It matters whether the groups who stand to lose from shifting resources or existing benefits are within the ruling coalition or outside of it, as well as how much power they have and the sources of their power. In particular, the key sources of financing for the ruling coalition as well as the economic interests of ruling elites can affect the willingness and ability of ruling elites to change the rules of the game, as discussed for the cashew industry in Mozambique. Finally, the real and perceived political costs and benefits of changing the rules depend on the ruling elites' strategies for maintaining their coalitions and for winning elections, as indicated in the case of sugar.

Fourth and finally, strong organization within a productive sector is important for overcoming coordination and collective action problems which can undermine the economic performance of an industry. But there are two sets of processes going on, which (to make matters more complicated!) are interacting. On the one hand, the organization of an industry can affect the ability of industry actors to wield influence with the ruling elite. The independent characteristics of the organization of the industry and the capabilities of individual entrepreneurs shape the perceptions of ruling elites of the importance of the industry and of their interests in supporting it, as illustrated in the general neglect of horticulture export in Ghana. On the other hand, state actions can give reasons for industry actors to better organize themselves, and government policies can give industry actors a pole around which to organize and solve their coordination or collective action problems, as shown in the case of sugar in Mozambique compared to palm oil in Ghana.

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