

Inhambane Investment Climate Survey

Results and Suggestions

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o. Executive Summary

A survey on the investment climate in the province of Inhambane has been conducted in March 2004. After 25 preliminary interviews, a weighted sample of 100 firms from the commercial, industrial and tourism sectors mainly situated in the province's economic centers of Inhambane, Maxixe and Vilanculo has been drawn and interviewed.

Corruption in the province has been identified as the biggest obstacle to economic development. Government bureaucracy was the second most important hindrance. Generally, the obstacles could be classified into four categories: an inadequate business environment, complicated, intransparent government procedures, corruption and excessive bureaucracy and finally criminality.

Mozambicans displayed a higher trust in public officials than foreign investors. Conflict management strategies were homogenous for all subpopulations.

A total of 63,8% reported being subjugated to corrupt conduct for their firm. The situation is worst in Vilanculo (82,1%) and lowest in Maxixe (38,1%).

Inhambane's firms spend an average of 9,5% of their gross revenue on corruption. Interestingly, Mozambican investors spend significantly more on corruption than international investors. This finding is independent of the company size. In return, international investors have to bribe more often, especially on tax bribes and bribes on permits and public services.

80,2% of the respondents report to have personally observed corrupt conducts, 68,5% within the last 6 months. 76,8% of the bribes are spent on petty corruption up to MZM 10.000.000.

Vilanculo is targeted heavier than the other economic centers in nearly all aspects, but especially – and in concordance with previous data – in corrupt fiscalization conducts.

Traffic police, customs and tax officials are perceived as the most corrupt public officials throughout the entire sample.

An estimation of the tax evasion in the tourism sector quantifies a defalcation of an average 64%, this being a rather conservative figure.

The most urgent suggestions to improving the situation propose a revision of the national fining system, a revision of fiscal communication habits and a consolidation of industrial lobby groups.

1. Introduction

A lack of investments threatens economic development

Inhambane certainly is one of the key provinces for Mozambican economic development. With its pristine beaches, friendly climate and spectacular maritime life, Inhambane's touristic potential is tremendous in national and international comparison. This potential shows in an increasing international focus (for example Vilanculo as a role model of the IFC) as much as in national politics (as manifested in various speeches by the Gouvernor of Inhambane).

Unfortunately, potential investors are currently hesitating and established ones are strongly complaining because serious disruptions in the cooperation between the private and the public sector seem to be hampering the climate for new investments and thereby threaten provincial economic development.

Public Officials suspect massive tax evasion and fine heavily

The primary source of these disruptions is quite simple. Public officials claim that the vast majority of the provinces' firms illegally evade tax payments by not declaring their full revenues. Unfortunately, it is difficult to actually prove tax evasion on an individual basis because the "real" figures are hard to estimate (especially for internationally operating businesses) and sophisticated surveillance measures do not exist yet. The applied strategy to counter perceived tax evasion is a globally heightened vigilance in the auditing of easier trackable, minor transgressions. When such transgressions are exposed, the maximum force of the law is brought on the individual firm with the aims of equilibrating the suspected tax evasion, regularly resulting in harsh fines for nearly all provincial firms.

Investors feel severely pre- and misjudged

What might be called "heightened vigilance" from public officials is not well received with the provincial business community, claiming that many fines are exorbitant, arbitrary and counterproductive to economic development. Also, investors strongly defend themselves against being pre-judged of tax fraud, stating that by far not all provincial firms are underreporting their gross revenues, but get targeted heavily nonetheless.

Many business operators strongly emphasize that they are willing to contribute their tax share according to Mozambican law, but feel that the current practice of exaggerated, non-

	<p>selective fining actually rewards the “black sheep” among the business community. From a rational point of view, they argue, it would be wiser to begin underreporting gross revenues because regardless of the correctness and honesty of the accounting every firm will be heavily fined anyway.</p>
Corruption is rampant?	<p>A negative side effect of extreme impact to Mozambican development is additionally constituted by the fact that the current practice of fining to equilibrate tax evasion heavily facilitates new and supports existing corruption. A public official encouraged to issue massive fines might be tempted to cancel said fines or turn a blind eye to exposed transgressions in exchange for a bribe.</p>
A survey to identify problem areas and to propose solutions	<p>In order to be able to better grasp the situation, to quantify problem areas and to produce tangible suggestions on how to improve the current situation, GTZ in cooperation with the Berlin University of Technology conducted a survey on the investment climate in the province of Inhambane.</p>

2. Methodology

Preliminary interviews

To be able to get an initial understanding of the situation and for the purposes of survey construction, 25 preliminary, half-standardized interviews with key investors and their public counterparts utilizing the Critical Incident Technique (Flanagan, 1954) were conducted in the cities of Vilanculo, Maxixe and Inhambane. The results of these interviews were fed into survey construction and additionally serve as examples in this report.

Sample composition of the main survey

The sample of the main survey was drawn on the basis of the “Censo de Empresas” (Instituto Nacional de Estatística, 2003). Sample size was set to 100 firms from the formal sector. To be able to reflect the fact that future business development in the province will heavily depend on investments in the tourism sector, 50 firms from that area were selected and accompanied by 50 firms from the commercial and industrial sectors. In terms of intra-provincial distribution, the economic centers of Inhambane, Maxixe and Vilanculo were focalized and rounded out by some firms from rural areas. Within this framework, the sample was drawn randomly.

Structure of the main survey

The main survey is divided in six parts. The first part discusses levels of trust and mistrust between the public and the private sector. In the second part, we examine the conflict management strategies of the participating firms. The third and fourth parts investigate the level of corruption in the province based on general perceptions and first hand experiences. In the fifth part, we discuss in the course of a semi-standardized interview some example suggestions to improving the current situation. These suggestions were derived on the basis of the preliminary interviews and our own analysis. The last part consists of general information concerning the selected firms to allow identifying differences regarding the size of the firms, the nationality of its owners and the district of operation.

To be able to account for effects of the order of presentation, two versions of the survey with shuffled contents were presented. Also, an English and a Portuguese version was available. The main survey was conducted in March 2004 by four specifically trained interviewers.

3. Results

3.1 Descriptives on Participating Firm´s

Table 3.1.1:

		Interview Status			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Completed Interview	94	94,0	94,0	94,0
	Desisted During Interview	6	6,0	6,0	100,0
	Total	100	100,0	100,0	

Table 3.1.1 shows the the final interview status of the respondents. Interestingly, all contacted firms initially participated in the survey and very often explicitly welcomed the project. 94 firms completed the survey. In four cases, the interview partner quit continuing answering because of fear of retributions from the public sector. In two cases, the interview was cancelled by the interviewer, because the respondent was judged illiterate and therefore incapable of understanding the questionnaire.

Table 3.1.2:

		Sector			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Tourism	52	52,0	52,0	52,0
	Commerce	27	27,0	27,0	79,0
	Industry	21	21,0	21,0	100,0
	Total	100	100,0	100,0	

Table 3.1.3:

		District of Firm			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Cidade de Inhambane	33	33,0	35,5	35,5
	Jangamo	8	8,0	8,6	44,1
	Massinga	2	2,0	2,2	46,2
	Cidade de Maxixe	21	21,0	22,6	68,8
	Vilanculo	29	29,0	31,2	100,0
	Total	93	93,0	100,0	
Missing	System	7	7,0		
	Total	100	100,0		

Table 3.1.4

	Language of questionnaire					
	English			Portuguese		
	Sector			Sector		
	Tourism	Commerce	Industry	Tourism	Commerce	Industry
	Recoded District	Recoded District	Recoded District	Recoded District	Recoded District	Recoded District
	Count	Count	Count	Count	Count	Count
Inhambane	7	3	1	11	8	3
Maxixe				5	12	4
Vilanculo	11	1	3	9	2	3

Tables 3.1.2, 3.1.3 and 3.1.4 display more information about the composition of the sample, especially showing the survey’s focus on the tourism sector and the provincial economic centers.

