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## **CTA, state, donors and entrepreneur-brokers in Mozambique**

A business environment reform?

Anésio Manhiça\*

Au cours des deux dernières décennies, les partenaires de l'aide multilatérale et bilatérale préconisent des réformes pour améliorer l'environnement des affaires dans les pays africains. Au Mozambique, depuis 1995, les bailleurs apportent leur soutien à des actions visant la promotion d'un groupe d'hommes et de femmes d'affaires nationaux supposé-es capables de créer des synergies pour le développement national. L'article s'appuie sur six mois de recherches ethnographiques auprès de la Confederação das Associações Económicas de Moçambique (Confédération des associations économiques du Mozambique, CTA), menées dans la ville de Maputo et la province de Sofala entre 2018 et 2019. Alors que le processus de réforme de l'environnement des affaires au Mozambique s'est largement concentré sur les dimensions juridiques et administratives, cet article suggère que la réforme a négligé la question de l'accès au crédit, principale préoccupation de la majorité des entrepreneurs mozambicain-es. De plus, dans le modèle actuel de Réformes de l'environnement des affaires promu par les bailleurs de l'aide internationale, la CTA apparaît comme une institution où les intérêts de l'élite dirigeante, des entrepreneurs et des bailleurs s'entremêlent, créant ainsi des opportunités pour les seules élites mozambicaines et le capital international et dont les retombées sur le reste de l'économie nationale sont faibles.

Multilateral and bilateral aid partners have been advocating for reforms to improve the business environment in African countries over the past two decades. In Mozambique since 1995, donors have supported activities focused on the promotion of a group of national businesspersons to create synergies for national development. The article draws on six months of ethnographic research at the Confederação das Associações Económicas de Moçambique (Confederation of Business Associations of Mozambique, CTA), conducted in Maputo city and Sofala province between 2018 and 2019. It suggests that whereas the Business Environment Reform (BER) process in Mozambique has largely focused on the legal and administrative dimensions, the reform has neglected the issue of access to credit, which is the chief concern of the majority of Mozambican businesspersons. Furthermore, in the current donor-sponsored BER model, the CTA emerges as an institution in which the interests of the ruling elite, businesspersons and donors intersect, and one that only creates opportunities for Mozambican large companies and international capital, with limited spillover into the rest of the economy.

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## Introduction

Shortly after the formation of the government following the first multiparty elections in Mozambique in 1994, the United States Agency for International Development (USAID), through its Support Program for Economic and Enterprise Development (SPEED), promoted and supported the creation and operationalization of the Confederação das Associações Económicas de Moçambique (Confederation of Business Associations of Mozambique, CTA). The new organization was conceived to be a pressure group of businesspersons with which the state would consult in the process of reforming the country's business environment (CTA, 2017).

This reflected a general trend all over Africa. Following the structural adjustment programmes of the 1980s and early 1990s, a number of African countries adopted legal and institutional reforms to improve their business environments. The reforms were promoted and funded by multilateral and bilateral agencies interested in the development of Africa's private sector and a reduction of these countries' economic dependence on the Global North (Pinaud, 2007; USAID, 2019). To this effect, business associations were set up to act as interlocutors with states in the Business Environment Reform (BER) processes, which comprise the reform of the policy, legal, institutional and regulatory conditions that govern business activities (DCED, 2008).

These business associations faced a number of challenges while they were being set up and put in place. Arguably, some have never been able to cut the umbilical cord that binds them to their donors (Tangri, 1998; Kraus, 2002; Macuane, 2012; Cortês, 2018; Badou and Bierschenk, this issue). This has resulted in a lack of organization, and has impeded their collective action, and consequently they have had only a limited influence on the reform processes in their respective countries (Moore and Hamalai, 1993; Pinaud, 2007; Taylor, 2007 and 2012). As a result (although with certain exceptions, such as in Nigeria), most states have been unable or unwilling to support the full implementation of economic reforms (Doner and Schneider, 2000).

