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## Demand and Opportunity Assessment and Analysis: Business Services in Mozambique



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with ACIS**

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## Executive summary

This study combined quantitative and qualitative research methods to identify key constraints faced by SMEs in Mozambique and opportunities for BS providers to meet those constraints by means of understanding the supply and demand dynamics of the BS market.

Small and medium sized enterprises (SMEs) need access to a diverse range of services that enable them to become more efficient and competitive. However the existing BS market is characterised by a small set of services offered with variable degrees of quality.

While the main reason SMEs do not purchase business services is lack of affordability at the current prices (due to very low turnover of many SMEs) other reasons play important roles in explaining the weakness and incompleteness of the BS market such as an unlevelled playing field for small and medium enterprises, insufficient awareness/understanding of the services offered, poor B2B networks and informational exchanges amongst SMEs (some of which are BS providers themselves) and variable levels of quality of business services. As a result, the current supply of BS s does not adequately respond to the needs of SMEs.

SMEs are currently using largely operational business services such as staff training, accounting, marketing (mostly advertising) and HR management, yet they also have highly strategic needs that are under-served by the market such as strategic advisory, financial advisory, coaching and mentoring, market research, business intelligence, building networks and product design.

However, extreme diversity of BS usage exists across economic sectors, which calls for the need to understand the specifics of each productive market targeted for interventions so as to identify where the opportunity for improved/expanded BS provision lies.

BS providers need to improve their understanding of their clients' needs and to develop more flexible approaches to delivering business services, such as on-going services rather than short-term projects, gradual payments, value-based pricing, etc.

The Government and donors should adopt BS market development approaches that are centered on systematic change, i.e. on developing business service markets so that SME's would be able to meet their needs by purchasing business services through the local BS market that is relevant to the specific productive market targeted.

Furthermore, they should do so by targeting viable Small and Medium Enterprises with the capacity to strategically (re)design their supply chains linking their needs (in a market research and networking effort) to identified BS providers able meet such needs at appropriate levels of quality and consistently over time, thus creating a B2B ecology that links productive market opportunities to SME needs and market-specific BS providers.

In addition, Government and donors can promote a more competitive environment leveling the playing field for SMEs (vs. micro and large enterprises), punishing and discouraging corruption (not only in the public sector but also in the private sector, including the BS market) and rewarding performance in their public tendering process.

Finally, donors should encourage free competition in tendering, avoid favoring donor-country BS providers and set explicit targets to contracting local BS providers to stimulate a systemic expansion of the BS market.

# 1 Introduction

Strong growth in recent years in Mozambique has not translated to broad-based development. SMEs cannot capture opportunities presented by international investments because of low capacity, an unlevelled playing field and the prevalence of uncompetitive and incomplete markets. One approach to resolving this problem used with some success in other countries has been support for the development of the private-sector market for business services.

Although a number of donor-funded private sector development programmes have included SME capacity development, the private market for such services is not understood.

Donor-funded programs have historically tended to circumvent the private business services market in Mozambique by funding implementing agencies directly to deliver these services to SMEs.

The effectiveness of some of these interventions in Mozambique has been questioned by practitioners and the academic literature.<sup>1</sup>

This study was commissioned by Building Markets as an input to the design of its own program in Mozambique and as a contribution to the broader knowledge base.

## 1.1 Defining business services and business services market development

### 1.1.1 Business services

Small and medium sized enterprises (SMEs) need access to a diverse range of services that enable them to become more efficient and competitive, building their capacity and reducing unit costs. Very often it is business services that enable a firm to find customers, design products, improve administration, communicate effectively, and access new technology. The term 'business services' refers to all services businesses use to improve their performance. Financial services are typically excluded, but services to help businesses access financial services are included. Examples of business services include, but are not limited to: marketing services, management services, product design, technical consultancy, IT services, business linkages services, training and quality assurance.

### 1.1.2 Business services market development

Support for the provision of business development services (BDS)<sup>2</sup> to SMEs has been popular with donors since the mid-1970s. However, early interventions often involved donor and implementing agencies supplying business services directly to SMEs. The sustainability of interventions was not given priority, since subsidies were regarded as investments in the future, and little consideration was given to the questions of impact, effectiveness and efficiency. Assessments of business services interventions noted that most had failed to provide affordable, high-quality services to a large proportion of the target population of SMEs.

Subsequently, donors and implementing agencies worked to develop a more effective approach based on the view that achieving improved enterprise productivity and competitiveness, job creation

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<sup>1</sup> Kaudmann and Parlmeyer (2000)

<sup>2</sup> The term 'Business Services' will be used in this document unless quoted from another document.



and poverty reduction would be possible only by relying on the private sector to provide business services, by viewing SMEs as customers, and by judiciously targeting subsidies to avoid market distortion. This view is based on the following beliefs:

- A belief in the principles of a market economy which sees the State's role as
  - (a) Provision of an enabling environment,
  - (b) Compensation for market failures,
  - (c) Provision of public goods; not as the direct provider of private goods that can be provided by the market;
- A belief that the majority of business services are private goods for which market rules apply;
- A belief that business services can be provided on a commercial basis even for low-income SMEs, but acknowledging that appropriate product design, delivery and payment mechanisms must be developed.

Under this new paradigm, subsidies are targeted to bottlenecks in the business services market that will strengthen private sector providers and customer demand, and attention is focused on the sustainability of demand and supply and the development of a dynamic, competitive business services market. As such, international guidelines recommend that donor-funded interventions should be facilitative, promoting and strengthening the capacity of private sector providers and private- or public-sector facilitators, and designed to address specific demand- or supply-side constraints.

For example, some market problems that our assessment identified are:

**Demand Side**

**Supply Side**

<ul style="list-style-type: none"> <li>• SMEs are not aware of or do not understand some business services</li> <li>• SMEs do not value service benefits</li> <li>• Free business services are suppressing SMEs' willingness to pay for services thus hindering the supply of diverse set of services</li> <li>• Some SME segments do not have access to services</li> <li>• SMEs do not have sufficient access to market information</li> <li>• Most SMEs lack the financial capacity to pay for business services at the current prices</li> </ul>	<ul style="list-style-type: none"> <li>• Services lack the features that SMEs want (for example flexibility in service delivery times)</li> <li>• Suppliers lack knowledge of pricing systems that could unlock or induce latent demand</li> <li>• Suppliers have cash-flow bottlenecks that prevent them from delivering certain longer-term services where payment is deferred</li> <li>• Current business services prices are determined in a context of constraint supply due to the dampening of potential demand by the provision of free services by non-profit organizations</li> </ul>
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Many of these problems point to an opportunity. For example, if services do not have the features that SMEs want, improving service features will attract more SMEs. If SMEs lack awareness and understanding of potentially useful products there is an opportunity to provide access to market information about products/services that could address SME needs.

A market assessment can also identify other market opportunities, for example a benefit that SMEs are getting from services but suppliers are not using in their marketing. This presents an opportunity to attract more SMEs to the service by advertising the benefit. There may be a market segment that suppliers are not serving but that has considerable potential demand for services.

It is within this historical context and conceptual framework that this study has been undertaken.

## 1.2 Objectives

The International Capital Corporation (ICC) is Mozambique's first consulting firm specializing in SME development. ICC was commissioned by Building Markets to conduct a Demand and Opportunity Assessment and Analysis of Business Services in Mozambique

The purpose of the study is to provide an evidence base to inform the design of the business services component of any programme Building Markets should undertake in Mozambique as well to contribute to the broader knowledge base.

As such, the study's overall aims are:

- To identify opportunities for business services market development interventions, and
- To establish a baseline against which to monitor the impact of interventions on business services markets

The main question the study hopes to answer is: what problems do businesses have and why is the market environment not providing solutions to these?

To answer this question, the specific objectives of the study are:

- To understand key capacity constraints among SMEs and to identify business services that might address these;
- To understand demand for business services and demand-side constraints;
- To understand supply of business services and supply-side constraints;
- To understand information needs of SMEs and current sources of information;
- To establish a baseline against which to monitor the impact of interventions on business services markets.

## 1.3 Approach/methodology

This study was conducted between June 2013 and January 2014. In order for the study to extract as many relevant insights as possible the methodology combined various sources of information:

1. Quantitative interviews of client SMEs and BS providers (sample of 422 enterprises)
2. Qualitative survey of relevant organizations in the supply and demand sides (SMEs, BS providers and public institutions) (30 organizations)
3. Mystery shopping experiences on both the supply and demand sides (5 enterprises)
4. Desktop review of the BS markets literature

While not all the provinces were covered in the study, provinces from all three regions in the country (Southern, Central and Northern) were included, so results provide a reasonable representation of the supply and demand dynamics of the business services market for SMEs across the country, though with a bias towards urban business services.

The exact geographical focus of information gathering processes included the Cities of Maputo and Matola (Province of Maputo), the City of Beira (Province of Sofala), the City of Tete (Province of

Tete), the Cities of Nampula and Nacala (Province of Nampula) and the City of Pemba (Province of Cabo Delgado).<sup>3</sup>

Provinces differ greatly in terms of private sector development. The number of enterprises interviewed in each provide reflects that difference and is based on representative weights of each province in total number of enterprises as measured by INE.

*Table 1 Number of Enterprises Interviewed per Province*

<b>Province</b>	<b># SMEs interviewed</b>	<b>Weight in Total</b>
Cabo Delgado	12	3%
Maputo City	202	46%
Maputo Province	74	17%
Nampula	51	12%
Sofala	77	17%
Tete	26	6%
<b>TOTAL</b>	<b>442</b>	<b>100%</b>

The quantitative survey included 139 respondents on the supply side (BS providers) and 303 respondents on the demand side (SMEs). The table below shows the breakdown per province.

*Table 2 Number of Enterprises on the Demand and Supply Side Interviewed per Province*

<b>Province</b>	<b>Clients (SMEs)</b>	<b>BS Providers</b>	<b>Total</b>
Cabo Delgado	5	7	12
Maputo City	136	66	202
Maputo Province	51	23	74
Nampula	42	9	51
Sofala	50	27	77
Tete	19	7	26
<b>TOTAL</b>	<b>303</b>	<b>139</b>	<b>442</b>

The survey instruments were designed based on international good practice documents from the ILO and other sources.

The sample for the quantitative survey as well as the contact list for the qualitative interviews and the mystery shopping experiences were designed based on all known sources of SME data in the country, including:

- Enterprise Census, known as CEMPRE (INE, 2009),
- World Bank Enterprise Survey (which is based on CEMPRE),
- The Cadastro de Empresas of the Ministry of Industry and Trade (includes active and dormant enterprises),

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<sup>3</sup> Additionally qualitative interviews were conducted off the main provincial cities to provide insight into the intra-provincial, peri-urban and rural dynamics

- ICC's proprietary database of up-to-date active SMEs (with +5000 entries),
- SME data extract from *Ficheiros de Unidades Estatísticas*, Department of Enterprises, INE (2012)
- SMEs that expressed their interest in being registered in response to an advert placed by ACIS, and
- Additional data from other consulting houses present in the country<sup>4</sup>.

In order to complement the findings from qualitative interviews, mystery shopping experiences were conducted<sup>5</sup>. In these experiences we anonymously approached key stakeholders such as public institutions (e.g. tax offices, BS providers and potential customers (SMEs), which provide information or a service, with the benefit of buyer anonymity. This removes the “representation bias” whereby an entity may represent itself or certain facts in a fashion that departs from their true “unrepresented:” condition or characteristics.

## 1.4 Constraints

The execution of the study encountered a number of constraints as described below.

Firstly, official **SME statistics are dated (2004)**. Contact details are often no longer valid. To overcome these constraints we built a database of enterprises with +5000 entries.

In addition, the field research (both the quantitative survey and the qualitative interviews) was conducted during the end of 2013, **a sensitive time marked by the Municipal Elections, the civil conflict in the centre of the country, and a spate of kidnappings in urban areas**. Thus respondents were often reluctant to share information on their business needs and capabilities out of concerns about this information being used with a political intent or to inform criminal activity.

Another constraint was the incentive to under-report or fail to disclose information that could be used by competitors. For example, BS providers have an incentive to under-report constraints to the supply side that they may have overcome. Similarly, SMEs have an incentive to not recommend business services that boosted their performance to avoid undermining competitive advantages. In general the study seeks to understand market opportunities, but in a private sector context market opportunities would be exploited rather than shared with others.

A final constraint was the limited educational levels of some of the SME staff interviewed and surveyed. This resulted in communication difficulties when key business concepts such as “cash flow” or “organizational design” were not understood, and it affected the collection of quantitative data on prices paid/charged for BS services.

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<sup>4</sup> A study on manufacturing firms by MPD was also consulted.

<sup>5</sup> Mystery shopping is a tool used to gather specific information about products and services. Mystery shoppers (whose specific identity and purpose is generally not known by the establishment being evaluated) perform specific tasks such as purchasing a product, asking questions, registering complaints or behaving in a certain way, and then provide detailed reports or feedback about their experiences.

These knowledge gaps and communication difficulties are not only constraints to this study; they limit the perception that SMEs have of their own needs as well as their understanding of business services and associated demand for such services.

Finally, although a comprehensive, representative national survey would have been ideal to achieve the study's objectives, this was precluded by budget constraints.

## 2 Local Context for Business Services Market Development

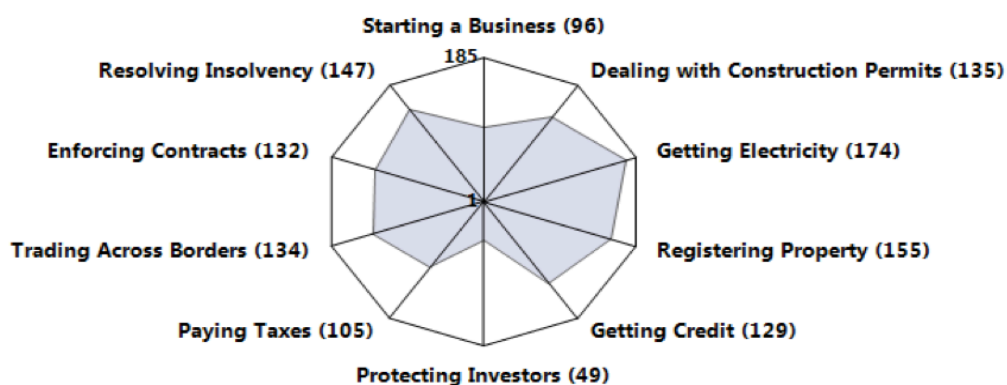
The general business environment in Mozambique is one of the toughest in the world (139<sup>th</sup> out of 185 economies) according to the World Bank Doing Business Ranking 2014. The most positive features are starting a business and investor protection. However in some features Mozambique ranks very poorly such as getting electricity, registering property, dealing with construction permits and getting credit.

The MSME sector is still largely unknown in precise terms. The overwhelmingly predominant activity of Mozambican business owners is wholesale and retail of largely imported products, an activity that itself provides few linkages with the domestic productive sector.

### 2.1 The Doing Business Environment in Mozambique

According to the World Bank Doing Business Index of 2013<sup>6</sup>, Mozambique ranked in the 146<sup>th</sup> position (out of 185 economies) in this index, a decline of 7 places compared to 2012 index. Mozambique rank by topics is illustrated in the below figure.

*Figure 1 How Mozambique Ranks on Doing Business Dimensions (2013)*



Source: World Bank<sup>7</sup>

<sup>6</sup> Doing Business Index, 2013, World Bank

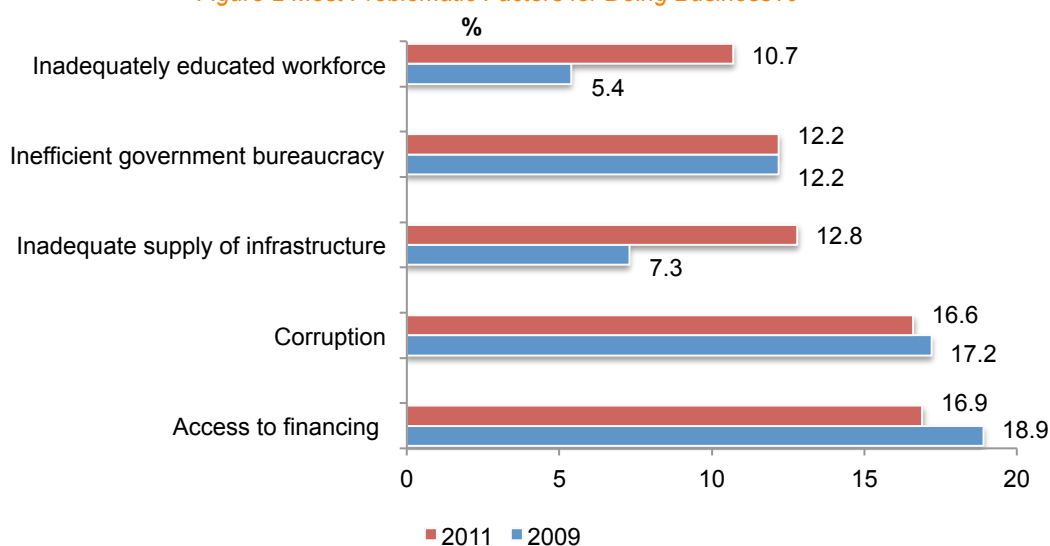
<sup>7</sup> Note that in the above diagram the wider the net, the worse the country's classification.

*Protecting investors* and *starting a business* are the two topics in which Mozambique is best positioned.

The indicators gathered from the Africa Competitiveness Report<sup>8</sup> shows a slight decrease in Mozambique's score in relation to the previous report. Mozambique in an evaluation scale from 1 to 7<sup>9</sup> scored 3.2 and 3.3 for 2013 and 2011 (the immediate previous year when the report was made), respectively.

The most problematic factors for doing business, according to the Mozambique data from the Africa Competitiveness Report 2013, are illustrated in the following figure. It depicts the percentage of the five most important factors indicated in the 2013 and 2011 reports. Inflation was considered an important factor (9.1%) in the 2011 report but this factor does not appear as important in the 2013 report.

Figure 2 Most Problematic Factors for Doing Business<sup>10</sup>



Source: Africa Competitiveness Report 2013 and 2011

Corruption remains the second most important factor after lack of access to financing. Related to this is the fact that the judicial system is ineffective in resolving business disputes (number of cases addressed is low and the pace is very slow).

The areas that could benefit from BS interventions include Getting Credit and Starting a Business. For Getting Credit BS intervention could focus on helping SMEs to prepare business plan or organize their financial statements so they can become more bankable. For starting a business the intervention could help SME prepare their regulatory paperwork among other things through "One Stop Shops". The other constrains are related the macro environment and Government should be encouraged to prioritize these issues.

<sup>8</sup> *The Africa Competitiveness Report 2013*, World Economic Forum, World Bank, African Development Bank, Ministry of Foreign Affairs of Denmark

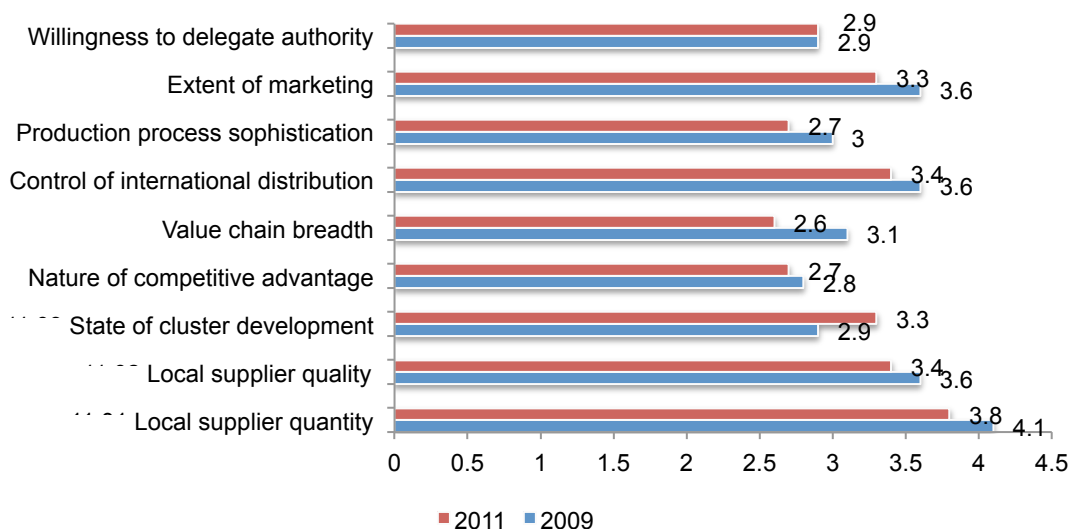
<sup>9</sup> With 7 representing the best score.