3.2 Descriptives on Participating Respondents

Table 3.2.1:

Position in Firm

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Owner/Proprietor	56	56,0	60,2	60,2
	Partner	7	7,0	7,5	67,7
	Director	5	5,0	5,4	73,1
	General Manager	6	6,0	6,5	79,6
	Manager	18	18,0	19,4	98,9
	Financial Officer	1	1,0	1,1	100,0
	Total	93	93,0	100,0	
Missing	System	7	7,0		
Total		100	100,0		

Table 3.2.2:

Sex of Respondent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	87	87,0	93,5	93,5
	Female	6	6,0	6,5	100,0
	Total	93	93,0	100,0	
Missing	System	7	7,0		
Total		100	100,0		

Nationality of Respondent

Table 3.2.3:

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Mozambican	50	50,0	53,8	53,8
	Portuguese	11	11,0	11,8	65,6
	South African	18	18,0	19,4	84,9
	Zimbabwean	3	3,0	3,2	88,2
	Other	11	11,0	11,8	100,0
	Total	93	93,0	100,0	
Missing	System	7	7,0		
Total		100	100,0		

Highest Education Level

Table 3.2.4:

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	None/ Unfinished Elementary	1	1,0	1,1	1,1
	Elementary or equivalent	8	8,0	8,6	9,7
	High School or equivalent	64	64,0	68,8	78,5
	University or equivalent	16	16,0	17,2	95,7
	Advanced Degree	4	4,0	4,3	100,0
	Total	93	93,0	100,0	
Missing	System	7	7,0		
Total		100	100,0		

Language of questionnaire

Table 3.2.5:

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	English	36	36,0	36,7	36,7
	Portuguese	62	62,0	63,3	100,0
	Total	98	98,0	100,0	
Missing	System	2	2,0		
Total		100	100,0		

Very low percentage of women in charge

There are some points of special interest in interpreting the figures above. First, the percentage of interviewed women is surprisingly low. Although Mozambique has one of the worldwide highest proportions of women in parliament (Arakelian, 2003), the number of women in charge of firms in the private sector is extremely low (6,5%).

National vs. international investors

The language of the questionnaire is a very important information for further analysis because we will discern between national and international firms on the basis of this variable. It is unfortunately quite difficult to decide for an individual firm operating in Mozambique, if it is nationally or internationally dominated. The most obvious information, which are the firms shares, is very sensible. Additionally, until

2001, every new investor had to present Mozambican partners, which led to many pro forma partnerships with Mozambicans in the role of stooges and might result in confusing information about the origin of the firm's investments. Additionally, nearly the entire commercial sector is dominated by a minority with Indian heritage who are quite randomly of Portuguese or Mozambican citizenship, but already living in the province for generations.

Therefore, we decided to chose a variable with a higher discriminatory power and found that the survey language is the best suited option, because it resolves the above detailed problems elegantly.

3.3 Perceived Obstacles for New Investments

A very important question for an analysis of investment climate obviously is: what are serious obstacles to business development in Mozambique? We measured this question on a seven-point scale ranging from 1 ("No obstacle") to 7 ("Extreme obstacle"). Table 3.3.1 shows the results.

Table 3.3.1:
Obstacles to
Business
Development

Descriptive Statistics

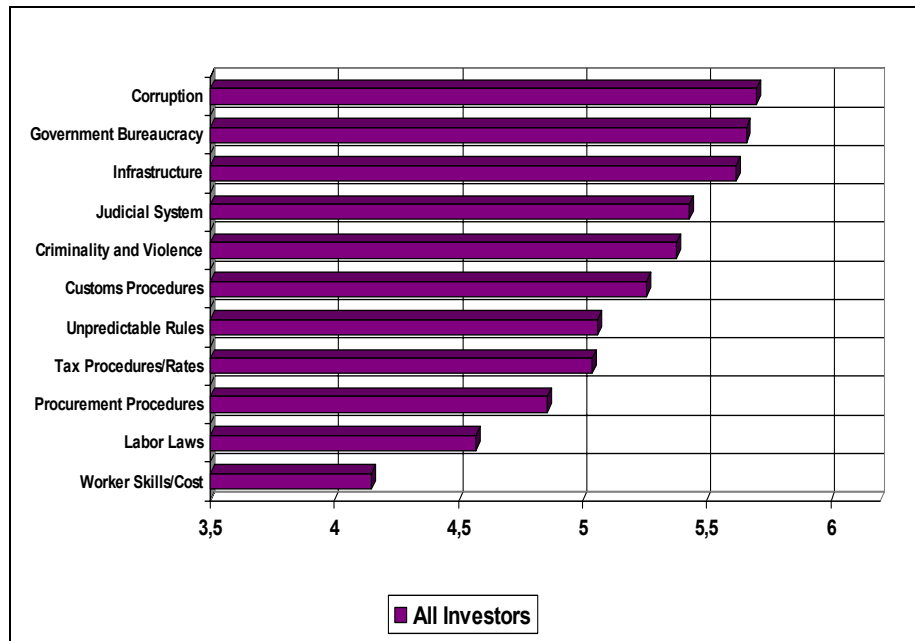
	N	Mean	Std. Deviation
Obstacle: Corruption in the public sector	87	5,70	1,59
Obstacle: Government bureaucracy	93	5,66	1,74
Obstacle: Inadequate infrastructure/public services	93	5,62	1,78
Obstacle: Unreliable judicial system	86	5,43	1,89
Obstacle: Criminality and violence	95	5,38	1,92
Obstacle: Import/Export/Customs procedures and/or rates	69	5,26	1,91
Obstacle: Unpredictable rules and regulations	86	5,06	2,07
Obstacle: Tax collection procedures and/or rates	92	5,04	2,01
Obstacle: Government procurement/contracting procedures	63	4,86	1,85
Obstacle: Labor laws	93	4,57	2,24
Obstacle: Worker skills and/or cost	93	4,15	2,14

Corruption is the
biggest obstacle

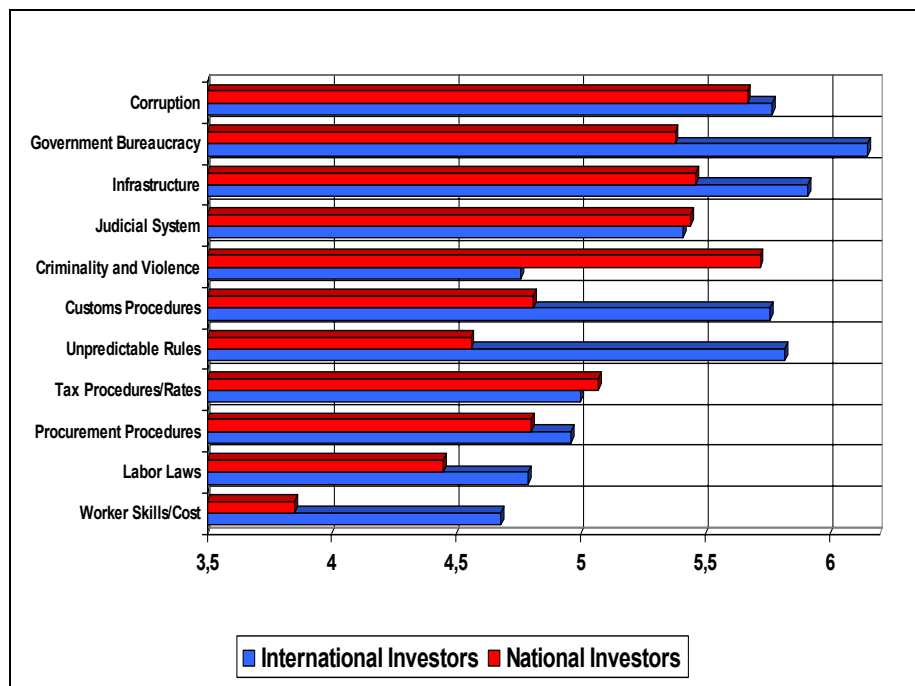
Given the situation described in the introduction, Corruption unsurprisingly presents the most pressing problem, followed by government bureaucracy and inadequate infrastructure.

Also, all of the presented obstacles were perceived as actually being obstacles. Worker skills and labor laws on the bottom of the list of obstacles, still have an arithmetic mean far above 4.

Graph 3.3.1:
Perceived
Obstacles to
Business
Development



Graph 3.3.2:
Perceived
Obstacles to
Business
Development for
National and
International
Investors



Four factors
compose the main
obstacles for
business
development

On a closer look, a principal component analysis revealed a latent pattern in the data¹. Four factors underlying the business development obstacles were identified as:

- *Business Environment* (containing Worker Skills, Labor Laws, Unpredictable Rules and Inadequate

¹ A Varimax rotated, four factor solution explaining 70,3% of the total variance was extracted with the Kaiser criterion. More information in the Appendix.

- Infrastrucutre)
- *Government Procedures* (Procurement procedures, tax collection procedures and customs procedures)
 - *Corruption, Bureaucracy and Unreliable Judicial System*
 - *Criminality and Violence.*

There are remarkable differences between national and international investors as well as between the provincial economic centers.

The factor “Business Environment” is a far greater obstacle for international than for national investors². A manifest interpretation of this finding might be that foreign investors usually originate from developed countries and thus have more difficulties in adapting to the necessities or even hardships of a developing country. While the business environment is a major hindrance for international investors, criminality and violence are greater obstacles for national investors³. It might be supposed that Mozambicans are far more concerned about the development of their country. While criminality and violence might be quite abstract business obstacles for foreign investors, they represent serious and very immediate concerns for Mozambicans, which is well reflected in the data.

The business sector does not influence the evaluation of the presented obstacles in a systematic way. Commerce, Tourism and Industry experience the same obstacles.

