

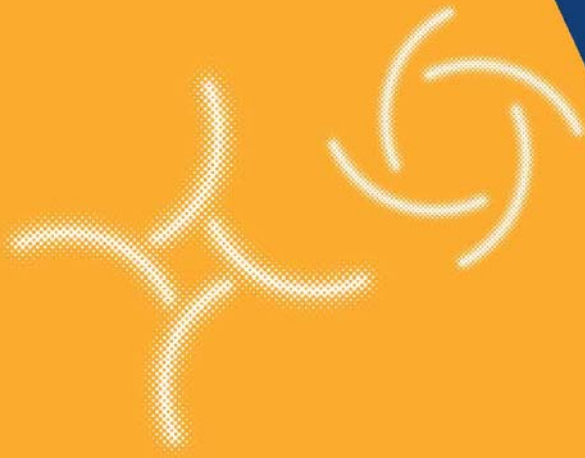
Doing Business 2007

How to reform

COMPARING
REGULATION IN 175 ECONOMIES

Mozambique

Economy Profile



A project of the World Bank and the IFC comparing business regulations in 175 economies

Doing Business 2007 Mozambique

A Project Benchmarking the Regulatory Cost of Doing
Business in 175 Countries

Doing Business Project
World Bank Group



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<i>Doing Business 2007: How to Reform: An Introduction</i>	4
Economy Rankings: Ease of Doing Business Index	5
Reforms: Who is reforming?	6
Summary of Indicators	7
Starting a Business: Entry Regulation	8
Dealing with Licenses: Building a Warehouse	11
Employing Workers: Labor Regulation	14
Registering Property: Regulation of Property Transfers	17
Getting Credit: Legal Rights and Credit Information	20
Protecting Investors: Corporate Governance	23
Trading Across Borders: Imports and Exports	25
Enforcing Contracts: Court Efficiency	29
Paying Taxes: Tax Payable and Compliance	32
Closing a Business: Bankruptcy	35
Appendix	40

Introduction

Doing Business 2007: How to Reform is the fourth in a series of annual reports investigating regulations that enhance business activity and those that constrain it. *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 175 economies—from Afghanistan to Zimbabwe—and over time.

Regulations affecting ten areas of everyday business are measured: starting a business, dealing with licenses, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. The indicators are used to analyze economic outcomes and identify what reforms have worked, where, and why.

The data for all sets of indicators are benchmarked to April 2006. Based on research of laws and regulations, with input and verification from local government officials, lawyers, business consultants, accountants and other professionals routinely administering or advising on legal and regulatory requirements, this methodology offers several advantages. It uses factual information and allows for multiple interactions with local respondents, clarifying potential misinterpretations of questions. It is inexpensive, so data can be collected in a large sample of economies.

Because the same standard assumptions are applied in the data collection, which are transparent and easily replicable, comparisons and benchmarks are valid across economies. And the data highlight not only the extent of obstacles, but also help identify their source, supporting policymakers in designing reform.

The methodology has limitations. Other areas important to business—such as a country's proximity to large markets, quality of infrastructure services (other than services related to trading across borders), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions—are not studied directly by *Doing Business*. To make the data comparable across economies, the indicators refer to a specific type of business—generally a limited liability company operating in the largest business city.

The data set covers 175 economies and is benchmarked to April 2006. The sample includes 23 high-income OECD economies as benchmarks, 45 from Sub-Saharan Africa, 23 from East Asia and the Pacific region, 28 economies from Europe and Central Asia, 31 from Latin America, 17 from the Middle East and North Africa, and 8 from South Asia.

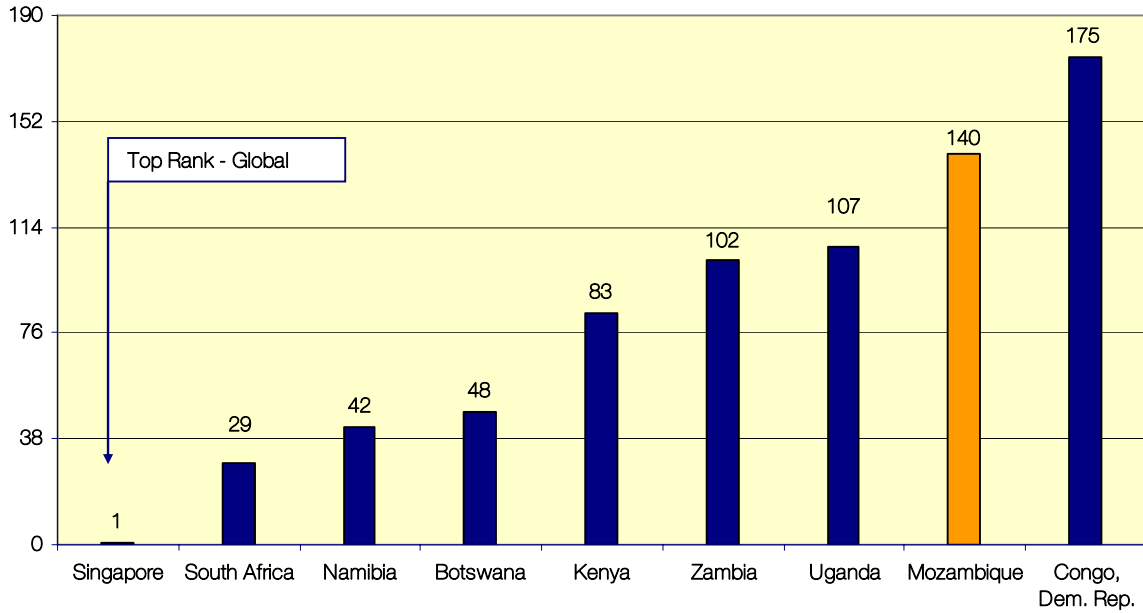
The following pages present the summary *Doing Business* indicators for Mozambique. Further information is available in the full report *Doing Business 2007: How to Reform*, which presents the indicators, analyses their relationships with economic outcomes and recommends reforms. The data, and information on ordering the report, is also available online at <http://www.doingbusiness.org>.

Economy Rankings—Ease of Doing Business

MOZAMBIQUE—Compared to Global Best / Selected Economies

Aggregate Rankings of Doing Business Indicators

Source: Doing Business Database



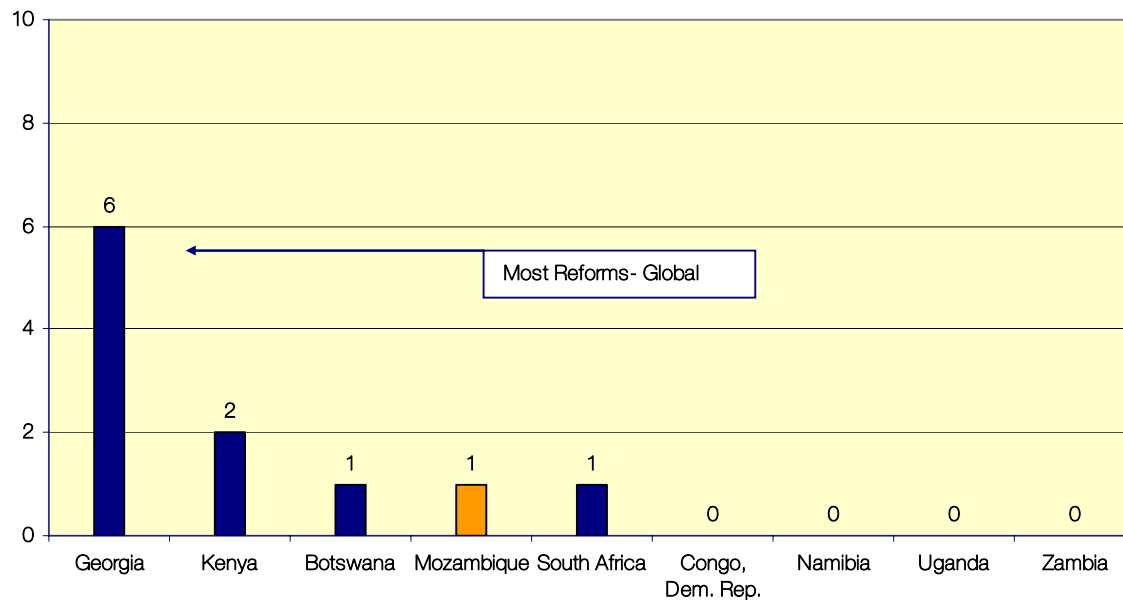
Note: The ease of doing business index averages economy rankings across the 10 topics covered in *Doing Business 2007*. The methodologies for some indicators have changed. Previous year rankings have been recalculated with the new method and are available on the website: www.doingbusiness.org.

Reforms—Who is reforming?

MOZAMBIQUE—Compared to Global Best / Selected Other Economies

Net number of reforms that improve a set of *Doing Business* Indicators

Source: Doing Business Database



Note: A value of 1 is assigned when an economy introduces a reform that improves its performance on one of the sets of *Doing Business* indicators between 2005 and 2006. For example, if an economy reforms to reduce the procedures and time to start a business, and the cost to register property, it is recorded as having 2 reforms: one to the *Starting a Business* indicators, and one to the *Registering Property* indicators. Negative reforms are counted in the same way—if an economy imposes regulation that negatively impacts a set of *Doing Business* indicators, a value of -1 is assigned. To count net reforms, both positive and negative reforms are added.

Summary of Indicators–April 2006

Mozambique

Source: Doing Business Database

Mozambique

Economic Characteristics		Starting a Business	
Income per capita (US\$)	310	Number of procedures	13
Population (millions)	19.8	Time (days)	113
Region	Sub-Saharan Africa	Cost (% of income per capita)	85.7
Income group	Low income	Minimum capital (% of income per capita)	10.4
Ease of doing business (rank)	140	Ease of starting a business (rank)	153
Dealing with Licenses		Registering property	
Procedures (number)	13	Procedures (number)	8
Time (days)	364	Time (days)	42
Cost (% of income per capita)	279.3	Cost (% of property value)	5.4
Ease of dealing with licenses (rank)	103	Ease of registering property (rank)	105
Protecting investors		Getting Credit	
Extent of disclosure index (0-10)	7	Strength of legal rights index (0-10)	4
Extent of director liability index (0-10)	2	Depth of credit information index (0-6)	3
Ease of shareholder suits index (0-10)	6	Public registry coverage (% of adults)	0.7
Strength of investor protection index (0-10)	5.0	Private bureau coverage (% of adults)	0.0
Ease of protecting investors (rank)	83	Ease of getting credit (rank)	83
Enforcing Contracts		Paying Taxes	
Procedures (number)	38	Payments (number)	36
Time (days)	1010	Time (hours per year)	230
Cost (% of debt)	132.1	Total tax payable (% of gross profit)	39.2
Ease of enforcing contracts (rank)	168	Ease of paying taxes (rank)	80
Employing workers		Trading Across Borders	
Difficulty of hiring index (0-100)	83	Time for export (days)	39
Rigidity of hours index (0-100)	60	Documents for export (number)	6
Difficulty of firing index (0-100)	20	Cost for export (US dollars)	1,516
Rigidity of employment index (0-100)	54	Time for import (days)	38
Nonwage labor cost (% of salary)	4.0	Documents for import (number)	16
Firing costs (weeks of salary)	142.9	Cost for import (US dollars)	1,616
Ease of employing workers (rank)	157	Ease of trading across borders (rank)	141
Closing a Business			
Time (years)	5.0		
Cost (% of estate)	9.0		
Recovery rate (cents on the dollar)	15.0		
Ease of closing a business (rank)	126		

Starting a Business: Entry Regulation

When an entrepreneur draws up a business plan and tries to get underway, the first hurdles that need to be overcome are the procedures required to incorporate and register the new firm.

Economies differ greatly in the way in which they regulate the entry of new businesses. In some the process is straightforward and affordable. In others, the procedures are so burdensome that entrepreneurs either have to bribe officials to speed up the process or they decide to run their business informally.

The starting a business data are based on a survey that investigates the procedures that a standard small-medium sized company needs to complete to start operation legally. This includes obtaining all necessary permits and licenses and completing all the required inscriptions, verifications and notifications with all authorities to enable the company to start operation. The survey calculates the costs and time necessary for completing each procedure under normal circumstances, as well as the minimum capital requirements to operate. The assumption is that information is readily available to the entrepreneur and that all government and non-government entities involved in the process function efficiently and without corruption.

To make the data comparable across economies, detailed assumptions about the type of business are applied. Among these, it is assumed that the business: is a limited liability company conducting general commercial activities in the largest business city; that it is 100% domestically owned, with start up capital of 10 times income per capita, turnover of 100 times income per capita and between 5 and 50 employees; and that it does not qualify for any special benefits, nor does it own real estate. Detailed assumptions about the type of procedures are also made, including: procedures are only recorded where interaction is required with an external party; the founders complete all procedures themselves; voluntary procedures are not measured; lawful shortcuts are counted; and industry specific requirements and utility hook-ups are not measured.

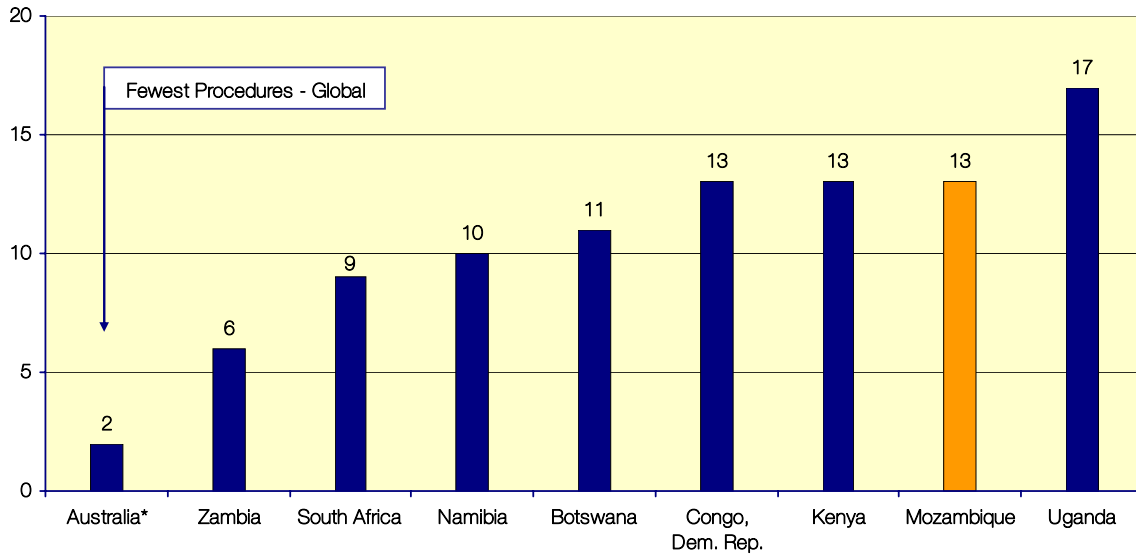
Across countries, cumbersome entry procedures are associated with more corruption, particularly in developing countries. Each procedure is a point of contact—an opportunity to extract a bribe. Analysis shows that burdensome entry regulations do not increase the quality of products, make work safer, or reduce pollution. They hold back private investment, push more people into the informal economy, increase consumer prices and fuel corruption.

Benchmarking—Entry Regulation

MOZAMBIQUE—Compared to Global Best / Selected Other Economies

Procedures to Start a Business

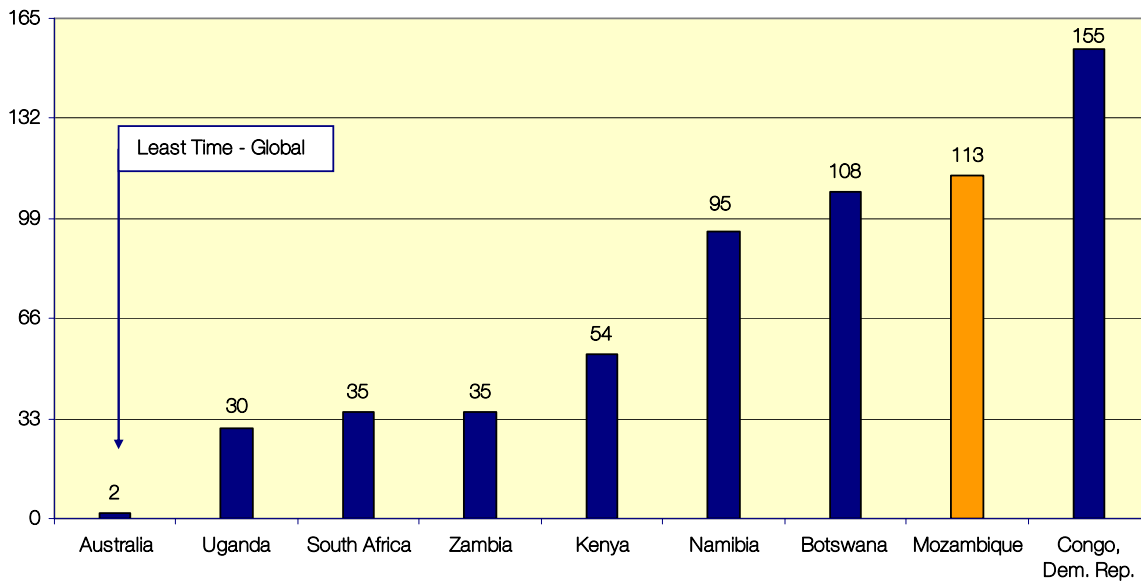
Source: Doing Business Database



*Other economies with the fewest procedures are Canada and New Zealand.

