Scandinavian Aid for Whose Pockets?

A minor field study on Scandinavian donors’ collaboration with the private sector in Mozambique

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Abstract
This study explores the relation between Scandinavian donor private sector development and collaboration (PSD/PSC) policies and recipients of the support in Mozambique. It seeks to understand how such relations function in the complex local political and business environment. The study departs in theory regarding hybrid regimes and private sector development, and an analytical framework is designed as a model for relations based on theories on state-business relations and aid effectiveness. The material was gathered during a two-months field study where interviews were carried out with key actors of development cooperation such as embassy staff, fund managers and local entrepreneurs. The study finds that several PSC tools are shaped according to a western point of view and not always well adjusted to the local Mozambican context. It also finds that the design of the policies in many cases produces a high entrance barrier to Mozambican entrepreneurs, why most recipients are essentially foreign business people.

Key words: hybrid regimes, private sector development, Scandinavian donors, Mozambique

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Abbreviations and Acronyms

AECF – African Enterprise Challenge Fund
AGRA – Alliance for Green Revolution in Africa
B4D – Business for Development
CDC – Commonwealth Development Corporation, renamed CDC Group
CF – Challenge Fund
CSR – Corporate Social Responsibility
DAC – Development Assistance Committee
Danida – Danish International Development Agency
DCED – Donor Committee for Enterprise Development
Frelimo – Frente de Libertação de Moçambique
IAP – Innovation Against Poverty
IFC – International Finance Corporation
IMF – International Monetary Fund
M4P – Making Markets Work for the Poor
NGO – Non-Governmental Organization
Norad – Norwegian Agency for Development Cooperation
OECD – Organization for Economic Co-operation and Development
PPP – Public-Private Partnership
PSC – Private Sector Cooperation
PSD – Private Sector Development
RBM – Result-Based Management
SBR – State-Business Relation
Sida – Swedish International Development Cooperation Agency
SME – Small and Medium-sized Enterprise
UNDP – United Nations Development Programme
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1. Politics of Business, or Business of Politics?

The idea of the private sector as an independent and important engine for innovation, investment and growth inherently separated from the state permeates western-style thinking and policies. What happens when western shaped development cooperation policies face a reality of a private sector essentially controlled by the regime, in countries such as Mozambique?

“The party, the state and the private sector are very closely intertwined in this country. Frelimo is sitting on many chairs. Economical support from the private sector to political campaigns and such is substantial. Political favors in return are very common. The party is big, rather than the state.” Anonymous Scandinavian embassy official

The dilemma of how to combat poverty and assist developing countries on the road to prosperity in the most useful way has puzzled researchers and politicians for decades. Recently, the trend in western development thinking has been to put a focus on private sector development (PSD). Market forces and competition are believed to bring a more efficient, productive, and favorable economic atmosphere. This model has influenced many donor countries, which have adopted new programs aimed at PSD (Schulpen & Gibbon, 2002).

Private sector collaboration (PSC) initiatives demonstrate one of the newest strategies of Scandinavian development cooperation. The Swedish International Development Cooperation Agency (Sida) launched the ‘Business for Development’ (B4D) program in 2010, which focuses on the collaboration between the embassies/Sida and the private sectors in selected countries (Embassy of Sweden, 2015). Similarly, as part of ‘Business Development’, the Norwegian development cooperation supports capacity building and assists agri-businesses through local partnerships between private companies and development agencies (Embassy of Norway, 2015). Furthermore, the Danish International Development Agency (Danida) has worked with the involvement of Danish companies in development assistance through ‘Danida Business’ since 2000. Danish enterprises are seen as playing an important role as suppliers, partners and investors in developing countries (Embassy of Denmark, 2015). One of the selected countries for the Scandinavian PSC-programs is Mozambique.

Even though Mozambique is currently experiencing high levels of economic growth, it remains to be one of the least developed countries in the world with widespread poverty, inequality and corruption. Mozambican politics are characterized by ‘big man’ democracy (neopatrimonialism) (Bratton & van de Walle, 1997), where political authority rests on selective allocation of state resources to loyal individuals in exchange for political support (clientelism) (Bratton & van de Walle, 1997). Current political party in power, Frente de Libertação de Moçambique (Frelimo), has governed the country since independence from Portuguese rule in 1975 and been re-elected five consecutive times (Levitsky & Way, 2010;
England, 2014). There is a strong connection between the state, the regime and the private sector, and politics becomes a kind of business since political resources give access to economic resources (Braathen & Orre, 2001). Today, most parts of the private sector are essentially owned or controlled by the political elite.

This is an important subject of study, which has largely been overlooked in the literature and strategy documents, since it clearly affects the implementation and outcome of the Scandinavian development cooperation policies as well as the overall development of the country. The policies are framed according to a western perspective, in which the private sector works as an independent engine for innovation, investment and growth (for instance, see Sida, 2010; Embassy of Norway, 2015). The question is, how do these policies and large investments land in a political arena like the one of Mozambique? Will they be able to favor people to self-improve as originally intended? Also, what happens when private actors and interests influence official development cooperation and aid objectives? If the support ends up in the wrong hands it could potentially contribute to corruption, which is why it is important to know how it actually works in a context where the state and the private sector are closely intertwined.

1.1. Aim and Research Question

This study aims to create an understanding of the relation between the partners of the PSC-programs, framed by the local political context of Mozambique. In the bigger picture, the study aims to add to the general understanding of how the local private sector is affected by the political context, as well as how implementation of aid works in such a political setting. There is an inherent problem with viewing the Mozambican political arena and private sector as one similar to the western model. In Mozambique, there is no clear distinction between the state, the regime, and the private sector. Rather, in a culture where personal relations and loyalty are given priority over formal competence (cf. Braathen & Orre, 2001) the regime is in fact controlling most parts of society.

The central question which the study aims to examine is: How does the relation between the Scandinavian donor PSC/PSD policies and local business partners function, within the country-specific context of Mozambique?

On a theoretical level this study contributes to an understanding of the relation between development cooperation partners, as well as aid implementation and effectiveness in hybrid regimes. Mozambique is a case of states where formal democracy is applied, but the politics in fact are characterized by neopatrimonial and clientelist practices (these concepts are explained in the theory discussion). On an empirical level this study contributes to an understanding of the actual interaction and implementation of the PSC-programs and its partners. It also adds to the general knowledge of Mozambique and its political context.
2. Previous Research and Theoretical Departures

In order to provide a theoretical discourse to the study, the following section highlights a selection of relevant concepts and debates on the topic.

2.1. Background

Based on previous research on the subject, this section serves as a theoretical description of the political context and arena encountered in Mozambique. It also introduces recent development cooperation trends. Key features of hybrid regimes, neopatrimonialism, clientelism, and private sector development are discussed.

2.1.1. Democracy Goes Hybrid

The notion of hybrid regimes stems from the democratization literature to classify the democratic grey zones and hybrids originating in transition processes that did not bring democratization (cf. Huntington, 1991). Instead, they resulted in the proliferation of regimes combining democratic rules with authoritarian governance that seem to dominate much of the non-western world (Levitsky & Way, 2002; Bogaards, 2009), and Mozambique represents a suitable example. In such regimes, violations of the minimum criteria for democracy can be so serious that they create an ‘uneven playing field’ between government and opposition (Diamond, 2002; Levitsky & Way, 2002). There are three areas of the political playing field of particular importance that may be uneven (Levitsky & Way, 2010):

- Unequal access to resource
- Unequal access to media
- Unequal access to the law

Analyzing the political arena of Mozambique, it is important to understand what kind of ‘democracy’ prevails in such a regime. Although elections are regularly held and are generally free of massive fraud, officeholders routinely abuse state resources, deny the opposition adequate media coverage, harass opposition candidates and their supporters, and in some cases manipulate electoral results. Whereas patronage and corruption may affect the quality of democracy, skewed access to resources and the media undermines democracy itself (Levitsky & Way, 2002; 2010). These behaviors have a serious impact on the political arena and are important to bear in mind when studying the relation between the state and the private sector in such countries.

This type of hybrid regime has occurred across much of sub-Saharan Africa, where economic crisis and international pressure forced established authoritarian regimes to adopt formal democratic institutions (Levitsky & Way, 2002). Bratton and van de Walle (1994) argue that the dynamics and outcomes of such political transitions are shaped by the nature of the preexisting regime. Authoritarian leaders in power for long periods of time establish political regimes about who may participate in public decisions and the amount of political competition allowed (Bratton & van de Walle, 1994). Indeed, in the case of Mozambique the end of single-party rule that lasted for 16 years during the civil war did not bring an effective
de-linking of state and party and this enabled officeholders to retain power in a multiparty context. At the time of writing, the ruling party Frelimo has been re-elected five consecutive times (Levitsky & Way, 2010; England, 2014).