<sup>10</sup> The 2013 and 2011 African Competitiveness Reports contains data from the 2 previous years, in this case for 2011 and 2009, respectively

The 2007 World Bank Enterprises Survey indicates that the top five constraints to companies operating in Mozambique are: access to finance, practices of the informal sector, electricity, tax rates, and crime, theft and disorder. The critical shortage of technical skills was also a major constraint to local economic development throughout the country. Although this survey is a bit dated, considering the recent Mozambican market evolution, even along the Finance sector, SMEs still indicate finance as the major constraint to developing their business. The lack of proper infrastructure and availability of qualified workforce are also common constraints generally cited, but more detailed information will be obtained from the quantitative survey results.

The African Competitiveness Reports gives us some information concerning the business sophistication of Mozambican companies. Using the report scale from 1 to 7<sup>11</sup>, this pillar denotes a score reduction in almost all sub-classes in 2013, except for the state of clustering development, as depicted in the figure below. Areas like local supplier quality and quantity, and production process sophistication were not very well rated; with just the quantity of suppliers rated a little above the medium evaluation. The results from the Figure below illustrates that there is still a lot of room for BS intervention.

Figure 3 Sophistication Dimensions of Mozambican Businesses



Source: Africa Competitiveness Report 2013 and 2011

Another indication about SMEs needs and perception can be taken from the Southern Africa Trust Project Consulting survey<sup>12</sup>. The regulatory framework appears to be a constraint for the business operations (not clear, cumbersome procedures...); access to finance and markets are also pointed out as constraints, as is the management capacity. As indicated in the report, the lack of finance access at affordable rates inhibits MSMEs to make improvements in the production process that would allow

<sup>11</sup> With 7 indicating the best mark

<sup>12</sup> Regulatory framework for MSME development and legal factors for possible linkages between SMMEs and larger firms in Mozambique, Southern Africa Trust Project: Small Business development in connection with the inclusive business concept. June, 2013

an increase in the production (quantity and quality) and at the same time would enable these companies to fulfill the requirements of quality certification and safety terms demanded by the today's market. As before highlighted, MSMEs managerial capabilities need to be addressed from even basic routines as accounting organizing. The kind of scheme that considers the reimbursement of expenses was mentioned to be preferred over others, as a way to guarantee ownership of the assistance to be received and of its results.

At a deeper (meso) level of analysis, market power **market power of public enterprises and lack of incentives to improve performance and innovate** limits the potential of SMEs to expand markets and to supply these companies across sectors including aviation, oil & gas, electricity, water, etc.

In some sectors open to private competition, market concentration exists. For example, the financial sector is skewed towards large corporate and the urban elite with little proactive interest in SME business. As a result the monetary pass-through is largely not working, i.e. financial institutions do not pass reductions in the official interest rate onto to its corporate and business clients. The current level of interest rate in Mozambique (8.75%) is even below that of a much more developed and less risky country as South Africa (9%) yet the rate applied to SME lending remains at high levels between 20%<sup>13</sup> and 35%, depending on the sector and the investment project.

Moreover, financial institutions generally lack SME financing expertise (notably risk assessment) and tailored products.

Nevertheless, there are signs of improvement. The Mozambican Government is making an effort to facilitate the business environment through quite a few initiatives, which include the simplification of the licensing process, making available the "one-stop-shop" (BAUs) and recently the e-BAU; introducing the Simplified Tax for Small Contributors; with some measures taken to benefit the small agri-business (VAT exemption, reduced corporate tax) and, with the facilitation to MSMEs access to Government tender (Procurement Act no.15 of 2010). However, the need to inform the SME sector about all regulatory procedures is urgent as the majority of SMEs are not fully aware of those and lack of information is a common complain presented by the whole SME sector.

## 2.2 Overview of MSME Sector in Mozambique

The MSME sector in Mozambique is probably less known than the large corporate sector whose presence in the public media is constant.<sup>14</sup>

In fact the MSME sector is still largely unknown in precise terms, despite recent measurement efforts and a variety of *ad hoc* studies often commission by donors with a private sector focus such as USAID and typically focusing on the business environment or barriers that MSMEs face.

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<sup>13</sup> According to Banco de Mocambique the average lending rate in the market stands at 20% (2013).

<sup>14</sup> The large corporate sector is dominated by multinational corporations in the extractive industries, largely foreign banking groups in the financial sector, mobile network operators in the telecommunications industry and international construction companies.

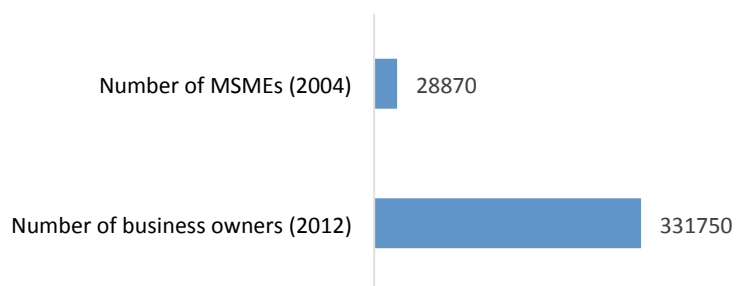


Despite this apparent interest, there are only two nationally representative datasets of MSMEs in Mozambique, based on very different methodologies. The most recent one is the Finscope 2012 MSME study (not published yet), which is a household survey that captures individuals who identify themselves as business owners. This methodology is good to gauge entrepreneurs and the informal sector but is probably less rigorous in capturing formal small and medium enterprises. In addition, the survey tracks business owners rather than enterprises per se.

The second source is the enterprise census conducted by the National Institute of Statistics (INE) in 2004 and used to provide the country inputs into the World Bank's Enterprise Surveys. The census has two important limitations. The first is that it is now rather dated, since the country has experienced major private sector developments in the last 4-5 years. The second is that it was criticized by experts and practitioners who considered that the total number was too low<sup>15</sup> when compared to neighboring countries and that the number of employees per enterprise was not very rigorous.<sup>16</sup>

Nevertheless triangulating the data from these two sources can be helpful in framing the MSME context of this study.

*Figure 4: Number of MSMEs and MSME owners in Mozambique (2004 and 2012)*



According to the Finscope 2012 survey (sample of 3429 households) there are 4.9 million people who identified themselves as business owners in Mozambique<sup>17</sup>. Therefore, by and large **entrepreneurship in Mozambique is still a means to sustain individual livelihoods or self-employment** rather than a means to transform inputs into products in a value-adding way using a more complex organisational entity such as corporation.

Moreover, 89% of those 4.9 million of entrepreneurs or enterprises are not registered **indicating the informal sector is overwhelmingly larger than the formal MSME sector.**

Finally the Finscope 2012 study estimated that there were approx. 332,000 business owners whose business had employees. This is a good proxy to the number of MSMEs in the countries, but since a business may have more than one owner, the actual number of MSMEs in the country is likely to be considerably lower. This is a question that nevertheless is still unanswered.

<sup>15</sup> For example the World Bank Enterprise Survey for a similar time period reported 73,360 SMEs in Malawi

<sup>16</sup> As an example, critics mention that the wholesale market of Zimpeto was considered a large company and each of its stalls an employee of the company. However its stall keeper is likely to be an entrepreneur or business owner or employee of a microenterprise.

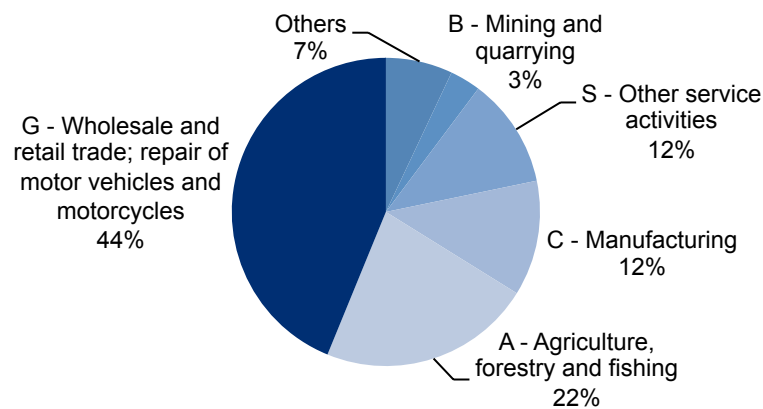
<sup>17</sup> Please note that the Finscope 2012 MSME Survey has not been released to the public by INE as of March 2014 and therefore it does not carry the status of an official publication.

The National Institute of Statistics (INE) conducted a census of enterprises (CEMPRE) in 2004 which indicated there were only around 29,000 businesses registered in the country. Despite not being directly comparable to the Finscope 2012 figure of 332,000 business owners (with employees), one may conclude that the number of MSMEs has been growing strongly in the last few years.

Notably only 34% of micro-enterprises in Finscope 2012 (with 1-4 employees) and 43% of small businesses (with 5-49 employees) were registered, indicating that at the micro and small levels of production there is substantial latent competition by the informal sector. All medium enterprises are registered showing that the informal sector stops at the level of small enterprises, and therefore medium enterprises do not face the type of unfair competition that micro and small enterprises do.

Of the total universe of MSMEs in the Finscope 2012 study 44% classified themselves as being active in the commercial sector (including repairs of vehicles), 22% in agriculture, 12% in manufacturing, 3% in the extractive sector and 19% in other activities. It is remarkable to note how the booming mining sector is virtually devoid of MSMEs.

*Figure 5: Self-classification of Business Owners by Business Sector*

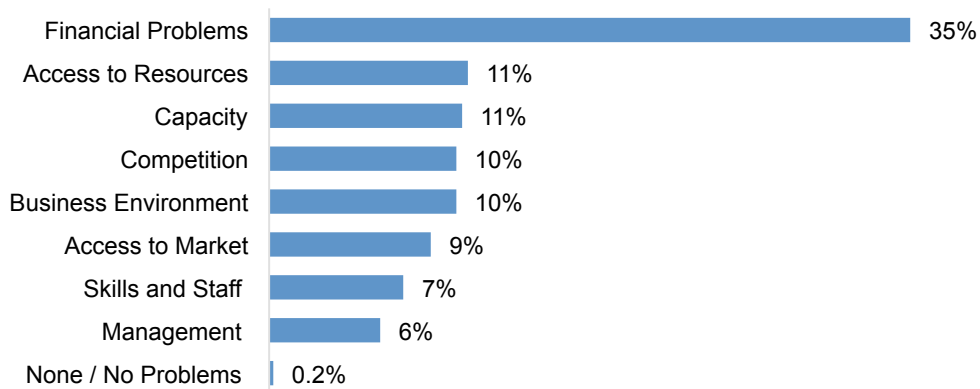


However, when looking at specific business activities, 95% classified themselves as retailers and only 5% as service providers, i.e. around 245,000. **The overwhelmingly predominant activity of Mozambican business owners is retailing imported products**, an activity that itself provides little value-add (as production takes place out of Mozambique) and few if any linkages with the productive sector and the wider domestic economy.

### 2.3 Key constraints facing SMEs

The main constraints SMEs reported were: financial problems (access to capital, cash flow bottleneck and financial management), weak access to key resources (such as real estate and electricity), lack of internal capacity and strong competition. Of those constraints, business services can help address access to financial services (for example being able to define and document bankable business opportunities) and improving internal capacity (for example operational optimization).

Figure 6: Major Constraints Mentioned by SMEs



Other constraints that were also mentioned that can also be addressed by the BS market include improving staff skills, finding the right talent to recruit, and improving the ability to access market opportunities (for example through market research and business intelligence).

Capacity being the third most pressing constraint mentioned by SMEs is an area where BS can make a significant contribution to SME development. Specifically SMEs faced the issues illustrated in the table below.

Table 3: Capacity Issues Faced by SMEs (Frequency of Issues Mentioned)

Capacity Issue	Frequency
Limited capacity to develop new products	3%
Raising awareness of products/services	3%
What product/service to sell	2%
Accessing Information about Suppliers	1%
Difficulties to respond to tenders	1%
Low quality of products/services	1%

Other areas where SMEs have noted capacity deficits include their inability to meet the quality, scheduling and costs requirements of large companies; weak networks/connections with large companies who tend to prefer to import from suppliers that they have established business relations with; and poor business and financial management skills within their companies (particularly severe in the SMEs located in the provinces).

One of the reasons BS services currently are not showing significant progress to SMEs is the lack of understanding of SMEs needs. This was confirmed during the qualitative interviews where SMEs complaint often business service providers have a not-for-profit background or an excessively generic or theoretical approach combined with insufficient knowledge of market and operational difficulties faced by SMEs. In other words, some business services are too generic, not sufficiently detailed and rooted in the tough realities SME face. This also points to the need to develop strategy services that effectively make use of market and operational research methods to effectively reconcile the external threats and opportunities of a SME with its internal strengths and weaknesses into a coherent and actionable operational strategy.

It is important to consider the perspective of large companies that would potentially procure services from SMEs. These corroborate SMEs identification of weak quality, delivery (timing & quantity) and cost capabilities as a constraint for SMEs. Other areas they identified that could be mitigated with BS

support are developing relevant experience (through strategic planning and operations optimization); improving their financial standing (through financial management training and support); and Safety, Health and Environment (SHE) Management. This is an area that many large companies have identified as woefully lacking in Mozambican SMEs, and in light of the natural resources boom in the country and many of the large companies being multinational in the extractive industry if this area remains underdeveloped local SMEs stand little to no chance and securing long term meaningful contracts with these entities. It should be noted that SHE management should also be tailored by economic activity sectors.

Due to the weak national safety, health and environment (SHE) legislations, it is understandable that extractive industry companies enforce mandatory SHE standards in their contracts. However, often the SHE assessment is a one-size fits all that does not factor in the nature of specific businesses. A number of local SMEs are left ineligible to service these companies because they do not meet the assessment minimum however it assess a number areas that may not be applicable to the nature of the SMEs' business, e.g. a consumables provider maybe required to have licenses for heavy machinery operation, a license inapplicable to the provision of his product.

### **2.3.1 History of business services support programs**

Internationally, for high-income countries, BS market proportion against GDP accounts for between 25%-35%<sup>18</sup>. The situation is not the same for the low-income countries, with an underdeveloped BS market estimated to represent about half of the percentage indicated against the same parameter. For these kinds of countries, where Mozambique ranks, there is potentially an enormous growth prospect.

Anecdotal evidence indicates that the number of companies operating in the sector has been increasing along the years, starting after and along the structural change the country embraced to a market orientated economy after the General Peace Accord signed in October 1992.

Particularly, towards the end of 90s with the country's first mega-project (Mozal) and more recently, with the increased presence of very large companies in the mineral resource extraction industries, SMEs are attracting a renewed interest derived from the pursuit of local content policies by some large multinationals. Considering the existent constraints of local SMEs, even more in the remote areas where those new extractive industries are present, there is growing pressure to implement programmes to assist SMEs development up to a graduation level of being able to provide goods and services that answers the necessary and stringent quality levels demanded.

The BS market responded adapting its offer and diversifying products to attend the market needs. The number of BS providers offering new services increased in the country, for example, the Empretec programme (2003) and the Business Edge training and certification for BS providers (2011), among others.

What is not still clear is the extent to which SMEs are contracting BS providers by themselves, with their own resources and if they are aware of the offer and even of the benefits they might obtain from those kinds of services.

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<sup>18</sup> Bear, M et al (2003).

### *Box 1: Fundação Enterprise Mozambique (Enterprise Foundation Mozambique)*

Enterprise Mozambique was incorporated in 2003, in Maputo, and is an institution dedicated to the development of entrepreneurial capabilities, facilitating the creation, establishment, strengthening and developing a new generation of Mozambican SMEs.

Enterprise Mozambique, with UNDP support, developed a programme called Empretec that is applied as training course given to entrepreneurs. Empretec is worldwide disseminated by UNCTAD. The programme in Mozambique was first financed by Enterprise Africa, about 10 years ago, and Sebrae, from Brazil, given the common usage of the Portuguese language, provided the local training. After receiving the training with the methodology, the foundation was formed to spread it. In Africa, just the Enterprise Foundation Mozambique has the knowledge of the Empretec course using the Portuguese language.

Currently, Empretec courses are given upon request because the Foundation does not receive more financing as it used to have from UNDP (or in a matching grant scheme as under PoDE's Technical Component umbrella). About 5/10 persons per year are attending the Empretec course nowadays, against more than 100 per year when it started.

The Enterprise Foundation is developing a new program, the UNCTAD Linkage programme, at Manica province for the brewery industry. It consists of barley plantation by small farmers as substitute of the barley that Mozambique has to import to make beer. The Foundation, acting as consultant financed by UNCTAD, has been working on this project for the last 3 years and is now collecting the project's resulting data from the barley farmers. UNCTAD also finances the seeds acquisition by the small farmers.

### *Box 2: IFC, Business Edge*

Business Edge: a programme developed by IFC that involves the training of trainers and later on the accreditation by IFC of the companies (BSs) that can apply the methodology. The companies have a franchising agreement with IFC for the purpose. There are 11 BSs accredited to give the Business Edge course.

The programme has all its managing manuals developed and build up around 6 areas: Human Resources, Finance and Accountability, Operations Management, Marketing, Organizational Behaviour and Tourism Management.

SMEs complain that it is costly to contract the accredited BS companies for assistance through the Business Edge training.

Through the Business Edge program, the IFC accredited a number of private BS companies with the same level of qualifications, creating a reference point in the market reference. As far as the BS market support, this was an interesting initiative. However, in addition to training private BS providers a number of state institutions were also certified and provided the services at subsidized rates. Another challenge with the Business Edge Program was the imposition of fixed reduced rates. These combined created an oversupply in the market as well dampened it making difficult for private BS companies to find profitable ways to provide the service. Therefore, it is essential to avoid introducing unnecessary distortions, for example the certification of public institutions on the Business Edge that can provide subsidized courses and will compete against private BS providers is certainly a fact that goes against the initial objectives of the program.

Nevertheless, the role of the donor sector in effectively supporting the market supply of business services has been limited, partly because the not-profit approach has historically dominated over the market development approach.

The international development sector has traditionally made extensive use of both individual consultants and consulting companies. However, despite some interesting initiatives (such as UNIDO's programme to increase the capacity of the Quality Standards Body INOQQ) the traditional multilateral supporters of the BS approach lacked meaningful volumes of funding and local design expertise to induce systemic or market-wide effects.

The WB has been constrained by internal regulations that impede the provision of direct financial support to the private sector having relied on channeling funding indirectly through Trust Funds such as PODE and PACDE-MECE and the IFC to conduct this type of operations.

Both the WB and the IFC have been active involving local providers but sometimes programmes have had limited impact due to lack of local design expertise (e.g. PODE) and slow operational processes that result in discouragingly long waiting times to obtain matching financial support which effectively screens out those MSMEs with bigger cash-flow constraints.

In general some linkages programmes have been partly successful in developing local companies in some productive sectors such as transport and logistics but not necessarily BS providers. There have also been cases reported of training providers benefitting from donor grants, despite having little expertise or quality in the area.

More importantly, uncompetitive practices applied by bilateral agencies with large financial capacity such as restrictions on the basis of the nationality or experience of the consulting firms have severely hampered the ability of local consulting companies to develop<sup>19</sup>. As a result local consulting companies are only able to compete for the smaller contracts or to act as sub-contractors of the foreign companies on larger contracts.

