

## **Private Sector Working Group – Comments on PARPA II and its Matrix**

### **General:**

The “private sector” sections of the PARPA should better reflect the expressed priority of the government and private sector to reduce the cost of doing business in Mozambique. Improvements to the business environment, now one of the worst in the world, will attract investment and create jobs, thus increasing growth and reducing poverty. We recommend as an explicit goal of the PARPA making Mozambique’s business environment the “best in SADC” by 2015.

A good point of departure would be a focus on the main “Doing Business” areas: business registration, business licensing, labor, property transfer, credit markets, corporate governance, imports and exports, contract enforcement, fiscal regime, and bankruptcy regulation. Of these, only business registration is captured in either the text or the action matrix, a missed opportunity that should be corrected.

The sectors covered in the matrix, including those falling under the “private sector,” fail to address constraints to business or investment in any comprehensive way. For example, no sector indicates it will reform of the “fines and inspections” to change the underlying incentives. In the PARPA text (paragraphs 495 and 496), only tourism promises to reduce the administrative barriers that affect all sectors. The PARPA text focuses exclusively on “administrative barriers”, and ignores the contributions that lack of competition and inefficiency (especially in public services and utilities) make to Mozambique’s inflated costs of doing business. The sectors focus too much on actions the GRM will take and not enough on what they can do to provide a supportive environment to the private sector. Their action plans should better integrate measures to remove constraints to doing business.

### **Policies to be Updated/Additional Analytical Work:**

The matrix offers an opportunity to develop and specify actions to improve the business environment. The private sector group recommends the following:

1. The first section of the private sector matrix (page 13), related to the business environment, now has three indicators – number of days for business registration; (ii) percentage of *documentos únicos* (DUs) processed in 48 hours, and (iii) number of Mozambican norms approved. Although important, these do not add up to a broad program to improve competitiveness.
2. The DU indicator could be replaced by one that reflects the difficulty of importing and exporting, and the norms indicator should be dropped.
3. The labor indicator does not define “reformed”, leaving room for sub-optimal outcomes for the new law. More specific measures (e.g. cost of hiring and firing, vacation days, limits on overtime) would better capture progress. As an overall indicator in this area, we recommend the total employed in the formal sector.

If Mozambique’s goal is to be the best place in SADC for doing business by 2015, then indicators proposed by the World Bank, attached, make a good starting point.

### **Priority Actions Not Identified in the PARPA**

The PARPA ignores the problems of fines and inspections, DUAT transactions, air transport (as it relates to tourism), and introducing more competition into the provision of public utilities. All these areas are important to developing a private sector that can generate jobs, increase growth and reduce poverty.

*Ranking improvement by milestones*

	<b>2005</b>	<b>2007</b>	<b>2010</b>	<b>2012</b>	<b>2015</b>
Ease of Doing Business (overall rank)	<b>110</b>	<b>81</b>	<b>54</b>	<b>38</b>	<b>27</b>
Starting a Business	139	60	45	35	25
Dealing with Licenses	54	28	18	14	11
Hiring and Firing Workers	113	110	79	70	48
Registering Property	94	65	45	30	23
Paying Taxes	88	45	36	26	14
Trading Across Borders	105	70	62	46	32
Enforcing Contracts	115	79	50	35	18
Cost of electricity (Kwh per US cent)		4	3	2	2
Number of power outages/month	60	50	40	28	12
Beira/Maputo 20'container (by land)	770	700	450	425	400
Value added per worker (US\$)	1000	1500	2000	2500	3000