Due to these circumstances, one has to be careful extrapolating western political systems and standards to the situation in hybrid regimes where uneven playing fields occur. What happens when the private sector, seen by the west as an important engine for growth and development, is essentially controlled by the regime and its resources may be appropriated for personal gain? How does this affect the effectiveness and outcomes of the Scandinavian private sector collaboration initiatives?

2.1.2. Governance of Flawed Economic Development
In Mozambique and most other African countries, the concept of neopatrimonialism describes the type of authority, its expression in political institutions and the nature of relationships that exist within the state (Bratton & van de Walle, 1997). To fully understand this concept, it is necessary to review Weber’s bureaucratic ideal types. In traditional patrimonial society the authority is personalized, shaped by the ruler’s preferences rather than a system of laws (Weber, 1968). The characteristic feature of neopatrimonialism is the incorporation of patrimonial logic into bureaucratic institutions (Braathen & Orre, 2001). This type of governance has also been called ‘big-man democracy’ (Bratton & van de Walle, 1997).

The essence of neopatrimonialism is clientelism. Political authority rests on selective allocation of state resources in the form of favors to loyal individuals, such as public sector jobs, licenses, and contracts. In return, clients mobilize political support and refer all decisions upward as a mark of respect to patrons (Bratton & van de Walle, 1994; 1997; Braathen & Orre, 2001). This type of governance contradicts the Weberian ideal bureaucratic separation of the public and private spheres and the rule of law (Weber, 1968), which has profoundly shaped the governance of ‘modern’ western democracies. To give a concrete example in the case of Mozambique, the newly appointed Minister of Economy and Finance was the former governor of the Bank of Mozambique, and the Minister of Transport and Communication was the former head of the company running one of the most important trading ports (Hanlon, 2015). These facts need to be considered when analyzing the political arena, the market, and implementation of PSC programs.

Furthermore, neopatrimonial regimes have demonstrated very little development capacity, which can be explained by several factors. For example, Bratton and van de Walle (1997) indicate the large and ineffective state apparatus and an economic climate of uncertainty and risk, Hydén (1980) points out ‘economy of affection’ based on ties to the elite, excluding the peasantry from the formal economy, and Castel-Branco (2015) writes about the phenomenon ‘economic porosity’, which generates social loss for private gains in Mozambique. This mode of politics has generated a dependence of foreign aid to pay for
basic functions (Braathen & Orre, 2001). The annual average general budget support to Mozambique has exceeded 400 million US dollars between 2005-2012 (EC, 2014).

This type of political culture is widely exercised in present-day Mozambique. In western eyes, it might come across as full-fledged and institutionalized corruption. However, it is important to understand that this behavior is deeply rooted at all levels in the culture and society. It is also important to remember when considering political legitimacy and trust, as well as implementing aid programs tailored to western systems.

2.1.3. Development and its ‘Brief’ Ideas
How to attain development, the best way to implement development cooperation (aid), and what exactly constitutes good policy and reforms, are much-debated issues and ideas that tend to change over time. In recent years focus has been put on institutional performance and governance. United Nations has initiated a large-scale campaign promoting ‘good governance’ together with the International Monetary Fund (IMF) and the World Bank. ‘Governance’ has also been added to the many conditionalities imposed as a requirement for funding from bilateral donors (Pierre & Peters, 2000; Bräutigham & Knack, 2004). Criteria such as conditionality and tied aid are examples of ‘normative aid’, which means that donors only donate aid if the recipient country implements their ideas concerning governance. Critics claim that the African states today are entrapped within a discourse of power whereby foreign institutions and agencies map out their future, which in many aspects are the new ‘colonial administrators’ (Ahluwalia, 2001).

Whether the government or the market should play the leading role in society for social change and economic development is a question of ideological nature. The ideological shift towards the market, dating back to the 1980s, has resulted in the market and the private sector being seen as everything ‘Big Government’ is not; it is believed to be the most efficient, productive, conducive, and just allocative mechanism (Pierre & Peters, 2000; Schulpen & Gibbon, 2002). In practice, the ideological shift has led to the emergence of Public-Private Partnership (PPP) as a popular instrument for enhancing the capacity of political institutions. Such a partnership could be seen as an ad hoc fusion of political and private resources. What critics see as questionable ways to spend public money and exercise political power in close performance with corporate interests, are for others pragmatic and efficient means of increasing the institutional ‘capacity to act’ (Pierre & Peters, 2000). This private economic development model has generated an increasing number of bilateral private sector development (PSD) programs (Schulpen & Gibbon, 2002).

The private sector collaboration initiatives that are studied in this paper are examples of PPP and PSD and mirror the belief in the power of markets for development. Moreover, it is important to point out that it is not only the donor government that is involved in these development policies, but the local Mozambican government also plays a crucial role in setting the agenda and as a partner in PPP and PSD initiatives.
2.1.4. Private Sector Development

Development of the private sector in developing countries has in recent years been regarded as of primary importance. Schulpen and Gibbon (2002) argue that at the end of the 1990s, a general consensus was reached regarding development thinking and cooperation. It follows the simple logic: a) poverty reduction is the main objective, b) central to development is economic growth, c) economic growth is best achieved through the private sector, and d) government has a role to play in ensuring that growth contributes to poverty reduction. This perspective is embraced almost universally by bilateral and multilateral donors (Schulpen & Gibbon, 2002), see for example the World Bank (2004), OECD (2007), and UNDP (2008). Central to PSD and poverty reduction is the concept of ‘Pro-Poor Growth’, which OECD/DAC has defined as a pattern of growth that “enhances the ability of poor women and men to participate in, contribute to, and benefit from growth” (OECD, 2006). Related to this are the concepts of ‘Making Markets Work for the Poor’ (M4P) and ‘Inclusive Business’, see DCED (2015). The UNDP (2008) points out that the many dimensions of poverty require divers and context-specific solutions (UNDP, 2008). This point is central to this study – namely to investigate how the Scandinavian PSC development programs actually work in the country-specific context of Mozambique.

From a critical perspective, Schulpen and Gibbon (2002) claim that most PSD programs are ‘one size fits all’, founded upon the idea of an idealized model of the private sector. In the process, structures and processes of real local economic activity are addressed neither in the terms of the specific challenges which they pose, nor the opportunities they present. Moreover, one important feature of PSD is the close links to the donor’s own private sectors. There are several reasons for this, including raising awareness on social issues (CSR), and supporting their own economic interests (Schulpen & Gibbon, 2002). Such elements are found in the Swedish, Norwegian and Danish approaches to PSD/PSC.

The role of the state in PSD is to perform enabling and regulatory tasks. It has to provide the background conditions for economic growth driven by the private sector, and at the same time make sure that growth contributes to poverty reduction and other desirable goals. The preconditions for PSD can be distinguished at several levels. At the level of national enabling environment, a distinction can be made between the macro and meso (branch) levels. The macro level covers broadly macroeconomic, physical infrastructure, human capital and ‘good governance’ preconditions. The meso level refers to the institutional infrastructure and covers elements relating to possibilities for dialogue between social partners (e.g. government, enterprises, labor unions). At the micro level, there are elements concerning the private sector itself, such as access to technology, capital and management knowledge for individual firms (Schulpen & Gibbon, 2002). To clarify, these preconditions primarily relate to the quality and function of the Mozambican state in this study.

There are two main aspects of the relation between private sector actors and development cooperation authorities to reinforce the positive impact on poverty reduction. Both of these
aspects are within the discourse of the Scandinavian development cooperation agendas. First, donors can assist in PSD by increasing the capacity of governments at all levels to promote pro-poor market outcomes, by encouraging an enabling environment for enterprises, and reduce exposure to risks (OECD, 2006; Billing et al., 2012). Second, engaging with individual companies (PSC), is seen as a tool for donors for accelerating private sector contribution to wealth creation and progress in various sectors and areas (Billing et al., 2012). Examples of such PSC engagements are challenge funds (CFs) and public private development partnerships (PPDPs), see Copestake et al. (2015), and DCED (2015).