Time to Start a Business (days)

Source: Doing Business Database

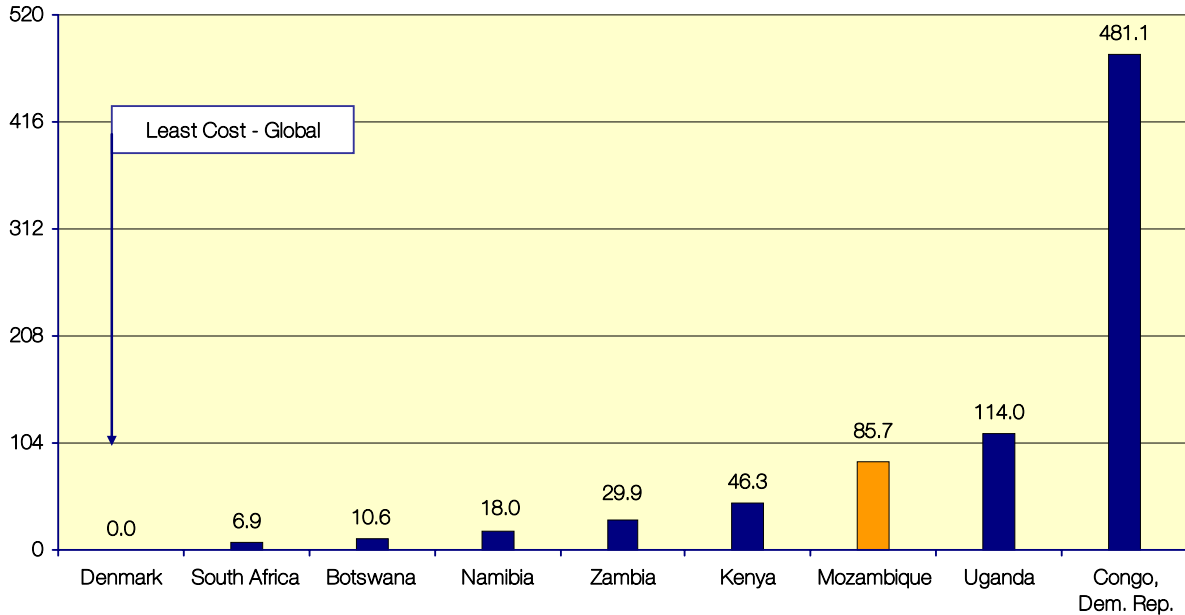


Benchmarking—Entry Regulation

MOZAMBIQUE—Compared to Global Best / Selected Other Economies

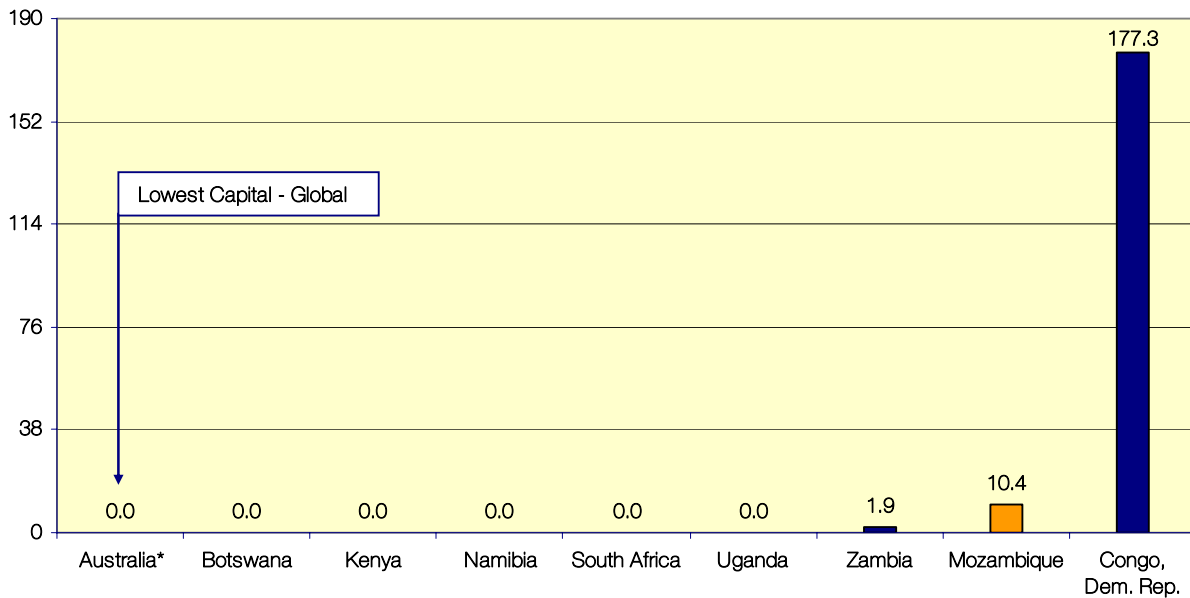
Cost to Start a Business (% of income per capita)

Source: Doing Business Database



Minimum Capital to Start a Business (% income per capita)

Source: Doing Business Database



*Other economies with no minimum capital requirements include Canada, Nepal, Thailand and the United States.

Dealing with Licenses: Building a Warehouse

Once an entrepreneur has registered a business, what are the regulations to operate it? *Doing Business* measures the regulation of operations in the case of the construction sector. Construction companies are under constant pressure—from customers to be quick and cost-effective, and from government to comply with inspections, licensing and safety regulations. There is a trade-off, however, between protecting the lives of people, including construction workers, tenants and passer-bys, and the cost of building.

In many countries, mostly poor, it is so difficult to comply with the building rules that many opt out. Builders may pay bribes to avoid inspections, or just build illegally, constructing hazardous buildings. In others, the process is straightforward, easily followed, and inexpensive—yielding better results.

The dealing with licenses indicators record all procedures officially required for an entrepreneur in the construction industry to build a warehouse. These include obtaining all necessary licenses and permits and completing any required notifications, inspections, and document (plans and maps) submission with relevant authorities. The survey also investigates procedures associated with obtaining utility connections, such as electricity, telephone, water and sewage. The costs and time necessary for each procedure under normal circumstances are calculated. All the official fees associated with legally completing the procedures are included. Time is recorded in calendar days. The survey assumes the entrepreneur is aware of all existing regulations and does not use an intermediary to complete the procedures, unless required by law.

To make the data comparable across economies, several assumptions about the business and the nature of its operations are employed: The business (BuildCo) is a small-medium limited liability company, located in the most populous city, domestically owned and operated, in the construction business, with 20 qualified employees, and a turnover of at least 100 times income per capita. The warehouse to be built:

- Has two stories and is approximately 14,000 square feet (1,300.6 square meters).
- Is located in the peri-urban area of the largest business city in the country.
- Is located in land owned 100 percent by BuildCo, has a plot size of 8,000 square feet (743.2 square meters), and is accurately registered in the cadastre and land registry.
- Is a new construction (there was no previous construction on the land).
- Has complete architectural and technical plans.
- Will be connected to the following utilities: electrical power, water, sewage and one regular phone line;
- Will be used for storing books or stationary, but not for food-handling activities, chemical or pharmaceutical production or storage.

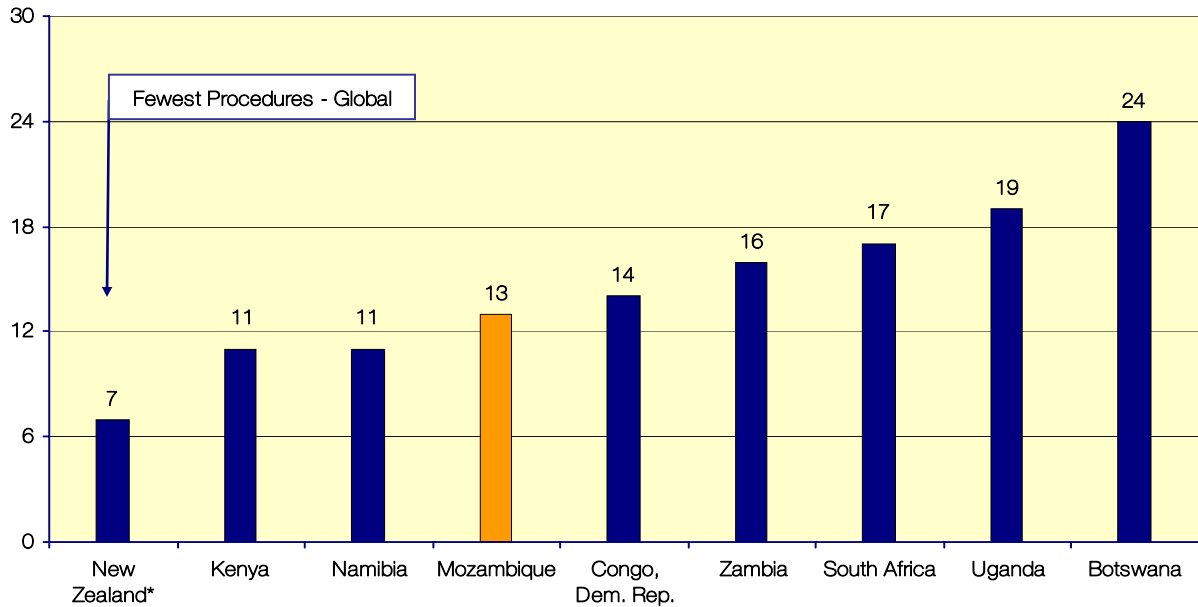
Faced with high regulatory burden, entrepreneurs move their activity to the informal economy. There, they operate with less concern for safety, leaving everyone worse off.

Benchmarking—Dealing with Licenses

MOZAMBIQUE—Compared to Global Best / Selected Other Economies

Procedures to Obtain a License

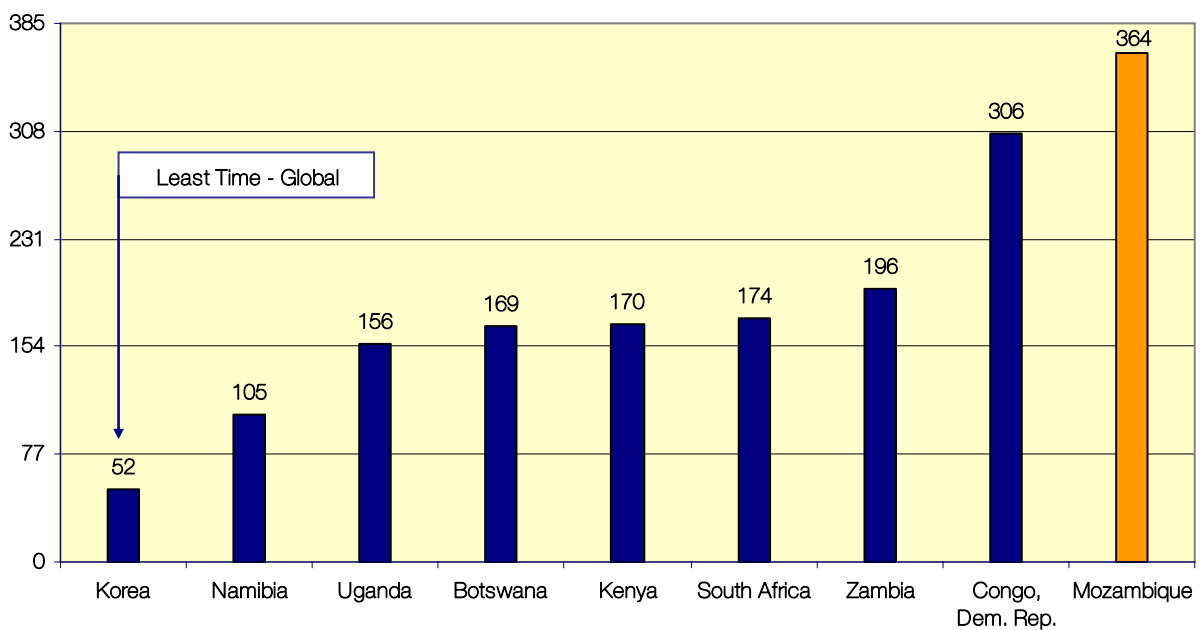
Source: Doing Business Database



*Another economy with the fewest procedures is Denmark.

Time to Obtain a License (days)

Source: Doing Business Database

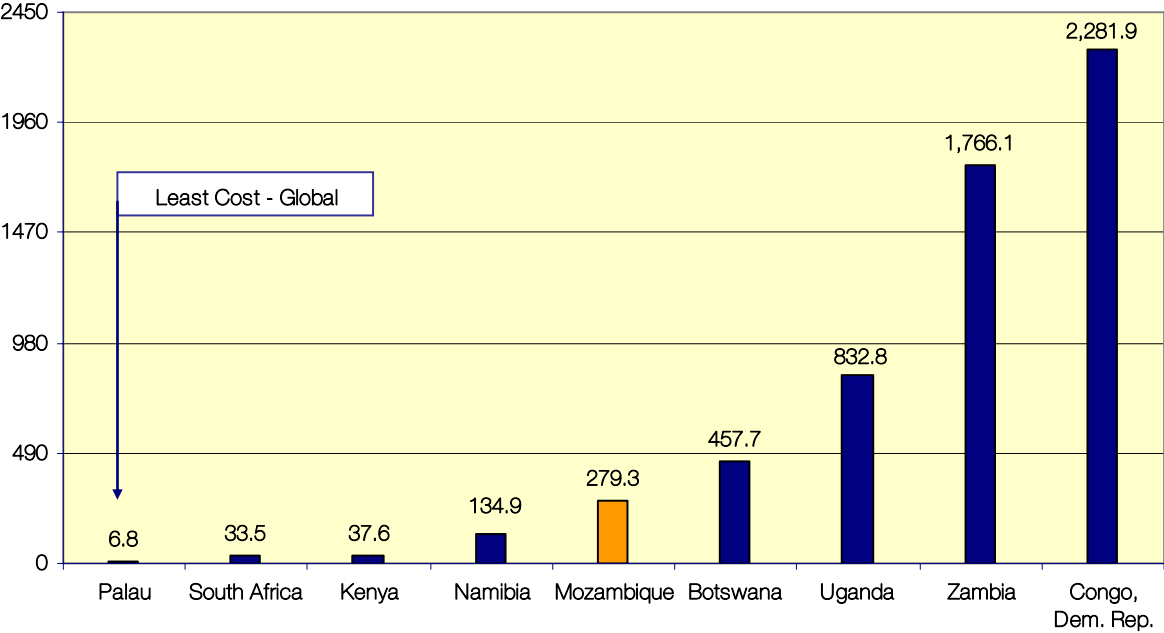


Benchmarking—Dealing with Licenses

MOZAMBIQUE—Compared to Global Best / Selected Other Economies

Cost to Obtain a License (% income per capita)

Source: Doing Business Database



Employing Workers: Labor Regulation

Every economy has established a complex system of laws and institutions intended to protect the interests of workers and to guarantee a minimum standard of living for its population. This system encompasses four bodies of law: employment laws, industrial relations laws, occupational health and safety laws, and social security laws. *Doing Business* examines government regulation in the area of employment and social security laws.

Three measures are presented: a rigidity of employment index, a nonwage labor cost measure and a cost of firing measure. The rigidity of employment index is an average of three sub-indices: difficulty of hiring, rigidity of hours, and difficulty of firing. Each index takes values between 0 and 100, with higher values implying more rigid regulation. Difficulty of hiring measures the flexibility of contracts and the ratio of minimum wage to the value-added per worker. Rigidity of hours covers restrictions on weekend and night work, working time and workweek requirements, and mandated days of annual leave with pay. Difficulty of firing covers workers' legal protections against dismissal, including the grounds for dismissal, and procedures for dismissal (individual and collective). Nonwage labor costs cover all social security payments and payroll taxes associated with hiring a new employee, expressed as a percentage of the worker's salary. A cost of firing indicator measures the cost of advance notice requirements, severance payments and penalties due when firing a worker, expressed in terms of weekly wages.

The indicators on employment regulations are based upon a detailed study of employment laws. Data are also gathered on the specific constitutional provisions governing these two areas. Both the actual laws and a secondary source were used to ensure accuracy. Finally, all data are verified and completed by local law firms through a detailed survey on employment regulations.

To make the data comparable across economies, a range of assumptions about the worker and the company are applied. Assumptions on the worker include that he is a non-executive full-time male employee who has worked in the same company for 20 years, has a wife and two children, and is not a member of the labor union (unless membership is mandatory). It is assumed that the company is a limited liability manufacturing corporation that operates in the country's most populous city. It is 100% domestically-owned, and has 201 employees. Finally, the company is subject to collective bargaining agreements in countries where collective bargaining covers more than half the economy.

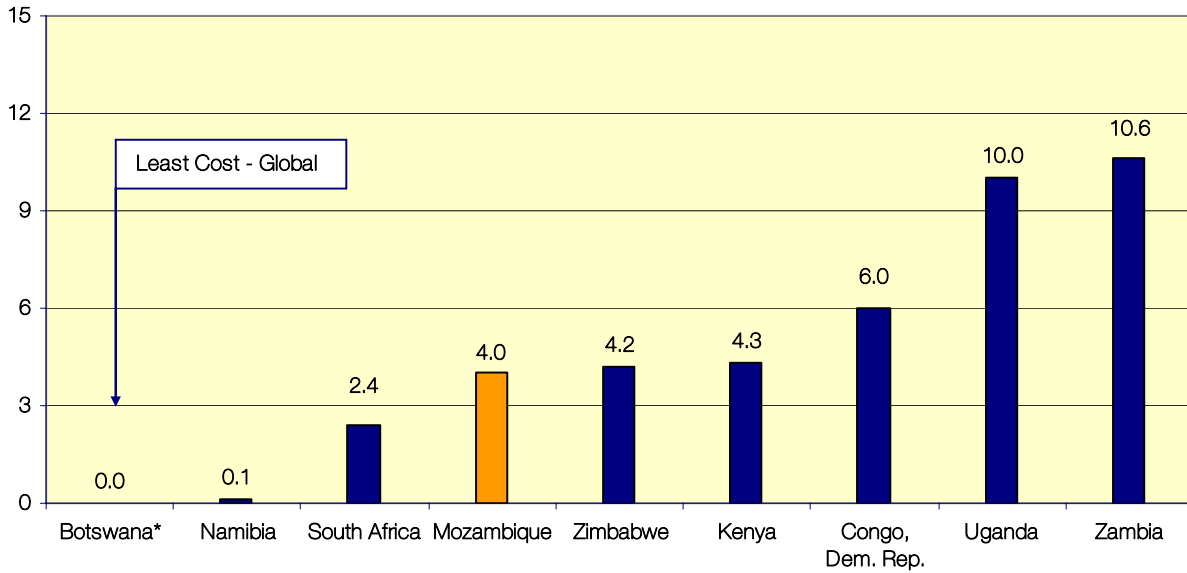
Although most employment regulations are enacted in response to market failures, it does not mean that today's regulations are optimal. Analysis of the indicators across countries shows that while employment regulation generally increases the tenure and wages of incumbent workers, rigid regulations have many undesirable side effects, including less job creation, longer unemployment spells and the related skill obsolescence of workers, less R&D investment and smaller company size—all of which may reduce productivity growth. Many countries err on the side of excessive rigidity, to the detriment of businesses and workers alike.