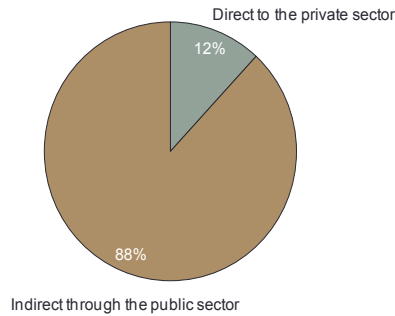
Therefore despite the greater focus of aid agencies in private sector development vs. State budget support, local BS providers have not benefitted extensively.

Also, almost 90% of the private sector development aid in the 1997-2012 was still being channeled through the Public sector which is not contributing the development of the local BS market.

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<sup>19</sup> An interesting research question would be how much of ODA to Mozambique goes to donor country-BS providers vs. Mozambican and African BS providers. Anecdotal evidence suggests that large contracts are not openly tendered to include host country BS providers and are almost consistently awarded to donor-country BS providers who would, in turn, outsource small and low-margin pieces of work such as a local logistics support to local BS providers to buy 'local legitimacy'. Another evidence of unfair competition is the restriction in the prices (professional rates) applied by host-country BS providers vs. donor-country BS providers. Restrictions go as far as imposing professional rate ceilings that are up to five times lower for Mozambican firms than for foreign firms.

Figure 7: Allocation of Private Sector Aid Disbursements Reported in ODAMOZ by Delivery Channel (1997-2012)

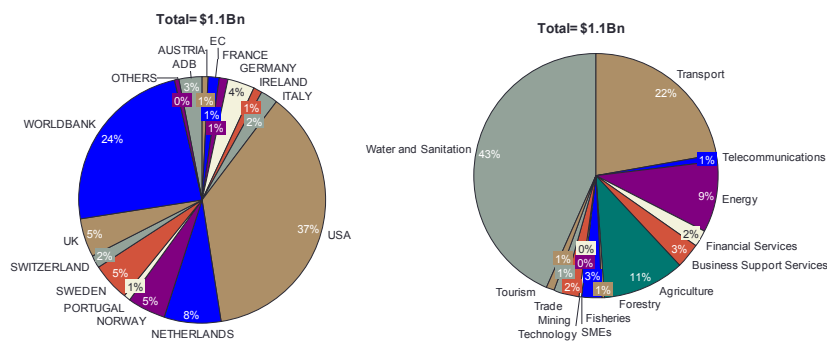


In addition, some public institutions focusing on private sector development are still relatively young (e.g IPEME). Public institutions that have proved to be more effective in this area are CPI, CEPAGRI and GAZEDA which focus on the larger, often FDI-led investments. This has promoted FDI but has also resulted into better public services for FDI-led enterprises than for local ones (especially SMEs) who have to deal with slower institutions linked to the line ministries.

Using a wide definition of private sector development (including infrastructure), the US aid comprises more than a third of the total financial aid to the sector. Moreover, as shown below bilateral aid (as opposed to multilateral aid), subject to uncompetitive practices such nationality restrictions or fund ear-making for same country service providers represents more than three fourths of total private sector development aid.

Surprisingly, the fact that most contracts go to companies of the same nationality of the donor has not prompted the Government to promote more competitive practices. Common measures apply around the world such as the requirement to partner with a local company could have a tremendous impact in the development of the local BS market.

Figure 8: Total Private Sector Aid Commitments (including Infrastructure) for On-going projects Reported in the ODAMOZ by Sector<sup>20</sup>



Provision of technical business services only really started with SMEELP and PODE. Business Support Services only represented 3% of on-going private sector development aid reported in the ODAMOZ (2012). Therefore, historically BS has been a heavily under-funded area in the ODA industry.

<sup>20</sup> Data extracted in October 2012. World Bank refers to World Bank Group Agencies. USA includes the MCA.

Be it as it may, various programmes for the establishment of linkages between the mega projects and local SMEs have been implemented, namely through the assistance of CPI, that established a department for the linkage programme, and IFC support. Starting in 2001, with SMEELP – SME Empowerment and Linkage Programme, the linkage programme evolved to Mozlink I (2003) and II (2009-2010) with the empowerment of SMEs for tender bidding and providing training, capacity building and mentoring to 85 selected SMEs that participated in the programme.

### **The MozLink Programme**

The programme was supported by several donors including IFC, the Embassy of the Netherlands, and the participating big corporations (Mozal, Sasol, Coca-Cola and CDM) Participating SMEs received training in business management, finance, human resources, marketing and tendering and in specific areas (e.g. health, safety and environment). The linkage programme's training sessions and mentoring phase were provided by local BS companies ICC (project lead) and Eurosis helped disseminate the provision of business services to SMEs. MozLink cycle came to a close in 2010.

Some conclusions from the Linkages programme can be drawn from the evaluations of Mozlink II<sup>21</sup> summarized as:

- The relevance of the programme for the SMEs, the tools used (technical assistance and training provided to the SMEs) and market access (transnational companies' procurement);
- SMEs competitiveness was improved;
- Increased job creation;
- Incorporation of best practices; and
- The importance to elicit a deep commitment from all programme partners.

The evaluations also mentioned aspects to be improved:

1. More innovative ways in the SMEs selection criteria and process;
2. Training and mentoring to reach all targeted SMEs;
3. The access to finance remained a problem;
4. The importance to manage the SMEs expectation; and
5. The importance to have a well-managed and structured programme.

Apart from the Linkage programme that provided training and mentoring directed to the selected SMEs, other programmes to assist the private sector development were implemented with World Bank (WB) finance. This was the case of PoDE – Enterprise Development Programme (Jan 2000 to Jun 2006) and of PACDE – Competitiveness and Private Sector Development (from Oct 2009 and due to close in Oct 2014). Both projects provide a stimulus for SMEs in the utilization of services from BS providers.

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<sup>21</sup> Ernst & Young – Mozlink II Independent Evaluation (June 2010) and USAID/SPEED - Mozambique Business Linkages Review (Oct 2012)



### ***PODE – Enterprise Development Project***

PoDE was a project aimed to promote participation of the private sector in the economic development of Mozambique that was implemented from Jan 2000 until Jul 2006. It was financed by an IDA credit (World Bank) in collaboration with DfID, the European Union and NORAD.

PoDE had 3 components:

**Technical Learning Component:** compounded by two offices, the Firm Competitiveness Office (FCO) and the Training and Advisory Office (TAO). The assistance to SMEs under this component was given through a matching grant scheme of 50%. Through FCO provided consultancies directed to SMEs; and TAO promoted general training courses for SMEs. During 5 years of implementation (2000/2005), FCO implemented 714 consultancies (valued at \$ 1.9 million in grants) and TAO promoted 3160 training events (valued at \$ 3.7 million in grants).

**Finance Component:** had the objective to promote SMEs' access to finance. A credit line with concessional terms was operationalized through the commercial financial system.

**Institutional Capacity Building Component:** addressed for capacity building of the Ministries of Industry and Commerce, the Tourism, to the CPI and the private sector associations.

“The technical learning component was successful in reaching a large number of SMEs and in providing a range of services on a commercial basis to boost their competitiveness”<sup>22</sup>. However, a downside that was pointed out in interviews with some BS providers after the closing of PoDE project was the decrease in the level of assistance provided to SMEs by BS providers. Accordingly, this happened because of the SMEs lack of resources to contract the services without the matching grant scheme.

### ***PACDE - Competitiveness and Private Sector Development***

PACDE is the Government initiative, with WB finance, to continue the assistance to the private sector development previously started by PoDE, although in different terms.

The project has two components directed at private sector assistance:

**Improving Enterprise Competitiveness:** through the sub-component of a matching grant scheme, SMEs operating in the manufacturing sector can apply for BS assistance. The SMEs have to submit a business plan to be evaluated by the Project's team under MESE windows to be granted access to the fund. Another sub-component is the establishment of a tropical fruit training centre in Nampula and the third sub-component has the objective to promote the tourism sector in Inhambane province.

**Improving the Business Enabling Environment:** addressed the services provided in the areas of exports and financial accounting, this component has three priorities: enhance trade facilitation, reform of the licensing process and support to the public-private dialogue. This component will specifically strength the Association of Accounting and INNOQ's human resource capacity.

The project finance component (MESE) is driven by finance windows opened during the year when SME can submit proposals for finance under a matching grant scheme. PACDE last evaluation<sup>23</sup> was

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<sup>22</sup> PoDE's Implementation Completion and Results Report – World Bank

<sup>23</sup> Report No: ISR8391, Implementation Status & Results, Mozambique Competitiveness and Private Sector Development (P106355), World Bank

rated as *moderately satisfactory* and as of December 2012, 34% of the total project's resources had been disbursed during 60% of its programmed implementation timing. During the first round of financing PACDE supported 248 MSMEs (62% in Maputo City) a total amount of 27,554,277.60 Meticals. One subjective criticism gathered from interviews with some SMEs about PACDE is that the companies have to first spend the money and then apply for the matching grant amount after, which is a constraint as they are short of capital in the first place. One problem noticed by the PACDE implementation team is the high number of microenterprises that applied for assistance, compared to a small number of SMEs.

Specifically in providing assistance for SME development, the above mentioned examples of Linkage programmes and Government projects financed by the WB, go along with some indications gathered until the present that the Government (and its projects) is an important BS client, as well as the donor community. SMEs appear to have been the direct target through those programs but in the case of the Linkage programme those that did benefitted from the program were not directly contracting the BS provider. For the WB financed projects, BS would be contracted by the SME under a subsidised matching-grant scheme.

A Southern Africa Trust Project survey<sup>24</sup>, which carried out interviews in Maputo (February to March 2013) to a sample of 20 MSMEs, 8 larger firms and 4 Government representatives, points out that specially formal companies are aware about the supporting agencies/institutions that deal with SME development issues but the majority have never heard about these institutions. MSMEs perceptions in relation to the supporting institutions are that they should be *less bureaucratic, more proactive and more transparent* (pg. 29).

### **2.3.2 Lessons learned**

Lessons from the implementation of these two linkages programs, as well as others targeting SMEs, include:

#### *From the SME demand perspective*

- Lack of understanding of the importance of Business Services (BS) for business development. Many SME owners perceive that the only problem they have is access to finance, rather those root causes undermining how bankable they are;
- Limited willingness and capacity to pay for BS. That is, a lack of appreciation of the value of BS;
- Limited capacity to identify their BS needs as very few SMEs have business plans to identify current and future needs; and

#### *From the supply perspective (BS providers):*

- Most of the services provided are supply driven rather than demand driven as:
  - A market has never developed organically and may have been created in the first place by donors or development partners;
  - Very few BS providers conduct need assessments exercises;

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<sup>24</sup> Regulatory framework for MSME development and legal factors for possible linkages between SMMEs and larger firms in Mozambique, Southern Africa Trust Project: Small Business development in connection with the inclusive business concept. June 2013

- There is limited investment in R&D due to the perception that the market is small and the capacity to pay for services by SME is limited; and
  - BS providers are trained in methodologies that are offered in the market (e.g. Business Edge) and do not proactively search for opportunities.
- Some of the BS companies provided poor quality services. The fact that there is no body to certify and update the skills of BS providers does not help to change this situation;
  - BS interventions are focused on training and seldom extend their service offering to activities like mentoring and coaching, which are what are most needed to improve valuable skills like management decision-making;
  - There are many BS providers that have never participated in Training of Trainers courses, which hampers the ability to apply adult learning principles when training SMEs;
  - Limited offering of training in soft skills that could contribute to change the behavior and attitudes of SME owners towards businesses; and
  - Very few BS providers conduct impact assessment of their interventions that target SMEs in order to refine their products (i.e, there is no feedback loop).

### 3 Key findings

BS markets are incomplete and generally weak. The playing field is unlevelled in favor of large and micro-enterprises vs. small and medium enterprises. Most SMEs face serious capacity constraints. There is a mismatch between supply and demand for business services. The current supply of BS does not adequately respond to the needs of SMEs nor to the needs of major potential buyers (large companies often in the extractive industries).

SMEs are currently using highly operational business services such as training, marketing and HR management yet they also have highly strategic needs that are under-served by the market such as growth strategy, coaching and mentoring, market research, business intelligence and product design.

Many SMEs are not fully aware of the availability of certain business services, especially more strategic (vs. operational) and more technical (vs. generic) ones.

The existing BS market is characterised by a small set of services with variable degrees of quality. However there are some product markets where local business services providers have achieved high levels of quality such as consulting services in specific areas such as access to financial services and support for MSME strategy and management thanks to a longer track record working with international organizations (donors and companies).

The main reason SMEs do not purchase business services is lack of affordability and awareness/understanding of the service.

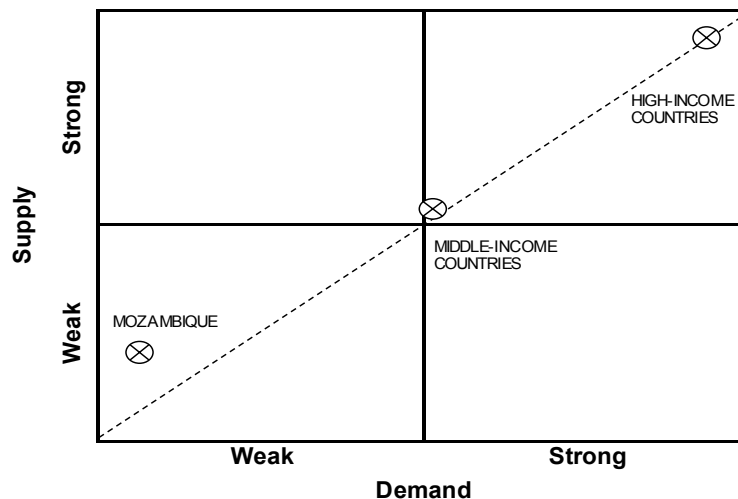
The following sub-sections explain these findings in detail.

### 3.1 The business services markets in Mozambique are incomplete and weak

While in this study we refer to the “BS market” in singular (as a whole) for practical purposes, in reality there are several BS markets both generic and technical (consulting, advisory, training, research, outsourcing, facilitation, coordination, etc.). While each of these markets is related to each other each has different degrees of maturity and dynamics.

For example, business services of a public, quasi-public or club goods nature, such as industry information, market facilitation and coordination, often conducted by PPPs, industry associations or public institutions are more underdeveloped than longer-standing BS markets such as consulting delivered by local private companies (as well foreign profit and non-profit organizations) which historically grow out of the international development sector at a time where private companies were very few.

Figure 9 Overall BS Market Development



Our assessment is that the overall market for BS in Mozambique is generally very weak, especially in the provinces and in rural areas where is often not present. Market penetration as a percentage of GDP is low when compared to middle and high income countries.<sup>25</sup>

This is important because weaker markets tend to require longer-term programs with deeper and more varied interventions than stronger markets (ILO 2002). The evaluation of any eventual BS market development program must also understand its starting point.

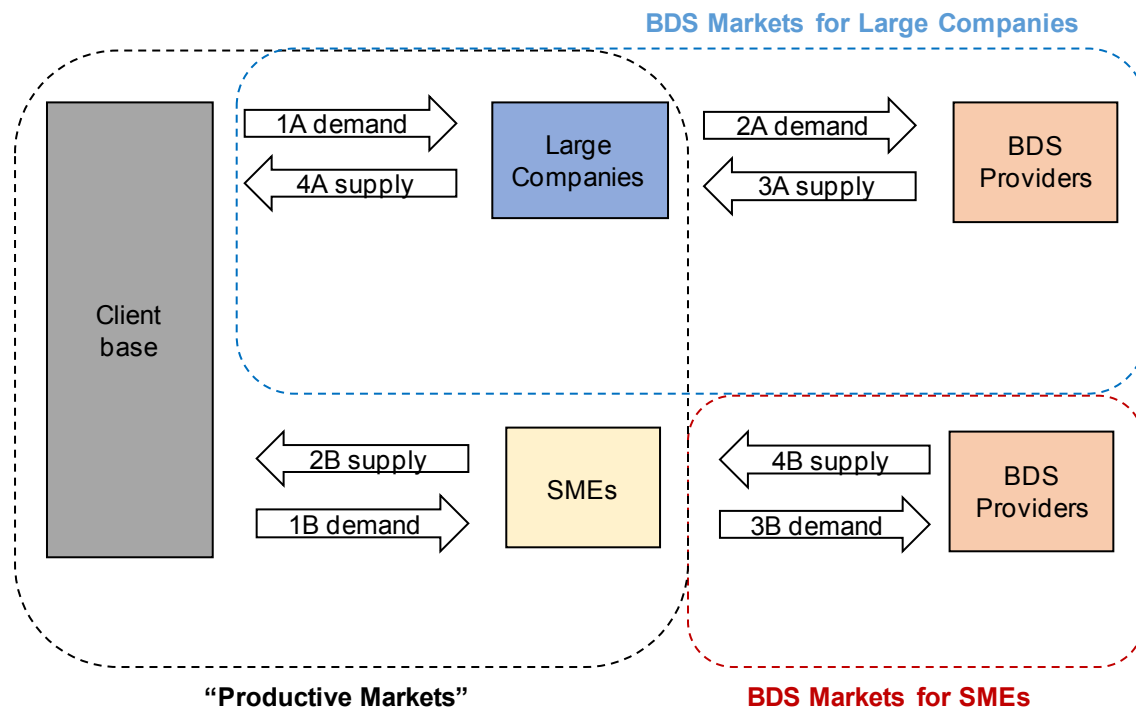
While the scope of this study does not allow for an assessment of the market penetration of BS, we can observe that few firms are using BS and that the breadth of services on offer is relatively narrow.

In our experience the BS market in Mozambique is fragmented into two distinct parts: the much larger BS market for large companies (often serviced by companies that are not based in Mozambique) and the much smaller in depth and breadth BSD market for SMEs. The figure below encapsulated the key dynamics of the BS markets in Mozambique

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<sup>25</sup> For high income countries the penetration of the BS market is typically 25%-35%. For Mozambique is less than half that figure. According to GDP data breakdown this could be 5% to 10%. Source: Bear, M., Gibson, A. and Hitchins, R. (2003) and MPD (2012) *Decomposição sectorial do PIB*.

Figure 10: Fragmented Dynamics of the BS Markets in Mozambique (Current State)



SMEs compete in an unlevelled playing field with larger companies for the same, limited customer base. Therefore, demand is more easily met by large companies, many of which are foreign (1A happens before 1B and 4A happens before 2B).

The total customer base is made of:

#### 1. Private Sector

- Domestic
  - o Consumers: size, growth and purchasing power.
  - o Companies: Mega, Large, Medium, Small
- External
  - o Foreign Consumers (exports).
  - o Foreign Companies: Mega-projects led (exports).

#### 2. Public sector

- Public enterprises.
- Government institutions: central, provincial + local.

Large companies have already built BS providers into their supply chains which allows them to obtain key production inputs (2A) ahead of supplying their clients (4A)

The scope of business services they acquire is broad, including generic and technical services and they often acquire them ahead of the market opportunity based on long-term corporate strategies

By contrast, SMEs have seldom incorporated BS suppliers in their supply chain. They often supply services without involving other business in their production process because of ignorance and fear of losing future opportunities.

An aggravating factor for the weakness of BS market is a public procurement system that is blind to performance. Business owners with poor performance in Government (and donor) contracts register new business each time they bid for new contracts so that their poor track record does not affect their chances of success. This is the result of a procurement system that lacks a feedback mechanism based on previous performance.

Nevertheless, some positive aspects exist in the BS markets.

- At the higher end of the turnover spectrum, a sizeable 28% generate more than \$200,000 and therefore there are more affluent BS providers than SME clients (20%).
- There are Mozambican BS providers that provide business services with world-class quality. This is evidenced by the nature of clients (global multinationals), the degree of client satisfaction, the length of the relationship with the client (in some cases up to 15 or 20 year) the type of projects they provide (commercial non altruistic or CSR projects), within the limitations of the official data available both the number of SMEs and the number of BS providers seems to be growing strongly.
- Mozambican BS providers increasingly have the ability to deliver services in English language which suits the needs of large clients (companies and donors).
- Some Mozambican BS providers have for a long time been offering BS services to the international development sector. During this time they have accumulated considerable expertise in areas such as access to financial services, MSME development and strategic planning and budgeting.