Consequently, according to this theory, a successful implementation of private sector collaboration initiatives in Mozambique requires an enabling environment at multiple levels. Thus, the donor states as well as the Mozambican state play important roles in these collaborations and policies. This study focuses first and foremost on PSC at the meso level and the possibilities of dialogue and interaction within the PPP between the Scandinavian donors and the local private partners in Mozambique. However, it also considers the enabling environment of the general macro level of the country, such as the political and institutional preconditions as well as the human capital and infrastructure, and how this is addressed by the Scandinavian PSD policies.

2.2. Analytical Framework
The following section provides the analytical framework that is designed for the paper. Theories concerning state-business relations (SBRs) and aid effectiveness are applied.

2.2.1. State-Business Relations
The discussion on effective SBRs lies at the heart of the big debates on economic development and is linked to the literature on good governance. There are divergent opinions regarding the relations between, and involvement of, the state and private sector to foster economic development. One influential scholar on the subject is Evans (1995), who alters the question ‘how much’ state involvement to ‘what kind’, and coins the expression ‘embedded autonomy’, see Evans (1995). Moreover, Sen (2013) claims both actors are crucial and that the focus should be to transform the deceiving and rent-seeking arrangements between individual business people and agents of the state, that often characterize the relations in African countries, to collaborative and synergistic relations between the two (Sen, 2013).

John Harriss (2006) suggests that good SBRs, that have positive consequences for the growth of the economy, are based on benign collaboration between business and the state that comprises certain positive mechanisms. Effective SBRs (1) facilitate the flow of accurate and reliable information, both ways, between business and government, i.e. there is transparency; (2) mean that there is at least the likelihood of reciprocity between business and government; (3) ensure that capitalists are able to believe what the state actors say, in other words, they have credibility – and when they do command credibility it is likely for them to respond flexibly to changing circumstances without losing the confidence of
business people; and (4) establish high levels of trust, which really subsumes the foregoing points about transparency, reciprocity and credibility. According to Harriss (2006), regimes with these features generally correspond with what Evans (1995) describes as ‘embedded autonomy’. Furthermore, Harriss (2006) adds that in order for such ‘benign collaboration’ to give outcomes that are distinctly pro-poor, the relationships between state agents and private producers have to influence those sectors that are likely to generate productive employment and decent livelihoods.

2.2.2. Aid Effectiveness
The concept of aid effectiveness refers to the pressing need for more sustainable results and poverty reduction, and the literature abounds. The problem is the difficulty of measuring success due to the time lag between the initial investment and the payoff (Pomerantz, 2004). It is also closely linked to the culture of result-based management (RBM) that generally characterizes donors. Demand for evaluation also originates from the requirement to account for the use of public money, particularly when transferred to private companies (Copestake et al., 2015).

Phyllis Pomerantz (2004) has developed a theory on how to reach aid effectiveness, which emphasizes the building of a constructive relationship that leads to mutual influence. She argues that the quality of the relationship may, in fact, be more important in influencing policy directions and ensuring successful outcomes, than the money itself (Pomerantz, 2004). Based on interviews with government officials in Mozambique and Zambia and country directors for the World Bank in Africa, she argues that all sources seem to point to trust as the fundamental ingredient in constructive relationships. Trust in turn, is based on some extent of the core elements shared purposes, commitment, and reliability, followed by the supporting elements of familiarity, transparency, and honest and open communication. Cultural differences, communication and language, personalities, and institutional incentives can all get in the way and complicate the picture (Pomerantz, 2004).

2.2.3. The Merger
To constitute a framework for the study, the two theories by Harriss (2006) and Pomerantz (2004) have been combined. These theories share the very core elements, and are therefore believed to be mutually reinforcing. The common elements are grouped in the following themes: open and honest communication expressed in transparency, reliability and familiarity manifested in credibility, shared purposes and commitment demonstrated as reciprocity, which all generate and reinforce mutual trust. Consequently, the framework sets up four broad theoretical criteria, which according to the theories should be present to reach successful, long-term and sustainable results of the interventions. Therefore, this study intends to explore the existence and extent of these four quality aspects within the Scandinavian PSC cooperation in Mozambique.

The local political arena and public-private partnerships are thus cases of governance, and the implementation and effectiveness of development cooperation programs directed to the
private sector is a level of analysis. The framework offers an ideal type, in which the two theories collaborate to propose a model for relations within the PSC-programs directed to the Mozambican private sector. The model is envisioned below in Figure 1.

![Figure 1. Model for relation between PCS partners](image)

This simplified model serves as the analytical tool to which the empirical observations can be compared. Consequently, the framework is used to answer how the relations between the PSC-partners function, and the four concepts provide aspects that help to scrutinize the relations.

### 2.3. Operationalizing Theoretical Concepts

To further be able to examine the quality aspects of the PSC relations, it is necessary to clarify the definitions of the four thematic concepts. Moreover, the concepts have been operationalized into a number of semi-structured interview questions, see Appendix I and II, and the validity and reliability of this operationalization is discussed.

**Transparency** is defined by Transparency International (2009) as “characteristic of governments, companies, organizations and individuals of being open in the clear disclosure of information, rules, plans, processes and actions” (TI, 2009). This study mainly focuses on open and honest communication, such as access and sharing of information between the funding agencies and the receiving entrepreneurs. Consequently, questions regarding these aspects have been asked.

**Credibility** is defined by Oxford dictionaries as “the quality of being trusted and believed in”, thus pointing out the close connection to ‘trust’. When operationalizing the concept of credibility, the emphasis was put on the reliability and familiarity of the partners in order to make a clear distinction between credibility and trust. The fund managers were also asked about the selection criteria used when determining which entrepreneurs to fund.

**Reciprocity** is by Merriam-Webster defined as 1) the quality or state of being reciprocal: mutual dependence, action, and influence, and 2) a mutual exchange of privileges. This study is primarily focusing on the PSC relations being characterized by mutual action and
influence. Questions were asked concerning shared goals, purposes, and commitment, as well as the process of agreeing on a project plan.

Lastly, trust as in a quality of relationship is defined by Oxford dictionaries as “firm belief in the reliability, truth, or ability of someone or something”. Subsequently, all three previous quality aspects are regarded as being mutually reinforcing and generating trust. The respondents were asked about the characteristics of the relationship to determine whether ‘trust’ is present, and to find out if there are any specific challenges preventing trust. The partners were also asked how they are working to create a trustworthy relationship.

Moreover, to achieve a better understanding of the Mozambican country-specific context and how it affects private sector support and operations, questions were asked regarding the political structure and business environment. However, as these types of questions may be perceived as of sensitive nature, an option of anonymity or previewing the quotes before publishing was provided.

Exploring the thematic concepts according to this operationalization certainly has its implications. The concepts are naturally broad in scope and can be interpreted in a number of ways. The validity is thus largely dependent on the definitions and how well the interview questions match the definitions. Concerning the reliability, it is essentially determined on how the questions are interpreted by the respondents. Therefore, the interaction between the respondents and myself as a researcher is important, to allow for sincere answers and avoid any misunderstandings.

3. Methodology

The following section provides a thorough description of the methodological considerations and decisions used to realize this study. It also presents an explanation of the performed field study and the 17 interviews that serve as material. The aim is to enhance the intersubjectivity so that other researchers can replicate the study.

In order to answer the present research question according to the defined aims, the study has been designed as an exploratory micro-scale qualitative study. To enhance the understanding of how the partners of Scandinavian PSC in Mozambique are in fact experiencing the interaction themselves, and to try to reveal any challenges they face in the country-specific context, the study was designed to carry out in-depth interviews with a number of strategically selected people holding key positions in the programs. By making a micro-scale study, it is possible to extract information and knowledge not measurable in large-scale quantitative studies using standardized questionnaires and statistics. The study does not aim to cover the exhaustive number of persons associated to Scandinavian PSC in Mozambique, which is why a selection of people and personal experiences is most suitable.
Choosing a qualitative design, however, limits the possibilities of applying the results to the larger population of PSC partners and to other countries and contexts. Nevertheless, the present study does not intend to provide a universal understanding of PSC, but to offer insight into how PSC actually unfolds in the Mozambican context.

3.1. Case Selection

The reasons to why Mozambique was selected for the field study, as well as the motivation to examine PSC policies of the three Scandinavian countries, are given below.