Benchmarking—Labor Regulation

MOZAMBIQUE—Compared to Global Best / Selected Other Economies

Nonwage labor costs (% salary)

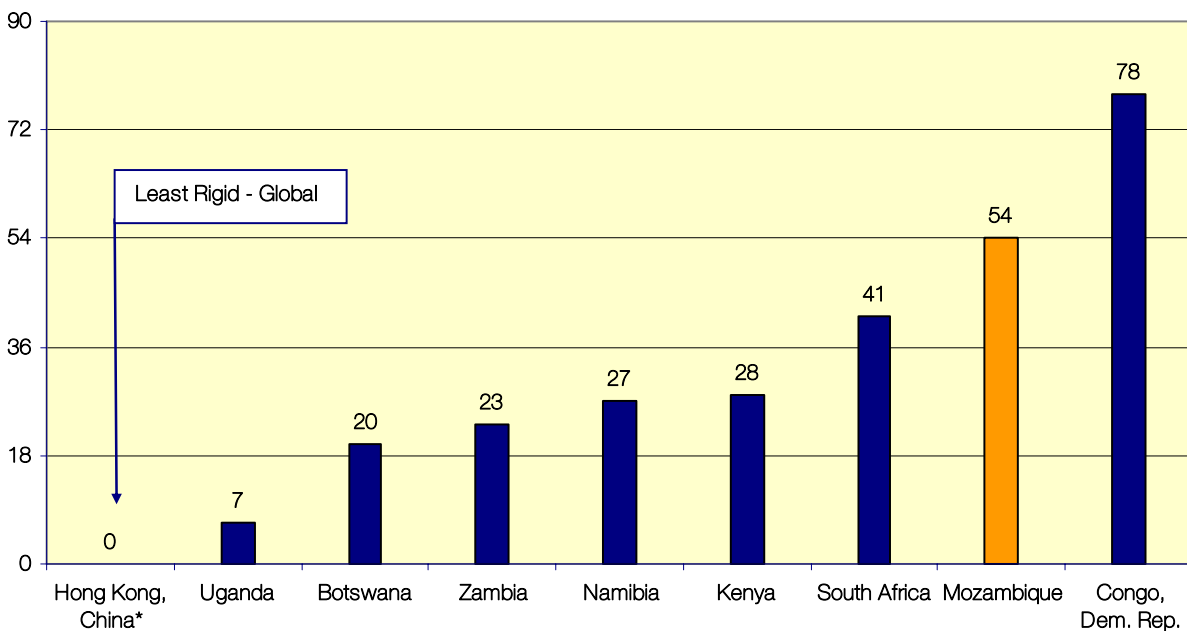
Source: Doing Business Database



*Other economies with the least cost include Bangladesh, Cambodia and Ethiopia.

Rigidity of Employment Index (0 – 100)

Source: Doing Business Database



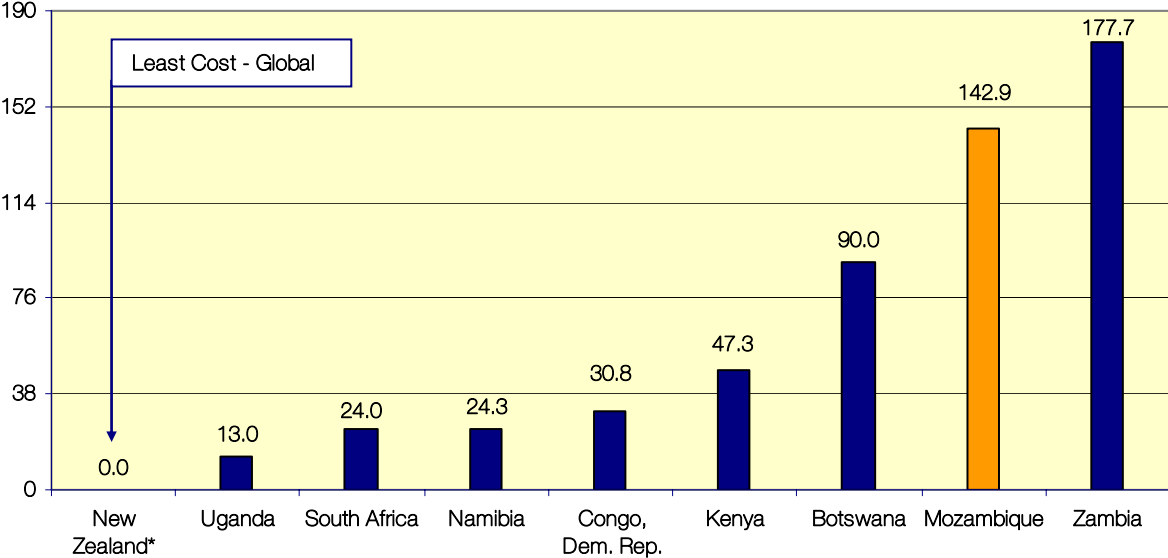
*Other countries that offer the least rigid conditions are Singapore and the United States.

Benchmarking—Labor Regulation

MOZAMBIQUE—Compared to Global Best / Selected Other Economies

Cost of Firing (weekly wages)

Source: Doing Business Database



*Another economy with the least cost is the United States.

Registering Property: Regulation of Property Transfers

Property registries were first developed to help raise tax revenue. Defining and publicizing property rights through registries has proven good for entrepreneurs as well. Land and buildings account for between half and three-quarters of country wealth in most economies. Securing rights to this property strengthens incentives to invest and facilitates trade. And with formal property titles, entrepreneurs can obtain mortgages on their homes or land and start businesses.

Doing Business measures the ease of registering property, assuming a standardized case of an entrepreneur who wants to purchase land and building in the largest business city. It is assumed the property is already registered and free of title dispute. The data cover the full sequence of procedures necessary to transfer the property title from the seller to the buyer. Every required procedure is included, whether it is the responsibility of the seller, the buyer, or where it is required to be completed by a third party on their behalf.

Local property lawyers and property registries provide information on required procedures, as well as the time and the cost to fulfill each of them. In most countries, the data are based on responses by both lawyers and officials in the property registries.

Based on the responses, three indicators are constructed:

- Number of procedures to register property.
- Time to register property (in calendar days).
- Official costs to register property (as a percentage of the property value).

A large proportion of property in developing countries is not formally registered, limiting the financing opportunities for businesses. Recognizing these obstacles, governments have embarked on extensive property titling programs in developing countries. Yet bringing assets into the formal sector is of little value unless they stay there. Many titling programs in Africa were futile because people bought and sold property informally—neglecting to update the title records in the property registry. Why? *Doing Business* shows that in the average African country a simple formal property transfer in the largest business city costs 12% of the value of the property and takes more than 100 days. Worse, the property registries are so poorly organized that they provide little security of ownership. For both reasons, formalized titles quickly go informal again.

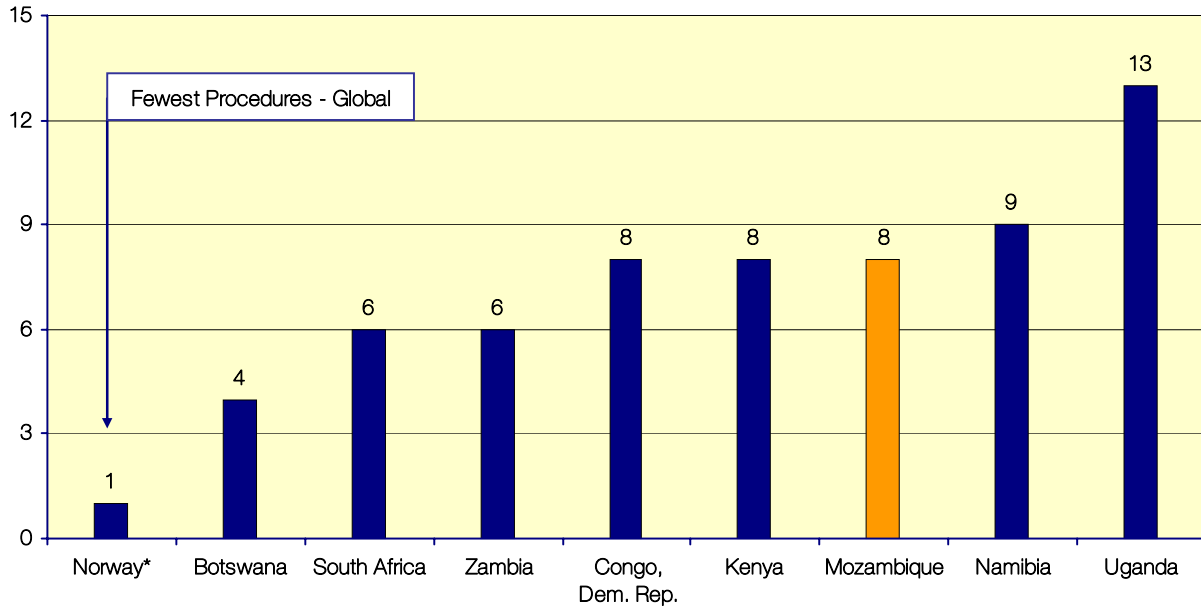
Efficient property registration reduces transaction costs and helps keep formal titles from slipping to informal status. Simple procedures to register property are also associated with more perceived security of property rights and less corruption. This benefits all entrepreneurs, especially women, the young and the poor. The rich have few problems protecting their property rights. They can afford the costs of investing in security systems and other measures to defend their property. But small entrepreneurs cannot. Reform can change this.

Benchmarking—Registering Property

MOZAMBIQUE—Compared to Global Best / Selected Other Economies

Procedures to Register Property

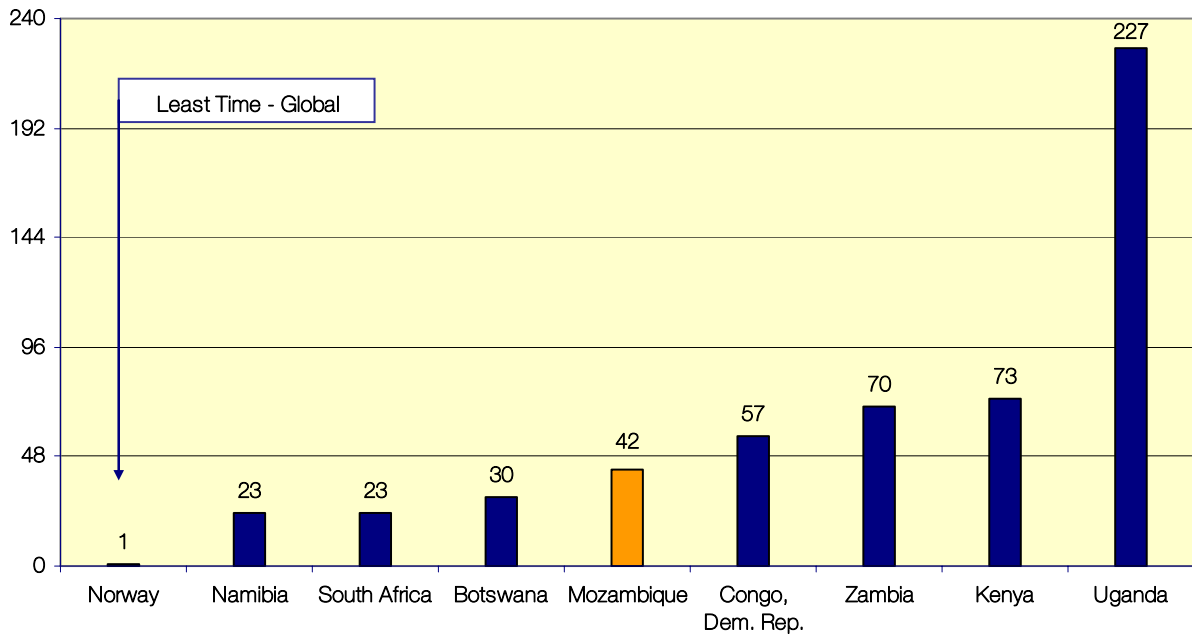
Source: Doing Business Database



*Another economy with the fewest procedures to register is Sweden.

Time to Register Property (days)

Source: Doing Business Database

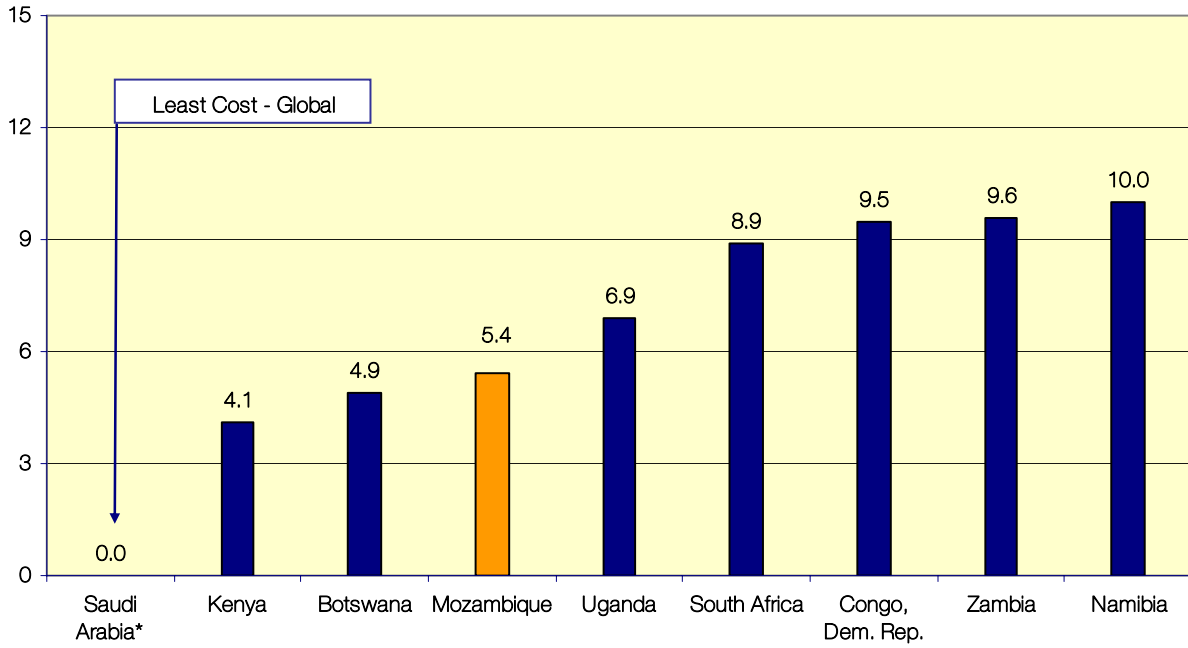


Benchmarking—Registering Property

MOZAMBIQUE—Compared to Global Best / Selected Other Economies

Cost to Register Property (% of property value)

Source: Doing Business Database



*Another economy with the least cost to register is Bhutan.

Getting Credit: Legal Rights & Credit Information

Access to credit is consistently rated by firms as one of the greatest barriers to operation and growth. Two sets of indicators, on credit information registries and legal rights, are covered by the *Doing Business* database.

Access to credit may be expanded significantly by credit registries—institutions that gather and disseminate information on credit histories. The information-sharing role of credit registries helps lenders to assess risk and allocate credit more efficiently, which means that entrepreneurs don't need to rely on only personal relations when trying to obtain credit. The indicators report whether public credit registries or private credit bureaus operate and the amount of credit information they cover. An index of the extent to which the rules of credit information registries facilitate lending is constructed on the basis of: scope of information distributed; ease of access to information and quality of information. The data were obtained from surveys of public and private credit registries.

Effective regulations on secured lending—through collateral and bankruptcy laws—are another solution to credit constraints. With collateral, a lender can seize and sell the borrower's secured assets upon default of a loan, which limits the potential losses of a lender and acts as a screening device of borrowers.

The legal rights indicator measures ten powers of borrowers and creditors in collateral and bankruptcy laws, including whether:

- General rather than specific descriptions of assets and debt are permitted in collateral agreements (expanding the scope of assets and debt covered).
- Any legal or natural person may grant or take security over business credits.
- A unified registry including charges over movable property operates.
- Security provides priority both in and outside bankruptcy.
- Parties may agree on enforcement procedures by contract.
- Creditors may both seize and sell collateral out of court, no automatic stay or “asset freeze” applies upon bankruptcy, and the bankrupt debtor does not retain control of the firm.

A minimum score of 0 represents weak legal rights and the maximum score of 10 represents strong legal rights. Data were obtained from by examining collateral and bankruptcy laws and legal summaries, and verified through a survey of financial lawyers.