As a result they face capacity constraints to meet potential demand. Business services are acquired on an *ad hoc* reactive basis often not linked to on-going market transactions (2B happens before not after 3B).

Therefore the scope and impact of BS services for SMEs is smaller than for larger companies and they are more operational than strategic.

### **3.2 The playing field is unlevelled in favor of micro and large enterprises vs. SMEs**

From a systemic market-wide perspective, the regulatory environment favors large FDI-led companies and micro-enterprises. Therefore, there is an unlevelled playing field that hampers the ability of SMEs to demand and supply BS services.

A perhaps unintended effect of the heavier regulatory burden placed on Small and Medium (vs. Micro) enterprises is the proliferation of successful microenterprises and the difficulties encountered by Small Enterprises to sustain growth.

When a microenterprise succeeds and experiences continuous growth it is common for the business owners to create additional micro-enterprises (sometimes lumped together in business associations) instead of promoting the microenterprise into a small enterprise. In line with this qualitative finding, Kaufmann and Parlmeyer (2000) found that probabilistically the chances of firm survival seem to be correlated with remaining informal and cutting down costs.

The vegetable importing sector is a good example of a growing sector sustained by micro-enterprises. Also since the regime for small enterprises is more cumbersome the transitioning in to medium-enterprises is much harder.

The traditional donor approach of providing business services through implementing agencies may have weakened the market. Also awarding large contracts to donor-country BS providers instead of host-country BS providers is further inhibiting the realization of the latent demand for services.

As regard business environment, business regulations for micro-enterprises have been simplified with the introduction of a simplified tax regime, the process of registering a business has also improved notably with the introduction of one-stop shops (*balcoes unicos*).

Another positive sign is that the Government of Mozambique has sought the support of technical partners such as the WB and the IFC to develop programs that stimulate MSME development. Because of their generally better understanding of these type of market opportunities, BS providers are benefitting from them.

Finally, there is a growing awareness amongst the donor community of the need to involve Mozambican BS providers in their programs so as to stimulate the BS market.

### 3.3 Most SMEs have serious capacity constraints

Most business executives and senior managers in Mozambique **lack experience or effective training in business management** comparable to their counterparts in other African emerging economies such as South Africa, Zimbabwe or Kenya. This both attributed to poor quality of education and to the transition from centrally planned economy (during which most current business executives developed their professional experience) to a market economy in the mid- 90s.

There is also an **acute shortage of skills (particularly outside Maputo Province)** as a result the depletion of the educational and training system since independence. This affects skilled and unskilled workers, both white-collar and blue-collar positions.

Limited ability to access capital. This is related to the lack of knowledge to document bankable opportunities as well as to the structurally high cost of capital due to lack of monetary pass-through of official interest rates into lending rates. This in turn is partly the result of banking market concentration (top two banking holding 70% of market assets and liabilities).

Coupled with limited access to capital is cash flow bottlenecks which area aggravated by late payment by the Government, donors and large companies (including mining companies) for the provision of goods and services often puts excessive strain on SME's weak cash flows.

When compared to SMES in neighboring countries, Mozambican SMEs face limited and/or costly access to key inputs due to:

- a. Underdeveloped supply side of goods and services in Mozambique
- b. Restriction to hire foreign labour (labour quotas that contrary to larger companies, SME cannot circumvent).
- c. Higher VAT rate than in other countries in the region (Mozambique: 17%, South Africa: 14%, Mauritius: 10%)

d. Import tariffs applied to goods and services, especially those outside SADC

Moreover, local SMEs are severely information deficient. Contributing to this is limited internet access (not so much due to lack of infrastructure but due to lack of financial capacity to sustain on-going access), limited press distribution, confined to urban centres and the generally, low existence of business fora linking demand and supply for information-sharing such as trade fares and well-functioning business associations, the role of political influence in opportunity generation.

An important constraint identified mostly through qualitative interviews was **weak capacity of SMEs to design and implement long-term strategies** and **seek partnerships** so as to cope with growing demand from key clients, especially in the context of business linkages, results of contracts being discontinued. An example was captured during the qualitative interviews in Pemba (Cabo Delgado).<sup>26</sup>

**Most SMES have undefined or incomplete business models and lack a a systematic approach to business management.** The business models of many SMEs are fairly simple (for example the import-for-retail sector, the hospitality sector, the transport sector). However large clients have high quality and timing standards that require more complex and agile business models. Most SMEs have a rather discrete view of their businesses, with a poor conscience of their business and operating models and the potential for their optimization through the business development services.

**There is a weak culture of compliance with business agreements and enforcing contracts** which increases business uncertainty and hinders long term planning. This was specially reported in sectors that were historically subsidized by the State such as agriculture where a “culture of handouts” inhibits the development of a “culture of exchange” by market participants. Large commercial farms complaint that small local producers often breach the outgrowing schemes contracts by attempting to sell their harvest to third parties or at a different price than agreed initially when signing the out-growers’ scheme.

**Weak organizational culture of responding to incentives, rewarding good performance and punishing bad performance** which dampens individuals’ entrepreneurial initiative and risk-taking and results in mediocre performance.

**Lack of protection against corrupt practices conducted by competitors.** The public sector is the largest consumer of business services in Mozambique. Cases deviation of public funds involving public sector entities and providers of business services such as management and training have been reported in the media but they have not had repercussions for the parties involved, thus dampening the development of the BS market based on competitive practices.

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<sup>26</sup> A contract between a large foreign company and a small local company to supply bottled drinking water was discontinued due to late delivery of the produce. The reason for the late delivery was the breakdown of the supplier’s truck. However it is notable that the company did not seek for support from other local companies to meet its contractual obligations due to fear of losing the contract to the competition, which ultimately happened anyway.

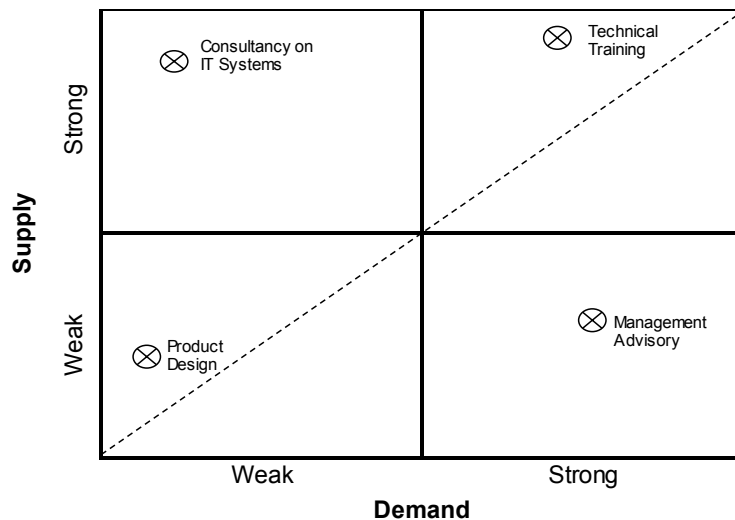
This is also due to a lack of long-time horizon in planning, which in turn is driven by hyperbolic discounting of time prevalent in Mozambique (meaning the future is heavily discounted thus turning business actions tactical rather than strategic)



### 3.4 There is a mismatch between supply of and demand for business services

The most commonly product offered to SMEs is technical training followed by accounting and audit. This contrasts with the most commonly demanded product being advertising, marketing and communications. These reported differences between supply and demand affect other products too as illustrated below.

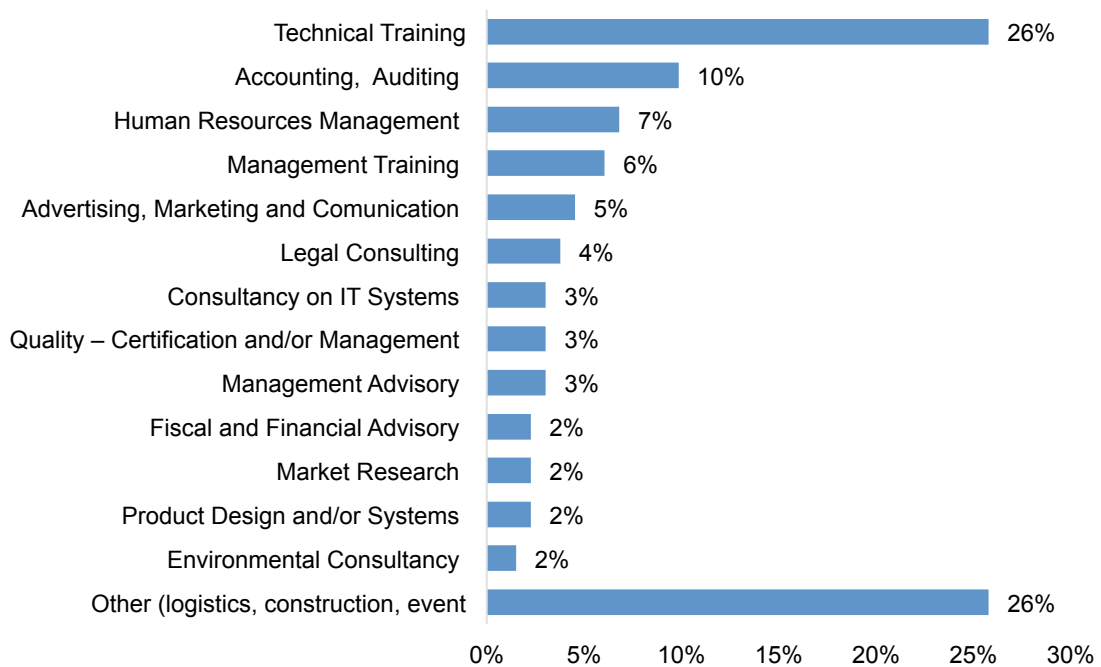
Figure 11 BS Market Development by Selected Products



It is also clear that BS providers offer a host of different products beyond traditional business services including logistics services, event management, etc. This suggests the potential of *technical* business services vs. *generic* business services is there.

Besides, as it was the case on the demand-side product design seems be both in low demand and in low supply. The qualitative interviews revealed a fair amount of ignorance and general lack of awareness around this service.

Figure 12: Products Offered by BS Providers to SMEs<sup>27</sup>

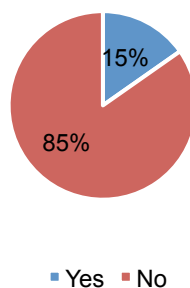


Product bundling is extremely rare in the BS market with only 15% of surveyed providers offering bundled products as illustrated below.

This is quite limiting as product bundling can be a win-win strategy to satisfy unmet client needs and improve sales margins. Therefore it can be a strategy with the potential to expand the market. However, it seems product bundling is seen as complex by many providers. Product bundling makes pricing more complicated and therefore requires stronger analytical skills and selling products per unit.

A mystery shopping experience conducted with a Nampula-based BS provider revealed that lack of benchmarks used to price products. A basic data collection service was requested

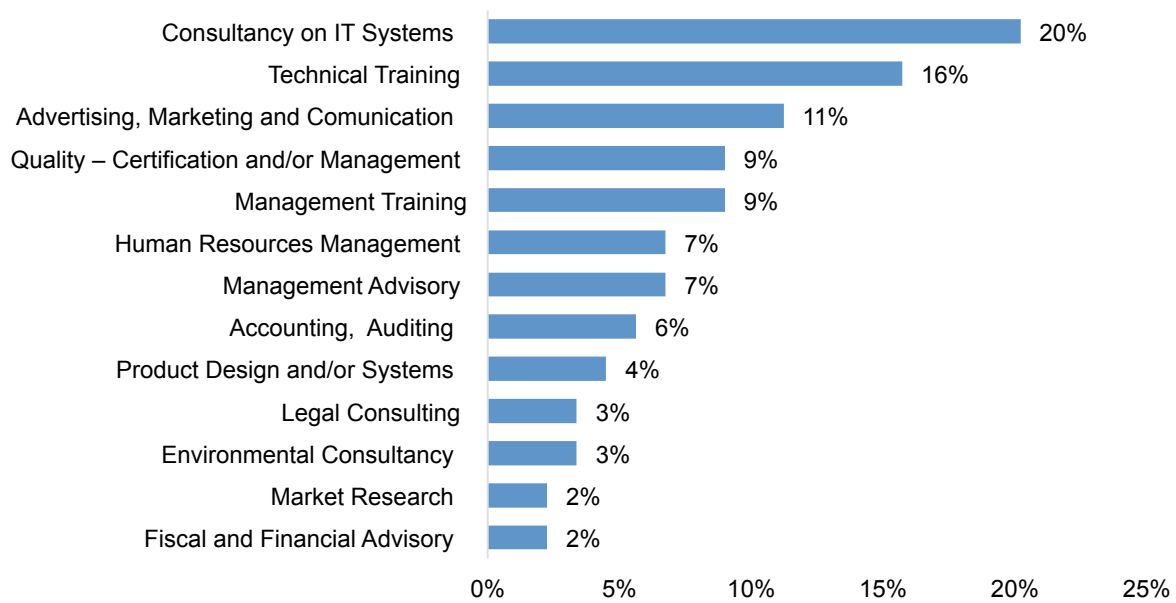
Figure 13: Percentage of BS Providers Who Offer Bundled Products



The products that seem more likely to be offered in bundles are IT consultancy services and technical training.

<sup>27</sup> Other services includes logistics, construction, event organization, cargo transportation, production, sales and silkscreen printing.

Figure 14: Business Services Offered in Bundles



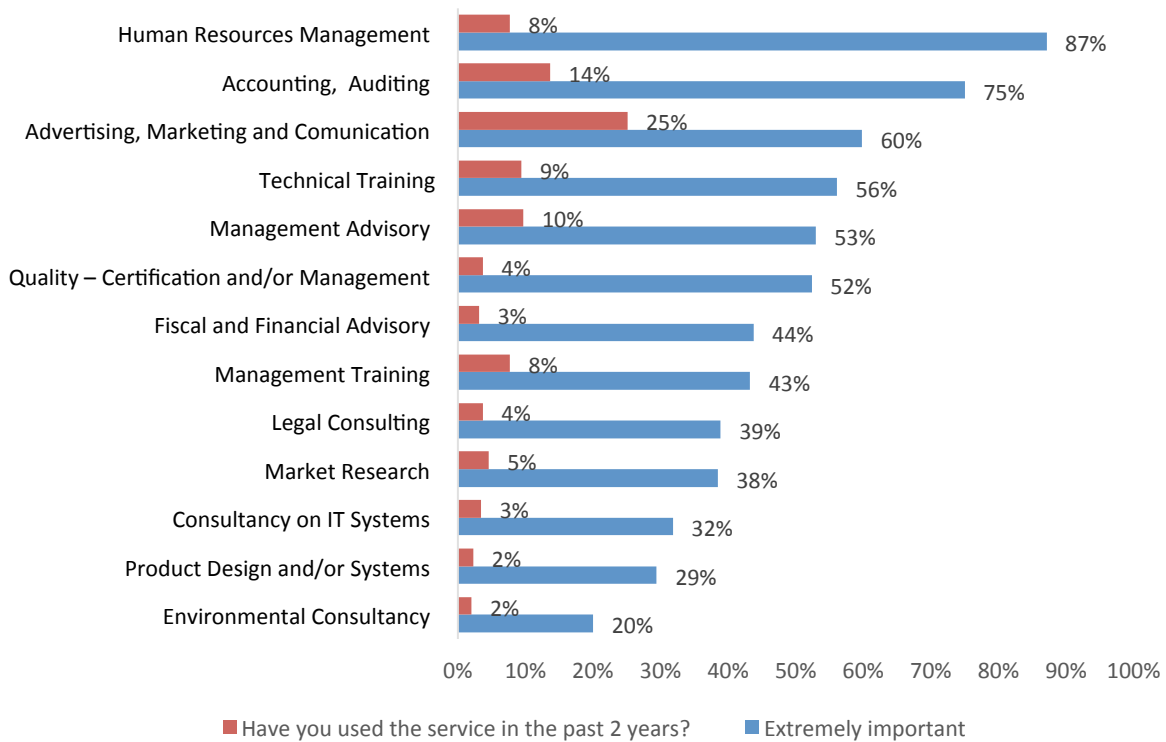
The main demand side constraints are lack of affordability from micro and small enterprises, lack of knowledge/awareness of supply of business services, a weak business to business (B2B) culture that often sees business partnership as a potential threat rather than as a strategic opportunity, insufficient awareness of the value-adding potential of key business services and in-house provision and vertical integration in medium and large enterprises.

Ultimately many of the demand-side constraints for the development of business services relate to the constraints SME's face in supplying their customers.

Lack of affordability is mostly but not only due to the limited profit-making potential of many SMEs but also to the perceived high prices of business services. This is in turn explained by the high operating risks and transactions costs but also by lack of innovative pricing schemes (for example value-based pricing). In addition as regards generic business services, the donor sector has been both a promoter and an inhibitor of BS by demanding some services in the one hand but also by earmarking large contracts to foreign BS companies thus pushing local small BS providers out of a potentially larger market thus hindering the development of the local BS market.

"In-house" provision of business services and vertical integration are very common strategies amongst medium and large companies. For example, the mining companies have already agreed contracts with their regular providers to supply them with labour, medical insurance, transport services, food services etc. For example a large tourism group in the country has its own construction project management company, based in SA, which in turn created a small Mozambique subsidiary to conduct all the procurement and construction project management of their assets in country. These arrangements are common for large companies and they are both the consequence and the cause of a weak BS market.

Figure 15: Perceived Importance compared to Usage of Business Services



### 3.5 The current supply of BS does not adequately respond to the needs of major buyers

In a separate but related study<sup>28</sup> we have reported SME weaknesses as perceived by big buyers, as summarized below:

- One of the most crucial requirements of suppliers, particularly across the extractives sector, is their ability to meet multinational mining companies’ strict **health and safety requirements**. This is one of the most commonly cited constraints facing local SMEs, from the buyers’ perspective, and is usually a targeted area for training in local supplier development programmes in the extractives sector.
- Local companies often fail to meet buyers’ requirements in terms of financial standing and sometimes direct experience as well.
- The quality of some goods produced locally is sometimes poor and cannot compete with better quality imports. Local firms tend to only be competitive when trading products produced outside of Mozambique at a margin. There is insufficient understanding at the SME level of the importance of quality for the customers.

<sup>28</sup> Footnote with details of the linkages study

- Suppliers (SMEs) often do not reliably deliver goods and services within the time-frame or to the schedule they have agreed.
- Suppliers often find it difficult to deliver the quantity of product required by buyers, even when importing goods.
- Buyers are not aware of local SMEs that exist in the market that could potentially provide the goods or services they require. They do not see it as their responsibility to assess a long list of suppliers in terms of technical capacity, and find it time-consuming and expensive to deal with suppliers who have not been vetted for technical competence.

Large buyers identified, inability to meet Safety, Health & Environment (SHE) requirement, failure to meet buyer requirement in terms of experience and financial standing, inferior quality to imports, and the inability to deliver on time and sufficient quantities, as some of the major constraints in procuring from local SMEs. The findings of the study indicate that of these areas BS providers currently mainly offer technical training, accounting and audit services, which may assist in improving SME performance technical experience and financial management but would still, leave a large gap in the other areas identified as major weakness by large companies.

The types of services offered by BS providers in Mozambique leans more towards technical services and an interesting demand for “other” services (e.g. logistics, construction, and event organization) that would not traditionally be offered by BS companies. Both these types of services are supplied at least three times more than any other, with services such as Human Resources Management, Management Training, Market Research and Product design being supplied at much minimal frequencies.

The fact that Advertising, Market and Communication is only supplied by 5% is contradictory to the high levels of demand that SMEs have shown for the same (being the service with the highest awareness and usage levels). This scenario may be explained by the low SME needs awareness that BS providers are believed to have. Instead of providing more of the services that are valued by SMEs, the BS providers seem to be developing not as a function of demand.