Against this backdrop, this article is inspired by studies that analyse the impact of BER processes, and show that a part of the African business community develops on the basis of clientelist relations with the state, thereby benefiting from development aid projects (Amougou, Badou and Bierschenk, Cissokho, Vampo, this issue). In Mozambique, the result of this has been the emergence of a particular group of "entrepreneur-politicians" who can be linked to an elite that controls the state and has privately redistributed public resources through clientelist practices (Médard, 1990 and 1998; Fauré and Médard, 1995; Nguengang, 2015).

In this regard, Mozambique's CTA is important because it is an institution where state, businesspersons and donor interests intersect in the country's BER process. The "BER aims to reduce the costs and risks of business activity by improving poor government policies, laws and regulations, and by stimulating competition through new market entrants" (DCED, n.d.). In this article, I argue that BER has first of all promoted the growth of an economy centred around an exchange of influence among those who lead the CTA and

who are thus in a privileged position when it comes to participating in new businesses ventures. The majority of the country's businesspersons, in turn, develop their activities in a business environment that barely profits at all from the ongoing reforms and the newly created structures.

The following analysis is based on six months of ethnographic research conducted in the cities of Maputo and Beira and the districts of Caia, Dondo and Nhamatanda in Sofala province in the periods between June-September 2018 and June-September 2019. I participated in meetings organized by the CTA to discuss issues related to the business environment in Mozambique. I interviewed businesspersons, government officials, current and former CTA officials and officials of multilateral and bilateral organizations. In addition, I consulted audio-visual documents prepared by the CTA related to the BER process.

In the first section, I contextualize the BER by characterizing the business environment as it was before the implementation of the reforms. I then describe and analyse the profile of the businesspersons and show what the reforms have made possible, highlighting the difference between businesspersons who are part of the BER process and those who are not. In the third, I put the implications of the BER process and the public-private relationship for the agenda of development in Africa into perspective.

### **Improving the business environment**

In 1985 and 1986, the Mozambican state gave in to pressure from the Bretton Woods institutions and began the transition from a highly planned and managed state-regulated socialist economy to one in which the state assumes the role of the regulator of economic processes. To this end, the Programa de Restruturação Económica (Economic Restructuring Program) was implemented, which came to be viewed as a success and garnered praise at international donor meetings (Marchand, 1995). In the wake of these changes, more than 1,200 state-owned enterprises and state shares in other enterprises had been privatized by the mid-1990s, of which the smallest (about 80% of the total) were privatized rapidly and at low prices and were often offered to high-ranking civil servants, political and military leaders, veterans of the national liberation struggle, or activists of the so-called 16-Year War (1976-1992) (Marchand, 1995; Pitcher, 2002 and 2003; Castel-Branco, 2015 and 2016). It has been shown that most of the buyers paid no more than 20% of the real value of these companies, either because of reductions caused by the financial deficiencies they were facing or because of their links to the ruling party. The remaining 20% of companies, which included the largest and most promising ones, were privatized to the profit of foreign investors. In the first years after privatization, 45% of the total number of companies went bankrupt and the rest were traded for cash or shares in new firms (Castel-Branco, 2015 and 2016).

In this neoliberal transition process, the Frelimo-controlled state mobilized strategies to ensure an economic base for senior officials who combined political responsibilities with those of public administrators (Marchand, 1995; Hanlon, 2002a and 2004; Pitcher, 2002

and 2003; Nuvunga, 2014). To this end, the state helped them assume positions as chairs of boards of directors and directors of large companies, granting them non-reimbursable financing as well as land and production resources. These former senior state officials became valuable allies of foreign business groups in Mozambique, which these former state officials received high compensation (Marchand, 1995). These practices took place right under the eyes of the World Bank, the International Monetary Fund and Maputo-based donors who were concerned solely with the success of the neoliberal transition (Hanlon, 2002b and 2004).

Along with the wave of privatizations, the state maintained an active role in the economy, participating in about 150 international capital ventures that owned public companies in strategic areas such as telecommunications, transport, electricity distribution, water and hydrocarbons (Pitcher, 2002 and 2003; Nuvunga, 2014).