These two measures are important indicators of well-functioning credit markets. Across countries, more credit is extended when legal rights are stronger and quality credit information is available. And benefits flow beyond access to credit—non-performing loans are lower. Women, small firms, and low-income benefit the most. And with better functioning credit markets, unemployment is lower.

Benchmarking—Credit Information Indicators

MOZAMBIQUE—Compared to Global Best / Selected Other Economies

Economy	Public registry coverage (borrowers /% adults)	Private bureau coverage (borrowers /% adults)	Credit Information Index **
Portugal	72.0 (highest coverage)	9.1	4
*United States	0	100.0 (highest coverage)	6
Mozambique	0.7	0.0	3
South Africa	0.0	53.0	5
Botswana	0.0	43.2	5
Namibia	0.0	35.2	5
Kenya	0.0	0.1	2
Congo, Dem. Rep.	0.0	0.0	0
Uganda	0.0	0.0	0
Zambia	0.0	0.0	0

Source: Doing Business Database

* Other economies that offer the most coverage globally include Argentina, Australia, Canada, Iceland, Ireland, Israel, New Zealand, Norway and Sweden.

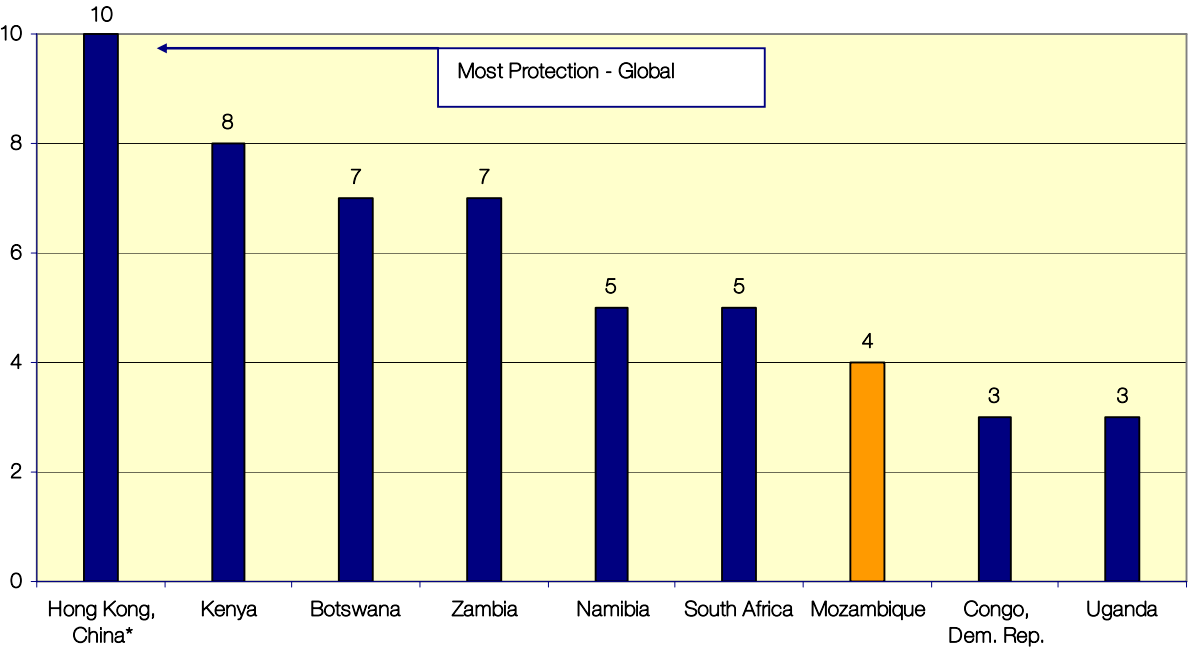
**The index measures whether either public or private credit registries have: both positive information, meaning loans outstanding and payment behavior on accounts in good standing—as well as negative information, meaning defaults and arrears; data on both firms and individuals; data from retailers, utilities and financial institutions; more than 2 years of historical data distributed, data on all loans above 1% of income per capita, and legal guarantees for the consumer's right to inspect their data. The index varies between 0 and 6, with higher values indicating broader information sharing.

Benchmarking–Legal Rights Indicator

MOZAMBIQUE–Compared to Global Best / Selected Other Economies

Legal Rights Index

Source: Doing Business Database



*Another economy with the most protection globally is the United Kingdom.

Protecting Investors: Corporate Governance

Officials at Elf Aquitaine, France's largest oil company, awarded business deals in return for large side payments. Along with the extra cash, they got seven years in jail and a €2 million fine for abuse of power. Russian oil firm Gazprom purchased materials for new pipelines through intermediaries owned by company officers. The high cost raised eyebrows, but not court battles.

Big cases make headlines. But looting by corporate insiders occurs every day on a smaller scale, and often goes unnoticed. To document the protections investors have, *Doing Business* measures how countries regulate a standard case of self-dealing—use of corporate assets for personal gain.

The case facts are simple. Mr. James, the majority shareholder and director of a public company, proposes to purchase used trucks from another company he owns. The price is higher than the going price for used trucks. Mr. James enters into the transaction. All required approvals were obtained and all the required disclosures made, though the transaction was unfair to Mr. James' public company. Shareholders sue the interested parties and the members of the Board of Directors.

Several questions arise. Who approves the transaction? What information must be disclosed? What company documents can investors access? What do minority shareholders have to prove for the transaction to be stopped or to receive compensation from Mr. James? Three indices of investor protection are constructed based on these and other answers. All indices vary from 0 to 10 with higher values indicating more protections or higher disclosure.

- The extent of directors liability index comprises the ability of investors to hold Mr. James and the directors' board liable for damages; the ability to rescind the transaction; fines and jail time associated with self-dealing; availability of derivative or direct suits and the requirement that Mr. James pays back his personal profits made on the transaction.
- The extent of disclosure index comprises approval procedures, immediate disclosure to the public and shareholders of proposed transactions, disclosure in periodic filings and reports, and availability of external review of transactions before they take place.
- The ease of shareholder suits index comprises the availability of documents that can be used during trial, the ability of the investor to examine the defendant and other witnesses, the legality of inspection of company documents, who appoints an inspector, and the standard of proof.
- Finally, the strength of investor protection index is the average of extent of directors liability index, the extent of disclosure index, and the ease of shareholder suits index. The index ranges between 0 and 10, with higher values indicating better investor protection.

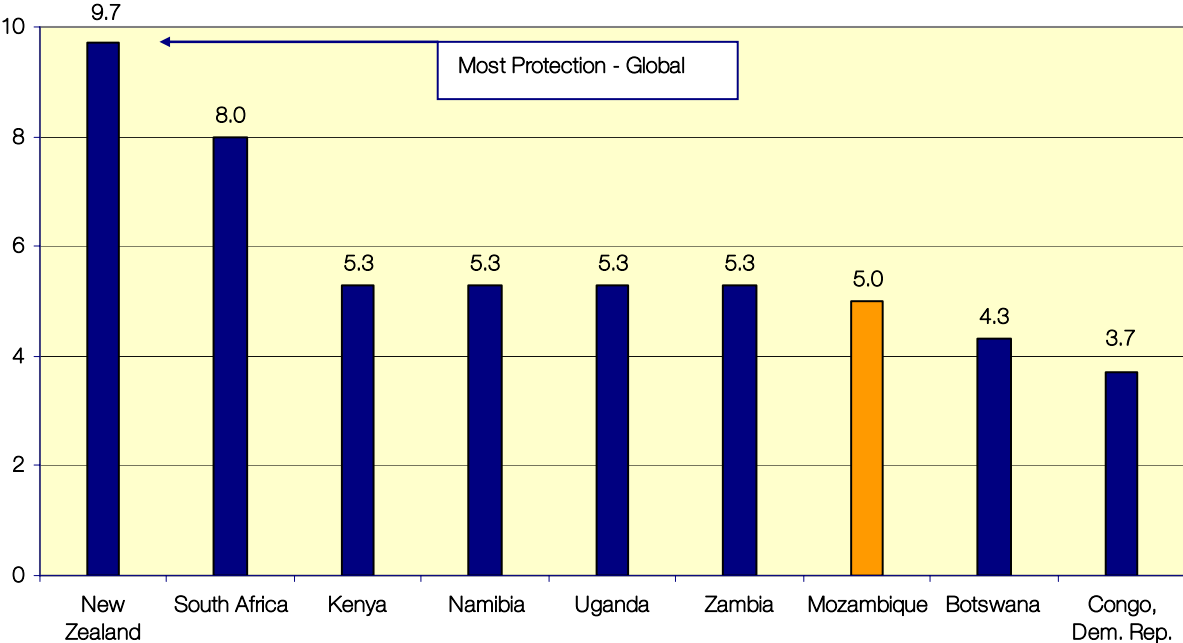
If the rights of investors are not protected, majority ownership in a business is the only way to eliminate expropriation. But then investors must devote more oversight attention to fewer investments. The result: entrepreneurship is suppressed and fewer profitable investment projects are undertaken. Where self-dealing is curbed, equity investment is higher, ownership concentration is lower and trust of the business sector is deeper. Investors gain portfolio diversification, and entrepreneurs gain access to cash.

Benchmarking—Corporate Governance

MOZAMBIQUE—Compared to Global Best / Selected Other Economies

Investor Protection Index

Source: Doing Business Database



Trading Across Borders: Imports and Exports

The benefits of trade are well-documented—as are the obstacles to trade. Distance from large markets, tariffs and quotas greatly increase the costs of goods or altogether prevent trading. But with faster ships and bigger planes, the world is shrinking. Global or regional agreements have brought down trade barriers. Yet Africa's share of global trade is lower today than 25 years ago. So is the Middle East's, excluding oil exports. The reason is simple: many entrepreneurs face numerous hurdles to exporting or importing goods. They often give up. Others never try.

Doing Business compiles procedural requirements for trading a standardized shipment of goods. Every official procedure—and the associated documents, time and cost—for importing and exporting the goods is recorded, starting from the final contractual agreement between the two parties and ending on delivery of the goods. For importing the goods, the procedures measured range from the vessel's arrival at the port of entry to the shipment's delivery at the factory warehouse. For exporting the goods, the procedures measured range from the packing of the goods at the factory to their departure from the port of exit.

To make the data comparable across countries, several assumptions about the business and the traded goods are employed. The business: is of medium size with 100 employees or more; located in a peri-urban area of the country's most populous city; is a private, limited liability company, domestically-owned, formally registered, and operating under commercial laws and regulations of the country. It does not operate within an export processing zone or an industrial estate with special export or import privileges and it exports over 10% of its sales. The traded goods: are ordinary, legally manufactured products; travel in a dry cargo, 20-foot FCL (full container load) container. They are not a hazardous product nor include military arms or equipment, do not require refrigeration or any other special environment, nor involve any special phytosanitary or environmental safety standards other than accepted international standards. Respondents chose to consider goods from one of the following SITC categories: Textile yarn, Fabrics, Made-up Articles; Articles of Apparel and Clothing Accessories; Coffee, Tea, Cocoa, Spices, and Manufactures Thereof.

Documentation includes port filing documents, customs declaration and clearance documents, and official documents exchanged between the concerned parties. Time is in calendar days, from start to finish of each procedure. Cost is a percentage of a fixed cargo value of \$20,000. All the fees associated with completing the procedures to export or import the goods are included, such as costs for documents, administrative fees for customs clearance and technical control, terminal handling charges and inland transport. The cost measure does not include tariffs or trade taxes.

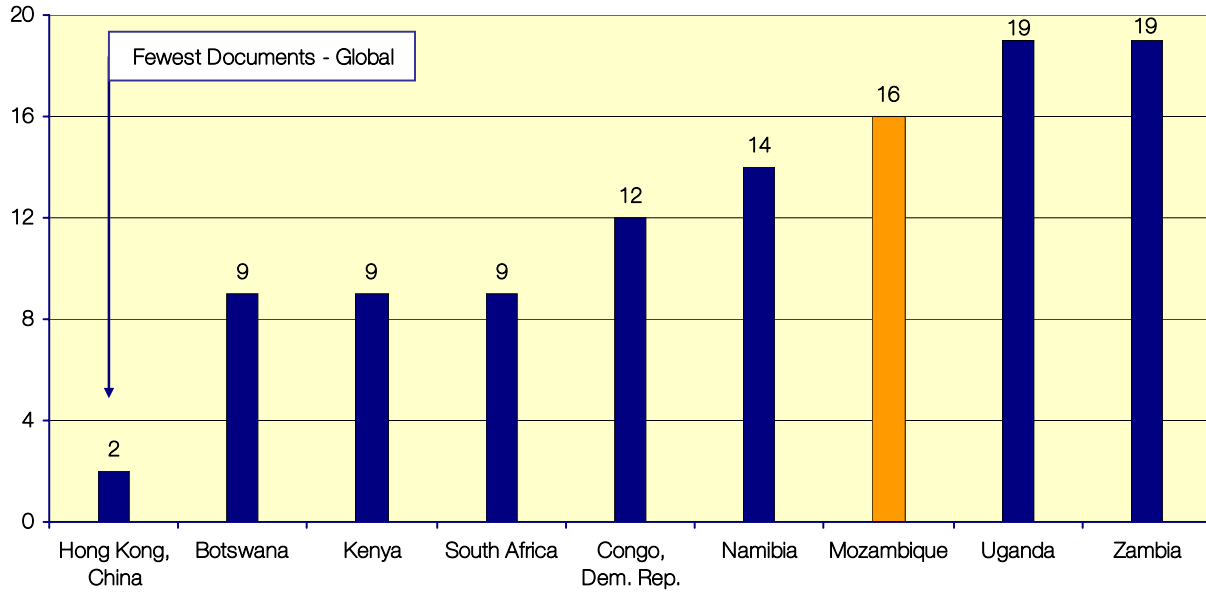
Countries that have efficient customs and trade transport—fewer documents, low cost, less time necessary to comply with various procedures—also export more. And exports are associated with faster growth and more jobs. Having to file many documents is associated with more corruption in customs. Faced with long delays and frequent demands for bribes, many traders avoid customs altogether. Instead, they smuggle goods across the border, which defeats the very reason to have border control of trade—ensure high quality of goods and levy taxes.