Services such as Quality – Certification and/or Management and Product Design and/or Systems are only provided to 3% and 2% of the market respectively. These however would be largely beneficial and reducing the capacity gaps of SMEs identified by large companies. The understanding of the importance of quality is a concept that seems to be undervalued in the Mozambican context and this service may have to be bundled with another that SMEs currently value as a means exposure so that it's benefits become visible to SMEs and they develop a consciousness about its importance.

With respects to SHE, in the survey, none of the BS providers identified this as a service area they are currently involved in. However, with the prospects of the natural resource boom, this is any area that will certainly become highly demanded for and could be very lucrative to BS providers.

### **3.6 SMEs are using mostly operational services yet they also have highly strategic needs**

Services that could contribute strategically to SME development are amongst the least used, including product design, IT systems and quality certification and management.

Figure 16: Usage of Business Services by SMEs



In line with the above findings, the main reasons SME demand business services have to do with enterprise growth followed by internal operational problems.

Figure 17: Services Considered As Extremely Important by SMEs to Improve Their Competitiveness



Obviously most business services were considered either extremely important or relatively important to improve competitiveness. However, those considered most important were advertising, marketing and communications (86% of SMEs considered them extremely important), followed by accounting and auditing (72%) and product design. There is therefore an opportunity to improve access by SMEs to product design services as currently only 2% of SMEs make use of product design as indicated in Services that could contribute strategically to SME development are amongst the least used, including product design, IT systems and quality certification and management.

Figure 16.

The least mentioned as “extremely important” were management training (53%), legal consulting (54%) and HR management (55%). Again a mismatch is observed as management training is seen as the least important business service to improve competitiveness yet it is one of the services most used and it is also a preferred area for donor intervention. Also legal consulting is considered extremely important yet it is one of the least offered services.

Naturally SME's demand for business services is a function of their business focus, their business models and their financial capacity to purchase such services. Both the qualitative and the quantitative surveys made clear that while needs and potential demand exist financial capacity is seldom granted which effectively acts as a break for the supply of business services for SMEs.

Actual demand concentrates around services that are required to comply with tax and administrative regulations such as financial accounting.

Medium-sized enterprises also make use of hiring services, although foreign companies entering Mozambique recruit most of their staff from abroad. Nevertheless, the labour quotas imposed by the Government contribute to the development of a local hiring services market inasmuch as companies feel compelled to finding local candidates which should be more easily advertised by local hiring companies.

However, in our visits to the Northern provinces we found staff of international hiring companies working locally on the ground, with or without proper business registration. This is aided by social media which works across borders and the fact that a local candidate can be easily send his CV to an email address that might not be based in Mozambique, as such the recruitment service is not provided in Mozambique. Therefore the virtual absence of barriers to entry for foreign hiring companies is affecting negatively the ability of local hiring companies (an example of local BS providers).

Micro and small enterprises primarily demand HR related services as they face acute skills shortages. Using data from the MECE programme (WB)<sup>29</sup> it can be observed that HR services are the most demanded followed by marketing related services (including e-commerce and trade fairs).

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<sup>29</sup> Note most but not all business services qualify for MECE funding (for example financial accounting), therefore the graph should not be interpreted as a holistic description of services demanded by MSMEs but rather as a measure of relative importance of some services vs. Other services.

Figure 18: Services Demanded by MSMEs funded by the MESE Program<sup>30</sup>



Technical BS (such as product design, testing, packaging, out-sourcing/short-term management contracts, partnerships and investment strategy) are a lot less demanded than generic BS addressing the core operational areas of a company (HR, marketing, sales, IT). This however should be interpreted cautiously as this seemingly lower demand could be the result of a current lack or insufficient of supply by the BS market. MECE funding is contingent upon the purchase of the service; therefore lack of immediate supply could introduce a bias in the types of services demanded.

The technical BS that is most demanded is quality management systems, which is consistent with the observed pattern of MSME development in the country.

Another interesting reading of the MECE data is the predominance of operational services (such as HR, marketing, IT and quality management) vis-a-vis strategic services (business plans, market research, partnerships, investment strategy, product design).

Against the traditional approach in the donor sector of providing training, academic studies such as Kaufmann and Palmeyer (2000) have failed to find any significant correlation between SME success (measured as income) and training received. This is likely to be the result of poor quality training, not tailored to real business needs and lack of quality assurance.

While on average training does not seem to have had a meaningful impact to Mozambican SMEs, by contrast, there are specific cases where training resulted in positive business outcomes. For example

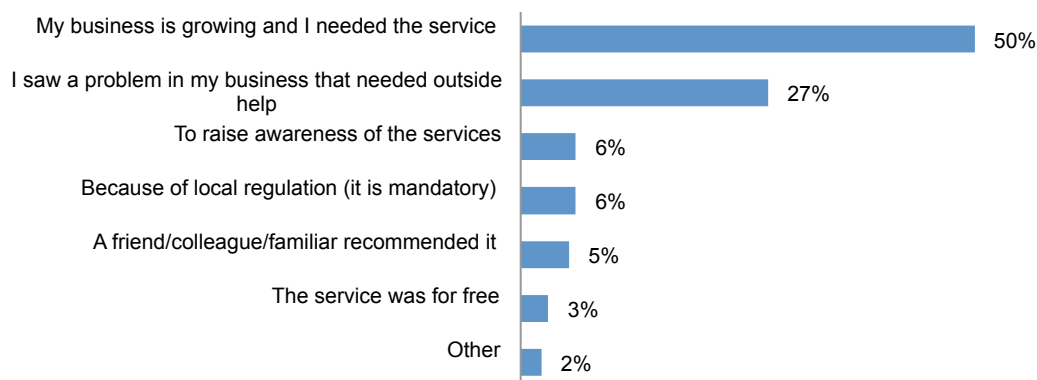
<sup>30</sup> The universe of these enterprises is those enterprises that applied and were selected by MESE.



a statistical evaluation of SME training provide by GAPI (Dos Santos 2008) showed that the training provide contributed to the stabilisation of operations and firm longevity.

In the case of micro-enterprises training services is demanded even more than financial accounting, as these enterprises have a simplified regime that renders financial accounting unnecessary from a compliance point of view. This simplified regime is generally a positive measure that promotes formalization. However, the lack of use of basic financial accounting principles may have unintended effect of obscuring the financial management of the enterprise thus making it more difficult for management to adopt value-adding decisions. This is quite prevalent amongst the micro-importers and vegetable retailers, who purchase produce in South Africa and then sell it to big distribution companies such as Shoprite, to whole-sale markets such as Mercado de Zimpeto in the outskirts of Maputo, the largest vegetable wholesale market in the country or simply sell it as retailers.

*Figure 19: Most Important Reason for SMEs to Demand Business Services*



As shown below, the main factors that could render business services more beneficial (and could therefore promote BS market expansion) are improving the delivery timing, allowing for greater interaction with the client and having a more accessible price. These issues were also confirmed by the quantitative interviews. SMEs are increasingly demanding a more a relationship with a business service provider than a time-bound output.

However most product design and pricing strategies are still based on a discrete and punctual or sporadic interaction rather than continuous relationship. Services that involve a longer relationship such as coaching and mentoring or strategic advice are very scarce.

A potential inhibitor for demand of business services related to high prices is the payment method. Many SMEs face cash flow difficulties and the financial sector has not responded well to these needs with a suite of affordable products. In one of our mystery shopping cases a Maputo-based Small Enterprise was a solid revenue-generating record was being charged 30% interest rate for its \$10,000 overdraft facility. That is more than three times the official interest rate in the country (8.75%) at the time of the mystery shopping experience.

As the graph below illustrates, phased payments (either by work milestones or monthly) only represents 18% and 13% respectively of the payment methods used by SMEs.

Most SMEs pay up-front for the totality of the service cost. This implies that payment for the services happens before the value of the service has been realized. However, value realization itself could enable payment for services.

The means by which business services become known to SMEs are important to ensure there is sufficient demand to stimulate market development. Combined, word of mouth including

recommendations from friends and other business people was the means used by 50% of the SMEs and 42% through the media.

This shows the early stages of the development of the BS markets. Word of mouth as a means of communication lacks the scale of the media (TV, radio, newspapers, internet) and its reach, therefore it is less effective. Relying on word of mouth would also typically result on a narrow geographical focus of the business. As found in this survey **72% of Mozambican SMEs operate only within one province**, 14% operate in more than one province and only 14% operate country-wide , thus limiting their ability to realise business opportunities from other provinces.

Figure 20: Means by Which Business Services become Known to SMEs

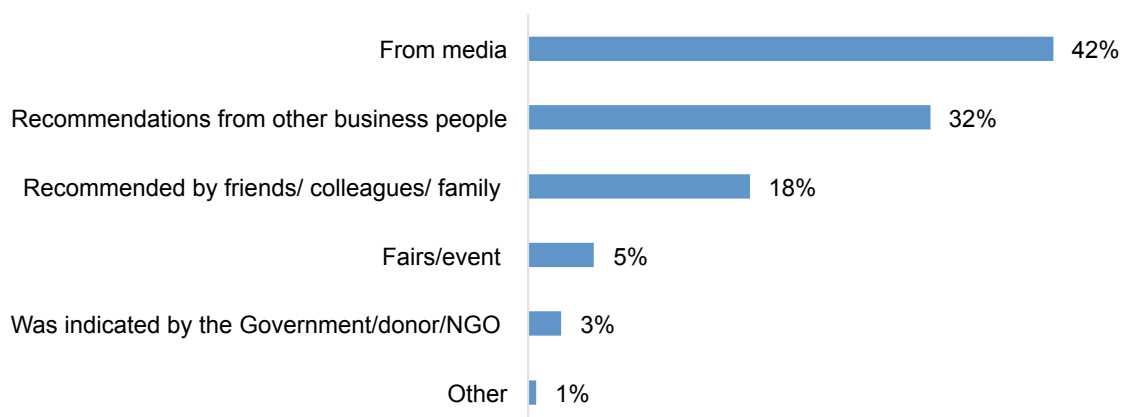
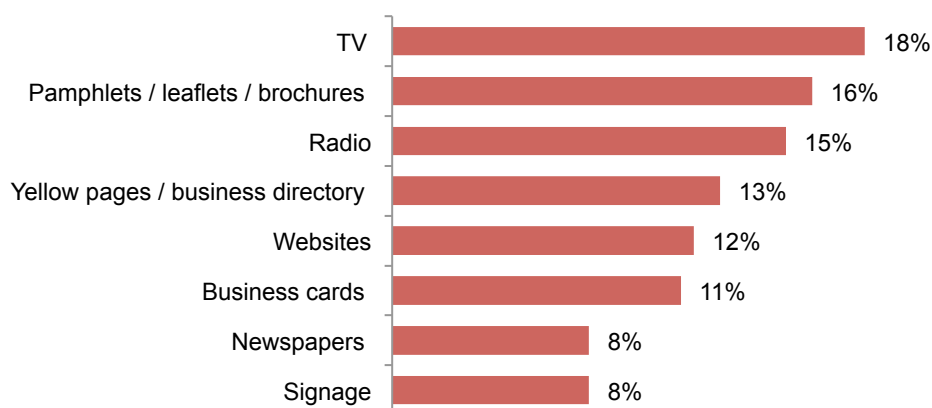


Figure 21: Media Channels by Which Business Services become known to SMEs

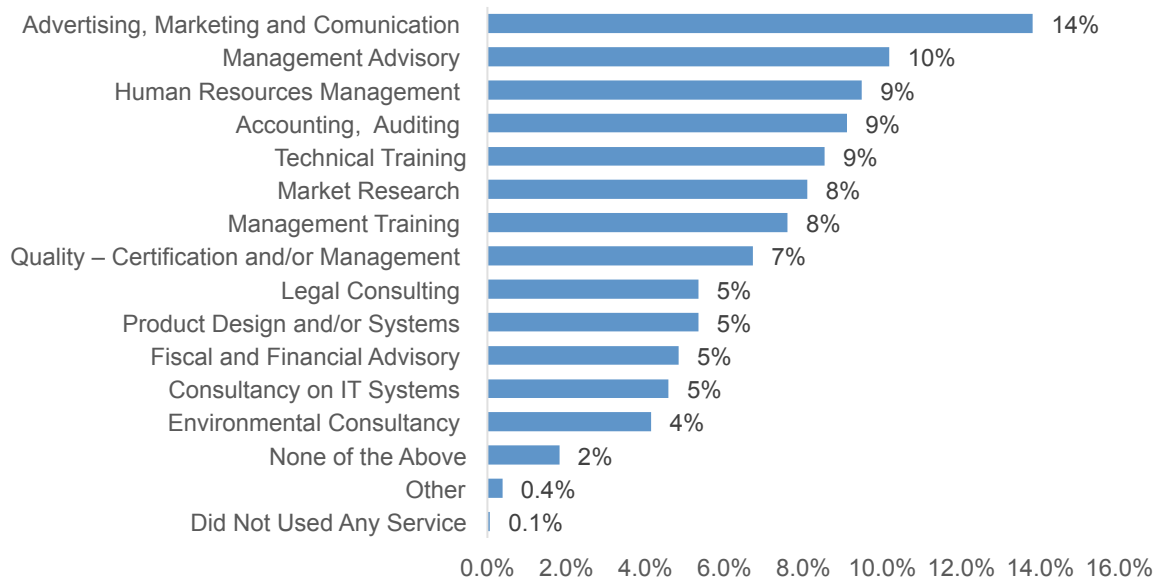


Within media channels, TV leads followed by pamphlets/leaflets/brochures. Again, pamphlets is a channel with less reach than mass media such as radio and websites (increasingly accessible by mobile phones). Media evaluations in Mozambique indicate the TV is the most widely used channel in urban areas and radio in rural areas.

### 3.7 Many SMEs are not aware of the availability of certain business services

SMEs have serious knowledge gaps about the services being offered. Services that could contribute strategically to SME development are amongst the least known, including product design, IT systems and quality certification and management.

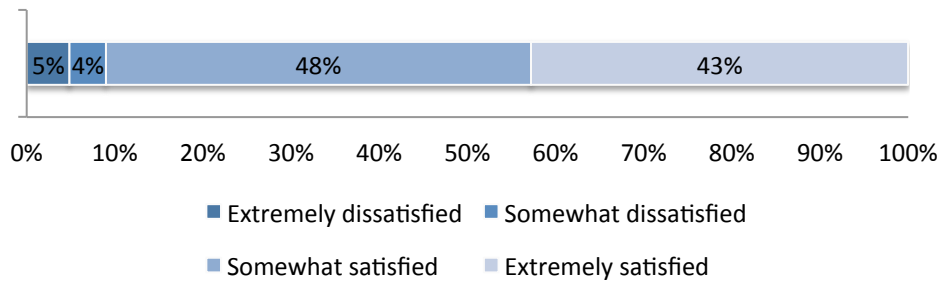
Figure 22: Awareness of Business Services



### 3.8 The BS market is characterized by a concentration on a small set of services with variable levels of quality

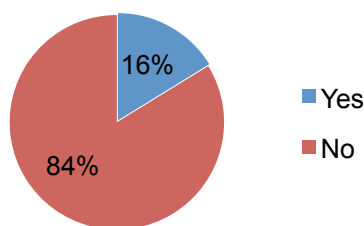
Most SMEs report being satisfied with the BS purchased//received.

Figure 23: Levels of Satisfaction with Business Services



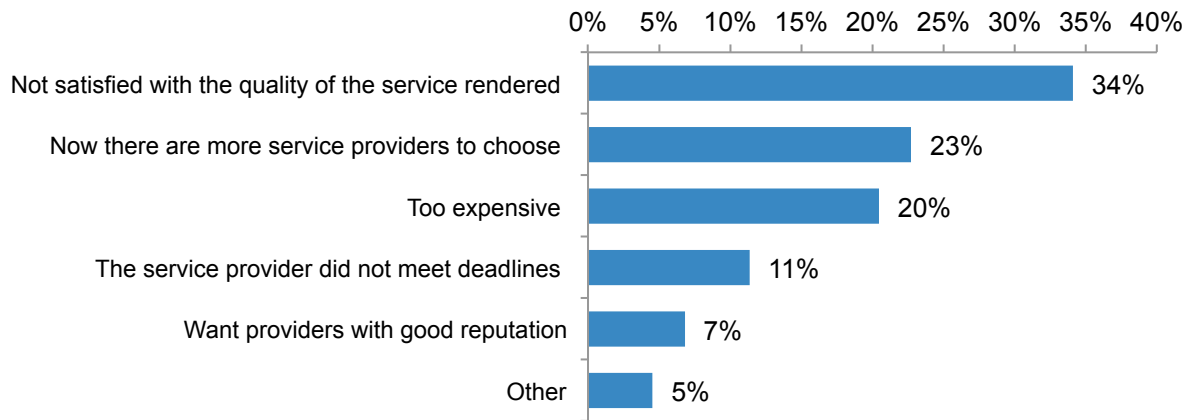
Of the SMEs that have used BS services before 16% indicated that they had also switched BS providers in the last two years.

Figure 24: SMES that have changed BS service provider



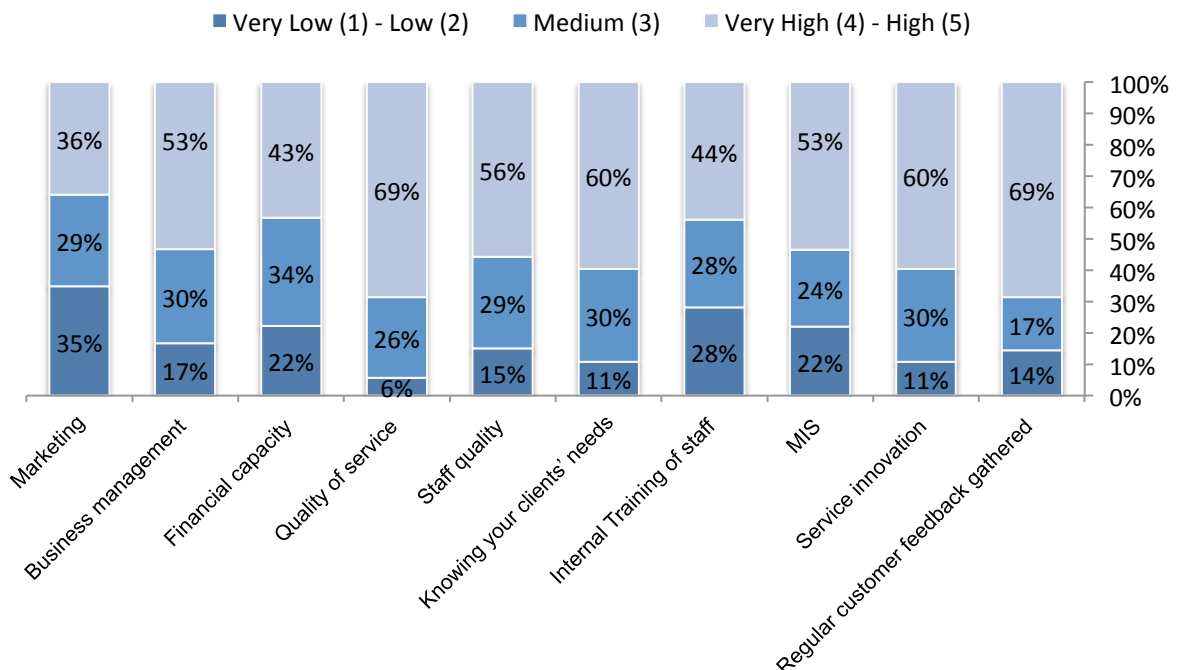
The most common reason for this being lack satisfaction with the quality of the service provided.

Figure 25: Reasons for Switching BS Providers



BS providers do not seem to be aware of their strength and weakness. When asked to assess their performance they identified quality of service and customer feedback as areas where they perform very highly. These both being areas where SMEs have complained about service delivery, i.e. poor quality service causing them to switch service providers and low SME need understanding as a result of weak links between BS providers and SMEs.