In 1999, after the second post-independence general elections, which revealed Frelimo's weaknesses, the ruling party intensified its power over the state to access economic assets for the party and its senior officials (Nuvunga, 2014). At the same time, donors won government leaders over to the idea that if they became economically powerful, they could better contribute to the country's development (Hanlon and Mosse, 2010). It is this logic that has informed the government's return to its developmentalist roots since 2002, with the state being used to promote the creation of business groups associated with or linked to the political elite or to foreign interest groups (Pitcher, 2005; Hanlon and Mosse, 2010; Chivangue, 2015; Amougou, this issue), and with the boundaries between state and private property becoming even more blurred.

The successful accumulation of wealth by senior civil servants with connections to the elite through family ties did not prevent the business class that emerged in the transition process from raising numerous complaints against the state: about the depreciation of the national currency, which "fell from 40.00 MZN to 1.00 US dollar in 1984 to 8,848 in May of 1995" (Marchand, 1995: 5); about the red tape based on socialist principles that hindered the opening and development of more businesses; about the absence of, and problems with accessing, financial capital; and about the lack of knowledge and experience of their management employees. At the same time, the state that emerged from the neoliberal transition became highly dependent on international aid, and thus became corrupt (Hanlon, 2002b; Hanlon and Mosse, 2010; Cortês, 2018). The donors aiming to promote Mozambique as a free market aid success story allowed corrupt practices to favour the political elite as long as free market-friendly policies were publicly praised (Hanlon, 2002b; Hanlon and Mosse, 2010). The World Bank pressured local banks to lend to members of the elite who owned newly-privatized companies, knowing that the loans would not be repaid. The Bank forced the privatization of the State Bank, despite warnings from Bank of Mozambique officials that the only potential buyers were corrupt. Some donors also allowed aid money to be given to these companies without any return (Hanlon, 2002b).

### **The CTA as a key actor in the BER**

The process of creating the CTA began in 1995, the year in which the first democratic transitional government was formed. The CTA is a national organization, and was initially composed of businesspersons who had emerged from the privatization of state-owned enterprises and whose aim was to achieve an improved business environment by advocating, lobbying and serving as a government consultation group in the BER process (CTA, 2017). The CTA was established as a confederation consisting of the leaders of twelve business associations in 1996. This had increased to 128 by 2019.

The creation of the CTA and its activities to promote reforms were funded by USAID through the Supporting the Policy Environment for Economic Development (SPEED) project, which was implemented in 1995 to improve the business environment through better trade and investment policies. The USAID's support for improving the business environment is carried out under the new approach to support developing countries promoted by the multilateral and bilateral donor members of the Organization for Economic Cooperation and Development (OECD). The aim of this support is to become engaged in the development of the private sector in developing countries through the BER process (Pinaud, 2007; DCED, 2008; USAID, 2019). The rationale of the OECD-supported process is to introduce foreign investment to African countries, develop the national private sector and ultimately reduce the dependence of African states on foreign aid donors (USAID, 2019).

In addition to USAID, which is the main funder of Mozambique's CTA and its reform activities, other donors and governments with a strong presence in Mozambique have lent their support. It was made public at the Conferência Anual do Sector Privado (Annual Private Sector Conference, CASP) in Maputo, during which, in the presence of donors, government and private sector representatives agreed on the reforms to be prioritized the following year (Austral Consultoria e Projectos and Bell, 1996).<sup>1</sup> Foreign influence is also visible in the financial support provided by the European Union or the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), shaping the drafting of one of the manuals which establishes the principles of the relationship between the Mozambican state and the CTA (CTA, 2016).

### **Approving reforms**

The state had an interest in controlling the CTA even though it had been created on the initiative of foreign donors and in ensuring that it had the necessary skills to negotiate with potential foreign investors. Owing to the country's history of a centrally-planned economy, however, it lacked these skills, both politically and economically, particularly when some of the potential investments were meant for areas that had been marginalized during the socialist-oriented economy.

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<sup>1</sup> Like elsewhere in Africa, these conferences give leaders of the business associations the opportunity to have privileged access to state representatives. See, for example, S. Cissokho (this issue).