3.1.1. Mozambique

Mozambique was chosen for the study because of its consistency with the type of state described in the theoretical discussion, thus a typical case of hybrid regimes. Local politics are characterized by neopatrimonial and clientelist practices and there is an apparent uneven playing field, both in the public and private spheres. The Mozambican case is thus interesting and well suited when looking at how western and Scandinavian development cooperation policies directed to the local private sector are suited to another essentially different political, historical and cultural reality. Furthermore, by gaining a better knowledge of the relation, implementation and effectiveness of aid in Mozambique, careful connections might be drawn to similar sub-Saharan countries such as Zambia, Botswana and Tanzania.

3.1.2. Scandinavians Think Alike

The reason to why the three countries of Scandinavia were selected for the study is fairly simple. Choosing only one of the countries would provide too little material for the study, so broadening was necessary. Sweden, Norway and Denmark are relatively small nations with active and strong participation in development cooperation, especially in Mozambique. The three countries share similar history, politics, languages and cultures, which mirrors the supposedly likeminded policies adopted in the development agenda. In Maputo, they seemingly have personal relationships, hold regular meetings, and even share buildings. Nevertheless, with the facts in hand it is interesting to see that despite the similarities the three countries are in fact adopting fairly different approaches to PSD/PSC, which allow for a comparative analysis of the approaches.

3.2. Study Design

This section describes the completed field study in Mozambique and the interviews in detail.

3.2.1. The Study at the Field

To gather information, a minor field study was conducted in Mozambique during eight weeks in June-August 2015. Directed to actors associated to development cooperation, the research was performed on a local and organizational level. Key actors that needed to be consulted were the Swedish, Norwegian and Danish embassies in Maputo, externally contracted fund managers, as well as entrepreneurs and companies operating in Mozambique receiving support through the programs. In the field, semi-structured interviews were carried out with selected key persons, see list in Appendix III, scattered
around the large country – a route of almost 6000 km of distance traveled by public transport, as illustrated in Figure 2.

![Map of Mozambique and route traveled to conduct interviews](image)

**Figure 2. Map of Mozambique and route traveled to conduct interviews**

### 3.2.2. Choosing the Informants and Respondents

Initially, people responsible of private sector support at the three embassies in Maputo were strategically selected, contacted and scheduled for meetings. These people were expected to have a concentration of knowledge concerning PSC due to their positions at the embassies, thus functioning as informants for the study (cf. Esaiasson et al., 2012). When insight was gained into how each of the three embassies currently were working with PSC/PSD and what channels they were using, further interviews were scheduled with the development cooperation agencies Sida, Norad and Danida, as well as externally contracted fund managers, namely KPMG, Norfund, Banco Terra (which recently changed name to BTM) and Gapi. For further information regarding these PSC tools, see for example Danida (2011), Sida (2013), AECF (2015), Norfund (2015). In conjunction with these meetings, contact information to local business partners was obtained. Both fund managers and entrepreneurs are the actual respondents to the study, since they are the ones directly involved with the PSC relation that the study aims to explore. Also, a decision was taken to limit the study to cross-sectional material, thus only looking at active projects and partners.
Due to the given number of channels used by the three embassies, it was decided that one entrepreneur from each channel would suit the scope and provide enough material to the study. A strategic selection to attain a maximal variation of companies was preferred to hopefully generate a range of approaches, experiences, and backgrounds. Therefore, companies outside Maputo were favored as these were expected to face a different kind of reality than the ones situated in or near the capital. Since the contact information of the entrepreneurs that are receiving support is not publicly available, the selection had to rely on the information that was provided by the fund managers and embassy staff. To account for the risk of loss in the selection at least two companies from each channel were asked for. Relying on the fund managers to select the entrepreneurs has the implication of risking a bias in the selection, as the fund managers probably will choose the more successful examples. Nevertheless, since the study does not aim to measure the success of the businesses itself but instead focus on the relation between the partners, this is not perceived as a significant problem. The following mapping of Scandinavian PSC studied in Mozambique, as illustrated in Figure 3, points out the linkages between interviewed partners.

![Figure 3. Mapping of Scandinavian PSC studied in Mozambique and selected entrepreneurs](image)

### 3.2.3. The Interviews
According to methodological literature, in-depth interviews are especially suited as we explore a field of research previously not studied, when we want to know how people perceive their world, when the aim is to develop a theory, or as a complement to other research (Esaiasson et. al., 2012). This study is taking on a field of study that previously has gotten little or no attention, and aims to enhance the understanding of how the PSC partners are experiencing their ‘world’. This method of attaining knowledge is called induction, meaning that conclusions are derived from empirical experience.
In total, 17 official in-depth interviews were carried out during the eight-week field study. There was also a set of unofficial meetings with people linked to the aid industry and business sector in Mozambique to attain an initial understanding of the setting. The interviews usually lasted for 45 minutes to an hour, and almost exclusively took place in the respondents’ offices. Two were held in cafés on the respondent’s request. Allowing them to choose time and place themselves hopefully added to their comfort (cf. Esaiasson et al. 2012). They were asked if they felt comfortable with recording, resulting in all but two interviews being recorded. Anonymity was promised concerning sensitive matters such as corruption, which allowed them to speak more openly and comfortably and me gaining insight in otherwise hard-attainable knowledge. Anonymity can also pose problems to studies (cf. Esaiasson et al., 2012), and trade-offs may include some weight of citations and transparency of the study. Quite surprisingly, all interviews except two could be carried out in English. The other two were performed together with an interpreter in Portuguese. As the interpreter was a Portuguese native I have known for a long time, this did not pose any specific troubles. Yet, the quotes may be ‘colored’ by his way of speaking English since it is not his first language.

The interviews were semi-structured, meaning that open questions were used in a manner where the story of the person being interviewed guides the conversation to a certain extent. The technique also allows for follow-up questions during the course of interviewing, which is one of the great advantages with this method (Esaiasson et al. 2012). The prepared questions differed depending on if the respondent was a fund manager or an entrepreneur. The interview question guides used in the meetings, which are based on the theoretical framework, are presented in Appendix I and II. Appendix III provides a list of the people interviewed.

Moreover, when using interviews as a method it is important to take account for the effects one may pose as the interviewer. In the context, I was a complete outsider in several ways. Being a blonde, young, Swedish student did not have one single denominator in common with the people I met. However, everyone was open and inviting and I felt like my study was of interest and importance to them, and it seemed like they wanted to tell me their experiences. Because of this, I did not feel like being an outsider was a problem, but actually a positive aspect. I also think being a student made me somewhat neutral to the situation, which put me in a better position to have more sincere answers. The interaction between the respondents and the researcher is closely connected to the reliability of the study. Establishing a relaxed and trustworthy interview situation enables mutual understanding and honesty, and minimizes the risk of misinterpretation and bias. Nevertheless, it is important to remember that my set of ideas, knowledge, and norms are firmly shaped by my background and influences my interpretations and analysis of the situation.
3.2.4. Error Sources

There might be the aspect of social desirability bias, in which the respondents may answer that the interaction and relationship is better than it truly is, especially in the case of the entrepreneurs. It may be difficult to openly criticize the ‘hand that feeds you’, knowing that the information will be published. Also fund managers may have the tendency and desire to come across as more noble, successful, and comprehending in their work than otherwise perceived. When it comes to centrality and authenticity, all sources were persons holding key positions either as fund managers or in a high position in the receiving company directly involved with the PSC relation. All the partnerships were active, thus generating contemporaneity of information. However, there may be certain aspects that happened in the past, for example how the partners initially got in contact, that tended to be less fresh in memory. Even though the funding and receiving partners are dependent on each other in pairs, all entrepreneurs and fund manager apart are in fact independent to each other. Thus, if answers from more than one entrepreneur point in the same direction this can be seen as an indication it is more of a general phenomenon than a single occurrence. Speaking with several people in different positions and locations about the same phenomenon is also a form of triangulation, adding weight to the conclusions.

4. Analysis of Results

In the following section, the findings of the research are presented. The results are by no means exhaustive and speaking for all Scandinavian PSC experiences in Mozambique. Neither is the material from the interviews presented as a whole. Rather, the results aim to give insight into the reality on the ground and how the partners themselves experience their situation and the partnerships, and to reveal any specific challenges or difficulties they face. Consequently, the tendencies and trends discussed should not be understood as the general and all-embracing truth.

It is interesting to see that despite the presumed similarities between the Scandinavian countries and their policies, they are in fact employing fairly different approached to PSD and PSC in Mozambique. The first and major part of this section addresses PSC, in which the embassies and development cooperation agencies engage directly with entrepreneurs and companies. The second part discusses the more general approach to PSD and the local context.