Criminality poses a bigger problem in Vilanculo

There are recognizable differences between the provincial economic centers, though. Criminality and violence are perceived to be a bigger obstacle to business development in Vilanculo than in the other cities. This finding is not a singularity. We will see throughout the whole survey that the investment climate in Vilanculo is much worse than in the rest of the province in various ways, especially (mostly fiscal) corruption (see Chapter 3.5).

The situation in Vilanculo is especially critical

A possible reason for Vilanculo being on the worse end of conditions might be constituted by the fact that Vilanculo is the district with the highest investments and therefore the highest temptation for illegal activities. It is additionally situated in a comparatively remote place and does not house any important provincial or federal government office, thereby limiting the

² F=11,1; p=0,002. More information in the Appendix.

³ F=7,7; p=0,008. More information in the Appendix.

private sector’s access to governmental decision-makers.

At present, the city is on the brink of becoming a law-free haven for criminality and corruption. We experienced in the preliminary and “regular” interviews an extremely negative, sometimes even desperate outlook among national and international investors alike and actually see the very real danger of a massive exodus of investors, leading to an economic and social disaster. We thus recommend an immediate and decisive response. More information about the stage of affairs in Vilanculo may be found throughout the report, some proposals on the exact nature of possible responses are discussed in Chapter 4 (Solutions).

3.4 Trust and Conflict Management

Trust is the fundament of investments

The fundament of every investment is trust. The operationalization of trust for this survey was based on the generalized, two-dimensional, interpersonal scale constructed by Krause (2003) and includes 25 items. Each item contains a trust-related statement concerning public officials in general and is measured on a seven point scale ranging from 1 (“Disagree completely”) to 7 (“Agree completely”).

A confirmatory factor analysis lends credence to the assumption that the scale is not two-, but one-dimensional⁴. This assumption is strongly supported by a reliability analysis⁵. It is thus indicated to aggregate trust to one variable of globalized trust.

Table 3.4.1: Global Trust

Global Trust								
TOTAL	Inham.	Maxixe	Vilanc.	Tour.	Comm.	Indust.	Nat.	Intern.
3,92	4,07	3,87	3,83	3,94	3,95	3,85	3,52	4,12

The overall mean of trust on a seven point scale is 3.92, signifying that trust and mistrust are quite balanced.

The examined business sectors and economic centers perceive public officials to be equally (un-) trustworthy. National investors display a significantly higher level of trust than international investors, though⁶. A very interesting finding linked to trust is the fact that although Mozambicans trust

⁴ RMSEA=0,034; AGFI= 0,981. More information in the Appendix.

⁵ α=0,94. More information in the Appendix.

⁶ F=5,021; p=0,028. More information in the Appendix.

public officials more than foreign investors, they are actually paying higher percentages of their gross revenues in bribes.

More information and interpretation on these rather perplexing findings follows in chapter 3.5 (Corruption).

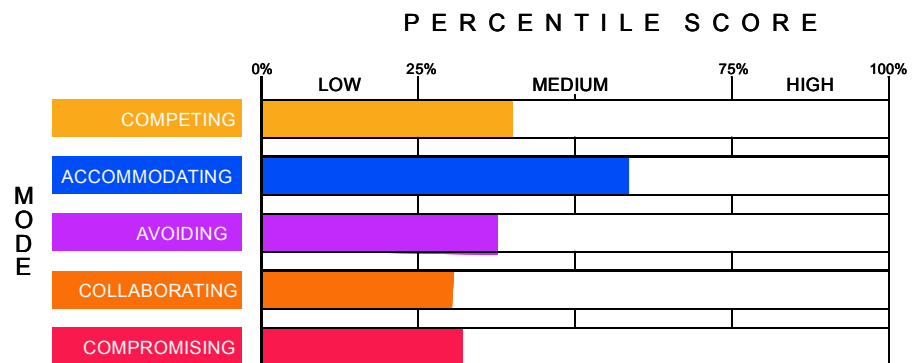
Conflict Management: the MODE instrument

To measure conflict management, we used the MODE instrument (Thomas & Kilmann, 1974). The MODE instrument differentiates between five conflict management types on two dimensions: assertiveness and cooperativeness. The inventory features 30 forced-choice items, each containing two answering alternatives. The five types of conflict management behavior are in particular:

Five types of conflict management behavior

- **Competing:** High assertiveness and low cooperativeness. The goal is to "win".
- **Avoiding:** Low assertiveness and low cooperativeness. The goal is to "delay".
- **Compromising:** Moderate assertiveness and moderate cooperativeness. The goal is to "find a middle ground".
- **Collaborating:** High assertiveness and high cooperativeness. The goal is to "find a win-win situation".
- **Accommodating:** Low assertiveness and high cooperativeness. The goal is to "yield".

Graph 3.4.2: Percentile Scores



Interestingly and contradicting our initial assumptions, there are no differences as to the conflict management strategies applied by the different sectors, nationalities and districts.

The Inhambane business operators seem to be a remarkably homogenous subpopulation in terms of applied conflict management strategies. Sloppy put, the language of business is global.

3.5 Corruption

Corruption is one of the biggest problems to the development of Mozambique as a whole.

Its classic definition, followed by the World Bank, Transparency International and the United Nations Office on Drugs and Crime, views corruption as the use of one's public position for illegitimate private gains.

In the African Competitiveness Report (The World Economic Forum, 2003), Mozambique is listed in place 19 out of 21 for irregular payments in imports and exports, on place 17 of 21 for favoritism in decisions of government officials and on place 17 of 21 for judicial independence.

Mozambique is one of the most corrupt countries in the world

A nationwide corruption report (Ética, 2001) found that more than 20% of the population regularly has to spend more than an average GDP per capita on petty corruption.

Considering such a massive scale of corruption, it is not a big surprise to find the Mozambican economy among the 10 least competitive worldwide in all categories measured (The World Economic Forum 2004).

In this survey, we already confirmed this impression with corruption being perceived as the biggest obstacle to business development.

The important questions for this survey are therefore on the one hand problem oriented:

- What is the quality and quantity of corruption in the province?
- In which economically relevant areas does corruption exist?
- What forms of corruption do we encounter?
- Who suffers and who profits from corrupt deals?

What do we want to know from this survey?

It is crucial to not forget implementing tangible measures on fighting corruption in a solution oriented approach at the same time. Chapter 4 will deal with this subject matter.

Global Corruption

Table 3.5.1:

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not subjected to corruption	34	34,0	36,2	36,2
	Subjected to corruption	60	60,0	63,8	100,0
	Total	94	94,0	100,0	
Missing	System	6	6,0		
	Total	100	100,0		

In the province of Inhambane, **63,8%** of the respondents reported having been subjected to requests for bribes or other hidden payments by public officials or politicians.

Origin of Investor * Global Corruption Crosstabulation

Table 3.5.2:

			Global Corruption		Total
			Not subjected to corruption	Subjected to corruption	
Origin of Investor	International	Count	8	24	32
		% of Total	8,5%	25,5%	34,0%
	National	Count	26	36	62
		% of Total	27,7%	38,3%	66,0%
Total	Count	34	60	94	
	% of Total	36,2%	63,8%	100,0%	

When it comes to the origin of the investor, 75% percent of the international and 58% of the national investors report having been subjected to requests for bribes or other hidden payments.

No significant association

There is a tendency towards international investors getting more frequently harassed than Mozambican investors, but the difference is not significant in statistical terms⁷.

Recoded District * Global Corruption Crosstabulation

Table 3.5.3:

			Global Corruption		Total
			Not subjected to corruption	Subjected to corruption	
Recoded District	Inhambane	Count	15	17	32
		% of Total	18,5%	21,0%	39,5%
	Maxixe	Count	8	13	21
		% of Total	9,9%	16,0%	25,9%
	Vilanculo	Count	5	23	28
		% of Total	6,2%	28,4%	34,6%
Total	Count	28	53	81	
	% of Total	34,6%	65,4%	100,0%	

⁷ $\chi^2=2,62$; $df=1$; $p=0,105$. More information in the Appendix.

Corruption is rampant especially in Vilanculo

In terms of a districtal influence on corrupt incidents, the data clearly show that the situation in Inhambane city (53,1% corruption) and Maxixe (38,1%), although bad, nearly is not as bad as it is in Vilanculo with 82,1% of the companies reporting having been subjected to corruption.

When compared to Ética´s (2001) findings, the hierarchy of corrupt cities/provinces would be the following:

Table 3.5.4:

City	% of reported corruption
1. Vilanculo	82,1%
2. Sofala Province	67,0%
3. Inhambane Province	63,8%
4. Inhambane City	53,1%
5. Maxixe	38,1%
6. Maputo Province	37,4%
7. Nampula Province	28,2%

Quantifying the amount of provincial corruption, the results are alarming.

Statistics

% of Gross Revenue on Corruption

Table 3.5.5:

N	Valid	91
	Missing	9
Mean		9,4890
Std. Deviation		11,85162
Percentiles	25	,0000
	50	5,0000
	75	15,0000

As Table 3.5.5 shows, an average of 9,49% of the firm´s gross revenue is spent on corruption throughout the province.