In order for political control over potential new investments to be maintained, the CTA was eventually created in 1996 under the aegis of the Ministério da Indústria e Comércio (Ministry of Industry and Trade of Mozambique, MIC), which was also in charge of coordinating the first meetings between government and businesspersons. The CTA therefore has close links to the state. A semi-private company – Austral Consultoria e Projectos – was hired to handle the logistics of the meetings related to the creation of the CTA itself and those set up between the government and the business class thereafter. Austral Consultoria e Projecto had been created in 1986 under pressure from donors in order to attract international investment, as part of the neoliberal reforms. It was established with 50% public and 50% private capital.

The process leading to the elaboration of the reforms is carried out in a top-down hierarchy of territorial organizations in which senior leaders and representatives of the CTA hold regular meetings at a national, provincial and district level to identify the legal and institutional barriers that are undermining the development of potential business, define priority reforms and monitor their approval and implementation (CTA, 2016).

The public-private relationship is central to the existence of the CTA and to ensuring that its leaders have privileged ties to those in power. According to my research, one of the strategies employed has been to conceal the central role of donors in certain situations, including by omitting or hiding the name of the USAID in documents related to the reform process.

In more than twenty-five years of institutionalized meetings between the state and the CTA to improve the business environment, various laws, strategies and regulations have been passed in different economic sectors (CTA Sede, 2016). These include, for example, the assessment and approval of the *Estratégia de Melhoramento do Ambiente de Negócios 2008-2012* (Business Environment Improvement Strategy, EMAN), which was based on “four strategic objectives: legal reform, fiscal and financial environment, infrastructure and governance” (Conselho de Ministros, 2008). A joint study by the CTA and an association that was a member of the CTA at the time, the Association of Trade, Industry and Services (ACIS), indicated that the rate of implementation of the EMAN had reached 80% (CTA and ACIS, 2013). In 2013, the 15th CASP, the annual event that has been the highlight of the year since the creation of the CTA, was considered a success when the parties signed a memorandum of understanding to initiate another round of reforms, while the MIC minister said in his speech that they had already reached 80% of the agreed reforms targets for 2013 (CTA, 2013b; CTA and ACIS, 2013; Cissokho, this issue). Following the success of the first EMAN, a second one for the period from 2013 to 2017 (EMAN II) and the *Plano de Acção para a Melhoria do Ambiente de Negócios 2019-2021* (Action Plan for the Improvement of the Business Environment, PAMAN) were both approved (MIC, 2008, 2012 and 2018).

An assessment of these reforms to improve the business environment, which was carried out jointly by the CTA and ACIS, reveals that BER processes tend to be brandished in particular to impress on donors the fact that the meetings between the CTA and the state have had noticeable results (CTA and ACIS, 2013). However, analyses by the World

Bank and speeches by leaders of the CTA indicate that most of the business community still does not have access to information on the approved reforms. Moreover, many of the reforms have not been applied evenly across the country, and their implementation has been incomplete (World Bank, 2019; CTA, 2019).

The history and working model of the BER process therefore shows that donors play an important role in financing the CTA. I conclude that the state has maintained a high level of political influence over the CTA since its creation, which has facilitated a national dialogue with remarkable results, judging by the number of policies that have been adopted through this process. However, it is important to note that the state's political influence over the CTA has also led to a growing merger of the state's political interests and the government elite's economic interests.

### **The CTA as an association of entrepreneur-brokers**

Even though it may be true that the BER process has resulted in the formulation of important policies, the effect of these policies on enterprises and entrepreneurs must be empirically researched, and cannot simply be assumed. In this section, I show how the strategy to improve the business environment in Mozambique has produced two different types of entrepreneurs with opposing interests. This puts the possibility that the CTA might be able to represent the diversity of interests of the national business community in doubt. On the one hand, we see the emergence and consolidation of entrepreneur-brokers generally associated with the leadership of the CTA. These people capitalize on a privileged position that allows them to connect state, donors and foreign investors. On the other hand, the majority of businesspersons in the country feel marginalized and see limited benefits from the ongoing reforms (similar to the situation in Cameroon, see Amougou, this issue).