As for PSC, the Swedes primarily put an emphasis on challenge funds (AECF and IAP) as an effective tool to channel the funding. The challenge funds tend to be ‘one size fits all’; the criteria and processes employed are in fact not specifically adjusted to the local context. Neither the IAP nor the AECF are based on market mappings, analysis nor business climate assessments for the countries they are employed in. This can be justified by the number of markets and countries the challenge funds are applied to and the resulting cost implications. Furthermore, the Swedish governed IAP is an example of untied aid, meaning that it does
not favor Swedish companies but the actor with the best idea will win. However, the majority of the contractors are Swedish entrepreneurs operating in a developing country. In the first round there were 70 percent Swedish, and has since shifted to something between 50-50 and 35 percent Swedish and 65 percent locals. The AECF also showed signs of result-based management, which mirrors the management culture of the donors and is also connected to the idea of aid effectiveness. Speaking to Andrew Cunningham, a grantee of the AECF program, he said the following:

“Most of the stuff they are trying to measure by definition is sort of hard numbers of things you can measure, like income for farmer.” Andrew Cunningham, Communities of Fusion

The Norwegians, for their part, are focusing on commercial investments (Norfund) where they are becoming shareholders of companies, as well as the banking system (Banco Terra) in which companies have to abide to the commercial system and rules. James de la Fargue, a board member of the chicken company Frango King in which Norfund has invested, expressed his experience of them as shareholders as a somewhat top-down approach:

“Although we like Norfund enormously, every now and then we sort of have a parent on our shoulders saying ‘you can’t do this, or you shouldn’t do that’.” James de la Fargue, Frango King

Lastly, the Danish apply a third approach in which they involve and rely on Danish companies to enter business partnerships (DBP) to transfer know-how, technology, capital and market opportunities to Mozambican companies. This is an example of the close connection the donor’s own private sector and of tied aid. To some extent, the interests and needs of the Danish companies will shape and determine the support and PSC policies. Dulce Paulsen at Vavasati described what happened to her group of Mozambican women when they started producing rugs for the Danish company Mescla:

“You could see the changes. Everybody had Beyoncé’s hair, they started fixing their houses, huge changes for my people. [...] Through Danida these women have one hot meal a day.” Dulce Paulsen, Vavasati

The Danish also channel funding through the local development finance institution Gapi, which is working with solutions to promote local people and cooperatives through several mechanisms. Paulo Negrão, the commercial director of Gapi, stated their mission and pointed out the importance of accommodating the support to varying situations:

“Our target is try to help the Mozambican entrepreneurs by coaching, monitoring, and helping them to reach a level of development that they will be in condition to fly alone. Each case is a different case.” Paulo Negrão, Gapi

Rather surprisingly, almost all encountered entrepreneurs operating in Mozambique that are receiving funding through these channels are non-Mozambican expatriate business people, typically Europeans and South Africans. Only through the Danish funded DBP, Gapi, and through Banco Terra (although not in the studied example) are Mozambican people directly involved and receiving the funding. However, it is important to point out that the aim of the challenge funds as well as the commercial investments is to provide capital to companies
that employ so-called inclusive business models that in different ways include the local communities in an income-generating and self-sustaining manner, typically by providing jobs and markets for their produce. These business models are thus benefiting the local population in an indirect way. There are several reasons to why not more Mozambicans are involved directly in the funding, and the following analysis discusses possible explanations. Figure 4 is distinguishing which of the channels supported by Scandinavian development cooperation have direct and indirect local Mozambican beneficiaries.

<table>
<thead>
<tr>
<th>Direct Beneficiaries</th>
<th>Indirect Beneficiaries</th>
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<tr>
<td>GAPI</td>
<td>IAP</td>
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<tr>
<td>DBP</td>
<td>AECF</td>
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<tr>
<td>Banco Terra/BTM</td>
<td>Norfund</td>
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Figure 4. Direct and indirect Mozambican beneficiaries of Scandinavian support

In order to gain a better understanding of the relation between the Scandinavian PSC partners in Mozambique, interviews have been carried out with partners of six pairs of partnerships. This section is essentially looking at the enabling environment at the meso level; i.e. the elements that relate to possibilities for dialogue between social partners – government, the private sector and to the institutions that bridge them. The results are presented according to the themes provided in the theoretical framework.

4.1. Transparency

Concerning transparency, an emphasis has been put on communication as access and sharing of information between the partners. The interview questions aimed to comprehend whether information concerning opportunities to apply for the support is accessible to everyone, on equal terms. The research found that there are two broad approaches to the initial sharing of information. The first one can be described as ‘cast the net wide’ and the second one as ‘word of mouth catches on’. The first approach is usually applied by the challenge funds. Corin Mitchell, advisory director at KPMG and contracted fund manager of the AECF, described the process:

“The design conditions of a challenge fund is the idea that you launch a competition and spread the net as wide as possible so it’s level playing field. So through local media, radio, TV, newspaper adverts. Any company on the planet can apply, as long as the project and the development impact happens in that country.” Corin Mitchell, KPMG

At least in theory, it sounds like there are quite good opportunities for people to access the information when the competition goes public. However, taking a look at how it has been done in the case of IAP it is questionable how wide the net actually reaches. This can be seen as a trade-off having a global fund managed entirely from Sweden. Johanna Bark at Sida admits that the information basically only has been available online and in networks related to the embassy:
Furthermore, her looking for labor in Zimbabwe about the AECF through contact with the contracted entrepreneurs and grantees shows that posting the information in the public and private sector.

Concerning sharing of information and communication, the aspect of language is also of high importance. The official language in Mozambique is Portuguese. However, to most Mozambicans Portuguese is their second language and one of the local minority languages their first. Portuguese is taught in the school system and is widely used in the society as well as in the public and private sector. English is only spoken to a limited extent and should not be presumed to be understood by the majority of the people. Therefore, omitting to publish information in Portuguese and relying on English will exclude most Mozambicans from this opportunity. Evidence from speaking to the fund managers of the challenge funds, however, shows that posting the information in Portuguese is not greatly emphasized. Usually, this has to do with budget constraints. Corin Mitchell at KPMG and Johanna Bark at Sida explained the situation:

“All applications are in English, because of legal reasons. For contracting through AGRA, they have to contract in English. It’s a disadvantage for people filling out the application form, they’re writing in a foreign language. Irony of all this is, a lot of the donors don’t want to increase the budget to get a translated website, translated contract.” Corin Mitchell, KPMG

“We haven’t translated the IAP into Portuguese, in Mozambique it was in English. [---] It’s not that we don’t want to prioritize it, but it has probably been a question of resources. And we got applications from there anyways, so maybe we didn’t see a very big need.” Johanna Bark, Sida

Consulting the contracted entrepreneurs and grantees, it turns out that most of them got in contact with the funding opportunity via contacts. For example, Andrew Cunningham found out about the AECF through his brother who was already interacting with the AECF in Zimbabwe. In the case of Dulce Paulsen from Vavasati, the Danish company Mescla came to her looking for labor to enter a partnership with Danida in the DBP/B2B program. Furthermore, several of them spoke about the investment community circle concentrated in
Maputo. If you are in the loop you receive information about these existing opportunities of support. *James de la Fargue*, partner with Norfund at Frango King, described this inner circle of investors and funders:

“We’re British, so we would talk to CDC, and then you’ll find that CDC, Norfund and Swedfund and Swiss Development Cooperation, they all know each other. So it would have been through contacts in that circle.”

*James de la Fargue, Frango King*

The downside of these networks and circles is that if you are not part of it, it tends to be more difficult to receive information and find out about the opportunities. *Koos van der Merwe*, who has been taking loans through Banco Terra, told the following experience:

“Because we are based where we are, we are also out of the loop of the NGO and the funders community in Maputo. They all know each other, and they all talk about each other.”

*Koos van der Merwe, Moçambique Orgânicos*

Consequently, the broad conclusion of these finding is that most entrepreneurs find out about the funding opportunities through networks and contacts. If you have the right connections there are more opportunities at hand, and if you do not things tend to be more difficult. The donors might in some cases be wanting, but in fact not specifically emphasizing, to reach a broad number of people. Instead, they rely on networking and recommendations from people already inside the loop. Language can on one hand be an important facilitator when it comes to communication, but it can also be a constraining factor excluding local people quite efficiently. Of course it is a question of budget and translation would be a big machinery. Yet, the question arises; to whom are the Scandinavians PSC policies actually directing the support?