% of Gross Revenue on Corruption

 Table 3.5.6:
Frequencies of %
of Gross Revenue
spent on
Corruption

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
,00	27	27,0	29,7	29,7
,50	2	2,0	2,2	31,9
1,00	3	3,0	3,3	35,2
2,00	6	6,0	6,6	41,8
5,00	11	11,0	12,1	53,8
6,00	1	1,0	1,1	54,9
7,00	1	1,0	1,1	56,0
7,50	2	2,0	2,2	58,2
10,00	13	13,0	14,3	72,5
15,00	5	5,0	5,5	78,0
17,50	1	1,0	1,1	79,1
20,00	8	8,0	8,8	87,9
25,00	2	2,0	2,2	90,1
27,00	1	1,0	1,1	91,2
30,00	4	4,0	4,4	95,6
40,00	2	2,0	2,2	97,8
45,00	1	1,0	1,1	98,9
60,00	1	1,0	1,1	100,0
Total	91	91,0	100,0	
Missing				
System	9	9,0		
Total	100	100,0		

Only 27% of the companies state that “a firm like theirs” does not spent money on paying bribes, while the peak is found at 60%.

Before continuing with the analysis, a moderating variable has to be controlled for: the size of the firm, measured by the number of employees. Company size heavily correlates with the origin of the investor.⁸ International investor’s firms are significantly larger than national investor’s firms. To be able to pinpoint effects to the origin of the investor, we have to eliminate the influence of the firms size from the origin of the investor.⁹

National investors trust AND pay more!

In a next step, we break down the percentage of gross revenue spent on corruption to district level, origin of the investor and sector of activity.

The results of this analysis are astounding. Even after

⁸ $r=0,31$; $p=0,03$; $n=93$.

⁹ Technically, this is done via saving the residuals of a binary logistic regression with origin of the firm as dependent and firm’s size as independent variable. More in the Appendix.

controlling for the effects of the firm's size, national investors pay a significantly higher percentage of their gross revenue than international investors¹⁰. Accordingly, firms from Maxixe, having by far the largest proportion of national investors in the province, report a significantly higher percentage of their gross revenue on corruption-related payments than Inhambane and Vilanculo¹¹. Again, there is no systematic association between corruption and the sector of activity.

These findings mean that while national investors display far more trust in public officials, they nevertheless spent more in terms of a percentage of their gross revenue on corruption than international investors.

There are two possible explanations for this phenomenon.

One is that Mozambicans already got used to corruption to an extent that they no longer consider corrupt incidents disruptive in terms of their trust in public officials.

Interpretations of a strange finding

The other explanation is that the clever use of bribes actually pays off ultimately and that most foreign investors did not understand the "system" to an extent allowing them to profit in a similar way as the Mozambicans yet.

Whatever might be the case, the country of Mozambique and ultimately its residents are the bereaved.

Observed Corruption

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	73	73,0	80,2	80,2
	No	18	18,0	19,8	100,0
	Total	91	91,0	100,0	
Missing	Do not know	4	4,0		
	System	5	5,0		
	Total	9	9,0		
Total		100	100,0		

Table 3.5.7:

80,2% of the companies report having observed any suspect corrupt conduct in the public sector.

¹⁰ $t=2,48$; $df=60$; $p=0,032$. More in the Appendix.

¹¹ $F=4,41$; $df=2/50$; $p=0,017$. More in the Appendix.

Observed Corruption: When last time?

Table 3.5.8:

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Within the last 6 months	50	50,0	68,5	68,5
	Between 6 months and 1 year	12	12,0	16,4	84,9
	More than a year	11	11,0	15,1	100,0
	Total	73	73,0	100,0	
Missing	System	27	27,0		
Total		100	100,0		

The majority (68,5%) of suspect corrupt conducts has been observed within the last 6 months.

Observed Corruption: How much money?

Table 3.5.9:

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	less 100.000	1	1,0	1,4	1,4
	1.000.000 - 100.000	22	22,0	31,9	33,3
	10.000.000 - 1.000.000	30	30,0	43,5	76,8
	100.000.000 - 10.000.000	13	13,0	18,8	95,7
	1.000.000.000 - 100.000.000	2	2,0	2,9	98,6
	more 1.000.000.000	1	1,0	1,4	100,0
	Total	69	69,0	100,0	
Missing	System	31	31,0		
Total		100	100,0		

More than 75% petty corruption

The amount of money involved in corrupt conducts corresponds well with the findings of Ética (2001). More than 75% of corrupt conducts involve less than MZM 10.000.000 and might therefore be considered “petty corruption”.

Observed Corruption: Incident Reported?

Table 3.5.10:

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	17	17,0	23,3	23,3
	No	56	56,0	76,7	100,0
	Total	73	73,0	100,0	
Missing	System	27	27,0		
Total		100	100,0		

No visible response after reports

Only in 23,3%, corrupt incidents have been reported. Interview partners unanimously accounted that in none of the 17 reported cases, a visible response occurred.

After having discussed the quality and quantity of corrupt conducts in a general way, we will now analyse, in which areas economically relevant areas corruption occurs.

Bribes in Relation to taxes

Table 3.5.11:

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	41	41,0	47,1	47,1
	No	46	46,0	52,9	100,0
	Total	87	87,0	100,0	
Missing	Do not know	8	8,0		
	System	5	5,0		
	Total	13	13,0		
Total		100	100,0		

A total of 47,1% of the sample reports having been approached for bribes during tax payments, equally encompassing taxes on the municipal, district, provincial and federal level.

Table 3.5.12:

“Service” offered	Yes¹²	No
Legal Advice on Regulations	17	17
Granting Illegal Tax Exemptions	12	22
Ignoring Underreported Values	24	9
Suppressing Reports On Tax Fraud	15	17
Cancelling Fines Already Issued	21	17
Retreating Threats To Harass Taxpayers	27	8
Forebearing Scrutiny And Tax Inspections	18	18

As suspected in the introduction, the current practice of non-selective, massive fining finds its repercussions in the services offered in exchange for bribes, as the most frequent corrupt conducts directly or indirectly include fining procedures.

Recorded District * Bribes in Relation to taxes Crosstabulation

Table 3.5.13:

			Bribes in Relation to taxes		Total
			Yes	No	
Recorded District	Inhambane	Count	12	17	29
		% of Total	16,0%	22,7%	38,7%
	Maxixe	Count	9	10	19
		% of Total	12,0%	13,3%	25,3%
	Vilanculo	Count	16	11	27
		% of Total	21,3%	14,7%	36,0%
Total		Count	37	38	75
		% of Total	49,3%	50,7%	100,0%

Although a tendency between the district of operation and

¹² Please note that in some cases, multiple answers were possible, resulting in a total of “services” higher than the 41 reported number of bribes in relation to tax payments.

corrupt conducts related to bribes is again visible in the usual direction (seeing a worse situation in Vilanculo), the results are not significant in statistical terms¹³ and may therefore not be generalized beyond the scope of the sample.

Origin of Investor * Bribes in Relation to taxes Crosstabulation

Table 3.5.14:

			Bribes in Relation to taxes		Total
			Yes	No	
Origin of Investor	International	Count	19	11	30
		% of Total	21,8%	12,6%	34,5%
	National	Count	22	35	57
		% of Total	25,3%	40,2%	65,5%
Total		Count	41	46	87
		% of Total	47,1%	52,9%	100,0%

While on a district level and between business sectors no association with corruption occurs, there is a systematic effect for the origin of the investor. International investors get hassled much more frequently than national investors¹⁴.

Bribes in Relation to Permits and Public Services

Table 3.5.15:

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	37	37,0	42,0	42,0
	No	51	51,0	58,0	100,0
	Total	88	88,0	100,0	
Missing	Do not know	8	8,0		
	System	4	4,0		
	Total	12	12,0		
Total		100	100,0		

Bribes in relation to permits and public services (42%) are approximately as common as bribes in relation to tax payments (47%).

Table 3.5.16:

Corrupt Conducts occurring on...	Yes¹⁵	No
District Level	15	11
Municipal Level	20	8
Provincial Level	24	7
Federal Level	9	15

¹³ $\chi^2=1,83$; $df=2$; $p=0,401$.

¹⁴ $\chi^2=4,83$; $df=1$; $p=0,028$.

¹⁵ Please note that in some cases, multiple answers were possible, resulting in a total of "services" higher than the 37 reported number of bribes in relation to permits and services.

**Origin of Investor * Bribes in Relation to Permits and Public Services
Crosstabulation**

Table 3.5.17:

			Bribes in Relation to Permits and Public Services		Total
			Yes	No	
Origin of Investor	International	Count	19	13	32
		% of Total	21,6%	14,8%	36,4%
	National	Count	18	38	56
		% of Total	20,5%	43,2%	63,6%
Total		Count	37	51	88
		% of Total	42,0%	58,0%	100,0%

As with bribes in relation to tax payments, international investors report more corrupt conducts in relation to permits and public services¹⁶.