#### **The CTA's leadership**

In Mozambique, the most mediatized entrepreneurs are the *homens de contacto* (contact men) or "entrepreneur-brokers" (using the definition of brokers proposed by J. Boissevain, 1974). As a rule, the main business asset of entrepreneur-brokers is the influence they command. Their preferred areas of action are the hospitality industry, eateries, tourism, construction, transport and trade. Their business in these sectors is often highly dependent on the contacts with the political elite that give them privileged access to tenders, the supply of materials or tax exemptions. Alliances with the ruling party are therefore important in order to ensure access to the state in its capacity as one of the largest customers, as well as tax regulator. As a general rule, the alliance with Frelimo involves party membership. In exchange for business opportunities with the state, whether provided or facilitated, Frelimo receives funds from these businesspersons to pursue activities in their political interest.

The BER process in Mozambique has assisted an influential group of entrepreneur-brokers to become leaders of the CTA. Instead of lobbying for the interests of the business



community as a whole, these leaders lobby on behalf of their own personal business interests. This confluence of interests has been frequently described, especially with regard to the country's president and the ministers of the respective governments (Pitcher, 2005; Hanlon and Mosse, 2010; Cortês, 2018).

One way of compensating for the partisan support offered by entrepreneur-brokers to Frelimo has been through opportunities offered by public-private partnerships. The first wave of privatizations resulting from the transition to the neo-liberal economy was followed by a second wave of public-private partnerships during which entrepreneur-brokers became owners of share capital of companies in the communications and energy sectors. In some cases, they also became the CEOs of these companies.

This privileged position of CTA leaders with regard to access to business opportunities in public-private partnerships has even been criticized by members of the CTA itself, who feel that sectors of their leadership have only embraced reform in pursuit of individual business interests.

The entrepreneur-brokers are always searching for public-private partnerships and also for opportunities to benefit from the business mediation process itself by earning commissions from the organization and logistics of lobbying events. This is an addition to the established subsidy of between 500 and 1,000 US dollars a month they earn as representatives of the CTA. As a CTA board member put it:

The problem is that the people who are leading the CTA [...] have no economic basis as businesspersons. [...] Many of them represent the CTA in institutions where the structure actually requires representation by the private sector. [...] The CTA leaders are sent there, representing the CTA. [...] The Instituto Nacional de Segurança Social [National Institute of Social Security] is an example. [...] Who should pay a salary – because a businessperson gets a salary. If you look at that salary, it's 500 US dollars, it's 1,000 US dollars. [...] They [the CTA leaders] are able to sell their conscience to stay in the CTA. The person [the CTA leader] says this: look, if you vote for me, I'll let you stay there [CTA], even if his mandate has expired. (interview with member of the CTA board, Maputo city, 2 July 2019)<sup>2</sup>

At an international level, trips with the presidential entourage to explore potential business partnerships offer opportunities by which these entrepreneur-brokers, acting as "contact men", can become partners in international capital businesses, contributing their contacts and facilitating the process of formalizing business in Mozambique as its main form of investment.

The national media, which have been critical of the government's approach, also paints the CTA leadership as being made up of entrepreneur-brokers. Following the election as CTA leader of a businessperson who was a business partner of the president of the Republic at the time, a journalist observed that the single candidacy had a much clearer objective:

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<sup>2</sup> All translations from Portuguese are my own.

Selling the country's opportunities abroad, creating business opportunities not for the associates but for the interest group [those who lead the CTA with him] as it takes place, and in its public exposure to the world through trips with the president of the Republic as a contact man. He sold the country's opportunities abroad earning commissions, stakes in companies, he and his cronies travelled with the president of the Republic with a position. [...] With this position, he shone, being cited on all circuits as the president's confidence man [...]. (Pedro, 2017)

The businesspersons who lead the CTA mobilize different strategies in order to maintain their leadership positions in the organization, and continue to enjoy the benefits their position provides: public positions that do not oppose the state or the ruling party; the ability to define the rules of access to CTA leadership positions that are favourable to them; the opportunity to engage in internal clientelist practices; and the scope to formalize business associations in exchange for receiving votes for association positions. The businesspeople who lead the CTA and wish to continue to do so pay the membership fees of the most economically fragile associations and guarantee their logistical conditions so that they can participate at the CTA's Mesa da Assembleia Geral (General Assembly Board) and vote for them.