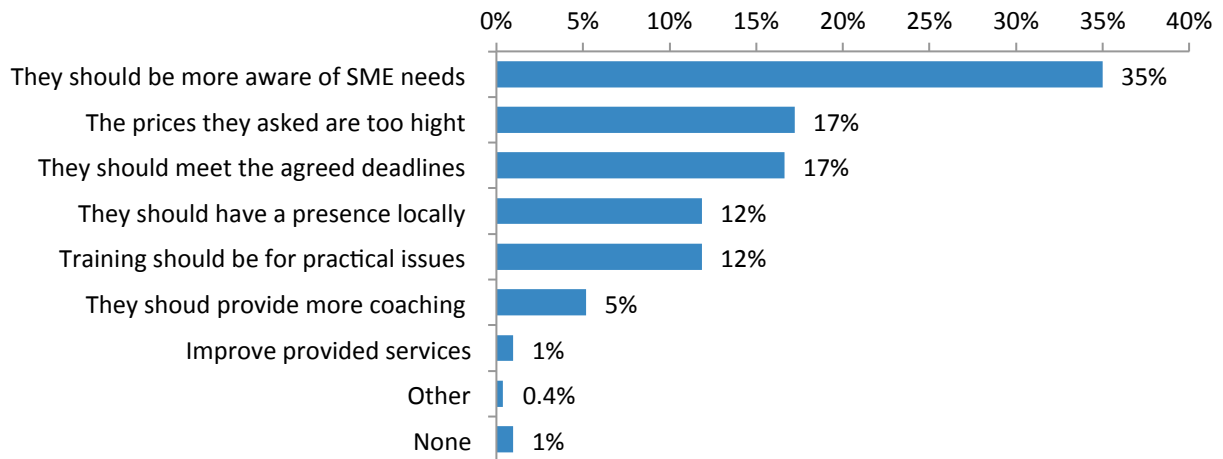
Figure 26: BS Providers Self-Assessment of Performance for Specific Company Activities



Nevertheless, the issue of quality should not be overstated as only 16% of the interviewed SMEs switched BS providers. Therefore it would appear that many BS providers do in fact provide quality services.

What seems quite clear is that they can improve in their understanding of client needs as illustrated by the graph below. This is the main recommendation from client SMEs to BS providers

*Figure 27: Recommendations from SMEs to BS providers*



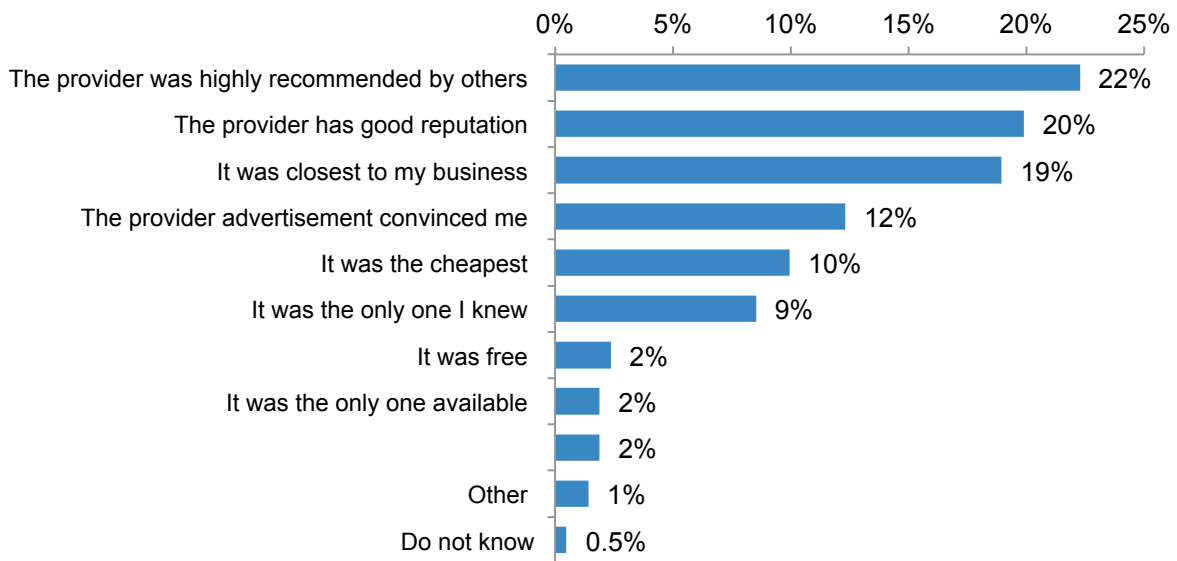
In a survey of BS market assessments (ILO 2002), SMEs most often noted that a service is not needed or not relevant to their businesses as the reason for not using services. Other factors are expense, time and lack of information.

### 3.9 The main criteria for choice of service provider is not always price

Studies show (ILO 2002) that price is not always the most relevant criterion in SMEs' choice of service provider. Rather the factors driving BS markets tend to be quality characteristics such as providers' reputation, recommendations from others and the types of services available.

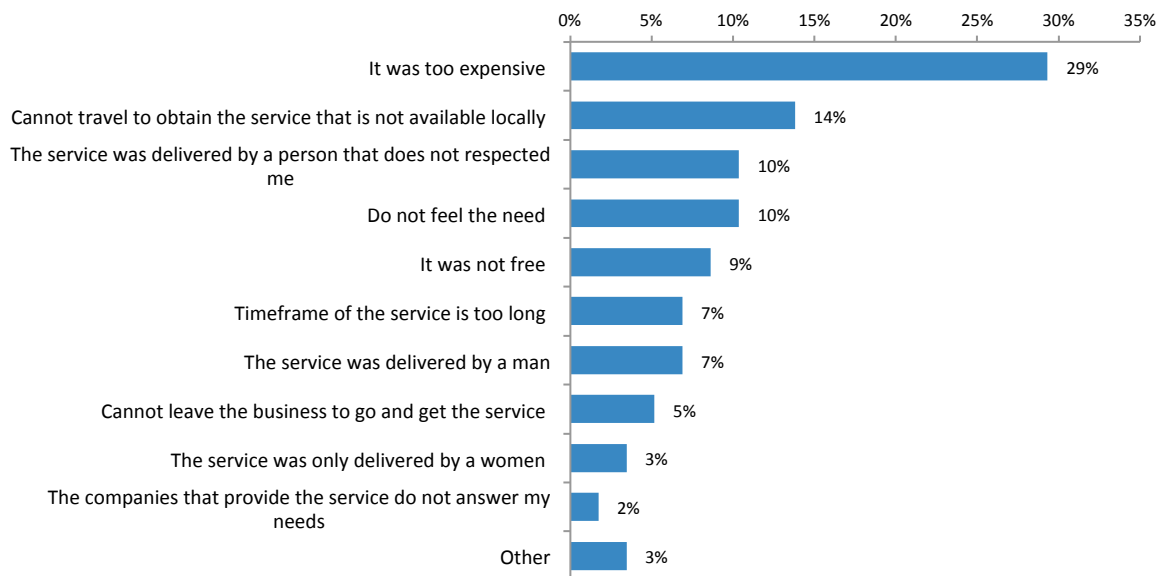
In Mozambique, recommendations by others, reputation, proximity and good advertising seems to be the leading reasons to select a particular provider over others.

Figure 28: Reasons for Selecting a Particular Service Criteria over Others



However, it would appear that Mozambican SMEs are more price sensitive than in other countries the most important reasons for not using BS remains the BS being too expensive.

Figure 29: Most Important Reasons for not using a Business Service



### 3.10 Information about BS flows mainly through word of mouth and the Media

The means by which business services become known to SMEs are important to ensure there is sufficient demand to stimulate market development. Combined, word of mouth including recommendations from friends and other business people was the means used by 50% of the SMEs while 42% reported using the media.

This shows the early stages of the development of the BS markets. Word of mouth as a means of communication lacks the scale of the media (TV, radio, newspapers, internet) and its reach, therefore it is less effective. Relying on word of mouth would also typically result on a narrow geographical focus of the business. As found in this survey **72% of Mozambican SMEs operate only within one province**, 14% operate in more than one province and only 14% operate country-wide , thus limiting their ability to realise business opportunities from other provinces.

Figure 30: Means by Which Business Services become Known to SMEs

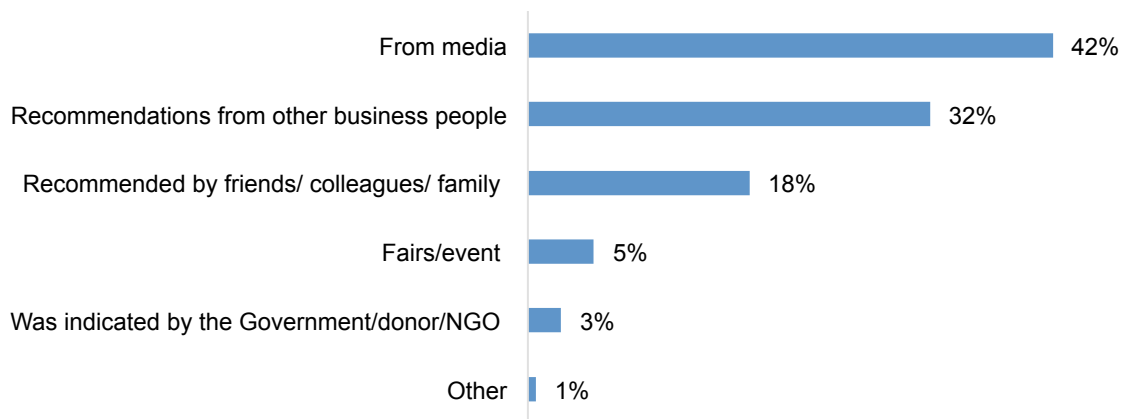
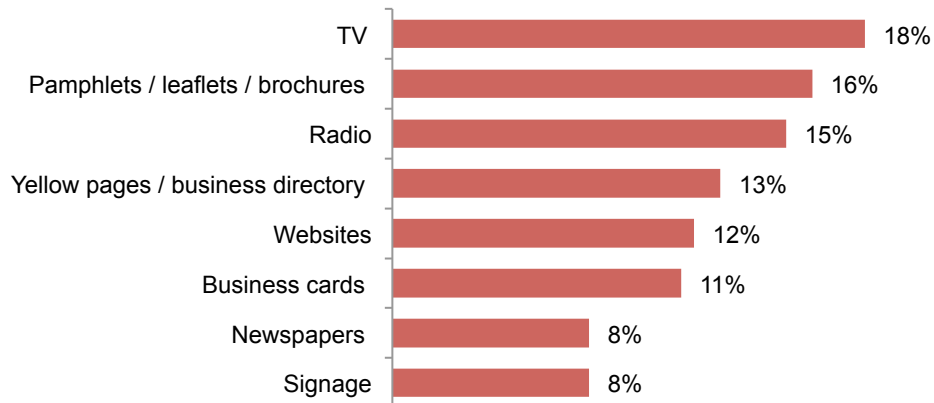


Figure 31: Media Channels by Which Business Services become Known to SMEs



Within media channels, TV leads followed by pamphlets/leaflets/brochures. Again, pamphlets is a channel with less reach that mass media such as radio and websites (increasingly accessible by mobile phones). Media evaluations in Mozambique indicate the TV is the most widely used channel in urban areas and radio in rural areas.

### 3.11 There is potential to develop a number of key services

Our analysis shows that there is potential to support the development of BS markets in the following key areas: strategy, coaching & mentoring, quality assurance, health safety and environment and technical and vocations skills.

### **3.11.1 Strategic Advisory**

Strategy services in a broad sense (including growth strategy, operational strategy/business improvement, sustainability services, alliances and partnerships, M&A, due diligence, CSR, community development, etc.) are often considered a luxury that can only be afforded by large companies. However, this is not entirely true. All companies, big and small, require strategy and often those with fewer capabilities are those with greater strategic needs.

Strategy as a service helps clients to structure business problems in a way that makes them tractable, turning often aspirational goals into achievable business objectives that leverage market opportunities and that are decomposed into manageable operational steps.

Indeed, strategy is a very common service in the not-for-profit development aid industry where donors often seek expert advice for their own strategies as well as for the strategies of targeted beneficiary groups such as microenterprises, microfinance institutions, business associations, etc. However as prevalent as strategy is in the development industry, it is surprisingly uncommon in Mozambique's private sector, particularly amongst SME sub-sectors.

Companies providing BS services such as strategy, management, product development and training are often SMEs. An effective way of promoting both the BS market and SME development is for public enterprises to regularly tender for BS services at a scale that makes it possible for local SMEs to compete. That requires changing the typical pattern of tendering of large and occasional contracts to small and on-going services to support the strategy, management and operations of the public enterprises. This type of contracts is more inclusive as they contain fewer requirements and they put less pressure on the supplier/providers' cash flows.

An additional contributing factor to promoting demand for strategy, management and operations services by public enterprises would be to ensure transparency and equal opportunities in the tendering of services.

A capacity constraint for SMEs to provide strategy services is the limited exposure to strategic advisory services. Strategy skills are scarce in Mozambican universities. Often SMEs offering consulting services are created by former consultants of Global consulting houses. However, other than for audit services, the latter have only developed over the course of the last 15 years.

Staff with hard skills such as finance and strategy are mostly absorbed by the multinationals, often at a price premium (as it is the case in the extractive industries). Therefore there is a crowding out of strategy, management and technical skills taking place which restricts SMEs growth and the development of the BS markets.

### **3.11.2 Coaching & Mentoring**

Coaching and mentoring are services provided by only a handful of local BS providers as well as by freelance consultants based abroad. Given the comparatively low levels of training and experience of Mozambican executives and senior managers there is potential demand for these services in principle. However a number of caveats exist. The business literature and practice on coaching and mentoring is heavily based on an advanced economy context with high levels of education and skills and a fair amount of organizational complexity. This context is very different from that of Mozambican SMEs. Organizationally, these are small, simple and often loosely structured organizations. Educational levels differ greatly as well as the ability to relate to modern business and organizational concepts such as "organizational behavior" or "business processes".



Nevertheless, it is hard to deny the usefulness of coaching and mentoring in the developing know-how and expertise. The famous 10,000 hours statistical rule to become proficient is predicated on access to coaching and mentoring. The example was taken from the first violinist who typically had 10,000 hours of practice. The key however is access to technical coaching and mentoring, not so much generic. However, often the technical content relevant to the business is only available inside the business (or in competitors who have a competitive interest in not sharing this knowledge).

In developed countries coaching and mentoring as a service that is contracted out is often provided by BS companies to executives and managers as generic coaching often focusing on leadership skills. This is useful, but it presupposes an existing wealth of technical knowledge, processes and systems that make the organization work. Leadership coaching is then suitable to make the organization work better, avoiding operating in silos, keeping staff motivated, etc.

All in all, for coaching and mentoring to work in the Mozambican context BS providers would require a substantial effort to adapt and contextualize the overwhelmingly Western literature and practice on coaching and mentoring and it would probably take the form of regular counselling rather than coaching and mentoring in strict terms.

Also, coaching would probably require previous management advice/counselling around key people, processes and system fundamentals to make the organization stable and ripe to benefit from professional coaching services.

### **3.11.3 Product Development**

The results of the BS market survey will shed light on the demand and supply of product development. Our qualitative interviews showed that this is a technical service that is not the priority of most SMEs. In effect for a SME to be able to demand a product development service a basic premise must hold true and that is that the SME has embarked on a growth strategy.

The strategy could be about offering the current product suite to new clients, to expand the product suite to existing clients or to sell new products to entirely new clients. Only the last two options require product development and the latter entails substantially more risk than the previous one as it requires finding a new market for a new product. The statistics on the MSME sector revealed its polarized nature: while a large share of MSMEs struggle to survive amongst the successful few growth is quite common. Therefore product development is a technical BS for a niche market of growing small and medium enterprises. Because of the rather *vanguardist* nature of the groundbreaking SMEs most BS providers have failed to keep pace with market trends and offer this service. However at a more generic level, the consulting houses do offer product development capabilities and therefore the potential to tailor this service to SMEs exist. However with small volumes prices are likely to be high. Additional sources of funding from donors and financial institutions are likely to help sustain the provision of product development services to SMEs.

### **3.11.4 Quality Assurance**

Quality assurance is also a very new service in the Mozambican market. It has largely developed as a technical (not-generic or management-related) service for SMEs in the agriculture and manufacturing services. As we know most SMEs concentrate in commerce and services. However, the interviews revealed that there is demand for quality assurance and certification services as companies in the extractive industries require high standards for quality from their tier I and II suppliers.

There is a need for the Government to facilitate the ability of BS providers to provide these services to SMEs. How?

Currently the capacity of the public institute (INNOQ) for quality control and certification is limited to Maputo. However INNOQ has been recently growing its capacity on the back of a partnership with the Spanish Agency of quality control and cooperation agreements with the EU and UNIDO. SMEs report that the process to be certified by INNOQ is too complex for them. A gradual system of certification (with lower requirements for SMEs) could ease their access to this service.

### **3.11.5 Health, Safety and Environmental (SHE) Management**

The absence of SHE skills and services was mentioned in the mining and construction sectors. SHE is often a service required by large companies for SME to be able to quality as service provider. It is also a service needed by SMEs themselves but often more as a labor input and management process than as an outsourced service. Therefore SHE can be considered both a skill and a service in demand.

The evaluation of IFC's MozLink program established that most beneficiary entrepreneurs appreciated the SHE training received. This seems to be one of the training components that worked well. Notably this training was not provided by external companies but from staff from the large corporations participating in the program, an indication that direct business experience and sector expertise are key determinants for training success.

Within the health area, AIDS counselling was highlighted as needed but seldom supplied by the market. Currently companies that are providing AIDS counselling tend to be large. Some SMEs are also attempting to provide this service to its workforce often doing it internally.

Currently SMEs interviewed in the construction sector reported to source these services from South Africa and to a less extent Zimbabwe.

However, in the mining industry there is a reluctance to hire labor from Mozambican mining workers in South Africa which are considered prone to conflict due to SA's poor state of labor relations.

### **3.11.6 Technical and Vocational Skills**

Technical and vocational skills and training were mentioned several times as largely undersupplied in the provinces visited. This was specially so in the construction, maintenance and repair sectors.

More specifically the skills/services that are very scarce in the country include plumbing, electricians, equipment maintenance mechanics, bricklayers, building skills, construction inspectors, etc.

The MSMEs interviewed often mentioned the additional fact of poor training provided by Mozambican training and educational institutions, public and private alike which have apparently worsen tremendously since independence. Prior to independence Mozambique was often seen as a hub for education and training in Lusophone Africa.

Currently there seems to be a mismatch between the skills and services required locally by the private sector and the courses offered by Mozambican public training and educational institutions. There is excessive focus on generic, theory-based degrees such as management and public administration vs. Technical qualifications such as plumbing and bricklaying which are experiencing higher demand in

provinces with higher infrastructure and construction investment such as Tete, Nampula, Cabo Delgado, Sofala and Maputo.

There is also a proliferation barely formal private training institutions in the outskirts of the provincial capitals with low training standards. Interviewees complained the quality of the training was extremely low. There is a need for the Ministry of Education to monitor the quality of the training provided.

However, the problem of monitoring the quality of training is not exclusive to the Ministry of Education.

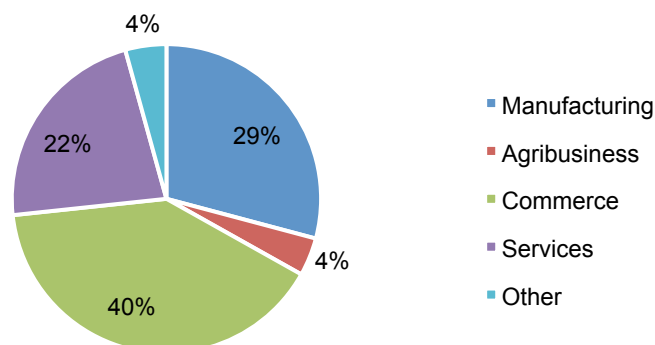
Furthermore, according to Kaudmann and Parlmeyer (2000) professional training does not seem to have any correlation with the size of a firm as measured by the number of employees.