International investors experience more problems with regulations

An explanation for these findings might be that international investors are less intimate with Mozambican rules and regulations than national investors. This lack of knowledge combined with the language barrier leaves international investors much more vulnerable to procedural errors and creates tremendous opportunities for exploitation by corrupt public officials.

Corruption During Other Fiscalization Procedures

Table 3.5.18:

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	34	34,0	37,8	37,8
	No	56	56,0	62,2	100,0
	Total	90	90,0	100,0	
Missing	Do not know	6	6,0		
	System	4	4,0		
	Total	10	10,0		
Total		100	100,0		

Although the total percentage of corruption during other fiscalization procedures appears to be similar to the manifestations of corruption discussed above, there also exist some noteworthy differences.

¹⁶ $\chi^2=6,20$; $df=1$; $p=0,013$.

**Recorded District * Corruption During Other Fiscalization Procedures
Crosstabulation**

Table 3.5.19:

			Corruption During Other Fiscalization Procedures		Total
			Yes	No	
Recorded District	Inhambane	Count	6	25	31
		% of Total	7,7%	32,1%	39,7%
	Maxixe	Count	7	13	20
		% of Total	9,0%	16,7%	25,6%
	Vilanculo	Count	17	10	27
		% of Total	21,8%	12,8%	34,6%
Total	Count		30	48	78
	% of Total		38,5%	61,5%	100,0%

Interestingly, we neither found differences between the origin of the investors nor between the business sectors with regards to corruption during other fiscalization procedures. However, there is a huge systematic influence of the district on this type of corruption.

Vilanculo suffers strongly from fiscal corruption

While Inhambane and Maxixe experience only minor problems in this area, Vilanculo is (once more) hit the hardest¹⁷.

The extremely negative results in Vilanculo confirm the findings of Berger's (2002) survey on corruption in Mozambican municipalities. Berger states that 80% of Vilanculo's respondents report corrupt conducts. Additionally, she highlights the fining and fiscalization system to be especially susceptible to corruption in Vilanculo.

Bribes or Extortion in Relation to Political Contributions

Table 3.5.20:

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	23	23,0	25,0	25,0
	No	69	69,0	75,0	100,0
	Total	92	92,0	100,0	
Missing	Do not know	3	3,0		
	System	5	5,0		
	Total	8	8,0		
Total		100	100,0		

In comparison with the manifestations of corruption discussed above, bribes in relation to political contributions are less frequent.

¹⁷ $\chi^2=11,7$; $df=2$; $p=0,003$.

**Origin of Investor * Bribes or Extortion in Relation to Political Contributions
Crosstabulation**

Table 3.5.21:

			Bribes or Extortion in Relation to Political Contributions		Total
			Yes	No	
Origin of Investor	International	Count	12	20	32
		% of Total	13,0%	21,7%	34,8%
	National	Count	11	49	60
		% of Total	12,0%	53,3%	65,2%
Total	Count	23	69	92	
	% of Total	25,0%	75,0%	100,0%	

**Recorded District * Bribes or Extortion in Relation to Political Contributions
Crosstabulation**

Table 3.5.22:

			Bribes or Extortion in Relation to Political Contributions		Total
			Yes	No	
Recorded District	Inhambane	Count	2	29	31
		% of Total	2,5%	36,7%	39,2%
	Maxixe	Count	4	16	20
		% of Total	5,1%	20,3%	25,3%
	Vilanculo	Count	10	18	28
		% of Total	12,7%	22,8%	35,4%
Total	Count	16	63	79	
	% of Total	20,3%	79,7%	100,0%	

Firms based in Vilanculo as well as for international investors, report bribes in relation to political contributions more frequently¹⁸.

The final part of our analysis of the provincial corruption analyses the investors perception of the public officials profiting from corrupt conducts. We asked, which groups of people the investors would consider to be likely to take bribes and use nepotism.

Again, we applied a seven point scale ranging from 1 (“Extremely Unlikely”) to 7 (“Extremely Likely”).

¹⁸ District: $\chi^2=7,83$; $df=2$; $p=0,020$. Origin of investor: $\chi^2=4,09$; $df=1$; $p=0,043$.

Descriptive Statistics

Table 3.5.23:
Corruption
Likelihood of
Public Officials

	N	Mean	Std. Deviation
Traffic Police	90	6,43	1,20
Customs Officials	73	6,18	1,60
Local Police	92	5,50	1,81
Tax Officials	82	5,21	2,02
Tender Officials	58	5,03	2,05
Registry and Permit Officials	89	4,93	2,16
Municipality Officials	73	4,84	1,89
Public Technical Inspectors	74	4,80	1,86
Maritime Officials	58	4,74	2,07
Ministers and State Secretaries	47	4,62	2,05
Judges	60	4,58	2,13
Fishery Officials	54	4,56	2,33
Tourism Officials	74	4,09	2,01
Members of Parliament	44	3,93	2,16
Public Services Officials	75	3,81	2,32
Environment Officials	63	3,79	2,12
Industrial Lobbyists	51	2,94	1,82
Bank Officials	74	2,47	1,71

Police, Customs and Tax Officials are considered extremely corrupt

By far the highest corruption likelihood is attributed to traffic police and customs officials. No less than 75,6% (67,1%) of the respondents consider traffic police officials (customs officials) extremely likely to take bribes resulting in an astonishing mean of 6,43 (6,43) out of 7.

Another group, which is perceived as being corrupt are Tax and Tender Officials with means of 5,21 and 5,03 respectively.

Tests for differences between national and international investors as well as business sectors did not show any significant differences.

For the district, two significant results were encountered¹⁹:

¹⁹ Already corrected for accumulations of α -errors by adequately reducing α -probabilities.

Descriptives

		N	Mean	Std. Deviation
Corruption Likelihood: Maritime Officials	Inhambane	20	4,20	1,852
	Maxixe	7	2,71	1,704
	Vilanculo	20	5,45	2,012
	Total	47	4,51	2,094
Corruption Likelihood: Municipality Officials	Inhambane	26	5,58	1,748
	Maxixe	19	5,11	1,761
	Vilanculo	21	3,76	1,841
	Total	66	4,86	1,921

Table 3.5.24:

Maritime Officials are perceived as especially incorrupt in comparison to Vilanculo²⁰.

Likewise, municipality officials in Vilanculo are considered less corrupt than their counterparts from Inhambane²¹.

²⁰ F=5,81; df=2/44; p=0,006. More in the Appendix.

²¹ t=6,28; df=2/63; p=0,003. More in the Appendix.

4. Tax Evasion

As stated in the introduction, it is quite difficult to confirm, let alone quantify the amount of tax evasion by Inhambane's firms.

An attempt to quantify tax evasion in the tourism sector

In the tourism sector, though, an attempt seems to be easier. On the one hand, reliable figures about the maximum capacity of accommodation exist in Inhambane's provincial delegation of the National Institute of Statistics Mozambique (Instituto Nacional de Estatística, 2004). On the other hand, it is well known that the occupation rate during the last two weeks of December is nearly 100%.

Based on this information, an estimation for the amount of intraprovincial tax evasion will be attempted.

Table 4.1:
Available
Accommodation per
Month

Month	Rooms		Beds	
	Observed	Projected	Observed	Projected
July	541	753	1150	1600
August	542	788	1393	2026
September	483	813	1292	2176
October	460	818	1239	2203
November	428	913	1183	2524
December	463	988	1257	2682
Mean	486	846	1252	2202

Table 4.2:
Reported Tourists
and Occupation
Rate per Month

Month	Guests		Roomnights		Occupation Rate
	Observed	Projected	Observed	Projected	
July	1877	2611	5491	7640	15,4%
August	1893	2753	4548	6615	10,5%
September	1735	2922	3694	6221	9,5%
October	1497	2661	3018	5365	7,9%
November	1049	2238	2053	4380	5,8%
December	1705	3637	7090	15125	18,2%
Total	9756	16824	25894	44390	11,2%

Massive tax evasion in the tourism sector? It appears.

Reported reality: The 15 observed tourism firms offer 1.252 beds. Multiplied by the 31 days in December, we have a total of 38.812 potential roomnights. 7.090 reported roomnights divided by 38.812 potential roomnights gives an occupation rate of 18,2% for December.

“Real reality”: In the first two weeks in December, the number of tourists is usually quite low. In the last two weeks, though, the tourism operators are nearly operating at full capacity. If we assume that the tourists in the first half of December make up for the few hotel beds still available in the second half plus suboptimal use of space (three persons in a five bed chalet etc.), we might roughly expect an occupation rate of 50%.