In the last three elections, the people who wanted to stay ahead [in the CTA] paid the small and medium-sized enterprises (SMEs) [and thus the associations] to give them votes. [...] They paid the [overdue] membership fees of these associations first. [...] These are associations on paper [only], but – in terms of votes – they have the same value. [...] People who want to be elected [to the CTA] [...] pay the fees that these small associations cannot pay, [and] they pay the presidents [of these associations] to come to the hotel in Maputo [to attend the CTA meeting] [...], air tickets and meals, for a vote. (interview with member of the CTA board, Maputo city, 9 July 2019)

Outgoing CTA presidents enter into informal agreements with their successors in order to remain at the helm of the CTA. On the basis of these agreements, these outgoing CTA presidents are appointed to the CTA's General Assembly Board. This gives them access to the Conselho Empresarial Nacional (National Business Council, CEN), an umbrella structure of the CTA that acts as an advisory and support body to the CTA management board. The CEN also includes:

Representatives of large companies and individuals from civil society who are recognized for their merit and interest in the problems of business associations and the development of the country. (CTA, 2014: 15 and 2017: 23)

The members of the CEN are representatives of companies with greater capacity to accumulate income and pay the membership fee of 30,000 MZN per month compared to 500 MZN for companies that are members of a CTA member association (CTA, 2013a). Within the CEN, the former CTA leaders continue to establish contacts with the government elite, donors and foreign investors. They also benefit from:

Participation in the definition of the national programme to improve the business environment; participation in a privileged forum for dialogue between the government and the private sector to discuss issues related to the economic development agenda; participation in the Task Force for Lobbying and Promotion of Economic Reforms; being consulted on key issues of the national economy affecting the business environment; privileged and preferential treatment in Mozambique's business missions abroad and vice-versa. (CTA, 2014: 15)

In addition, they have:

Privileged access to relevant national and international economic information [...]; free access to the services of the GAP; free access to training activities developed by the CTA and a place to put your brand in the CTA newsletter, on the website and at other events promoted by the CTA [...]; entitlement to the Business Club card, which gives privileged access to airport and travel agency waiting rooms and discounts on certain products and services agreed with selected airlines, restaurants and hotels. (CTA, 2013a)

### **An economy of influence**

In Africa, donors acting on the basis of representations by large companies of the Global North, with their economic and technical power, have dominated the BER process (Kraus, 2002). Donor dominance was mainly due to the fact that the BER was based on the country's economic associations' dependence on donor support (Tangri, 1998; Kraus, 2002; Cortês, 2018; Macuane, 2012; Cissokho, this issue). Legal and bureaucratic restrictions are the main challenges foreign companies face when engaging in business development in Africa. As a result, large foreign companies have been the major beneficiaries of the reforms that have been undertaken. In Mozambique, these companies have thus been able to ignore the intermediary role of economic associations because their interests are represented by donors or because they have direct access to the state.

The business associations in Africa involved in the reform process are led by businesspersons with political connections who have received support from international aid (Badou and Bierschenk, this issue). Mozambique's experience shows that these people are managed by donors to advocate for BER and present public actions that do not involve any strong opposition to the ruling party and the state. In this way, these people, whose assets are political clout rather than capital, benefit from the salaries they are paid by donors. In return for representing the private sector before the public authorities or from commissions from foreign investment projects which, due to their extractive nature, produce marginal effects for the development of the national economy (Macuane, 2012; Cortês, 2018; for a similar situation in Togo, see Vampo, this issue).