Benchmarking—Trading Across Borders

MOZAMBIQUE—Compared to Global Best / Selected Other Economies

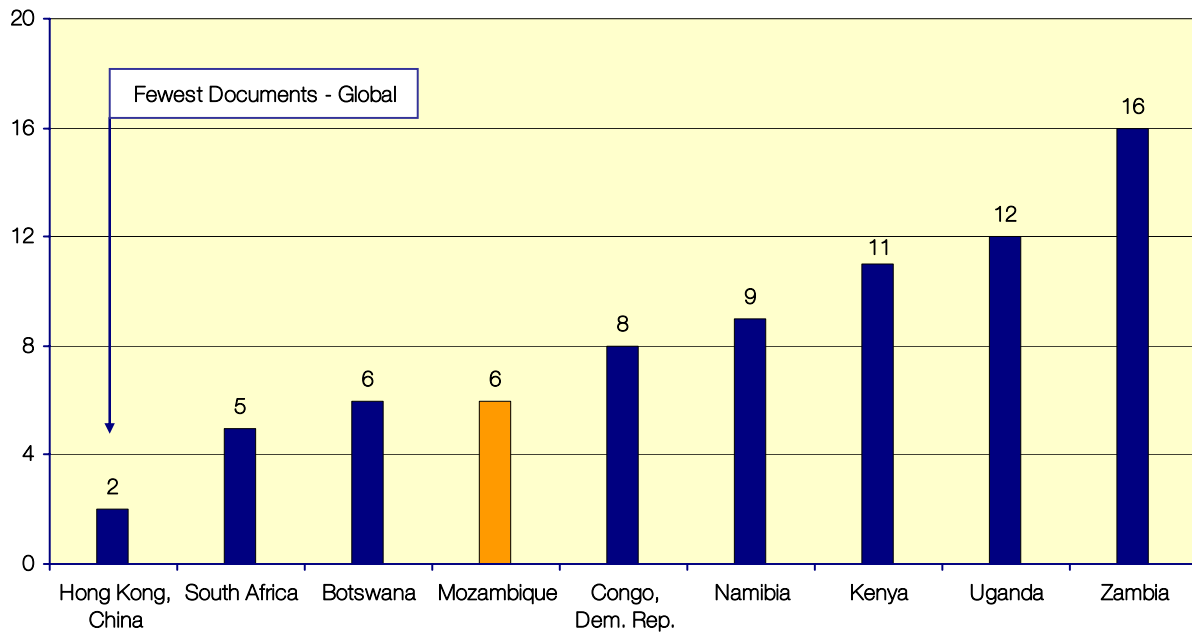
Documents to Import

Source: Doing Business Database



Documents to Export

Source: Doing Business Database

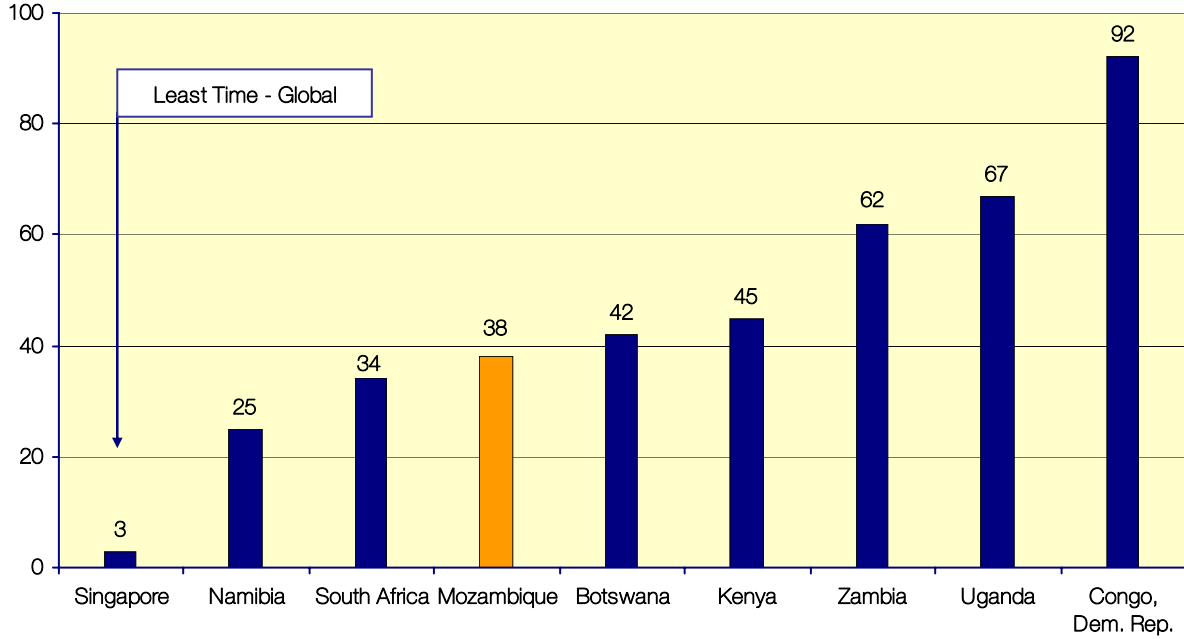


Benchmarking—Trading Across Borders

MOZAMBIQUE—Compared to Global Best / Selected Other Economies

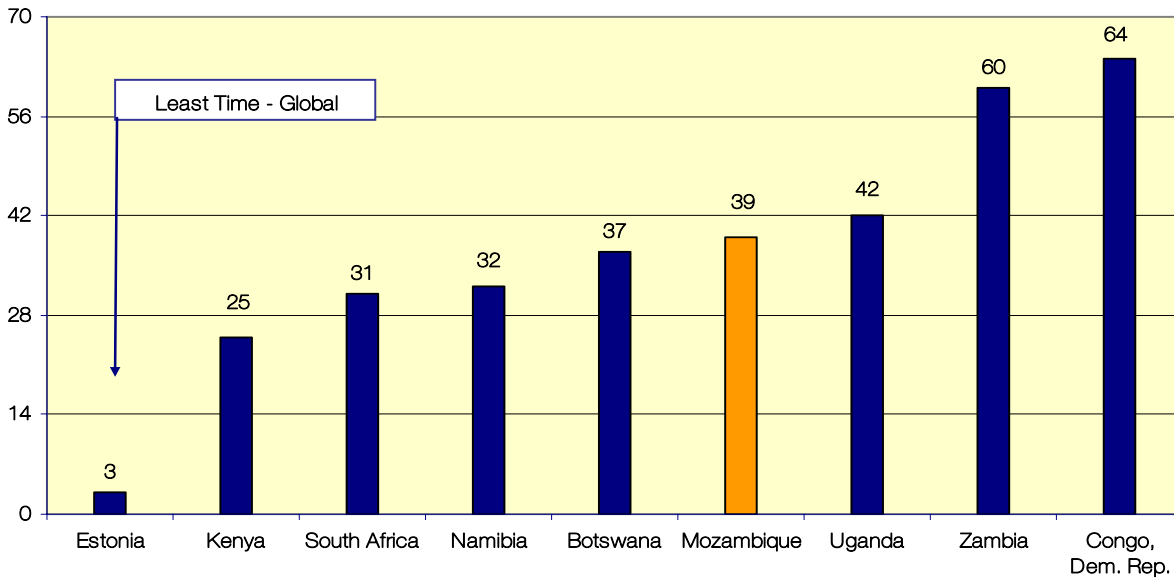
Time to Import (days)

Source: Doing Business Database



Time to Export (days)

Source: Doing Business Database

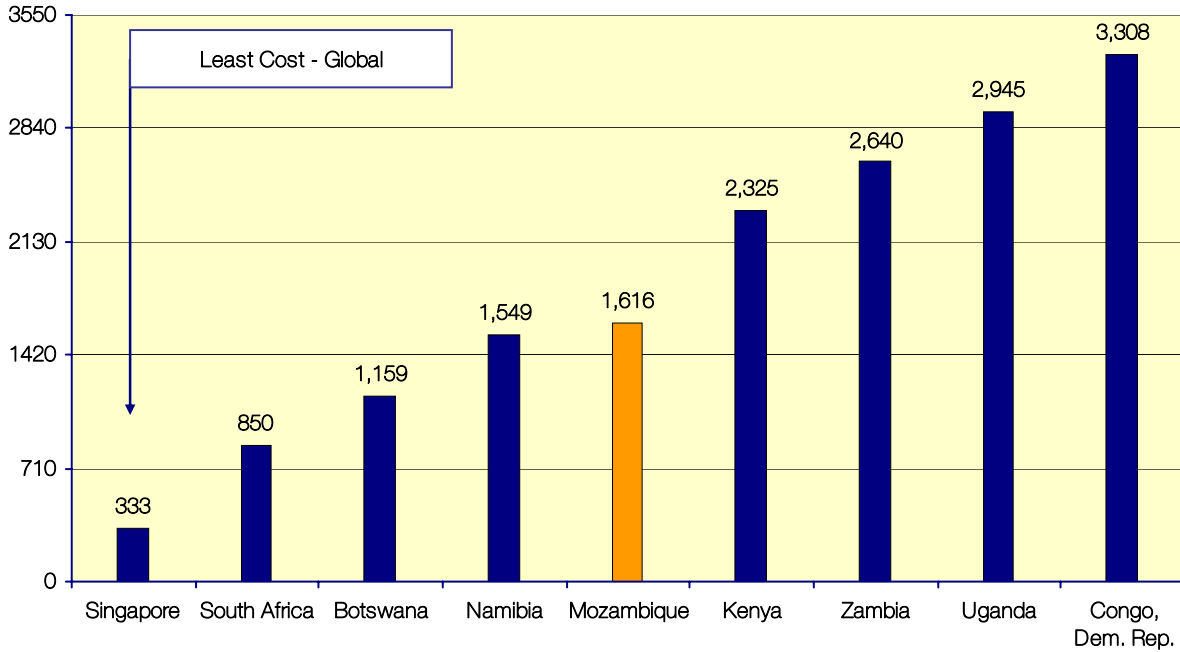


Benchmarking—Trading Across Borders

MOZAMBIQUE—Compared to Global Best / Selected Other Economies

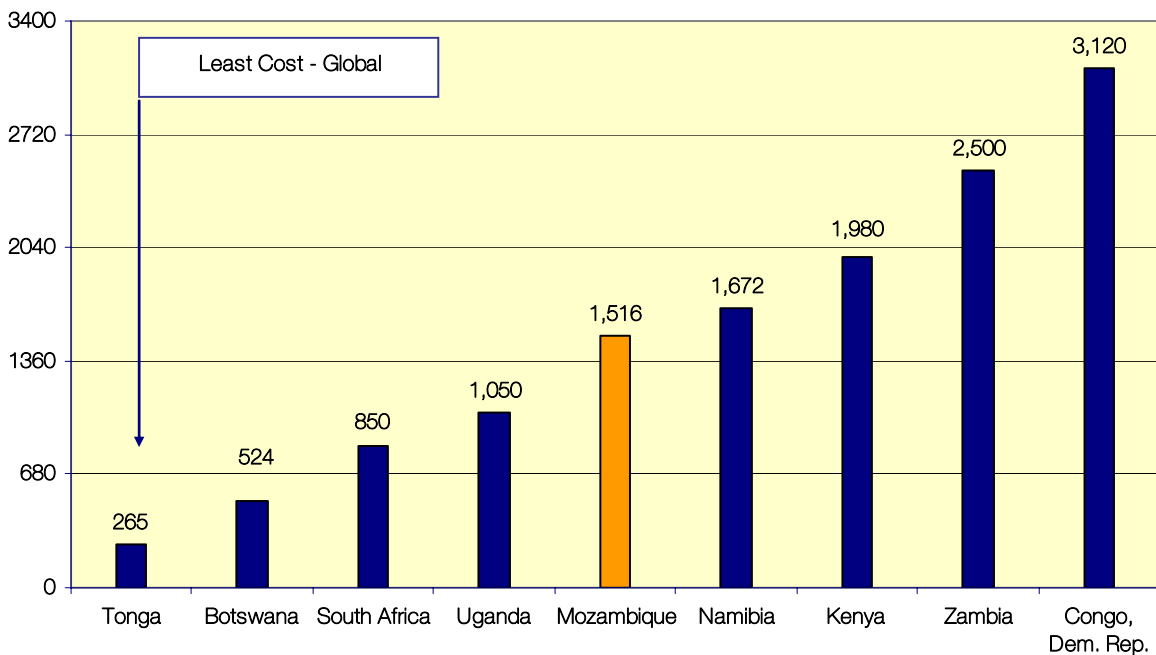
Cost to Import (US \$ per container)

Source: Doing Business Database



Cost to Export (US \$ per container)

Source: Doing Business Database



Enforcing Contracts: Court Efficiency

Efficient contract enforcement encourages businesses to engage with new borrowers or customers. *Doing Business* tracks the efficiency of contract enforcement through the courts, looking at simple transactions of relevance to the average firm in everyday business activity.

The indicators on contract enforcement are constructed assuming a standardized case of a contractual dispute over 200% of income per capita in the country's most populous city. The data track the procedures to recover the debt through the courts. It is assumed that the plaintiff has fully complied with the contract (plaintiff is 100% right) and files a lawsuit to recover the debt. The debtor attempts to delay and raises opposition to the complaint. The judge decides every motion for the plaintiff. There are no appeals or post-judgment motions. The data are derived from reading of the codes of civil procedures and other court regulations, as well as administering surveys to local litigation attorneys. The respondents are members of the Lex Mundi or Lex Africa associations of law firms, with at least two lawyers participating in each country.

Three indicators of the efficiency of commercial contract enforcement are developed, based on the responses. The first indicator is the number of procedures, mandated by law or court regulation, that demand interaction between the parties or between them and the judge or court officer. The second indicator of efficiency is the time—in calendar days—of dispute resolution. Time is measured as the number of days counted from the moment the plaintiff files the lawsuit in court, until the moment of settlement or, when appropriate, payment. This measure includes both the days where actions take place and waiting periods between actions. The third indicator is the official cost of going through court procedures, measured as a percentage of the claim. The cost includes court costs and attorney fees.

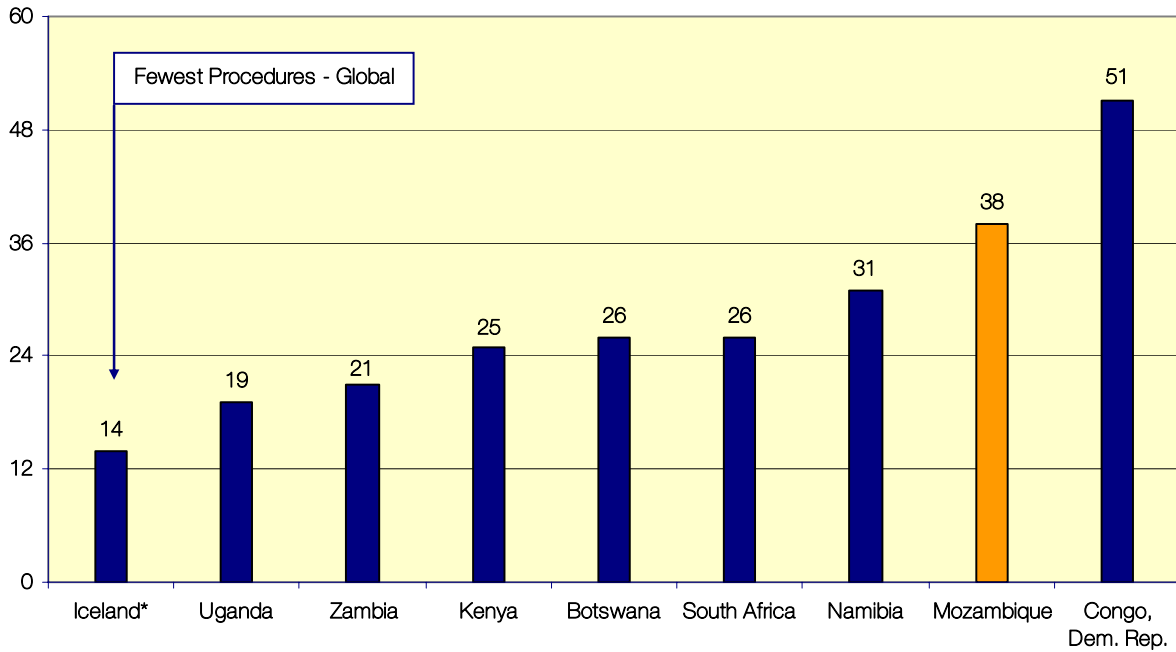
Businesses that have little or no access to efficient courts must rely on other mechanisms—both formal and informal, such as trade associations, social networks, credit bureaus or private information channels—to decide with whom to do business and under what conditions. Businesses may also adopt conservative business practices and deal only with a small group of people linked through kinship, ethnic origin, or previous dealings. Transactions are then structured to forestall disputes. Whichever alternative is chosen, economic and social value may be lost. The main reason to regulate procedures in commercial dispute resolution is that informal justice is vulnerable to subversion by the rich and powerful. But heavy regulation of dispute resolution backfires. Across countries, the more procedures it takes to enforce a contract, the longer the delays and the higher the cost. Less wealth is created.

Benchmarking—Contract Enforcement

MOZAMBIQUE—Compared to Global Best / Selected Other Economies

Procedures to Enforce a Contract

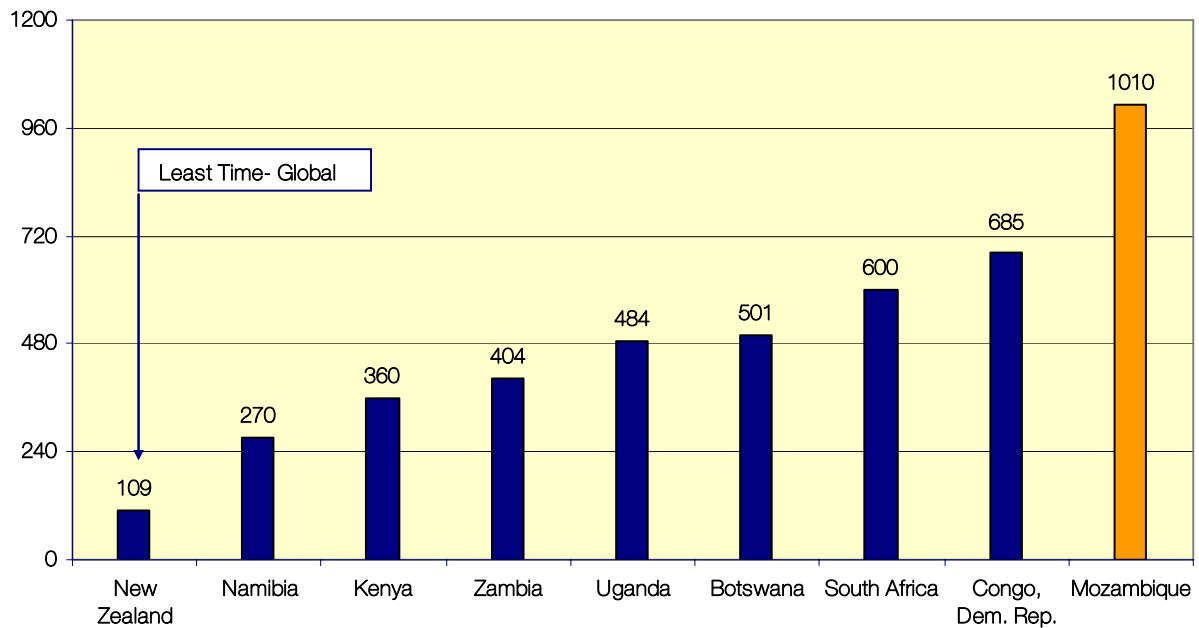
Source: Doing Business Database



* Another economy with the fewest procedures is Norway.

Time to Enforce a Contract (days)

Source: Doing Business Database

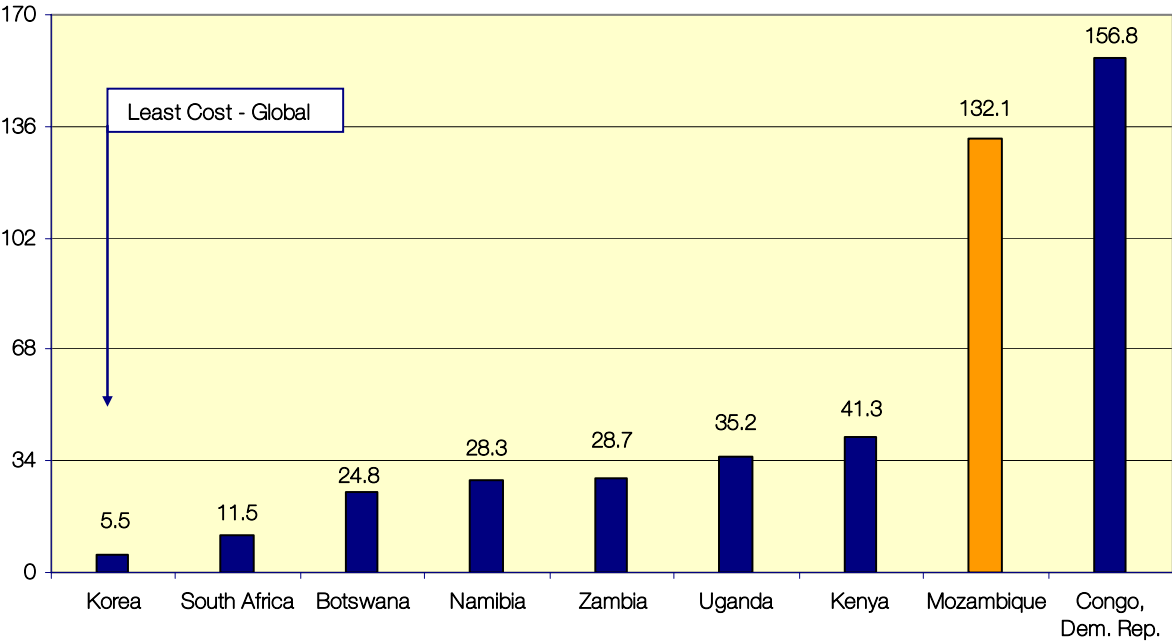


Benchmarking—Contract Enforcement

MOZAMBIQUE—Compared to Global Best / Selected Other Economies

Cost to Enforce a Contract (% of claim)

Source: Doing Business Database



Paying Taxes: Tax Payable and Compliance

Taxes are essential. Without them, there would be no money to fund schools, hospitals, courts, roads, water, waste collection and other public services that help businesses to be more productive. Still, there are good ways and bad ways to collect tax.