What we do encounter, though, is a reported occupation rate of 18,2%. The difference between the reported and the supposed reality therefore is 31,8% unreported occupation. This means that - on the basis of this calculation – Inhambane’s tourism firms only report an average 36,4% of their roomnights.

So far, only too low figures for roomnights have been included in the calculation. Additional income from restaurants or diving schools and systematic underreporting of accomodation costs is not included yet.

The estimation might therefore rather be considered conservatice than progressive, meaning that the actual tax evasion could very well be a lot worse.

5. Suggestions

An extensive, half-standardized part of the main survey was devoted to the presentation and discussion of some tangible ideas, which might be suitable to facilitate cooperation between the public and the private sector in the future. Respondents were asked to evaluate and to share their suggestions about each idea with the interviewer. The following solutions were proposed:

A list of suggestions

- A Loja de Negocios in Vilanculo
- Publication of calculations of taxes, fines and charges
- A full-time representative for the Tourism Association Inhambane
- Implementation of a “Public Cooperation Officer
- ”Keeping a “black book” of public officials
- Allying the commercial, industrial and touristic sectors in an united interest group
- Voluntary commitment to take portuguese lessons
- Revision of fining procedures

The respondents rated every suggestion on a five-point scale from 1 (“Very useless”) to 5 (“Very useful”).

Table 5.1:
Evaluation of
Suggestions

Descriptive Statistics

	N	Mean	Std. Deviation
Revision of Fining Procedures	88	4,92	,346
Publication of Taxes, Fines and Charges	92	4,67	,758
Commitment to Portuguese Lessons	89	4,66	,865
Full-Time Representative for the Tourism Association	91	4,55	,847
Loja de Negócios	91	4,41	1,105
Implementation of a Public Cooperation Officer	91	4,36	1,017
Forming an United Interest Group	90	4,27	1,243
Keeping a Black Book of Public Officials	91	4,10	1,230

Table 5.1 displays the evaluation of our suggestions by the respondents in order of acceptance.

The suggestions were very well received

Given the despair of many Inhambane business operators, it comes as no surprise that suggestions detailing a change of the current situation were very well received. However, it is a surprise that the proposals were considered useful (the lowest mean is 4,1) without exception.

The suggestion with the highest acceptance is a revision of fining procedures. The current practice has already been sufficiently described as extremely flawed.

Investors clearly agree that an official regulatory system including fining rules has to exist to manage business development. However, as issuing and paying fines is a delicate subject matter, process transparency and perceived fairness are crucial.

Revision of fining procedures

The current practice to grant public officials monetary incentives depending on a percentage of each fine issued might be interpreted as a violation of the perceived transparency and fairness. It has been proven in the course of this report that a person directly benefitting from a high fine is more likely to issue a high fine.

Suggestions on how to change that practice are manyfold:

1. Monetary incentives for issuing fines have to be cancelled.
2. The fines should have an upper limit depending on the companies size to prevent fines equalling higher values than the total sum of a firm's investments plus a yearly gross revenue.
3. The methodology of the calculation of fines has to be published in a systematic and understandable way.
4. The "fining multiplier" has to be severely reduced from 10 to a maximum of 2.

To our surprise, we learned that it is very difficult to receive information on the applied method for calculating taxes, fines and charges from public officials.

Publication of calculations of taxes, fines and charges

In the majority of cases, a firm will only receive a letter stating the amount of the fine.

We propose that future fines should include the following additions:

1. Exact definition of tax, transgression or charge.
2. In cases of more than one tax, transgression or charge: a separated calculation of each value applied.
3. A citation of the applicable paragraphs in Mozambican legislation for each tax, transgression or charge.

A barrier which surely hampers mutual agreements and cooperation is constituted by the fact that many foreign business operators have an insufficient command of the Portuguese language. It is perfectly clear that Mozambique is a peninsula of Portuguese surrounded by English speaking countries. Additionally, English is the international language of business and tourists, potential international investors and business partners most probably will not speak Portuguese, but English.

Voluntary
commitment to
take Portuguese
lessons

At the same time, the official language in Mozambique is not English, but Portuguese. A business operator with an insufficient command of the Portuguese language might be perceived – especially after several years of operation – as unable or unwilling to integrate into Mozambican society, thereby causing misunderstandings and friction.

Therefore, a voluntary commitment from new investors and operating business leaders to take regular Portuguese lessons might eventually reduce mutual prejudices.

Interestingly, a strong desire to systematically learn English was explicitly formulated by many Mozambican investors.

We therefore propose for the business community to arrange the possibility of learning Portuguese and English. The easiest way to do that would probably be to hire a private teacher who would be paid by interested investors. Also, it would be a positive sign, if the organized business associations would explicitly manifest their aim to commit their members to take Portuguese lessons in their charta.

A full-time
representative for
the Tourism
Association
Inhambane

Mozambican legislation does not always appear to be fully comprehensible for new investors and established businesses alike. Therefore, it might be a good idea to hire a full-time representative for the Tourism Association Inhambane.

This representative would be working as a consultant on judicial questions as well as fulfilling duties generally connected to public relations for the Tourism Association.

The representative should not run an own tourism business and work strictly on a consultant's basis. To come up for the representative's public relations duties, the Association's members should contribute a regular fee.

A Loja de

The loja de negocios in Inhambane has been evaluated as only

Negocios in
Vilanculo

semi-operational by the respondents. The staff seems not to be ahead of all recent developments, which might be of interest for the business community and the service quality is perceived as mediocre at best.

Nonetheless, the facilitation of setting up businesses and the possibility to have a “one-stop-shop” is very highly appreciated by the business community.

As Vilanculo does not have an own loja de negocios, the setup of such a “one-stop-shop” seems to be very welcomed. As a recommendation from many business operators, the loja de negocios should offer services like copying, printing, scanning etc. for a reasonable fee. Also, English translations of relevant Mozambican legislation as well as general translation services would round out the services of the loja de negocios in the perception of many investors.

The idea of a public cooperation officer offering “inofficial” auditings to new and established businesses alike regularly led to very keen discussions.

The demand for this kind of service exists without a doubt. A vast majority of investors strongly welcomes such an opportunity. At the same time and regardless of district, sector and origin of the investor, there is not enough trust especially in tax officials to let the finance department conduct these “inofficial” auditings without serious safeguarding.

Implementation
of a “Public
Cooperation
Officer

A concrete solution might be the following idea:

The same finance officer responsible for issuing fines has to conduct an “inofficial” auditing for every company well before the next “official” auditing (say: 3 months). During this “inofficial” auditing, all transgressions against current legislation are summarized and handed over to the firm. Upon receipt of the summary of transgression, the firm commits itself to rectify the situation within 3 months. The finance officer guarantees that within that period, no fine or any other claim will be issued. Additionally, no transgressions besides those noted in the “inofficial” auditing might be addressed with fines.

Allying the
commercial,
industrial and
touristic sectors
in an united

Inhambane business sector urgently needs to organize and unite itself to be able to voice its member’s interests in a clear and concise manner.

This necessity is independent of the exact organizational

interest group structure of such an interest group.

Two models would be possible:

1. Founding interest groups for each separate sector (Tourism, Commerce, Industry) and unite representants of these separate interest group in a juxtaposed committee
2. Uniting all sector in a single business association.

”Keeping a “black book” of public officials

The idea of a black book has been discussed extremely controversially. Considering the alternate suggestions, a black book seems to be the inferior option and shall therefore not be discussed in more detail.

Tax evasion is a serious problem for honest businesses, business associations and even more so the Mozambican government and population. Given the magnitude of tax evasion estimated in this report, the deep suspicion of public officials with regards to the provinces firms is not only very understandable, but well founded.

Combating tax evasion

Therefore, the Tourism Association should set strict rules concerning its membership and develop a transparent system of internal quality management, probably including seals of approval or similar measures.

Regaining trust and sympathy is a long process and not only necessary on the part of public officials, but also from Inhambane’s business community.

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7. Appendix

Communalities

	Initial	Extraction
Obstacle: Tax collection procedures and/or rates	1,000	,644
Obstacle: Import/Export/Customs procedures and/or rates	1,000	,825
Obstacle: Government procurement/contracting procedures	1,000	,715
Obstacle: Corruption in the public sector	1,000	,735
Obstacle: Government bureaucracy	1,000	,710
Obstacle: Labor laws	1,000	,651
Obstacle: Worker skills and/or cost	1,000	,669
Obstacle: Unpredictable rules and regulations	1,000	,678
Obstacle: Unreliable judicial system	1,000	,663
Obstacle: Criminality and violence	1,000	,745
Obstacle: Inadequate infrastructure/public services	1,000	,700

Extraction Method: Principal Component Analysis.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3,280	29,818	29,818	3,280	29,818	29,818	2,257	20,518	20,518
2	1,765	16,049	45,866	1,765	16,049	45,866	2,119	19,263	39,781
3	1,490	13,550	59,416	1,490	13,550	59,416	1,824	16,578	56,359
4	1,201	10,916	70,331	1,201	10,916	70,331	1,537	13,972	70,331
5	,720	6,546	76,877						
6	,662	6,015	82,892						
7	,538	4,892	87,784						
8	,444	4,039	91,824						
9	,361	3,281	95,105						
10	,297	2,703	97,808						
11	,241	2,192	100,000						

Extraction Method: Principal Component Analysis.