The BER process is proving to be unproductive for the development of sustainable small and medium African businesses, which form the majority in Mozambique. We have shown that businesspersons from SMEs are generally excluded from the BER processes, and are unable to access the business or investment opportunities through which they might accumulate financial capital and participate in long-term business (Rosário, 2015; see Amougou, this issue, for a similar analysis regarding Cameroon).

The entrepreneur-brokers the BER process has produced in Mozambique – the leaders of the CTA – do not have access to the large businesses that have an effect on the economy. They limit themselves to commissions, and are left out of the major transactions, which are generally oriented towards foreign companies. One example of this is the fact that national companies are unable to provide products and services to the large mining companies that are entering Mozambique as they are unable to meet the

quality and production levels these companies demand (Anacleto, 2019). These insider businesspersons are demanding a law on local content that would enable joint ventures between national and international companies in cases where national companies have a limited ability to offer services to large foreign projects.

The influence of entrepreneur-brokers does not extend very far when it comes to big business, where contacts are made directly between the state and investors. The exclusion of the president of the CTA from the list of speakers at an event on local business opportunities organized in August 2018 by the Anadarko Petroleum Corporation, a multinational oil and natural gas exploration company (Mosse, 2018)<sup>3</sup>, illustrates the marginal position the businesspersons who lead this confederation occupy in these circles. Among the main speakers at this event were the US ambassador to Mozambique and the president of the Republic of Mozambique.

### **Entrepreneurs in small and medium enterprises**

The large majority of businesspersons in Mozambique are owners of small and medium sized enterprises (SMEs) or companies that have recently formalized their activities based on a promise that this would ensure access to better business opportunities. They complain of a lack of access to credit to grow their businesses in scale. This group also lacks the contacts necessary to access major business opportunities with the state or potential international investors. They consider that the CTA's approach to developing the national business fabric is limited to "cutting red tape", mainly in the interests of foreign investors and not their own. As a former leader of the CTA notes, this development approach has marginalized SMEs and has benefited large companies and dominant economic sectors such as the extractive industry and the financial sector<sup>4</sup>:

The issue of administrative barriers [to the pursuit of profit] is of interest to everyone, although companies differ in respect to which barriers [they consider most harmful]. For example, for foreign companies, large size barriers are the only obstacles they feel, and once solved, everything is all right. [...] A small enterprise [by contrast] is certainly more interested in whether the problem of access to credit has a chance of being solved. (interview with the CTA president, *Jornal Notícias*, 1998)

In order to sidestep the problem of finance and access to credit faced by smaller entrepreneurs, the CTA has established partnerships with banks in order to participate in events where legal and institutional constraints are identified and analysed. However, the businesspersons are not able to access loans such as these because they cannot fulfil the

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<sup>3</sup> Anadarko Petroleum Corporation is one of the world's largest oil and natural gas exploration and production companies. Its main areas of operation are onshore in the United States and offshore in the deep waters of the Gulf of Mexico and off the coast of Algeria. Anadarko also has production and/or exploration operations in Brazil, China, Indonesia and West Africa. In Mozambique, Anadarko signed an exploration and production contract in 2006 for Area 1 of the offshore Rovuma Basin Block (see MIREM and INP, 2014).

<sup>4</sup> Similar experiences have been reported in European contexts (see for example Offerlé, 2013; Penissat and Rabier, 2015; Laurens, 2015).

requirements imposed by the banking institutions: they have no guarantees to offer; they are unwilling to offer their properties as collateral for fear of losing them; the interest rates are too high; and they do not have confidence in the stability and sustainability of the market on which they depend for repaying their loans. As one CTA official in the district of Sofala province explained:

Most people here in the districts follow the news. They always see people from the CTA [the leaders at national level] at major events, accepting funds, disseminating funding. But as the businesspersons here have never had proof that the CTA provides funds, no one here [in the district] has ever benefited from it. They think that the CTA is really for the big businesspersons. [...] The representatives of the CTA, when they are here [in the district centre], they stay in the offices. They only look at the activities, at the events [that take place in the centre of the district]. They don't go to the districts; they don't go to the localities. But many of these businesspersons see these things. (conversation with a CTA official, one of the districts of Sofala, 27 July 2019)

Overall, the CTA's leadership only grants a marginal place to the issue of access to finance for businesses. In 2018, the CTA set up a Gabinete de Apoio Empresarial (Business Support Office, GAP) to publicize information on financing possibilities for businesspersons, in addition to its existing responsibilities, which are mediating conflicts between the state and the private sector and providing training services in partnerships with training institutes. However, the GAP and its activities are unknown to most businesspersons I interviewed in the city of Beira and the districts of Caia, Nhamatanda and Dondo, including some of the CTA leaders at a local level.