## 4 Demand-side analysis

The demand patterns of business services evidence that SMEs tend to require more assistance with the day to day operations of their businesses (e.g. Advertising, Accounting and Human resource services) compared to more technical services (e.g. product design) and even strategic planning services (e.g. market research). Actual demand concentrates around services that are required to comply with tax and administrative regulations such as financial accounting. Medium-sized enterprises also make use of hiring services, although foreign companies entering Mozambique recruit most of their staff from abroad.

Our sample of SMEs encompassed all economic sectors. As shown the figure below most SMEs were found in commerce (40%), manufacturing (29%) and services (22%). Since no economic sector was specifically targeted in our sampling (SMEs were randomly selected in each location), the high proportion of manufacturing is a positive sign as this sector is traditionally perceived as more value-adding (to the extent that it may involve more transformation of raw inputs) than other sectors where SMEs abound such as commerce where the wholesale (13% of SMEs) and retail (26% of SMEs) of imported products is a widespread activity.

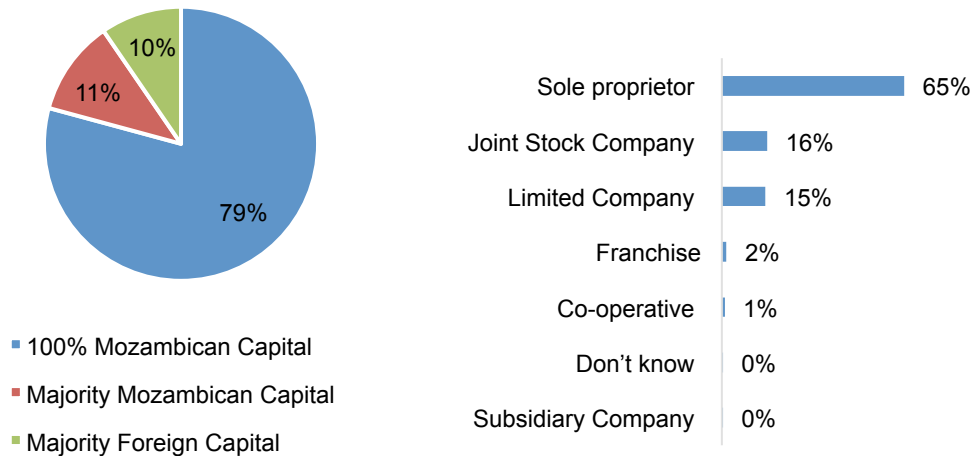
Figure 32: Distribution of SMEs by Sector



It is interesting to observe there is a growing participation of SMEs in newly emerging sub-sectors such as construction, transportation & logistics and real estate is likely to be indicative of a pull effect by the larger FDI-led investments in these sub-sectors and in the extractive industries. These sub-sectors are also indicative of a more complex economy than traditional sub-sectors in low-income African countries such as repairs and hospitality services.

By origin of company ownership, 79% of surveyed SMEs were fully owned by Mozambican nationals, 11% were majority owned by Mozambicans and 10% were majority owned by foreigners. Enterprises with a sole proprietor are still the overwhelming majority. Less than one third of SMEs surveyed had multiple owners, despite the strong benefits for the sustainability of the enterprise that having multiple proprietorship can bring about.

Figure 33: Distribution of SMEs by Nationality of Ownership and Shareholding Structure



The qualitative interviews revealed that there is substantial presence of South African and Zimbabwean business people and staff working in Tete and Nampula and increasingly in Cabo Delgado, particularly in the agribusiness, hospitality services, construction, logistics and transport.

The formal SME sector is dominated by small-sized enterprises. Almost 59% of the SMEs have between 5 and 49 employees and therefore Small Enterprises. 30% have less than 4 (micro) and 11%-12% have more than 50 (medium). A meager 1% of SMEs are active in the foreign market. Moreover, 72% of them only operate in one province which severely constraints their potential markets. 14% operate in more than one province and only 14% operate country-wide.

Figure 34: SME Geographical Focus

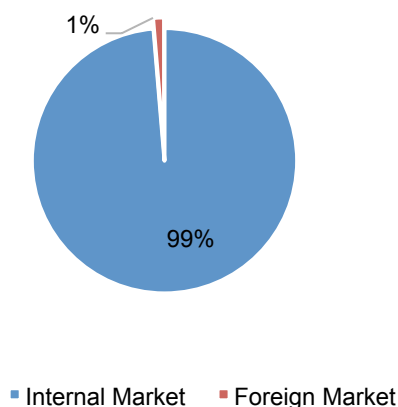
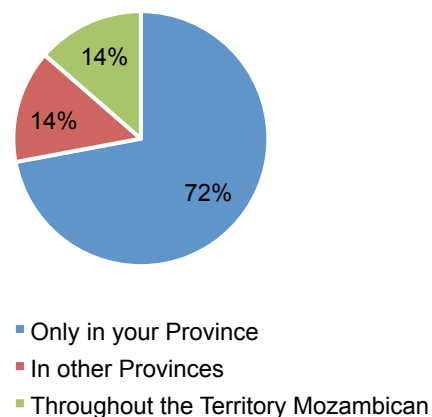
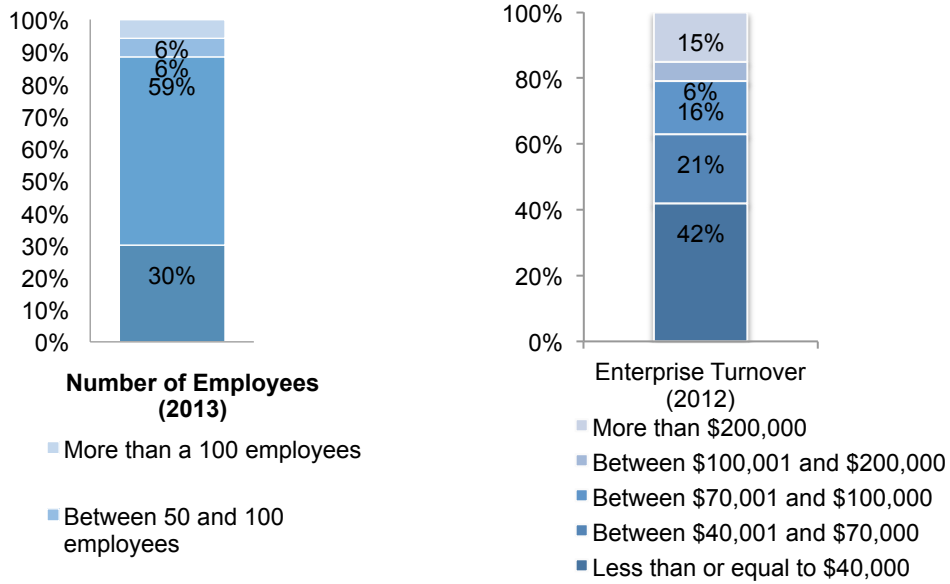


Figure 35: SME Geographical Presence



By Enterprise turnover 42% of SMEs are making less than or equal to \$40,000 per year. Only 15% turn over more than \$200,000 per year. Considering most SMEs have between 10 and 49 employees such small turnover with a relatively large workforce is not likely to yield meaningful earnings.

Figure 36: Number of Employees per SME and SME Turnover



The most common client of Mozambican SMEs is other SMEs. 30% of surveyed SMEs had other SMEs as clients. A lower percentage (26%) had large companies as clients. However, large companies account for 38% of total sales, a proportionally higher contribution (as illustrated in the subsequent figure)

Figure 37: Frequency of SME Clients by Type of Organization

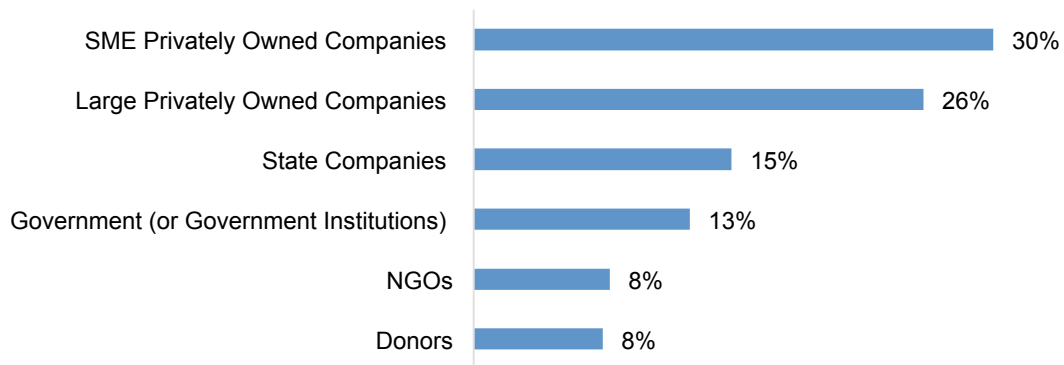
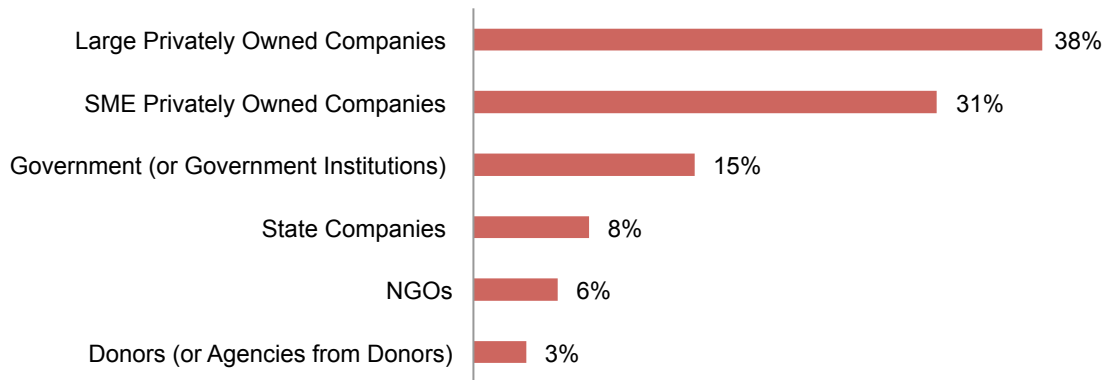


Figure 38: Contribution to Total Sales by Type of Client

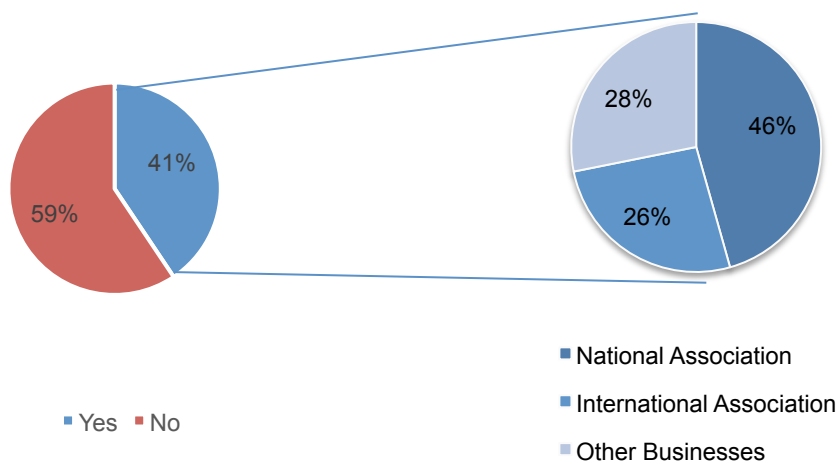


This shows that promoting, strengthening and facilitating business linkages between SMEs could have a major impact on SME revenue generation as in fact SME B2B is prevalent but it is not having a sales impact as high as that of larger clients. The same insight is found as regards State companies. 15% of SMEs had clients that were State companies but they only accounted for 8% of total sales. This also suggests that this is another area with expansion potential.

Besides strengthening the quantitative impact of B2B, another area where some SMEs are lagging behind is building their network of linkages (not necessarily linked to sales only but also to building relationships, improving internal capabilities, etc).

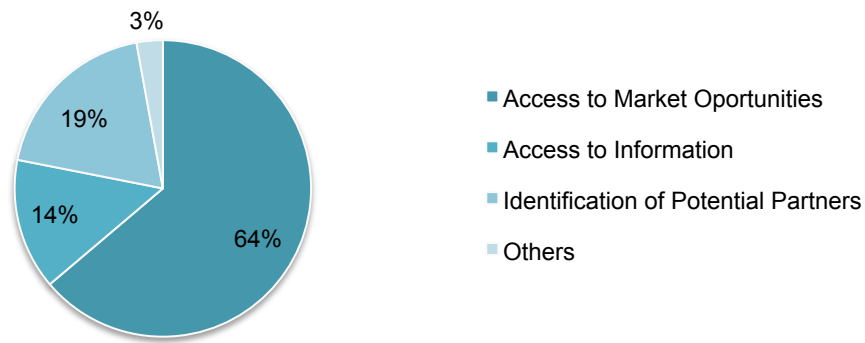
The graph below shows that 41% of SMEs do not keep regular links with other organizations. Of those who maintain regular links most of them do it with national business associations (46%) but international associations are also important (26%). Only slightly more than one in four use keep regular linkages with other business which could be suggestive of a certain mistrust amongst SMEs or lack of knowledge/ability to develop more cooperative relationships with other businesses.

Figure 39: Percentage of SMEs that Keep Regular Linkages with Other Organizations



The main factor behind keep the relationship is access to market opportunities. However other important (and perhaps less tactical) factors such as access to information and identification of potential partners are less common.

Figure 40: Reasons for SMEs to Keep Regular Linkages with Other Organizations

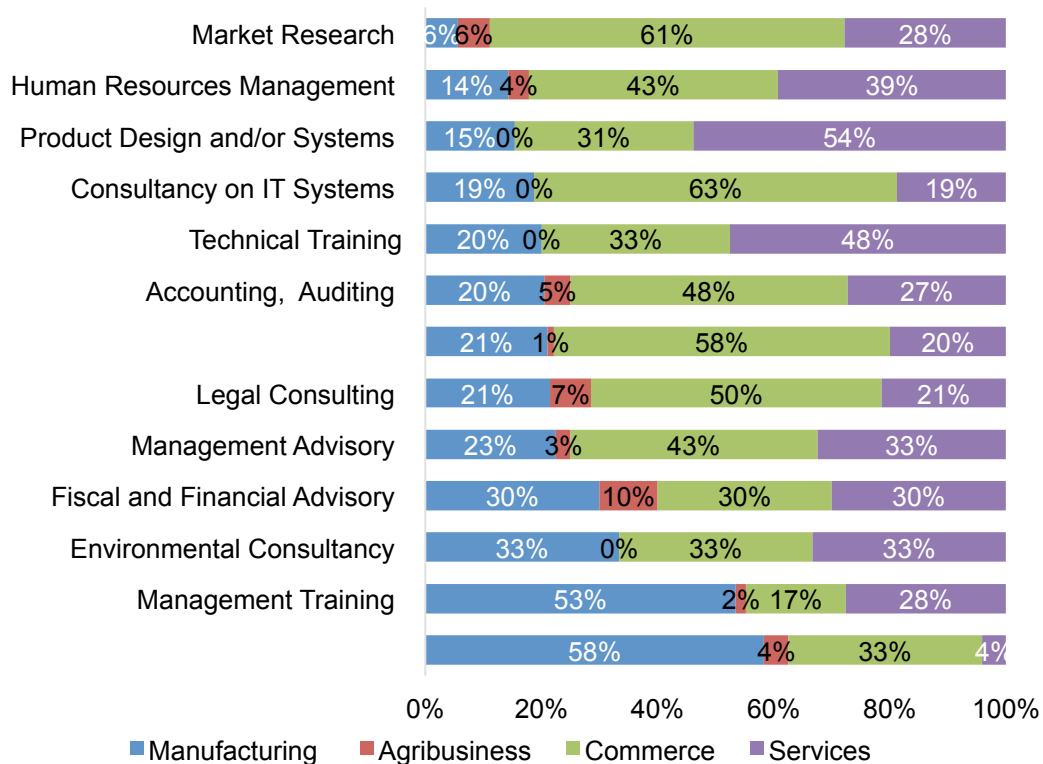


#### 4.1 Usage of services

While looking at the overall BS market, more generic BS are more commonly demanded, different BS are used with different intensity across the main economic sectors. Respondent firms in the manufacturing sector made more intensive use of quality services, management training, environmental consultancy and fiscal and financial advisory. Commerce relies more on consultancy on IT systems, advertising, marketing and communication and legal consulting. The services sector seems to be more intensive in product design, technical training and HR management.

This extreme diversity of usage across sectors further reinforces the need to look at the specific dynamics of each productive market to understand where the opportunity for BS provisi is.

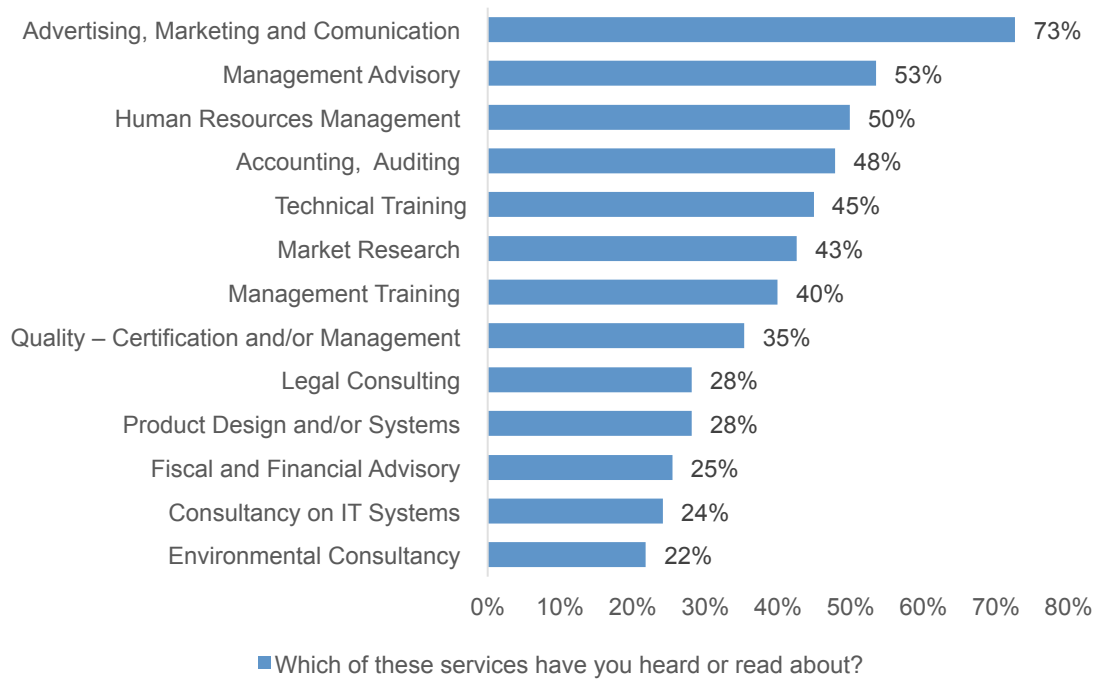
Figure 41 Usage of BS by Sector



## 4.2 Awareness of services

There are variable levels of awareness of business services the most common being advertising, marketing and communication (73%) and service like product design and financial advisory being amongst the least known. SMEs do not get adequate information about the services that contribute the most to their development such as product design, which limits their ability to benefit from the same.