Rotated Component Matrix^a

	Component			
	1	2	3	4
Obstacle: Worker skills and/or cost	,80	-,11	,07	-,10
Obstacle: Labor laws	,74	,22	-,10	,20
Obstacle: Unpredictable rules and regulations	,65	,40	,30	-,05
Obstacle: Inadequate infrastructure/public services	,60	-,17	,56	,03
Obstacle: Government procurement/contracting procedures	,23	,80	,14	-,06
Obstacle: Tax collection procedures and/or rates	,02	,75	-,04	,28
Obstacle: Import/Export/Customs procedures and/or rates	-,16	,68	,15	-,56
Obstacle: Corruption in the public sector	,04	,04	,86	-,02
Obstacle: Government bureaucracy	,44	,36	,57	-,24
Obstacle: Unreliable judicial system	-,08	,26	,54	,54
Obstacle: Criminality and violence	,01	,01	-,04	,86

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 7 iterations.

Descriptives

		N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
						Lower Bound	Upper Bound		
REGR factor score 1 for analysis 1	English	18	,5588129	,54327602	,12805139	,2886481	,8289777	-,69013	1,14392
	Portuguese	29	-,3468494	1,06691721	,19812155	-,7526830	,0589842	-2,66349	1,17019
	Total	47	,0000000	1,00000000	,14586499	-,2936110	,2936110	-2,66349	1,17019
REGR factor score 2 for analysis 1	English	18	-,0457547	,92141244	,21717899	-,5039623	,4124529	-2,07364	1,07010
	Portuguese	29	,0283995	1,06075971	,19697813	-,3750919	,4318909	-2,40292	1,97970
	Total	47	,0000000	1,00000000	,14586499	-,2936110	,2936110	-2,40292	1,97970
REGR factor score 3 for analysis 1	English	18	,0923245	,57465360	,13544715	-,1934441	,3780930	-1,31219	1,45968
	Portuguese	29	-,0573048	1,19728092	,22232949	-,5127261	,3981165	-2,77023	1,53033
	Total	47	,0000000	1,00000000	,14586499	-,2936110	,2936110	-2,77023	1,53033
REGR factor score 4 for analysis 1	English	18	-,4785994	1,22740546	,28930224	-1,0889738	,1317750	-3,26968	1,12451
	Portuguese	29	,2970617	,69966658	,12992482	,0309227	,5632006	-1,33491	1,45038
	Total	47	,0000000	1,00000000	,14586499	-,2936110	,2936110	-3,26968	1,45038

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
REGR factor score 1 for analysis 1	Between Groups	9,110	1	9,110	11,112	,002
	Within Groups	36,890	45	,820		
	Total	46,000	46			
REGR factor score 2 for analysis 1	Between Groups	,061	1	,061	,060	,808
	Within Groups	45,939	45	1,021		
	Total	46,000	46			
REGR factor score 3 for analysis 1	Between Groups	,249	1	,249	,245	,623
	Within Groups	45,751	45	1,017		
	Total	46,000	46			
REGR factor score 4 for analysis 1	Between Groups	6,682	1	6,682	7,648	,008
	Within Groups	39,318	45	,874		
	Total	46,000	46			

Descriptives

		N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
						Lower Bound	Upper Bound		
REGR factor score 1 for analysis 1	Tourism	24	,2171793	,90290390	,18430449	-,1640836	,5984422	-2,66349	1,17019
	Commerce	12	-,2999302	1,07155977	,30933266	-,9807668	,3809064	-2,14084	,80690
	Industry	11	-,1466491	1,10321681	,33263238	-,8878003	,5945020	-2,24490	1,14392
	Total	47	,0000000	1,00000000	,14586499	-,2936110	,2936110	-2,66349	1,17019
REGR factor score 2 for analysis 1	Tourism	24	,0278603	,90374343	,18447585	-,3537570	,4094777	-2,40292	1,34010
	Commerce	12	,0144795	1,01758879	,29375258	-,6320656	,6610245	-2,37032	1,30365
	Industry	11	-,0765820	1,25453919	,37825780	-,9193929	,7662289	-2,07364	1,97970
	Total	47	,0000000	1,00000000	,14586499	-,2936110	,2936110	-2,40292	1,97970
REGR factor score 3 for analysis 1	Tourism	24	-,0165875	,99677557	,20346596	-,4374889	,4043139	-2,52898	1,48658
	Commerce	12	-,1677155	1,24150984	,35839302	-,9565332	,6211023	-2,77023	1,30320
	Industry	11	,2191533	,72943924	,21993421	-,2708907	,7091972	-,74985	1,53033
	Total	47	,0000000	1,00000000	,14586499	-,2936110	,2936110	-2,77023	1,53033
REGR factor score 4 for analysis 1	Tourism	24	,1283580	,95997570	,19595422	-,2770041	,5337202	-2,99395	1,45038
	Commerce	12	-,0140735	,92494457	,26700850	-,6017552	,5736082	-1,92512	1,04364
	Industry	11	-,2647010	1,19268595	,35960834	-1,0659583	,5365563	-3,26968	1,10907
	Total	47	,0000000	1,00000000	,14586499	-,2936110	,2936110	-3,26968	1,45038

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
REGR factor score 1 for analysis 1	Between Groups	2,448	2	1,224	1,237	,300
	Within Groups	43,552	44	,990		
	Total	46,000	46			
REGR factor score 2 for analysis 1	Between Groups	,086	2	,043	,041	,960
	Within Groups	45,914	44	1,044		
	Total	46,000	46			
REGR factor score 3 for analysis 1	Between Groups	,872	2	,436	,425	,656
	Within Groups	45,128	44	1,026		
	Total	46,000	46			
REGR factor score 4 for analysis 1	Between Groups	1,169	2	,584	,573	,568
	Within Groups	44,831	44	1,019		
	Total	46,000	46			

Descriptives

		N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
						Lower Bound	Upper Bound		
REGR factor score 1 for analysis 1	Inhambane	13	,0762908	,81938816	,22725739	-,4188605	,5714421	-1,20847	1,17019
	Maxixe	11	-,4259541	1,01367689	,30563508	-1,1069515	,2550433	-2,14084	1,03433
	Vilanculo	13	,3812058	1,01617166	,28183531	-,2328606	,9952722	-2,66349	1,11250
	Total	37	,0341070	,98094328	,16126608	-,2929558	,3611698	-2,66349	1,17019
REGR factor score 2 for analysis 1	Inhambane	13	-,0845655	,66307365	,18390354	-,4852569	,3161259	-1,18570	1,26493
	Maxixe	11	,0683516	1,34240426	,40475011	-,8334878	,9701911	-2,37032	1,97970
	Vilanculo	13	,0488118	1,10522312	,30653374	-,6190679	,7166914	-2,40292	1,32844
	Total	37	,0077586	1,02912874	,16918772	-,3353700	,3508873	-2,40292	1,97970
REGR factor score 3 for analysis 1	Inhambane	13	,2416119	1,14076197	,31639044	-,4477436	,9309675	-2,52898	1,53033
	Maxixe	11	-,3547633	1,32799992	,40040704	-1,2469258	,5373992	-2,77023	,89969
	Vilanculo	13	-,0928617	,65424604	,18145520	-,4882186	,3024952	-1,66907	,88896
	Total	37	-,0532066	1,06117105	,17445545	-,4070186	,3006055	-2,77023	1,53033
REGR factor score 4 for analysis 1	Inhambane	13	-,6064434	1,47350433	,40867657	-1,4968732	,2839863	-3,26968	1,45038
	Maxixe	11	,2699059	,50034829	,15086069	-,0662326	,6060445	-,70120	,81005
	Vilanculo	13	,3283913	,59184462	,16414816	-,0292569	,6860394	-,55685	1,21738
	Total	37	-,0174517	1,05058827	,17271565	-,3677353	,3328319	-3,26968	1,45038

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
REGR factor score 1 for analysis 1	Between Groups	3,918	2	1,959	2,168	,130
	Within Groups	30,723	34	,904		
	Total	34,641	36			
REGR factor score 2 for analysis 1	Between Groups	,173	2	,087	,078	,926
	Within Groups	37,955	34	1,116		
	Total	38,128	36			
REGR factor score 3 for analysis 1	Between Groups	2,151	2	1,075	,952	,396
	Within Groups	38,388	34	1,129		
	Total	40,539	36			
REGR factor score 4 for analysis 1	Between Groups	6,973	2	3,487	3,618	,038
	Within Groups	32,761	34	,964		
	Total	39,734	36			