The *Doing Business* tax survey records the effective tax that a company must pay and the administrative costs of doing so. Imagine a medium-sized business—TaxpayerCo—that started operations last year. *Doing Business* asked accountants in 175 economies to review TaxpayerCo's financial statements and a list of standard transactions it made throughout the year. Respondents were asked the total amount of tax that must be paid by the business and the process to do so.

The business starts from the same financial position in each country. All the taxes paid within the second year of operations are recorded. Taxes are measured at all levels of government and include corporate income tax, turnover tax, all labor contributions paid by the company, property taxes, property transfer taxes, dividend tax, capital gains tax, financial transactions tax and vehicle tax. A range of standard deductions and exemptions is also recorded.

The indicators are measured as follows:

- The total tax rate indicator measures the total amount of taxes payable by the company within the second year of operation. The total amount of taxes is the sum of all the different taxes payable after accounting for various deductions and exemptions. The total amount of taxes payable is presented as proportional to commercial profits.
- The total number of tax payments, which takes into account the method of payment/withholding, frequency of payment/withholding, and the number of agencies involved for the standardized case study.
- The time indicator measures the total hours per year necessary to prepare, file and pay corporate income, VAT, and labor taxes.

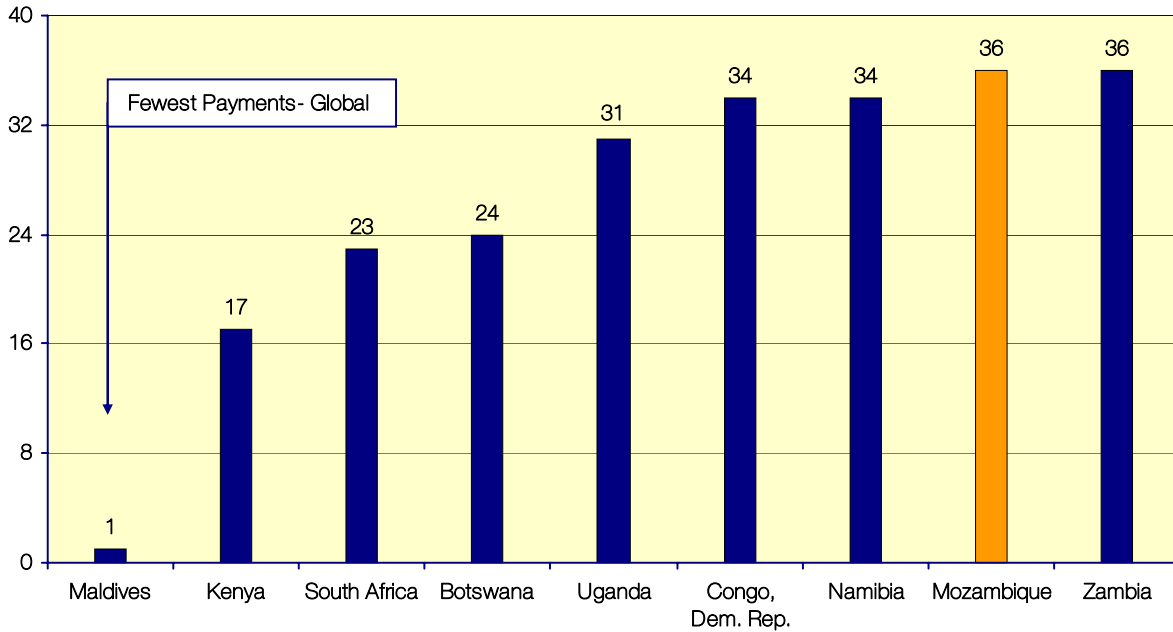
Businesses care about what they get for their taxes, such as quality of infrastructure and social services. Poor countries tend to use businesses as a collection point for taxes, whereas rich countries tend to charge less and have less complexity. And rich countries get more for their money. Simple, moderate taxes and fast and cheap administration mean less hassle for business—but also more revenue collected and better public services. More burdensome taxes provide an incentive to evade.

Benchmarking—Paying Taxes

MOZAMBIQUE—Compared to Global Best / Selected Other Economies

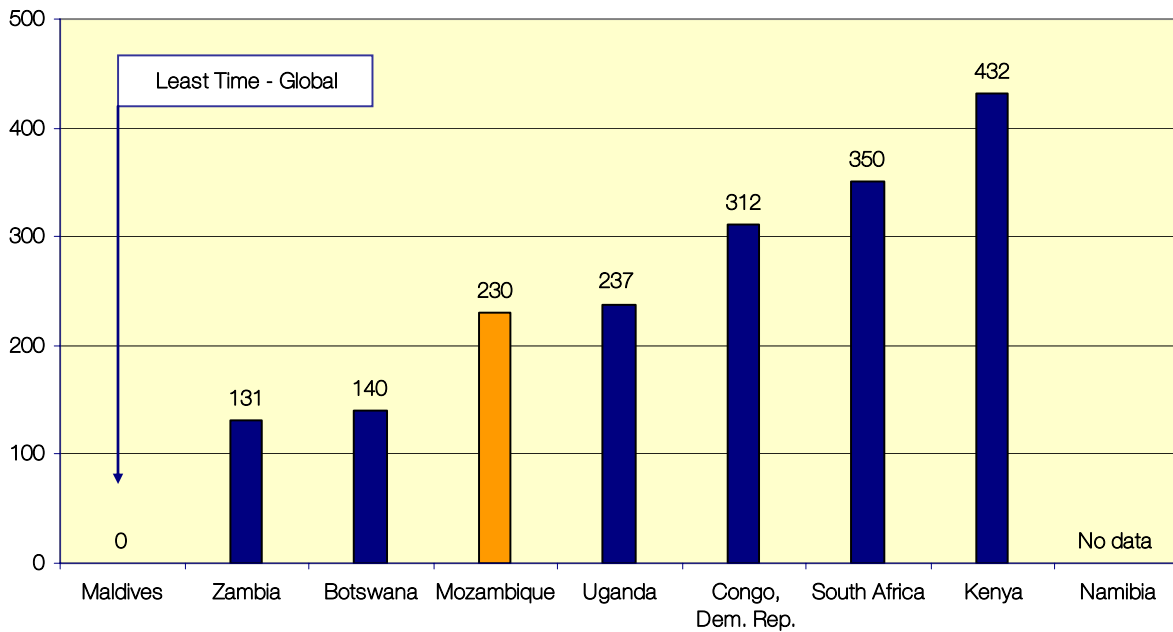
Number of Payments (per year)

Source: Doing Business Database



Time to Pay Taxes (hours per year)

Source: Doing Business Database

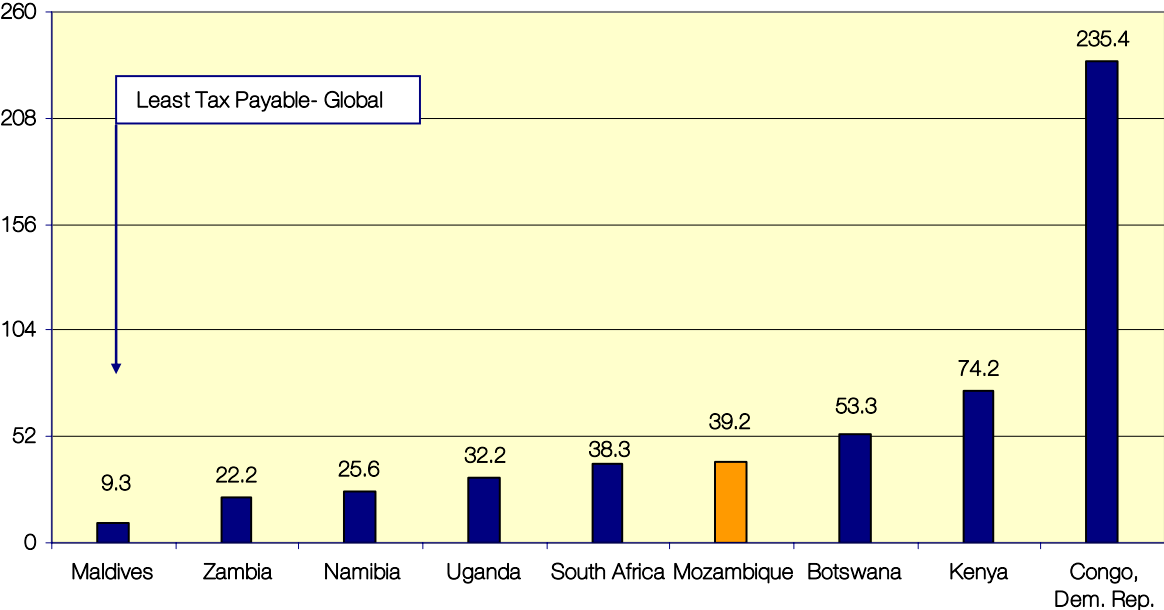


Benchmarking—Paying Taxes

MOZAMBIQUE—Compared to Global Best / Selected Other Economies

Total Tax Rate (% commercial profits)

Source: Doing Business Database



Closing a Business: Bankruptcy

Recent economic crises in emerging markets, from East Asia, to Latin America, to Russia and Mexico, have raised concerns about the design of bankruptcy systems and the ability of such systems to help reorganize viable companies and close down unviable ones. In countries where bankruptcy is inefficient, unviable businesses linger around for years, not allowing assets and human capital to be reallocated to more productive uses.

The *Doing Business* indicators identify weaknesses in the bankruptcy law, as well as the main procedural and administrative bottlenecks in the bankruptcy process. In many developing countries, bankruptcy is so inefficient that creditors hardly ever use it. In such countries, reform would best focus on improving contract enforcement outside of bankruptcy.

The closing a business data track the step-by-step procedures for a standardized company to go through the bankruptcy process. It is assumed that the company is a domestically owned limited liability corporation, operating a hotel in the most populous city. The company has 201 employees, 1 main secured creditor and 50 unsecured creditors. Detailed assumptions about the debt structure and future cash flows are made. It is assumed that the company becomes insolvent on January 1. The case is designed so that the company has a higher value as a going concern—that is, the efficient outcome is either reorganization or sale as a going concern but not piecemeal liquidation. The indicators are derived from questionnaires answered by attorneys at private law firms and bankruptcy judges. Most respondents are members of the International Bar Association.

Three indicators were constructed from the survey responses: the time and cost to go through the insolvency process, and a measure of the proportion of the insolvency estate recovered by stakeholders—taking into account the time, cost, depreciation of assets and the outcome of the insolvency proceeding.

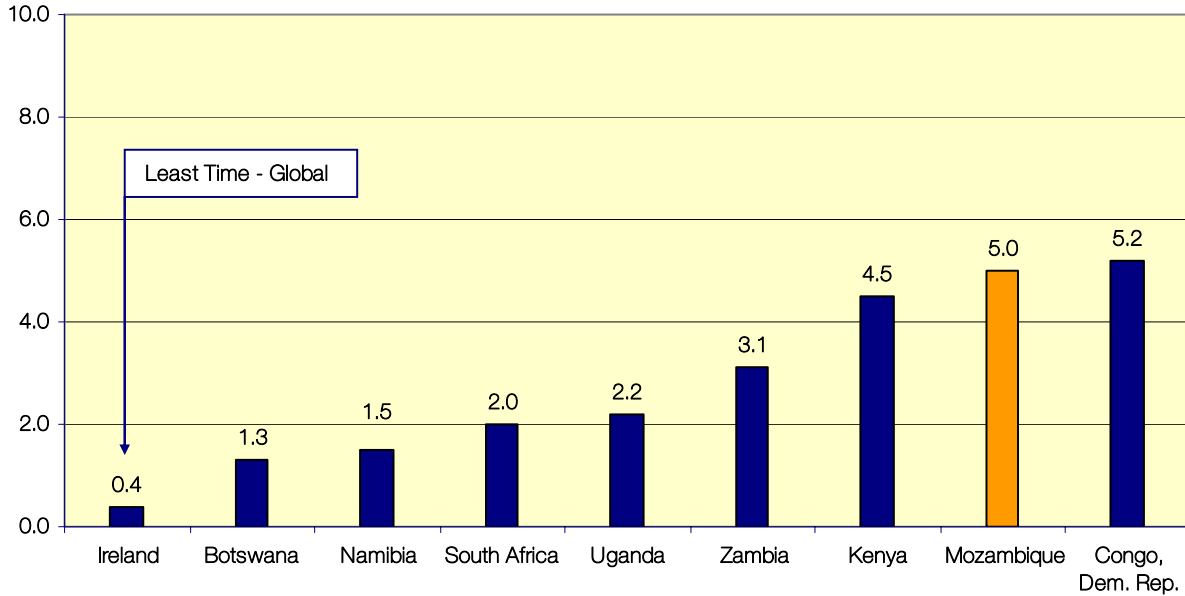
Bottlenecks in bankruptcy cut the amount that claimants can recover. In countries where bankruptcy is used, these bottlenecks are a strong deterrent to investment. Access to credit shrinks, and nonperforming loans and financial risk rise because creditors cannot recover overdue loans. Even in poor countries, where bankruptcy is rarely used, efficient laws can serve as a threat and encourage debtors to negotiate and restructure outside of bankruptcy. Bankruptcy laws can also encourage entrepreneurs. The freedom to fail, and do so through an efficient process, puts people and capital to its most effective use. The result is more productive businesses, and more jobs.

Benchmarking—Bankruptcy

MOZAMBIQUE—Compared to Global Best / Selected Other Economies

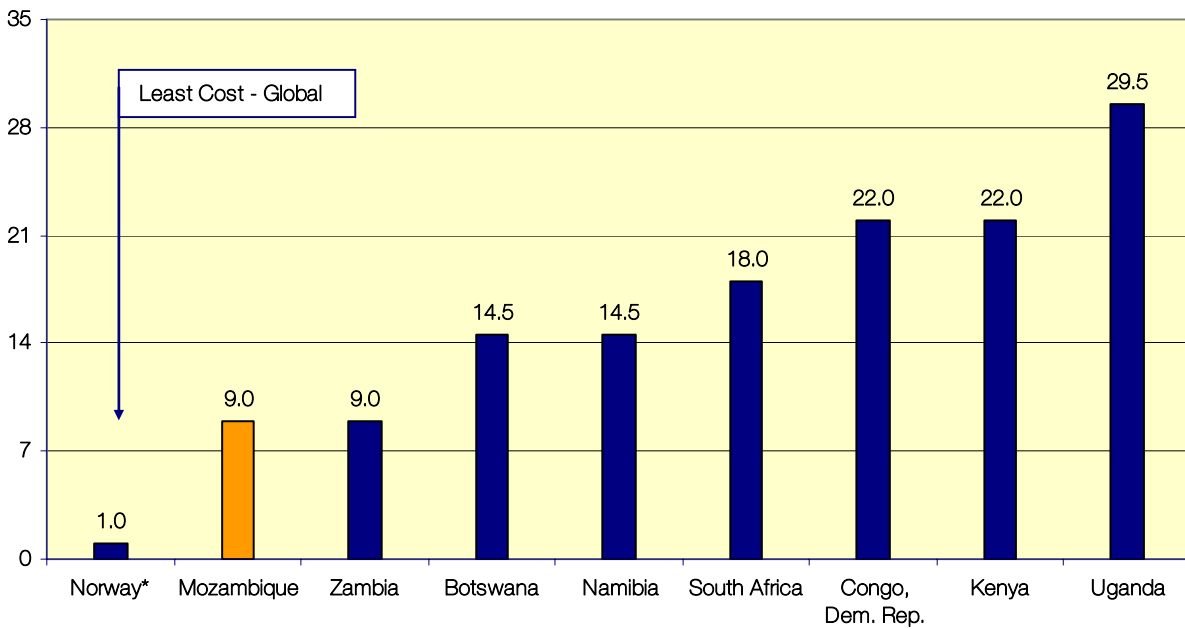
Time to go through Insolvency (years)

Source: Doing Business Database



Cost of Insolvency (% of estate)

Source: Doing Business Database



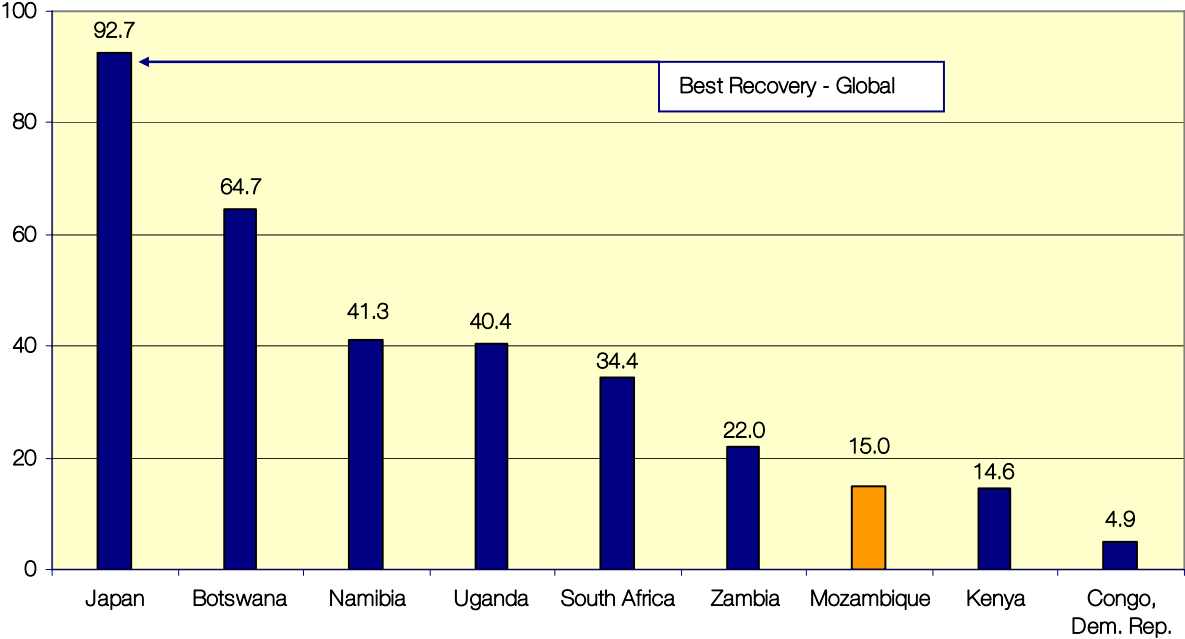
*Other economies with the least cost are Antigua & Barbuda, Colombia, Kuwait and Singapore.