### 4.2. Credibility

The answer to the previous question can be found in the certain criteria donors employ to determine which entrepreneurs and companies to support. The criteria is closely linked with the aspect of credibility. The challenge funds typically use four or five eligibility criteria, among them cost sharing commitments, and innovative business model or idea. Together with these criteria they usually also require a track record, making it almost impossible for start-ups or beginners. Taking a closer look at the criteria of cost sharing commitments and matching funds, all of IAP, AECF and DBP require a contribution at least matching the value of the grant. In the case of IAP we are talking about either up to 20’000 or up to 200’000 euros, in the case of AECF it is between 250’000 to 1.5 million US dollars. This sets a very high bar to companies, especially remembering that access to finance in one of the biggest challenges in Mozambique. In the case of Danida the contribution of a maximum of 5 million DKK is split by both partners, thus substantially reducing the contribution for each partner. *Corin Mitchell* from KMPG expressed the situation:

“Start-ups typically can’t match the funding we require. […] None of them were just a Mozambican applicant. They just don’t have the capacity to either financially or execution wise. All the larger Mozambican companies didn’t bother apply. So it’s a combination.”

*Corin Mitchell, KPMG*
The experience from the IAP and the AECF grantees *Andrew Kingman* and *Andrew Cunningham* points out this difficulty but also the fact that in order to have access to such capital it is common to be multiple grantee. Andrew Cunningham is in fact receiving two grants from the AECF.

“The issue of course was the match, we were fortunate at the time to have a little bit of other donor funding actually, that we could put in. I mean the match funding wasn’t a problem.” Andrew Kingman, Eco-MICAIA

“We’ve received funding from two other places. From PSI, which is a Dutch private investment, for the abbatoir, and for the out-grower chicken thing from TechnoServe.” Andrew Cunningham, Communities of Fusion

Looking at the development finance institutions Norfund and Gapi and the commercial bank Banco Terra, the situation is slightly different. Norfund requires a matching capital of 30-35 percent from the company of investments usually between 5-8 million US dollars, thus ranging between 1.5 and almost 3 million dollars, which can be combined with loans. What they emphasize the most is track record and compliance to the World Bank International Finance Corporation’s (IFC) Environmental and Social Performance Standards (IFC, 2012). This is a set of solid standards that work as guidance for qualification, and set a high target to companies operating in developing countries. *James de la Fargue* from Frango King expressed his opinion about this, pointing out the lack of adaptation to their setting:

“We got to comply with the IFC guidelines, and some of them are very much first world. [---] If we ran our business for that, we probably wouldn’t be running a business at all. It’s a vital push, but it’s got to be balanced.” James de la Fargue, Frango King

The requirement of Gapi and Banco Terra on the other hand are on another level and perhaps more suited and attainable to local Mozambicans. Gapi require legal installment and a minimum number of documents including ID-card, number of tax payment, title of land, civil declaration, and bank account. *Paulo Negrão* also points out that, for instance, forming a cooperative allows the farmers to buy a tractor, which they would never be able to do on their own, and they can pay the day they receive their produce. To be able to take loans from a commercial bank like Banco Terra a collateral or guarantee is important, for example a house or machinery.

The other criterion of innovation proves to be another obstacle for local Mozambicans to be successful applying. In fact, it even seems like the innovative funding was never aimed to target local people. *Corin Mitchell* from KPMG and *Johanna Bark* from Sida told their views:

“The innovation is not coming from Mozambique. What you’re trying to do is attract innovation from other parts of the world, and say right, how can we use this to start this type of business in Mozambique?” Corin Mitchell, KPMG

“When you’re talking about innovation maybe its not where [the local context] they come from. We always push for more local contractors but one should keep in mind maybe it’s not always the best.” Johanna Bark, Sida
The consequences of these criteria are twofold; first it sets a very high bar for emerging companies, especially local companies. Second, it results in almost exclusively foreign high-educated entrepreneurs are able to live up to the standards. Essentially, only people from the development business or people who can afford consultants are able to compose applications that suit the criteria, standards and language of the ‘funder circle’. Johanna Bark at Sida, is well aware of this:

“With the entrepreneurs, there is almost a direct correlation between being a talented entrepreneur and being horrible at writing applications. And there are NGO professionals, the only thing they do is producing applications and know exactly which keywords to emphasize.” Johanna Bark, Sida

Speaking to the entrepreneurs themselves reinforces the idea and proves that basically all the grantees are highly educated foreigners that either have a background in the development industry or can afford consultants are able to produce successful applications. Andrew Kingman and Andrew Cunningham are IAP respectively AECF grantees and their receipt for success sounded like this:

“I’ve been working in the sector now for 24-25 years, I’ve done a lot of fund raising. So their requirements as a donor, the bureaucratic systems that go with it, the language use, the expectations, none of that is unusual to me.” Andrew Kingman, Eco-MICAIA

“Both with the PSI and with the AECF we’ve used a consultant with a success fee type of thing, to do project proposal and put it in the language that people like that will understand and want to hear.” Andrew Cunningham, Communities of Fusion

Embedded in the concept of credibility lies the aspects of reliability and familiarity between the partners. Trying to understand why not more Mozambicans are contracted, I believe there is a deeply rooted lack of both aspects. Off the record, two different sources told me:

“70-80 percent of the contractors are foreign entrepreneurs, due to the difficulty of knowing where the investment capital is coming from when it comes to the locals. There is a big informal sector, widespread criminality, and such.” Anonymous

“In Mozambique, if you look at the entrepreneurial sort of understanding and business understanding, the business ethics in Mozambique are probably not as good as say in Zimbabwe for example, or East Africa. People are sort of ducking and diving and trying all sorts of things, it makes it complicated.” Anonymous

To conclude, the criteria set up by the challenge funds IAP and AECF as well as Norfund put a high entrance barrier, thus excluding a large segment of local people and is essentially only available to highly-educated and experienced foreigners. The question of matching funds is vital, but certainly there are ways to share the costs further if this was prioritized. It appears that locals are not targeted by these funding mechanisms, and whether this depends on perceived lack of credibility can only be speculated. However, in the case of Gapi, Danida and Banco Terra where the locals are directly targeted, lower criteria are set and closer collaboration with the entrepreneurs has resulted in a higher degree of familiarity.
4.3. Reciprocity

The concept of reciprocity refers in this context primarily to mutual influence and action, as well as shared goals. When donors enter into partnerships committed to funding, they expect the companies to comply with criteria and standards set according to an essentially western business culture. These western shaped criteria and standards do not necessarily match the reality on the ground. Consequently, some of these policies lack sufficient mutual influence and generate varying levels of cultural chocks. The experiences of Dulce Paulsen from Vavasati and Tafadzina Moyo, the Environmental and Social Governance (ESG) manager at Frango King, demonstrate policies that are rather one-sided, not taking into account the actual reality:

“The suddenly a rural project like this has to be audited by BDO in Denmark. My reality and theirs, it’s completely different. When I buy tomatoes in the market, he won’t understand that the market for instance won’t give you a receipt. So that can be a bit of a cultural chock.” Dulce Paulsen, Vavasati

“We are in a country where things are more complicated than people think they are. You cannot implement the right policies in place because one: it will just make it more complicated, or two: because people are less educated and they don’t understand the importance of it. [---] Most of these standards or requirements were elaborated from a western or European point of view, and does not integrate the actual reality in Africa.” Tafadzina Moyo, Frango King

The lack of mutual influence in the policies can in turn be evened out by fund managers being flexible and understanding in their interaction with the entrepreneurs. This flexibility is greatly appreciated and seems to be existent and exercised by most fund managers of the partnerships. James de la Fargue told his perception:

“Some of them [funders] say ‘you’ve got to tick every box’, they [Norfund] are not as rigid as that. And because they’re comfortable with our approach, they know that we are going to make every effort. And then it work both ways.” James de la Fargue, Frango King

The fact that the partners change and adapt is a sign of a good relationship, and can to a certain extent enhance the reciprocity. The understanding of the other’s situation is very important. Also, the point of being comfortable with one’s approach is emphasized, which boils down to sharing goals. Johanna Bark at Sida points out that the cultural proximity makes it easier for them to cooperate with Swedish companies, because of dialogue and common values:

“I wouldn’t say that we only go for Swedish companies, but unfortunately that’s were we have the dialogue in Stockholm, that is also where we have the common values. At the local level those values don’t really exist.” Johanna Bark, Sida

However, an important part of reciprocity is mutual action, meaning that both partners need to approach each other. Paulo Negrão from Gapi speak about cultural and physical proximity as a key to success:

“If you don’t know the area, if you don’t know the people, if you don’t know the environment, if you don’t know the culture, you bring a very nice solution from a Power Point that is not adjust. You must deal with the people, not just with people as number on an excel sheet.” Paulo Negrão, Gapi
To sum up, some of the PSC policies and standards lack a degree of reciprocity in the sense that they are not very well adjusted to the Mozambican reality. However, this can be balanced to a certain degree by the fund managers being flexible and understanding in the interaction and relationship with the entrepreneurs. Evidence shows that this type of flexibility seems to be present in most partnerships, as well as shared goals. Once the partners feel more comfortable with each other and trust emerges, there is also the likelihood of being less rigid and procedural. The prospect of being flexible also has to do with the understanding of the local environment and context. Not being physically present reduces the chances of attaining that local understanding and sense of common values.