The GAP is located in the basement of the CTA office building in Maputo. The office is difficult to access, as it requires permission from the secretary of the CTA and the fingerprint of a CTA employee to open the door. Businesspersons involved in BER processes at the CTA are able to contact the GAP directly if they need it. But other businesspersons are generally unable to contact the GAP, either because its staff prioritize training activities, which are carried out in partnerships, or because they are so overloaded with requests by businesspersons seeking funding that they avoid taking their calls. In fact, one of the CTA leaders at a district level drew on my research to formulate demands for access to credit to the CTA leaders at national level:

– District CTA leader: It is good for you to tell the CTA that women need money [...], people need money [...] they need money. Without money, how do you come to interview me? The problem of lack of money has now got worse. [...] We have to give a guarantee [for obtaining a loan], [so] what guarantee will you give? If you live in a rented house, what guarantee are you going to give? So there is no bank, no institution that can lend you money [...].

– AM: Thank you very much, I don't know if you have any more advice for me?

– CTA leader: No, money, money, money, bro [...]! Are you going to take this information to the president of the CTA? We need money, money, we don't want anything else. When you come here you should talk about money. The money comes [...]. You are recording? Go and make the president of the CTA listen to this audio. We want funding.

Beyond the question of access to finance, the BER does not make itself felt to these businesspersons in their activities because it has no influence on the market; it does not

guarantee that the businesspersons have a market for their products, and it also has no impact on their activities because it cannot guarantee a reduction of their tax burden:

The BER model worked for established businesspersons because one of the major problems is that there is a major financial crisis and formal businesspersons are overloaded with taxes. While in neighbouring countries they have only three types of taxes, we have twenty-four types of taxes [...] as long as they do not lower the taxes [...]. It is very simple: VAT is 17%, it is often not deductible. Then the industrial contribution is taxed at 32%, then you have economic activity taxed at 12%, then you have the [normal tax] rate of 2%. Everything is paid annually, except the 17% VAT. Then you have a fire rate of 1%. [...] Then you have the light rate, I don't know what rate. (interview with CTA member, Beira city, 8 August 2019)

We can conclude that the reform process for improving the business environment as promoted by donors is mainly of interest to those businesspersons who are aligned with politicians and lead the CTA, as they benefit economically from the process. These people hold no equity capital and are highly dependent on commissions from foreign investment projects that, due to their extractive nature, produce marginal effects for the development of the national economy. The BER process, however, is of little interest to the large majority of businesspersons, who continue to face the same challenge that existed at the outset of the reform process, namely access to finance, and their activities have not been affected by the reforms.

## Conclusion

In this article, I question what effects the BER process to remove legal and institutional barriers has had on national business and the profiles of the businesspersons that emerged from the process. My analysis focused on the interaction between the CTA, the Mozambican state, multilateral and bilateral donors in the process of approving legal and institutional reforms.

I have shown how since its creation, CTA has largely remained a donor-sponsored project that has mainly benefitted the personal interests of its leaders. In addition to lobbying for their personal business interests, the CTA's leaders seek to represent those of foreign companies, whose main priority in turn is to "cut the red tape" that stifles foreign investment. Meanwhile, the large majority of Mozambican SMEs operate in a business environment that is only slightly affected by the ongoing reforms.

The study shows that in order for the BER to be efficient, it needs to look at access to credit as one of the main challenges for most local businesspersons. This case also exposes the danger of maintaining dependence on donors and a relationship closely linked to the state, which often leading to clientelist relationships that produce a negligible spillover to the economy.

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