Benchmarking—Bankruptcy

MOZAMBIQUE—Compared to Global Best / Selected Other Economies

Recovery Rate (cents on the dollar)

Source: Doing Business Database



Appendix: Data Details

Starting a Business: Entry Regulation

Dealing with Licenses: Building a Warehouse

Employing Workers: Employment Regulation

Registering Property: Regulation of Property Transfers

Getting Credit: Credit Information

Protecting Investors: Corporate Governance

Paying Taxes: Tax Payable and Compliance

Trading Across Borders: Imports and Exports

Enforcing Contracts: Court Efficiency

Starting a Business in Mozambique

STANDARDIZED COMPANY

Legal Form: Private Limited Liability Company

Minimum Capital Requirement: 1,500,000

City: Maputo

Registration Requirements:

Procedure 1.	Obtain certification of unique name "certidão negativa" at the Commercial Registrar Office of Maputo (Conservatória do Registo Comercial).
Time to complete:	2 days
Cost to complete:	MZM 77000
Comment:	
Procedure 2.	Open a provisional bank account, deposit minimum capital and obtain a verification of deposit with a local bank.
Time to complete:	1 day
Cost to complete:	no charge or bank commission
Comment:	Limited liability companies ("sociedades por quotas") must open bank accounts to prove that at least half of the minimum required capital has been paid before the Articles of Association are notarized. The bank account must be open in the name of the company approved by de Registrar Office of Maputo at the "certidão negativa"(Procedure.1).
Procedure 3.	Incorporate the company through a public deed executed at a local Notary.
Time to complete:	5 days
Cost to complete:	see comments
Comment:	File the draft of Articles of Association, the name certification, the proof of deposited funds, ID of founders, quotaholders and powers of attorney, in case any of the shareholders are being represented by other persons. The statutes are in the records book (livro de notas de escrituras diversas) kept by the notary office. The client receives a photocopy of the document, which is stamped and authenticated by the notary but should require and pay another two photocopies to be used at the following two procedures. The notary also certifies that the legal requirements are satisfied, that the statutes conform with the law, and that all partners freely consent to the agreement. Public deeds must be scheduled one week before their execution. Notary costs: This is not a fixed amount. The cost is the sum of: a) Fixed Emoluments-100.000 Mtcs- plus b) 5.000 Mtcs per page included in the records book, plus c) a Variable emolument that depends on capital : If capital is \leq 5.000.000.000 Mtcs the emolument corresponds to 0,2% of capital and if capital is $>$ to 5.000.000.000 the emolument corresponds to 0,2 % for the first 5.000.000.000 Mtcs of capital and 0,01% for the remaining capital , plus d) 20% of c) when there is more that one act in the deed of c) plus e) Stamp Tax 0,05 % of capital plus ef) Defesa Nacional Stamp -18.000 Mtcs plus fg) per certificate-30.000 Mtcs, plus 5.000 per page of certificate, plus 1.100 Mtcs per page as Selo de Verba.
Procedure 4.	Register provisionally with the Commercial Registrar Office of Maputo (Conservatória de Registo Comercial); request for a commercial registry certificate.
Time to complete:	14 days
Cost to complete:	see comments
Comment:	Provisional registration is not legally required, but as the Imprensa Nacional sometimes takes several months to publish the Articles of Association, companies often operate under a provisional registration until the articles are published. The company has 90 days to register in commercial registry. For the provisional registration of a Company at the Commercial Registrar of Companies, the following costs are applicable: For the matriculation of the company a fixed value of 50.000 Mtcs is charged; For the registration of the company: - Share capital up to 5.000.000.000 (five billion meticaís) is taxable at a rate of 2%; - Over the excess it is applicable a tax at the rate of 1% To the amount calculated based on the above it shall be added a variable amount (for administrative costs) up to the maximum of 1.000.000 Mtcs (one million meticaís). The expiry date of the provisional registration is 90 days. If the publication of the articles of association does not occur prior to such expiry date, the renewal of the provisional registration will have to be requested. This renewed registration will be valid for another 90 days.
Procedure 5*.	Publish articles of agreement in Boletim da Republica (Official Gazette).
Time to complete:	3 months (simultaneous with proc 4)
Cost to complete:	MZM 2200000

Comment:	An electronic version of the company's articles of incorporation to be published in the official gazette must now be submitted to the National Printing House. Performed by the Imprensa Nacional. Publication is supposed to take place within 90 days of the request. Businesses have a 3-month period during which they can operate under a provisional registration. If publishing is delayed for more than 6 months, companies must register again. A fixed fee of 475.000,00 Mtc\$ per each 25-line page is due.
Procedure 6*.	Apply for an operational license (Alvará) from the Presidente of Conselho Municipality.
Time to complete:	30 days (simultaneous with procedure 5, but after procedure 4)
Cost to complete:	MZM 2660000
Comment:	File the following documents: <ul style="list-style-type: none"> â€¢ Letter of application with an authenticated signature, containing: â€¢ The name of the firm and its head office; â€¢ The commercial activity required, with the indication of the classes of merchandises or services the it pretends to exercise; â€¢ The location of the establishment; â€¢ Certificate of incorporation of the commercial registrar offices; or copy of the articles of association; the provisional registration is all that is necessary) â€¢ Notarized copies of personal identification documents; â€¢ Notarized copy of lease (If company owns the premises, when applying for the operational permit the Real Estate Registrar Office certificate evidencing such ownership must be submitted). <p>The Ministry of Industry and Commerce, once the request for the obtainment of the operational license is required, should organize the appliance of the necessary inspections by the health, fire and other public health departments.</p> <p>Cost: a. Emoluments -2.500.000,00-(if the company will import or export goods and service plus 500.00,00 for each class of goods imported or/and exported; if the company is a wholesale and or retail dealer plus 250.000,00 Mtc\$ for each shop) b. 160.000,00 Mtc\$ to the Center Environmental Hygiene to support the costs of the opinions of the Fire Department and Ministry of Health, which became an internal procedure. There is now a provisional license that can be obtain after the inspection is done. It is a statement saying that the company passed the inspection. The alvara' takes longer because it has to be printed in a special format and has to be signed, etc.</p>
Procedure 7*.	Receive inspection from Ministry of Health and Fire Department and Ministry of Commerce and Industry.
Time to complete:	8 days, simultaneous with procedure 6
Cost to complete:	no charge
Comment:	Although this inspection takes no more than one hour to be completed, it can take more than one week to be scheduled/ make an appointment with the Ministry of Health. Now the inspection is coordinated and there is one joined inspection.
Procedure 8*.	Declare the beginning of activity at the tax department "Repartição de Finanças".
Time to complete:	15 days, simultaneous with procedure 6
Cost to complete:	nominal
Comment:	After the Tax Reform the "old" taxes have been replaced by a unique income tax. In addition, Modelo 7 needs to be filed to register, under a different taxpayer number, for the imposto sobre o rendimento do trabalho (income withholding tax), secção A, and Modelo 44 is the registration form for the complementary tax. The declaration of the beginning of activity for tax purposes (VAT and Corporate Income Tax) should be applied 15 days prior to the beginning of the activity. This process involves communicating initiation of activity to the tax department of the appropriate fiscal district through a form known as Modelo 6. Documents to be filed include: 3 copies of tripled Modelo 5, and an authenticated copy of the operational license.. Fifteen days later a unique taxpayer number - N.U.I.T. (Numero unique de identificação tributária) is assigned to the company and an individual file, for all taxes , is open.
Procedure 9*.	Register for VAT (Imposto sobre o Valor Acrescentado).
Time to complete:	7 days, simultaneous with procedure 6
Cost to complete:	nominal
Comment:	
Procedure 10*.	Declare the beginning of activity and register job candidates at the provincial Employment Center
Time to complete:	1 day, simultaneous with procedure 6
Cost to complete:	Each copy of the chart costs MZM 5.000,00, assuming 10 workers

Comment:	Request the work cards within the following 30 days of the start of employment agreements; Deliver a map of the work hours; Declare the employment of national workers within 30 days of the start of their respective employment agreement. The employer with more than 10 workers is supposed to open a file (processo individual) and prepare four copies of a form known as relação nominal, listing the name, position, skills, date of birth, sex, identification card number date of entry, date of last promotion, wage or salary, and number of hours due per month for every worker. These four copies are presented to the Employment Center, that after stamping them keep three copies and give back to the employer the fourth one that must be posted publicly. This chart must be updated and approved by the Ministry of Labor every year. Together with the Relação Nominal the company must submit a annual holiday's scheme - Plano de Férias - and a work card per worker, (cost: 5.000,00 Mtc\$ each), with the ID elements and the signature of worker. These cards after having been stamped by the Employment Center are given back to the company, which give them back to each worker as his identification card as a worker.
Procedure 11*.	Register workers with the social security system.
Time to complete:	1 day, simultaneous with procedure 6
Cost to complete:	no charge
Comment:	Register the company within 15 days counted from the commence of activity. Register workers within 15 days counted from the start of their employment agreements. A special form (boletim de identificação de beneficiários) must be filled out for each worker and submitted to the Instituto Nacional de Seguranca Social within 15 days of signing the labor contract, accompanied by an authenticated copy of that worker's identification card, an authenticated copy of the operational license and the company's NUIT. A special form - Ficha da empresa - must be filled for each company
Procedure 12*.	Subscribe a workmen's compensation insurance coverage.
Time to complete:	1 day, simultaneous with procedure 6
Cost to complete:	no charge
Comment:	
Procedure 13.	Convert the provisional registration into the final commercial registration and obtain a copy of the registration certificate.
Time to complete:	14 days
Cost to complete:	MZM 70000
Comment:	Once the Articles of Association are published, the applicant takes them to the Commercial Registry, at which point the provisional registration becomes permanent and a minimum fee applies. Previously, a copy of the final registration certificate is needed for the industrial or commercial license. Decree 49/2004 of 17 November (art 8) changed this requirement (the provisional registration plus the copy of the public deed of incorporation are sufficient to continue with the formalities) The came in to force 80 days afterwards (Feb 2005)

Dealing with Licenses in Mozambique

BUILDING A WAREHOUSE

Data as of: January 2006

City: Maputo

Registration Requirements:

Procedure 1.	Obtain the right to use and enjoyment of the land
Time to complete:	120 days
Cost to complete:	MZM 200,000
Comment:	The company must obtain this right from the Municipal Council of Maputo City - Department of Construction and Urbanization - DCU, because all land is state owned. Procedure 1 and 2 are simultaneous. It does not take less than 120 days to get a preliminary document that allows one to proceed to requesting the building permit. One needs to request the right to use and enjoyment of land before beginning construction. Even if the company had this title before, it still needs to make sure that the purpose of land in the title is compatible with the new purpose.
Procedure 2*.	Obtain topographic plan
Time to complete:	120 days
Cost to complete:	MZM 325,000
Comment:	The company should obtain the topographic plan from the Municipal Council of Maputo City - Department of Construction and Urbanization - DCU.
Procedure 3.	Apply for building permit
Time to complete:	45 days
Cost to complete:	MZM 2,000,000
Comment:	The company should apply to the municipal council with full detailed plan attached.
Procedure 4.	Receive inspection from Municipality (1)
Time to complete:	1 days
Cost to complete:	no charge
Comment:	There can be inspections during construction. In fact according to the law there should be 2 to 3 inspections carried out by the Municipality and by the labor inspectorate. However, in practice these inspections rarely occur. These inspections are announced. The inspector informs the company that he/she will visit the site on such date. Normally, when the concrete is poured there is an inspection.
Procedure 5.	Receive inspection from Municipality (2)
Time to complete:	1 days
Cost to complete:	no charge
Comment:	
Procedure 6.	Apply for water and sewage connection
Time to complete:	30 days
Cost to complete:	MZM 4,700,000
Comment:	Obtaining the connection is immediate because the utility provider is already informed and approved the project before.
Procedure 7*.	Receive inspection from water department on plumbing
Time to complete:	15 days
Cost to complete:	no charge
Comment:	The company has to supply the drawings (layout).
Procedure 8.	Apply for power connection
Time to complete:	30 days
Cost to complete:	MZM 6,837,000
Comment:	Obtaining the connection is immediate because the utility provider is already informed and approved the project before.
Procedure 9.	Receive inspection from electricity department
Time to complete:	included in the previous procedure
Cost to complete:	MZM 3,741,602
Comment:	The company must provide the site plan.
Procedure 10.	Apply for phone connection
Time to complete:	1 days

Cost to complete:	no charge
Comment:	Obtaining the connection is immediate because the utility provider is already informed and approved the project before.
Procedure 11.	Obtain occupancy permit
Time to complete:	90 days
Cost to complete:	MZM 2,000,000
Comment:	
Procedure 12*.	Receive final inspection
Time to complete:	2 days
Cost to complete:	no charge
Comment:	The final inspection is carried out by the fire department, the health department, the water department, etc. This inspection is coordinated by the municipal authority.
Procedure 13.	Register the new building at the property registration
Time to complete:	45 days
Cost to complete:	MZM 325,000
Comment:	

Employing Workers in Mozambique

Employing Workers Indicators (2006)	Answer	Score
Difficulty of Hiring Index		83
Can term contracts be used only for term tasks?	Yes	1
What is the maximum duration of term contracts? (in months)	48	0.50
What is the ratio of mandated minimum wage to the average value added per worker?	1.12	1.00
Rigidity of Hours Index		60
Can the workweek extend to 50 hours (including overtime) for 2 months per year?	Yes	0
What is the maximum number of working days per week?	6	0
Are there restrictions on night work?	Yes	1
Are there restrictions on "weekly holiday" work?	Yes	1
What is the paid annual vacation (in working days) for an employee with 20 years of service?	22	1
Difficulty of Firing Index		20
Is the termination of workers due to redundancy legally authorized?	Yes	0
Must the employer notify a third party before terminating one redundant worker?	Yes	1
Does the employer need the approval of a third party to terminate one redundant worker?	No	0
Must the employer notify a third party before terminating a group of redundant workers?	Yes	1
Does the employer need the approval of a third party to terminate a group of redundant workers?	No	0
Must the employer consider reassignment or retraining options before redundancy termination?	No	0
Are there priority rules applying to redundancies?	No	0
Are there priority rules applying to re-employment?	No	0
Rigidity of Employment Index		54
Hiring and firing costs (2006)		Score
Hiring cost (% of salary)		4.0
What is the notice period for redundancy dismissal after 20 years of continuous employment? (weeks of salary)		12.9
What is severance pay for redundancy dismissal after 20 years of employment? (months of salary)		30.0
What is legally mandated penalty for redundancy dismissal? (weeks of salary)		0.0
Firing costs (weeks of wages)		142.9

Note: The first three indices measure how difficult it is to hire a new worker, how rigid the regulations are on working hours, and how difficult it is to dismiss a redundant worker. Each index assigns values between 0 and 100, with higher values representing more rigid regulations. The overall Rigidity of Employment Index is an average of the three indices.