4.4. Trust

The final quality aspect of the interaction is trust, which ultimately integrates all the previously discussed aspects into a trustworthy relationship. In fact, the preconception of trust according to the operationalization did not match the reality well. Instead it is possible to distinguish a cultural difference in the answers about perception of trust and how a trustworthy relationship is built. The Scandinavian fund managers would typically emphasize the establishment of dialogue in the beginning of the process, when they speak about goals and priorities to get a sensation that they have a common picture of what they want to accomplish. Answers would also include “show that we take it seriously” (Johanna Bark) and “make sure to stick to the plan” (Lasse Neergard). These answers are all very process orientated. Other (European) fund managers would stress the importance of physical visits and actively managing the relationship. Corin Mitchell and Wigle Vondeling talked about building personal relationships:

“It’s like a team. You’ve got to actively manage it, you really want to be a partner.” Corin Mitchell, KPMG

“We interact with the customers two-three times a year. For us it’s building trust with individuals.” Wigle Vondeling, Banco Terra

However, speaking to Mozambican partners showed a distinctively different way of seeing the relationships. Both Paulo Negrão and Dulce Paulsen related to love relationship and marriage when they spoke about the partnerships:

“It’s like falling in love, building up a love relationship. If you trust, you are both winners.” Paulo Negão, Gapi

“Regardless of the funding, we also have a whole personal partnership. It’s a partnership that will never end. [...] We always worked very closely both with Danida and Mescla, its three people that got married! Dulce Paulsen, Vavasati

In conclusion, it is not something new that ideas about how to build relationship and trust vary across cultures. However, remembering what was said in the theory section about the quality of the relationship and that it may in fact be more important in influencing policy directions and ensuring successful outcomes than the money itself, at least it should be given importance. Funding entrepreneurs with the same nationality or similar cultural background becomes the easy solution, since there is already credibility established and you
already know that values and goals are more or less shared (reciprocity). Also, the issue of transparency as in sharing information becomes less of a hassle since no translations are needed and it is possible to find people through recommendations and connections to the embassy. Consequently, targeting local Mozambicans would require more resources and more efforts to establish trustworthy relationships that can ensure successful outcomes of the policies – it is all a matter of priorities.

4.5. Business Environment and Political Structure
The point of departure of this study, but also of the Scandinavian policies aimed at private sector collaboration, is the idealized model of the private sector as an important and independent engine for economic growth. Consulting the websites of the embassies, all of them base their policies on more or less the same assumptions essentially following the simple logic brought forward by Schulpen and Gibbon (2002). The general idea is that by stimulating PSD, entrepreneurship and CSR, better leverage of skills and resources of the private sector can generate a sustainable and inclusive economic growth. The goal is to help create conditions that will enable employment and self-improvement, and ultimately contribute to poverty reduction (Sida, 2010; Embassy of Denmark, 2015; Embassy of Norway, 2015; Embassy of Sweden, 2015). However, as of today the business environment of Mozambique is everything but conducive. What is the experience of the entrepreneurs and how do the embassies tackle these challenges? Koos van der Merwe concluded his experiences and difficulties in an illustrating fashion:

“If you are able to succeed in agriculture in Mozambique, you can succeed in any business anywhere outside in the world”. Koos van der Merwe, Moçambique Orgânicos

Typically, the entrepreneurs point out the challenge as a variety of factors. There is lack of proper infrastructure (believe it or not, but there is only one road connecting Mozambique from north to south), logistics are difficult and the border processes and customs are a hassle. All types of quality materials and spare parts need to be imported either from Maputo or South Africa. Everything takes a long time; there is a lot of bureaucracy and corruption. Bribes work as a lubrication fee (um refresco), so if you do not pay there will be a lot of delays. Access to finance is an issue, partly due to the land rights system in Mozambique – you cannot own land, only lease, so it is impossible to get loans against the land. Finance is also extremely expensive because of high interest rates, and even with donor funded guarantee systems they are still 15 percent or above, and repayment is three to five years. Standard of education is poor, so finding qualified workers is difficult.

The great majority of the Mozambican people live in rural areas linked to agriculture. The biggest challenge for the farmers is to sell their produce. Since there is no proper market, the produce is usually sold by the road at whatever price possible. The incentives are thus small to produce more, which is why most of them continue to be subsistence farmers. To give an example, Pedro Corrêa from Centagri/Gapi told the typical situation:
It is important to see that this situation originates in a history shaped by colonialism, civil war, and a fundamentally communistic one-party state that viewed entrepreneurialism as crime. Only recently there was market liberalization, and present generation is in fact the first generation of entrepreneurs. There is no track record, there is no knowledge passed on from generations of experience. This is why skills development and know-how is so important; to train the locals in how business and the market works.

Furthermore, it is evident that the political structures fail to translate the rapid economic growth in recent years to improve the livelihoods of the poor. In fact, people say [anonymously] that the mixing of economical and political interests have gotten stronger and condensed to a smaller number of people during the last two mandate periods, which has exclusively privileged the elite. Having affiliation with the ruling party has grown more important, that is, it is crucial to be connected to the party to get a contract for jobs and such. Corruption does not need to be only bribes, it can also entail having ex-politicians on company boards, which is not illegal. This is the essence of neopatrimonialism and clientelism. Concerning the playing field, it is everything but even. There is a skewed access to resources, the media, and the law. While connections to the party gives privileges, the ones who do not cooperate are deprived. **Wigle Vondeling** and an **anonymous** person told the following:

> “It is the legal framework, the poor law enforcement, lack of transparency, dysfunctional markets and the bureaucracy which create an uneven playing field. It makes the country suitable for entrepreneurs that have the skills to work their way through with bribes and settlements, and difficult for companies who work according to the law and want to maintain high ethical standards.” **Wigle Vondeling, Banco Terra**

> “The law does not work to 100 percent, the communities often stand above the law. And because the government cares for the votes, they always take the communities’ side. [---] There are two parallel systems, with traditional leaders and political leaders. It is two completely separated systems in the central and the northern parts. In the south it is more politicized, more Frelimo.” **Anonymous**

Speaking to the entrepreneurs reinforces these facts. The experiences of **Dulce Paulsen** show that the government does not care for SMEs, leaving them in a very difficult position:

> “We have a lot of difficulty with shipping, because the cost of shipping in this country is ridiculous. The government is just interested in shipping coal and minerals and whatever they are finding up north. [---] While I am planning to ship 20 carpets somewhere, they want me to ship a 1000 carpets in order to give me exemption. So when we go there to submit our papers asking for exemption, it goes straight to the rubbish bin.” **Dulce Paulsen, Vavasati**

Also, the people cutting the corners and paying bribes end up in advantage compared to the ones following the complex rules of licenses and paying taxes:

> “We leave ourselves with 15 or 20 percent cost difference to compare with the guy that doesn’t respect anything.” **James de la Fargue, Frango King**
These macro level challenges, covering broadly macroeconomic, physical infrastructure, human capital and ‘good governance’ preconditions, are to a certain extent addressed by the PSD policies. The Swedes do not have a specific objective or assignments from Sida within the framework of development cooperation to promote business environment, even though it is a basic factor that affects much else in the country. The private sector is only addressed in the cases where it can help to achieve their development goals. However, they are investing in large infrastructure projects, which is part of an enabling environment on the macro level.