***** Method 1 (space saver) will be used for this analysis *****

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R E L I A B I L I T Y A N A L Y S I S - S C A L E (A L P H A)

Item-total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item- Total Correlation	Alpha if Item Deleted
TRUST01	94,6667	965,7079	,5412	,9383
TRUST02	94,4778	959,9377	,6114	,9374
TRUST03	94,8333	954,4551	,6975	,9363
TRUST04	94,9667	948,6393	,7469	,9357
TRUST05	94,8556	929,7879	,8449	,9342
TRUST06	94,7889	940,8875	,7767	,9352
TRUST07	95,1667	940,5000	,7568	,9354
TRUST08	94,9778	959,1905	,6734	,9367
TRUST09	94,5333	945,9820	,7809	,9353
TRUST10	94,7333	989,1191	,4271	,9396
TRUST11	94,4889	949,5561	,7717	,9355
TRUST12R	94,4444	1016,8789	,1397	,9436
TRUST13R	94,2889	968,0055	,5063	,9388
TRUST14R	94,7333	969,0292	,4673	,9395
TRUST15	94,8222	983,1366	,4846	,9389
TRUST16	95,2889	944,3650	,7703	,9353
TRUST17	94,6889	950,2392	,6504	,9368
TRUST18	94,7222	924,9444	,8202	,9343
TRUST19	95,0333	954,6843	,6233	,9372
TRUST20	94,8222	936,3950	,8180	,9346
TRUST21	93,9000	959,5517	,5531	,9382
TRUST22	94,5111	964,2752	,5462	,9383
TRUST23	95,1667	985,5112	,3773	,9405
TRUST24	94,7000	976,3022	,4410	,9397
TRUST25R	94,1222	990,1085	,3344	,9412

Reliability Coefficients

N of Cases = 90,0

N of Items = 25

Alpha = ,9399

ANOVA

Global Trust

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	4844,084	1	4844,084	5,021	,028
Within Groups	84893,205	88	964,696		
Total	89737,289	89			

Origin of Investor * Global Corruption Crosstabulation

			Global Corruption		Total
			Not subjected to corruption	Subjected to corruption	
Origin of Investor	International	Count	8	24	32
		% of Total	8,5%	25,5%	34,0%
	National	Count	26	36	62
		% of Total	27,7%	38,3%	66,0%
Total		Count	34	60	94
		% of Total	36,2%	63,8%	100,0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	2,622 ^b	1	,105		
Continuity Correction ^a	1,940	1	,164		
Likelihood Ratio	2,706	1	,100		
Fisher's Exact Test				,119	,081
Linear-by-Linear Association	2,594	1	,107		
N of Valid Cases	94				

a. Computed only for a 2x2 table

b. 0 cells (.0%) have expected count less than 5. The minimum expected count is 11,57.

Recoded District * Global Corruption Crosstabulation

			Global Corruption		Total
			Not subjected to corruption	Subjected to corruption	
Recoded District	Inhambane	Count	15	17	32
		% of Total	18,5%	21,0%	39,5%
	Maxixe	Count	8	13	21
		% of Total	9,9%	16,0%	25,9%
	Vilanculo	Count	5	23	28
		% of Total	6,2%	28,4%	34,6%
Total		Count	28	53	81
		% of Total	34,6%	65,4%	100,0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5,715 ^a	2	,057
Likelihood Ratio	6,023	2	,049
Linear-by-Linear Association	5,422	1	,020
N of Valid Cases	81		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 7,26.

Group Statistics

	Origin of Investor	N	Mean	Std. Deviation	Std. Error Mean
% of Gross Revenue	International	24	-,1063885	7,23033538	1,475886
Controlling for Firm's Size	National	38	6,2912026	13,01577002	2,111437

Descriptives

% of Gross Revenue Controlling for Firm's Size

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Inhambane	18	4,5983953	13,62083594	3,210462	-2,1750871	11,3718777	-9,15662	49,87668
Maxixe	14	10,62153	14,11200353	3,771592	2,4735041	18,7695606	-9,55671	34,67687
Vilanculo	21	-1,01457	6,19997134	1,352945	-3,8367649	1,8076213	-8,15662	16,27540
Total	53	3,9654068	12,13700583	1,667146	,6200337	7,3107799	-9,55671	49,87668

ANOVA

% of Gross Revenue Controlling for Firm's Size

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1148,272	2	574,136	4,409	,017
Within Groups	6511,687	50	130,234		
Total	7659,959	52			

Multiple Comparisons

Dependent Variable: % of Gross Revenue Controlling for Firm's Size

Tukey HSD

(I) Recoded District	(J) Recoded District	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
Inhambane	Maxixe	-6,0231371	4,066647	,309	-15,8458339	3,7995597
	Vilanculo	5,6129671	3,665626	,285	-3,2410922	14,4670264
Maxixe	Inhambane	6,0231371	4,066647	,309	-3,7995597	15,8458339
	Vilanculo	11,6361042*	3,937514	,013	2,1253189	21,1468895
Vilanculo	Inhambane	-5,6129671	3,665626	,285	-14,4670264	3,2410922
	Maxixe	-11,636104*	3,937514	,013	-21,1468895	-2,1253189

*. The mean difference is significant at the .05 level.

% of Gross Revenue Controlling for Firm's Size

 Tukey HSD^{a,b}

Recoded District	N	Subset for alpha = .05	
		1	2
Vilanculo	21	-1,01457	
Inhambane	18	4,5983953	4,5983953
Maxixe	14		10,62153
Sig.		,328	,278

Means for groups in homogeneous subsets are displayed.

- a. Uses Harmonic Mean Sample Size = 17,182.
- b. The group sizes are unequal. The harmonic mean of the group sizes is used. Type I error levels are not guaranteed.

Descriptives

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Corruption Likelihood: Inhambane	20	4,20	1,852	,414	3,33	5,07	1	7
Maritime Officials Maxixe	7	2,71	1,704	,644	1,14	4,29	1	5
Vilanculo	20	5,45	2,012	,450	4,51	6,39	1	7
Total	47	4,51	2,094	,305	3,90	5,13	1	7
Corruption Likelihood: Municipality Officials Inhambane	26	5,58	1,748	,343	4,87	6,28	1	7
Maxixe	19	5,11	1,761	,404	4,26	5,95	1	7
Vilanculo	21	3,76	1,841	,402	2,92	4,60	1	7
Total	66	4,86	1,921	,236	4,39	5,34	1	7

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Corruption Likelihood: Maritime Officials	Between Groups	42,166	2	21,083	5,813	,006
	Within Groups	159,579	44	3,627		
	Total	201,745	46			
Corruption Likelihood: Municipality Officials	Between Groups	39,828	2	19,914	6,275	,003
	Within Groups	199,945	63	3,174		
	Total	239,773	65			

Multiple Comparisons

Tukey HSD

Dependent Variable	(I) Recoded District	(J) Recoded District	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
Corruption Likelihood: Maritime Officials	Inhambane	Maxixe	1,49	,836	,189	-,54	3,51
		Vilanculo	-1,25	,602	,107	-2,71	,21
	Maxixe	Inhambane	-1,49	,836	,189	-3,51	,54
		Vilanculo	-2,74*	,836	,006	-4,76	-,71
Corruption Likelihood: Municipality Officials	Inhambane	Inhambane	1,25	,602	,107	-,21	2,71
		Maxixe	2,74*	,836	,006	,71	4,76
	Maxixe	Inhambane	,47	,538	,657	-,82	1,76
		Vilanculo	1,82*	,523	,003	,56	3,07
Vilanculo	Maxixe	Inhambane	-,47	,538	,657	-1,76	,82
		Vilanculo	1,34	,564	,052	-,01	2,70
	Inhambane	Inhambane	-1,82*	,523	,003	-3,07	-,56
		Maxixe	-1,34	,564	,052	-2,70	,01

*. The mean difference is significant at the .05 level.

Corruption Likelihood: Maritime Officials

Tukey HSD^{a,b}

Recoded District	N	Subset for alpha = .05	
		1	2
Maxixe	7	2,71	
Inhambane	20	4,20	4,20
Vilanculo	20		5,45
Sig.		,140	,243

Means for groups in homogeneous subsets are displayed.

- a. Uses Harmonic Mean Sample Size = 12,353.
- b. The group sizes are unequal. The harmonic mean of the group sizes is used. Type I error levels are not guaranteed.

Corruption Likelihood: Municipality Officials

Tukey HSD^{a,b}

Recoded District	N	Subset for alpha = .05	
		1	2
Vilanculo	21	3,76	
Maxixe	19		5,11
Inhambane	26		5,58
Sig.		1,000	,661

Means for groups in homogeneous subsets are displayed.

- a. Uses Harmonic Mean Sample Size = 21,628.
- b. The group sizes are unequal. The harmonic mean of the group sizes is used. Type I error levels are not guaranteed.