Registering Property in Mozambique

STANDARDIZED PROPERTY

Property value: 360,363,384

City: Maputo

Registration Requirements:

Procedure 1*.	Obtain a Real Estate Registry certificate of the property from the Real Estate Registration Office
Time to complete:	3-14 days
Cost to complete:	MZM 75,000
Comment:	A real estate registry certificate is obtained at the Conservat ³ ria do Registo Predial. The real property registry certificate shows all the owners of the property/ beneficiaries of the use and benefit right, and is valid for 90 days. If the owner does not have a copy of the current real property registration, then the DCU reference number must be obtained in order for the Registrar to locate the book and page on which the property is registered.
Procedure 2*.	Obtain a certificate from the Tax Authority regarding the value of the property
Time to complete:	3-14 days
Cost to complete:	MZM 100,000
Comment:	A certificate (registro matricial) with the value of the property is obtained from the tax authority or Reparti ³ o das Finan ³ as.
Procedure 3.	Lawyer prepares the draft Sale and Purchase Agreement, to be executed in the form of a Public Deed
Time to complete:	1-14 days
Cost to complete:	MZM 3,000,000 - MZM 12,000,000
Comment:	A lawyer will prepare the sale and purchase agreement. It is necessary to have the underlying land and property title deed and real property registration in order to have all the necessary property description and land plot demarcation details. The form this takes varies from rural areas to municipalities. The actual sales instrument is relatively simple but the additional administrative/registry detail complicates the preparation.
Procedure 4.	Payment of transfer tax (SISA) at the Municipal Tax Office
Time to complete:	3 days
Cost to complete:	2% of property value (SISA-transfer tax) + 20% of the transfer tax (municipal charge-â€™ adicional autartico')
Comment:	The property must have been registered for real property rates (municipal or national), all of the real property tax must have been paid (for which a tax quittance must be obtained), and the owner and the purchaser must be registered for tax purposes (NUIT). A SISA tax receipt is obtained to be submitted with the sale and purchase agreement to the Notary and the name of the buyer is registered with the Tax Office. The SISA tax has been reformed by Decree 46/2004 of October 27, cutting it from previous levels around 10%. In the past, the 10% tax that applied to Maputo was not fully paid since the market value of the property was never quoted. This change unifies the level of the transfer tax with the rest of the country that already had taxes around 2%. The lower tax attempts to give incentives for formal registration (that is still low in Mozambique).
Procedure 5.	The lawyer/parties submit the draft Sale and Purchase Agreement to the Public Notary to verify and issue the notarial deed of purchase
Time to complete:	1-8 days
Cost to complete:	0.2% of property value (stamp duty) + Notarial fees according to the following schedule: 0.04% of property value up to the first MZM 5 billion + 0.001% of property value for the excess of MZM 5 billion.
Comment:	The lawyer/parties submit the draft Sale and Purchase Agreement to the Public Notary, who verifies the documentation and prepares the Notarial Deed of Sale and Purchase for signature and then after signature issues the notarial deed of the purchase. The Real Estate Registry certificate and the SISA payment certificate must be submitted, together with Companies' Registry certificates of the parties and copies of the ID's of their representatives who will execute the Notary Deed on their behalf. Copies of quota-holders/ directors resolutions and/or powers of attorney may also be required pursuant to the relevant companies' Articles of Association. In some cases it may be possible to notarize the deed faster if the parties, instead of the notary, prepare the deed themselves and give it to the notary on a disk to notarize.
Procedure 6.	Apply for registration of the building at the Real Estate Registry Office
Time to complete:	2-7 days

Cost to complete:	Registration fees according to the following schedule: 0.04% of property value up to the first MZM 5 billion + 0.001% of property value for the excess of MZM 5 billion.
Comment:	The Notary Deed of Sale and Purchase is submitted to the Real Estate Registry Office, together with an application requesting the registration of ownership over the property, on the buildings and of the right of use and fruition over the land, in the name of the buyer. Simultaneously with the request for registration (or sequentially depending on the practice), a certificate of the registration is requested. Preferably an integral certificate is obtained which provides the owner with copies of the pages on which the title is recorded. This is a cautionary measure in the event that the Registry Books are damaged or destroyed (as happened in the 2000 Floods) or disappear somehow.
Procedure 7*.	Submit the Notary Deed at the Municipal Tax Office
Time to complete:	3-14 days
Cost to complete:	MZM 150,000
Comment:	The Notary Deed is submitted to the Municipal Tax Office by the parties, together with an application requesting the registration of the buyer as the owner of the property for purposes of Property Municipal Tax Registration.
Procedure 8*.	Submit the Notary Deed at the Cadastre Services Registry
Time to complete:	7-14 days
Cost to complete:	MZM 150,000
Comment:	This procedure is to register the land (use) in the name of the buyer. The Notary Deed is submitted to the Cadastre Services Registry by the parties, together with an application for registration of the property in favor of the buyer, for purposes of updating the Cadastre. If there is a land use and benefit title, the amendment of the title is requested. The new owners name is registered inside the title document as is the cross-reference to the Real Property Registry recordings.

Getting Credit in Mozambique

Features of Credit Information System (2006)	Indicator
Credit Information Index	3
Are both individuals and firms listed in credit registry?	Yes
Are both positive and negative data distributed?	Yes
Does the registry collect credit information from financial institutions as well as retailers and utilities providers?	No
Are more than 2 years of historical credit information available for distribution?	No
Is data on all loans larger than 1% of income per capita recorded?	No
Is it guaranteed by law that borrowers can inspect their data?	Yes
Legal Rights Index	4
Does the law allow all natural and legal persons to be party to collateral agreements?	Yes
Does the law allow for general descriptions of assets, so that all types of assets can be used as collateral?	No
Does the law allow for general descriptions of debt, so that all types of obligations can be secured?	No
Does a unified registry exist for all security rights in movable property?	No
Do secured creditors have absolute priority to their collateral outside bankruptcy procedures?	No
Do secured creditors have absolute priority to their collateral in bankruptcy procedures?	Yes
During reorganization, are secured creditors' claims exempt from an automatic stay on enforcement?	Yes
During reorganization, is management's control of the company's assets suspended?	No
Does the law authorize parties to agree on out of court enforcement?	Yes
May parties have recourse to out of court enforcement without restrictions?	No
Coverage (2006)	Indicator
Public registry coverage (% adults)	0.7
Private bureau coverage (% adults)	0.0

Protecting Investors in Mozambique

Protecting Investors Data (2006)	Indicator
Disclosure Index	7
What corporate body provides legally sufficient approval for the transaction? (0-3; see notes)	2
Immediate disclosure to the public and/or shareholders (0-2; see notes)	1
Disclosures in published periodic filings (0-2; see notes)	2
Disclosures by Mr. James to board of directors (0-2; see notes)	2
Requirement that an external body review the transaction before it takes place (0=no, 1=yes)	0
Director Liability Index	2
Shareholder plaintiff's ability to hold Mr. James liable for damage the Buyer-Seller transaction causes to the company. (0-2; see notes)	1
Shareholder plaintiff's ability to hold the approving body (the CEO or board of directors) liable for for damage to the company. (0-2; see notes)	0
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff (0-2; see notes)	0
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff (0=no, 1=yes)	1
Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff (0=no, 1=yes)	0
Whether fines and imprisonment can be applied against Mr. James (0=no, 1=yes)	0
Shareholder plaintiffs' ability to sue directly or derivatively for damage the transaction causes to the company (0-1; see notes)	0
Shareholder Suits Index	6
Documents available to the plaintiff from the defendant and witnesses during trail (0-4; see notes)	3
Ability of plaintiffs to directly question the defendant and witnesses during trial (0-2; see notes)	2
Plaintiff can request categories of documents from the defendant without identifying specific ones (0=no, 1=yes)	1
Shareholders owning 10% or less of Buyer's shares can request an inspector investigate the transaction (0=no, 1=yes)	0
Level of proof required for civil suits is lower than that for criminal cases (0=no, 1=yes)	0
Shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit (0=no, 1=yes)	0
Investor Protection Index	5.0

Notes:

Extent of Disclosure Index

What corporate body provides legally sufficient approval for the transaction?

0=CEO or managing director alone; 1=shareholders or board of directors vote and Mr. James can vote; 2=board of directors votes and Mr. James cannot vote; 3 = shareholders vote and Mr. James cannot vote

Immediate disclosure to the public and/or shareholders

0=none; 1=disclosure on the transaction only; 2=disclosure on the transaction and Mr. James' conflict of interest

Disclosures in published periodic filings

0=none; 1=disclosure on the transaction only; 2=disclosure on the transaction and Mr. James' conflict of interest

Disclosures by Mr. James to board of directors

0=none; 1=existence of a conflict without any specifics; 2= full disclosure of all material facts

Director Liability Index

Shareholder plaintiff's ability to hold Mr. James liable for damage the Buyer-Seller transaction causes to the company

0= Mr. James is not liable or liable only if he acted fraudulently or in bad faith; 1= Mr. James is liable if he influenced the approval or was negligent; 2= Mr. James is liable if the transaction was unfair, oppressive or prejudicial to minority shareholders

Shareholder plaintiff's ability to hold the approving body (the CEO or board of directors) liable for for damage to the company

0=members of the approving body are either not liable or liable only if they acted fraudulently or in bad faith; 1=liable for negligence in the approval of the transaction; 2=liable if the transaction is unfair, oppressive, or prejudicial to minority shareholders

Whether a court can void the transaction upon a successful claim by a shareholder plaintiff

0=rescission is unavailable or available only in case of Seller's fraud or bad faith; 1=available when the transaction is oppressive or prejudicial to minority shareholders; 2=available when the transaction is unfair or entails a conflict of interest

Shareholder plaintiffs' ability to sue directly or derivatively for damage the transaction causes to the company

0=not available; 1=direct or derivative suit available for shareholders holding 10% of share capital or less

Shareholder Suits Index

Documents available to the plaintiff from the defendant and witnesses during trial

Score 1 each for (1) information that the defendant has indicated he intends to rely on for his defense; (2) information that directly proves specific facts in the plaintiff's claim; (3) any information that is relevant to the subject matter of the claim; and (4) any information that may lead to the discovery of relevant information.

Ability of plaintiffs to directly question the defendant and witnesses during trial

0=no; 1=yes, with prior approval by the court of the questions posed; 2=yes, without prior approval

Paying Taxes in Mozambique

Tax	Payments (number)	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% profit)
Value added tax (VAT)	12	120	17%	value added	51.5 b)
Corporate income tax	7	50	32%	taxable income	32.2
Social security contributions	12	60	4%	gross salaries	4.6
Municipal tax on economic activity	1	-	a) fixed fee (between MZM 2 million and MZM 4 million)		1.3
Municipal property tax	2	-	a) 0.6%	building value	0.6
Interest tax	1	-	a) 20%	interest income	0.5
Fuel tax	1	-	a) included in fuel price		c)
Totals:	36	230			39.2

a) data not collected

b) VAT is not included in the total tax rate because it is a tax levied on consumers

c) very small amount

d) included in other taxes

e) Withheld tax

f) electronic filling available

g) paid jointly with another tax

General note: Tax payable is proportional to TaxpayerCo gross profits (sales minus cost of materials and labor) as defined in TaxpayerCo balance sheet and financial statements. Tax payable is defined as the tax amount to be paid after deductions and exemptions applicable to TaxpayerCo. Therefore, the statutory tax rates can be different from tax payable as percentage of gross profits.

Name of taxes have been standardized. For instance income tax, profit tax, tax on company's income are all named corporate income tax in this table.

When there is more than one statutory tax rate, the one applicable to TaxpayerCo is reported.

The hours for VAT include all the VAT and sales taxes applicable

The hours for Social Security include all the hours for labor taxes in general

Trading Across Borders in Mozambique

Nature of Export Procedures (2006)	Duration (days)	US\$ Cost
Documents preparation	35	30
Inland transportation and handling	1	515
Customs clearance and technical control	1	732
Ports and terminal handling	2	239
Totals:	39	1,516

Nature of Import Procedures (2006)	Duration (days)	US\$ Cost
Documents preparation	29	30
Customs clearance and technical control	2	832
Ports and terminal handling	3	239
Inland transportation and handling	4	515
Totals:	38	1,616

Import documents	Export documents
Bill of lading	Bill of lading
Cargo manifest	Customs export declaration form
Certificate of origin	Export permit or licenses
Collection order	Packing list
Commercial invoice	Preferential certificate
Consular invoice	Pre-shipment inspection clean report of findings
Customs cargo release form	
Customs import declaration form	
Import license	
Packing list	
Preferential certificate	
Pre-shipment inspection clean report of findings	
Ship arrival notice	
Stowage plan	
Technical standard/health certificate	
Terminal charges receipt	

Enforcing Contracts in Mozambique

Nature of Procedure (2005)	Indicator
Procedures (number)	38
Total Time (days)	1,010
Filing period (days)	90
Judgment period (days)	740
Enforcement period (days)	180
Cost (% of debt)	132.1
Attorney cost (% of debt)	108.1
Court cost (% of debt)	24

Enforcing Contracts in Mozambique

The following is a list of procedural steps necessary to enforce a contract. Those marked with an asterisk take place simultaneously with or could be included in other procedures.

Filing and service	
1	Pre-trial request to pay. Letter or personal request by plaintiff to defendant requesting compliance or notifying the default, only if required by law in order to initiate a lawsuit.
2	Pre-trial certification of payment default. Procurement of a written certification if required by law to file a lawsuit.
3	Appointment of lawyer. Appointment of a lawyer only when required by law to file a complaint. Â
4	Filing of complaint, summons, petition, or application. Complaint or application filed orally or in writing before the court.
5	Assignment of court. Assignment of court (either by a random procedure, officer ruling, etc.) and delivery of the complaint or file to the assigned judge.
6	Court scrutiny of complaint. Â Scrutiny of complaint by judge or court officer to verify general formal requirements.
7	Admission of complaint. Judge's writ or resolution admitting the initiation of the lawsuit.
*	Issuance of summons or citation writ or brief. Issuance of formal citation to appear in court.
8	Mailing of complaint, notice of complaint, summons, or summons and complaint. Mailing of summoning documents to defendant by court or by plaintiff.
*	First attempt of physical delivery. Attempt of physical delivery of summons to defendant's hands (only if physical delivery is required by law), or affixing of a copy of the complaint in the premises, or delivery of the complaint to a neighbor, if it may be done in the same visit to the defendant's address.
9	Second attempt of physical delivery. Second attempt of physical delivery of summons to defendant's hands (only if physical delivery is required by law), or affixing of a copy of the complaint in the premises, or delivery of the complaint to a neighbor, if it may be done in the second visit to the defendant's address.
10	Application for substituted service. Application for any means of substituted service by plaintiff, including but not limited to publication in newspapers, affixing of notice in court or public boards, deposit with authorities, or notification to local organizations.
11	Order for substituted service. Judge or judicial officer's resolution accepting (or defining means for) substituted service.
12	Substituted service. Accomplishment of substituted service by publication in newspapers, affixing of notice in court or public boards, deposit with authorities, notification to local organizations, etc..
Trial and judgment	
13	Defense or answer to the complaint. Answer to the complaint or opposition to court order to pay, filed orally or in writing before the court or competent office.
14	Admission of answer to the complaint for trial. Judge's review of the answer to the complaint, in order to verify the compliance of formal requirements, and issuance and notification of the corresponding resolution if necessary.
15	Delivery of defense to plaintiff. Service of opposition or defense to plaintiff, either by virtue of a court order or directly by defendant.
16	Plaintiffs answer to opposition. Plaintiff's answer to defendant's opposition or exemptions.
17	Request for hearing. Application by plaintiff to call or to set a date for a hearing.
*	Date for hearing. Judge's resolution setting the date for a hearing.
18-19	Hearing(s). Oral audience, session or meeting (or minimum number of audiences, sessions or meetings required for the case facts) attended by the parties before the judge or adjudicator, for not longer than one day. (If a session exceeds one day, it should be considered a different hearing.)
20	Documentary evidence. The written submission of documentary evidence before or after the hearing, or the request for its admissibility.
21	Testimonies. If not included under the definition of hearing above, witnesses appearance before the judge, or a court officer, or the parties.
22	Order for submission of final arguments. Court order or court mandated term for submission of final arguments prior to judgment.
*	Final arguments. Parties' oral presentation or written submission of final arguments.
23	Date for judgment. Judge's resolution setting a date for judgment.
24	Judgment. Issuance of judgment (oral or written) or final decision by the judge.
Enforcement	
25	Delivery of copy of judgment to court office. Delivery of judgment to a court office for registration and notification (or when judgment is made available or affixed in court for the parties).

26	Delivery of copy of judgment to parties. Written notice of judgment or copy thereof to the parties for accomplishing notification of judgment.
27	Request for enforcement warrant or execution writ. Plaintiff's filing or application for enforcement court order or warrant, or plaintiff's application for a writ of execution or leave of the court to enforce (or plaintiff's preparing a draft of enforcement order and filing it for court approval).
*	Payment of enforcement or execution fees. Plaintiff's payment of fees required for the enforcement or execution of judgment.
28	Enforcement order or writ of execution. Court's or judge's order or resolution to grant enforcement based on judgment, either in the form of an enforcement court order or warrant or writ of execution (or approval of draft prepared by plaintiff).
29	Delivery of execution order to bailiff. Nomination or delivery of written enforcement resolution or execution order to bailiff or officer in charge of enforcement or notification.
30	Nomination of assets for attachment. Defendant's or plaintiff's nomination of assets for attachment, including court or judge's order or request for this purpose.
31	Attachment. Attachment of defendant's property (either physically, or registering, marking, debiting, or separating assets) after judgment.
32	Report on execution by enforcement officer. Issuance and delivery by court officer or bailiff of the relevant report or minutes to court of the enforcement (attachment).
33	Valuation procedure of attached property. Valuation of the seized property, and report, including the nomination and acceptance of a valuation expert, and judge's resolution on the valuation report, if required by law for execution purposes.
34	Call for auction. Judge's or officer's resolution calling for an auction, including the advertising or publication of the call for an auction by required or available means.
35	Sale through auction. Auction and sale of defendant's property.
*	Qualification of bids by the judge. Court's or judge's resolution regarding the bids presented at the auction of attached assets, including the evaluation of the bids compliance with formal or value requirements.
36	Assignment of defendant's deposits. Issuance of court order to the bank to transfer defendant's deposits to the court's account, or making them available for payment to plaintiff.
37	Liquidation of credit or costs. Liquidation of owed amount or assessment of costs involved in the procedure, directly by the court or with the intervention of a specialized office, expert or officer.
38	Payment. Delivery of the proceeds of the sale or the assignment of defendant's deposits to plaintiff by order of judge or by officer.

* This step takes place simultaneously with or could be included in other procedural steps.



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