The Norwegians put priority to the creation of improved framework for PSD, investment climate and infrastructure, as well as capacity building. For example, they support the Ministry of Education to build capacity through technical and vocational training in activities related to the oil and gas sector. They also support promotion of CSR through cooperation with a local institute. Finally, the Danes have identified access to roads and capacity building as areas of focus for their PSD policies. Together with Gapi they support rehabilitation and maintenance of district roads, as well as capacity building of the Ministry of Agriculture. The Danes have also initiated a Business Environment Fund (FAN) together with people from the government, private sector and university spheres to try to help private economic associations and advocate for an improved business environment. The organization provides training in support and capacity building to unions and associations, as well as finance studies, and is able to be in dialogue with government on policy development.

However difficult the situation might seem, most respondents and informants have expressed optimism for the future with the new government. The point is, if the aim is to reach the poorest of the poor, the situation in Mozambique cannot be treated as exceptional or extreme. Then the target becomes the exception. Kajsa Johansson, a Swedish aid worker at WeEffect and researcher, voiced an insightful comment:

“When one asks why the aid fails it is often to with this – we make a lot of assumptions that do not match sufficiently with the real conditions.” Kajsa Johansson, WeEffect

5. Concluding Remarks
The final section sums up the previous discussion of the results and answers the research question. It also raises new questions and reflections that can be subject for further scrutiny.

5.1. Adapted Policies?
This study provides a sample of how the relation between the Scandinavian donor PSC/PSD policies and the local recipients of the support function in Mozambique. The development policies are largely framed according to an idealized western view of the private sector, which do not always match the reality on the ground. In Mozambique, the business environment is not very conducive due to many complex factors, and there is political interference in business, which complicates the situation further.
The study finds that despite presumed similarities between the three Scandinavian countries and their policies, they are in fact employing fairly different approaches to PSD and PSC in Mozambique. It is important to understand how the design of these policies and tools affect the possibilities for local Mozambicans to participate and benefit from the opportunities. Experience from selected partners shows that the way information is shared and how the criteria for applicants are set up in many cases create a high entrance barrier to attaining support. Requiring large matching grants and innovative ideas, as well as omitting to share information in the local language and relying on recommendations and contacts with the embassy spheres, all contribute to the exclusion of access and possibilities for the local population. Instead, the support goes almost exclusively to foreign business people with already acquired capital and track records, which might as well use the banking system. Even though the support is aimed at inclusive business models, applied to the local context it looks more like exclusive finance. Do we think it is important that Scandinavian development cooperation supports essentially European business people and their companies, or should our focus be redirected?

5.2. Suggestions for Future Research
While examining the material from the field study new interesting questions have arrived. As briefly explained, there are both direct and indirect beneficiaries of the Scandinavian PSC/PSD support. It is unclear what effect this has and if there is a significant difference between the two. However, direct beneficiaries seem more likely to acquire skills, which also can be transferred to the next generations. There is a difference in gaining skills that can lead to an independent self-sustaining income, and an income essentially dependent on the company’s survival. At the end of the day, all policies are aiming for sustainability and long-term goals and then investments in human capital should be prioritized. Yet, the effects of these different approaches remain to be further assessed.
References


Appendix I – Interview Questions Fund Managers

General questions:
1. Can you give some general information about the fund – purpose, funding, governance?

2. How does the money flow? Size, origin, management? (+material)

3. How do you perceive the political structure in Mozambique? Is that taken into account in the work and support of the entrepreneurs and if so, how? How often do you make an analysis?

4. How do you perceive the business climate in the country? Is that taken into account in the work and if so, how? 'Enabling Environment'

Theme 1 (transparency):
5. How do the entrepreneurs find out that the support is available to apply for?
   - Is this information available to everyone on equal terms? (Internet access, geographic spread, literacy, languages?)
   - Through which channels is the information distributed?
   - In what language is the information given?
   - How do you assure as many people as possible can access the information and the opportunity?
   - Have the support/information been directed to any particular recipient? In such case, how have these been located and how is the selection justified?
   - Are the decision-making processes open and verifiable to outsiders? What insight is there? (Accountability - ex. National Audit Office, public)

Theme 2 (reciprocity):
6. How is it determined how the support is to be used? Before and after the support has reached the entrepreneurs?
   - Is the money tied to specific purposes and/or specific results framework? Do the donors set any requirements in terms of performance?
   - What happens if the project plan has to be changed after the support has been provided? To what extent do the entrepreneurs have free hands? To what extent should Fund Managers consulted?
   - Can the support be withdrawn for any reason? What reasons, and how is that decision taken?
   - Do the contractors have a report duty? How often and what frames apply for the reports?
Theme 3 (credibility):
7. What conditions apply for decisions to provide support? Do the business owners have to meet certain criteria (in order to be assessed as reliable and serious businesses)? (+ Materials)
   - How do you work to pass on credibility among the grantees? Did it happen that the grantees have doubted the seriousness of the project?
   - Did it happen that you suspected the support was not used as agreed, and how do you act in such cases?

Theme 4 (trust):
8. How do the donors work to create a trustworthy relationship with the contractors?
   - How much contact exists between the partners? How is this contact established and how often? How do they maintain the communication?
   - How are the people in charge of contacts with the contractors chosen? Are there any special criteria to increase the trust of the recipients?
   - How to overcome cultural differences and power relations? Are the partners equal and how does it affect the relationship?

Final question:
9. In your opinion, what is more important for the initiative to have a sustainable and long-term effect on development?

Appendix II – Interview Questions Entrepreneurs

1. Tell me a little bit about your background related to your profession and how this business started!

Theme 1 (transparency):
2. How did you find out about this program and how to apply?
   - Did someone tell you about it? Who?
   - Did you read about it somewhere?
   - In what language and format was the information available?
   - Was it easy to find more information? Where (online or through phone calls/meetings or alike?)
3. How would you describe the communication with the fund manager?
   - How do you stay in contact? How much?
4. Do you feel that the fund managers are sharing important information with you, at the right time?
5. How would you describe the decision-making process of the funder organization?
   - Is it possible to get an insight?
Theme 2 (reciprocity):
6. Tell me about the process from when you first got in contact with the fund to the day you received the support!
   - How much could you affect the budget for the funding?
   - What should/would you do if the project plan needs to be changed?
   - Do you need to report anything to the fund managers? What do you need to report? With what frequency?
7. What goals/purposes do you have with this project? Do you think the funder has the same goals?
8. What results do you expect as a result of the funding? Do you think that the donor has the same expectations?
   - If not; how do they differ?
9. What is your perception of the commitment of the fund manager to this project?
   - Does it differ to your commitment?

Theme 3 (credibility):
10. Do you feel that the fund managers are reliable? Are they keeping their words and deadlines?
    - If yes, what made you feel that way? (If no, why not?)
11. Does the fund manager feel familiar to you?
12. Do you think that the project is serious? Why, why not? How did you get convinced?)
    - Do you think the fund managers perceive your business as serious? What did you do to try to convince them? (about the seriousness of your business)

Theme 4 (trust):
13. How is your relationship to the fund managers? Any challenges?
    - Do you feel you can trust them?
    - Have you ever experienced any difficulties?
      (Eg. due to cultural differences?)

General questions:
14. What is it like doing business in Moçambique?
    - Advantages/disadvantages? Obstacles?
15. What is your general opinion of the financial/technical support you’ve been receiving?
16. Is your business going as planed, in relation to the project plan?
Appendix III – List of Interviews

Johanna Bark (Sida), 2015-06-04
Anna Bellander (Swedish Embassy), 2015-06-29
Pedro Corrêa (Centagri/Gapi), 2015-07-14
Sonia Cumbi (Danida), 2015-06-16
Andrew Cunningham (Communities of Fusion), 2015-07-30
James de la Fargue (Frango King), 2015-07-23
Xico Albino Fombe (Gorongosa Cooperative), 2015-07-14
Jørgen Jensen (Danish Embassy), 2015-06-16
Andrew Kingman (Eco-MICAIA), 2015-07-13
Carlos Mate (Norwegian Embassy), 2015-06-16
Koos van der Merwe (Moçambique Orgânicos), 2015-07-06
Corin Mitchell (KPMG), 2015-07-17
Tafadzina Moyo (Frango King), 2015-07-23
Lasse Neergard (Norfund), 2015-06-16
Paulo Negrão (Gapi), 2015-06-24
Dulce Paulsen (Vavasati), 2015-08-04
Wigle Vondeling (Banco Terra), 2015-06-17