Figure 25 Awareness of Business Services

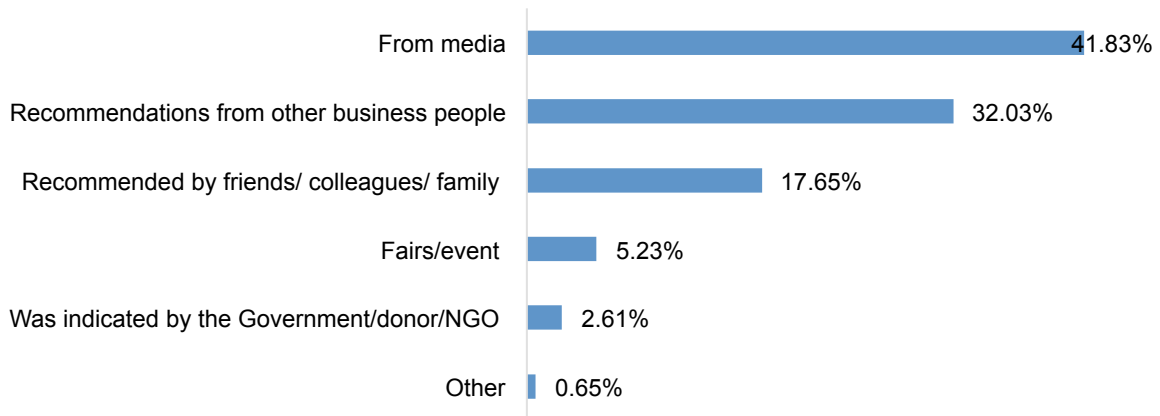


The results of the survey also indicate that the services that could contribute strategically to SME development are amongst the least used, including product design, IT systems and quality certification and management.

The means by which business services become known to SMEs are important to ensure there is sufficient demand to stimulate market development. Combined, word of mouth including recommendations from friends and other business people was the means used by 50% of the SMEs and 42% through the media, as illustrated in Figure 28 below.

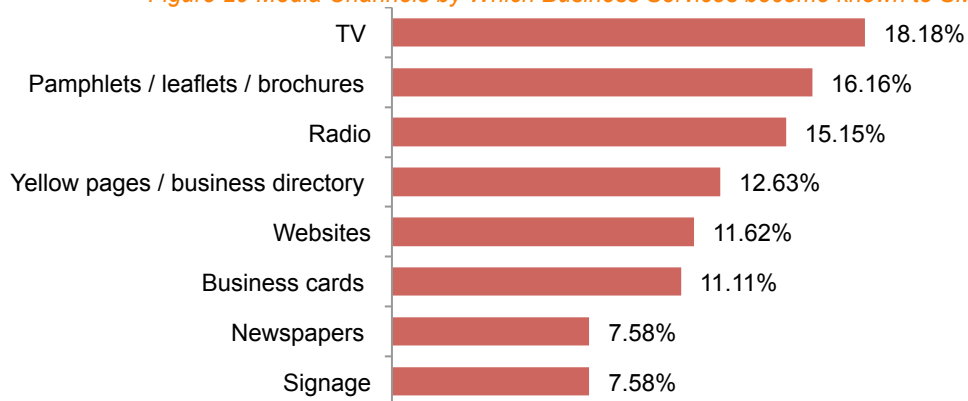


Figure 28 Means by Which Business Services become known to SMEs



This shows the early stages of the development of the BS markets. Word of mouth as a means of communication lacks the scale of the media (TV, radio, newspapers, internet) and its reach, therefore it is less effective. Relying on word of mouth would also typically result on a narrow geographical focus of the business. As found in this survey **72% of Mozambican SMEs operate only within one province**, 14% operate in more than one province and only 14% operate country-wide, thus limiting their ability to realize business opportunities from other provinces.

Figure 29 Media Channels by Which Business Services become known to SMEs

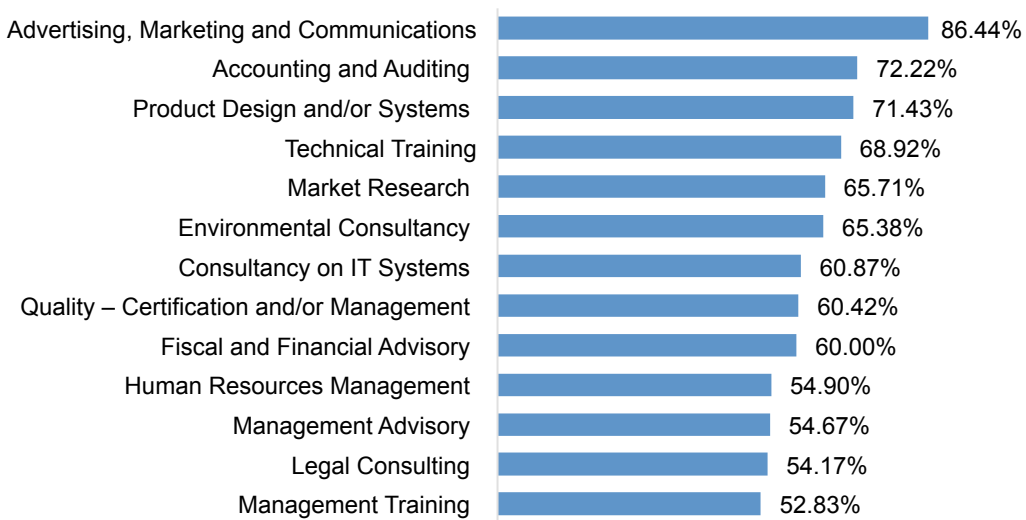


Within media channels, TV is the most used followed by pamphlets/leaflets/brochures. Again, pamphlets are a channel with less reach than mass media such as radio and websites (increasingly accessible by mobile phones). Media evaluations in Mozambique indicate that TV is the most widely used channel in urban areas and radio in rural areas.

### 4.3 Perceived needs

Of the SMEs that used BS most evaluated them as extremely important or relatively important to improve competitiveness. However, those considered most important were advertising, marketing and communications (86% of SMEs considered them extremely important), followed by accounting and auditing (72%) and product design. There is therefore an opportunity to improve access by SMEs to product design services as currently only 2% of SMEs make use of product design as indicated in Error! Reference source not found. above.

Figure 26 Services Considered as Extremely Important by SMEs that use BS to Improve Their Competitiveness

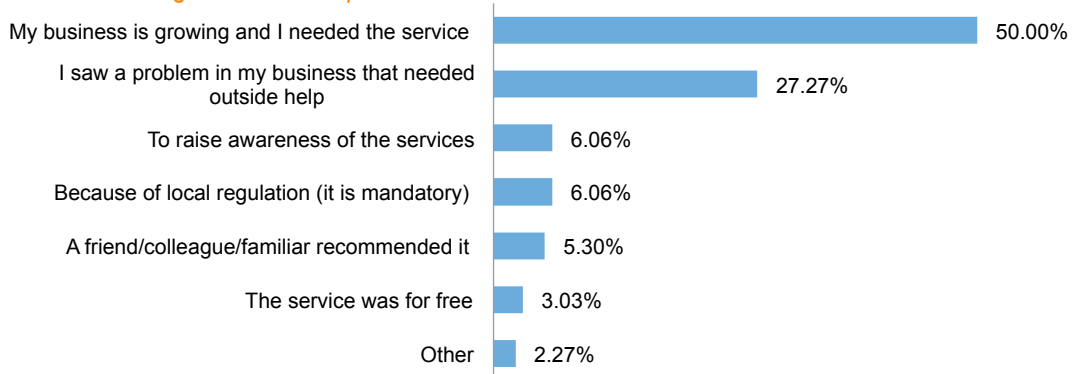


The least mentioned as “extremely important” were management training (53%), legal consulting (54%) and HR management (55%). Again a mismatch is observed as management training is seen as the least important business service to improve competitiveness yet it is one of the services most used and it is also a preferred area for donor intervention.

Naturally SME’s demand for business services is a function of their business focus, their business models and their financial capacity to purchase such services. Both the qualitative and the quantitative surveys made clear that while needs and potential demand exist financial capacity is seldom granted which effectively acts as a break for the supply of business services for SMEs.

The main reasons SME demand business services have to do with enterprise growth followed by internal operational problems, as seen in Figure 27 below.

Figure 27 Most Important Reason for SMEs to Demand Business Services



A good example of the importance of growth in the SME sector can be illustrated through the vegetable importing sector which is sustained by micro-enterprises. In the case of micro-enterprises training services are demanded even more than financial accounting, as these enterprises have a simplified regime that renders financial accounting unnecessary from a compliance point of view. The lack of use of basic financial accounting principles may have unintended effect of obscuring the financial management of the enterprise thus making it more difficult for management to adopt value-adding decisions. This is quite prevalent amongst the micro-importers and vegetable retailers, who

purchase produce in South Africa and then sell it to big distribution companies such as Shoprite, to whole-sale markets such as Mercado de Zimpeto in the outskirts of Maputo, the largest vegetable wholesale market in the country or simply sell it as retailers.

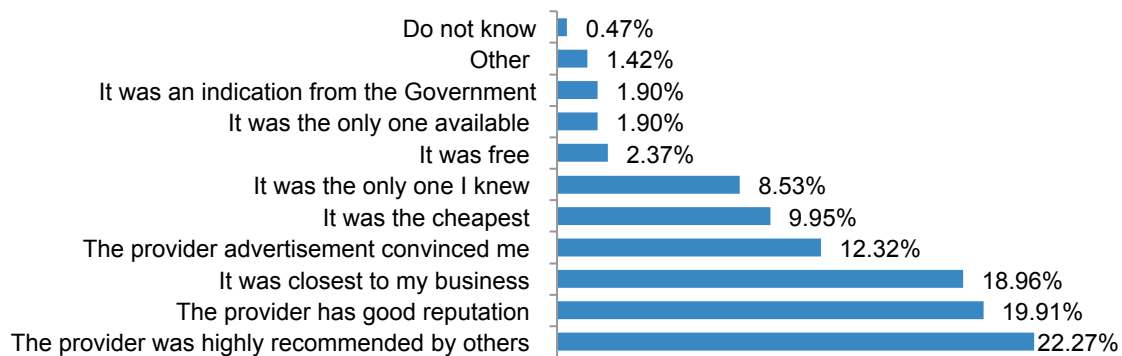
Against the traditional approach in the donor sector of providing training, academic studies such as Kaufmann and Palmeyer (2000) have failed to find any significant correlation between SME success (measured as income) and training received. This is likely to be the result of poor quality training, not tailored to real business needs and lack of quality assurance.

While on average training does not seem to have had a meaningful impact to Mozambican SMEs, by contrast, there are specific cases where training resulted in positive business outcomes. For example a statistical evaluation of SME training provide by GAPI (Dos Santos 2008) showed that the training provide contributed to the stabilization of operations and firm longevity.

#### 4.4 Purchase behavior and perception of use

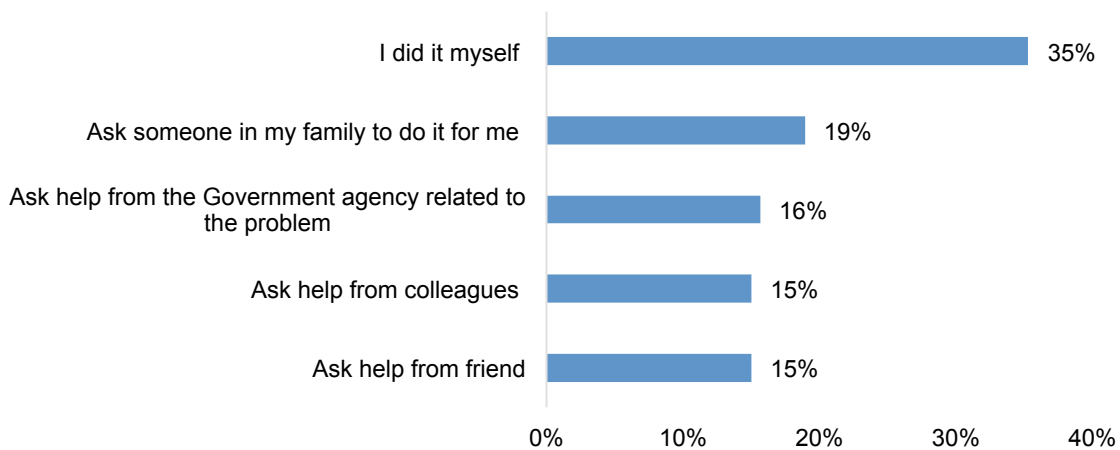
SMEs tend to value BS providers reputation and companies that are recommended by members of their network either business or professional when selecting a provider, as the figure below illustrates. Interestingly enough, even though SMEs are quite price-sensitive, products that are free would only be preferred by 2,4%.

Figure 30 Reasons to Prefer a Particular Business Service Provider



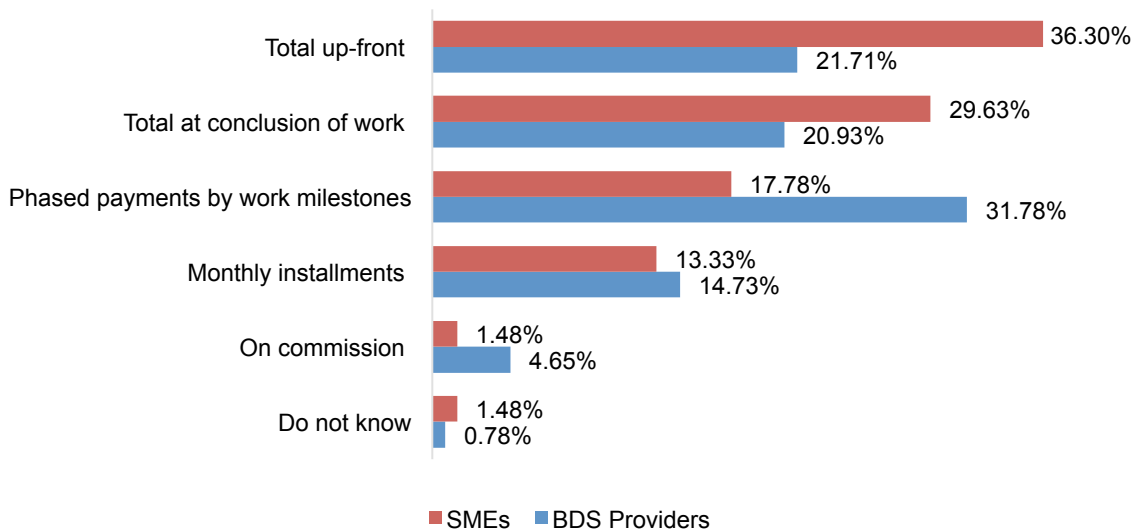
When they cannot or do not access BS SMEs will first attempt to address that need themselves, more than a third indicated this as their method of generating the benefit BS provides. Help from Government institutions is not viewed with significantly more benefit than the help received from colleagues and friends, indicative of their perception of the level of expertise that government institutions have.

Figure 42: Alternative Approaches to Business Services



Looking at the payments methods in figure below, phased payments (either by work milestones or monthly) only represents 18% and 13% respectively of the payment methods used by SMEs. Most SMEs pay up-front for the totality of the service cost. This implies that payment for the services happens before the value of the service has been realized. However, value realization itself could enable payment for services.

Figure 29 Method Used by SMEs to Pay for Business Services



In general, value-based pricing is not practiced. However, our qualitative interviews un-covered how one formal micro-enterprise in Nampula managed to sell accounting services to local supermarkets by charging an amount that would vary with the total revenue generated by the supermarkets in future financial years, as opposed to before the service was provided or immediately after.

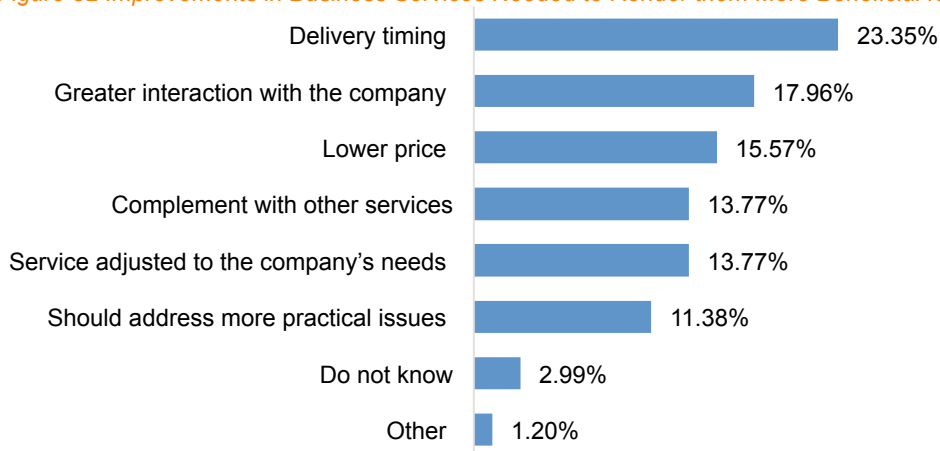
This way, the SME would pay according to its capacity to pay. When revenues increased the payment for the same accounting service would be higher than when revenues decreased. This innovative and tailored payment method contributes to the development of the business service market as well as to promoting growth of clients. While in the short run payments may be smaller when the services are provided as part of an on-going longer term contract the amount paid over time may well be larger than if a unique payment was done initially. Also the risk is shared between the services provider and the SME.

## 4.5 Level of satisfaction and expectations

As shown in the figure below, the main factors that could render business services more beneficial (and could therefore promote BS market expansion) are improving the delivery timing, allowing for greater interaction with the client and having a more accessible price. These issues were also confirmed by the qualitative interviews. SMEs are increasingly demanding more of a relationship with a business service provider than a time-bound output.

However, most product design and pricing strategies are still based on a discrete and punctual or sporadic interaction rather than continuous relationship. Services that involve a longer relationship such as coaching and mentoring or strategic advice are very scarce.

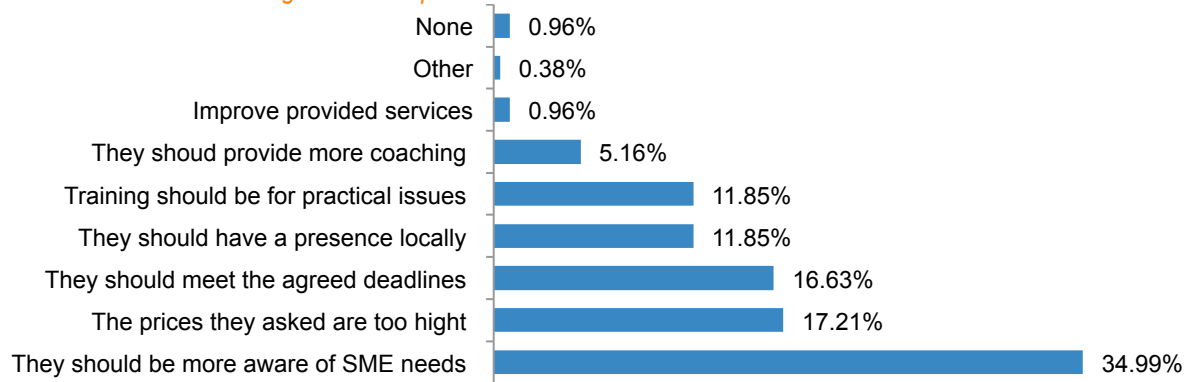
*Figure 32 Improvements in Business Services Needed to Render them More Beneficial for SMEs*



A potential inhibitor to the demand of business services related to high prices is the payment method. Many SMEs face cash flow difficulties and the financial sector has not responded well to these needs with a suite of affordable products. In one of our mystery shopping cases a Maputo-based Small Enterprise with a solid revenue-generating record was being charged 30% interest rate for its \$10,000 overdraft facility. That is more than three times the official interest rate in the country (8.75%) at the time of the mystery shopping experience.

As regards SME's complaints about business services, the most frequent complaint was the need of the business service provider to be more ware of SME needs, followed by their concern around high prices and inability to meet deadlines. Lack of awareness of SME needs is however, by far the most important message that SMEs would like to pass to business service providers.

Figure 33 Complaints from SMEs to Business Services Providers



Therefore, an opportunity exists for providers to improve their business intelligence, market research and operational research capabilities focusing on SMEs. This opportunity was confirmed during the qualitative interviews where SMEs complaint often business service providers have a not-for-profit background or an excessively generic or theoretical approach combined with insufficient knowledge of market and operational difficulties faced by SMEs. In other words, some business services are too generic, not sufficiently detailed and rooted in the tough realities SME face. This also points to the need to develop strategy services that effectively make use of market and operational research methods to effectively reconcile the external threats and opportunities of a SME with its internal strengths and weaknesses into a coherent and actionable operational strategy.

#### 4.6 Conclusions

Overall the levels of SME client awareness are low. A few key services such as quality – certification and/or management and product design could benefit from increased awareness. This would have to be sparked by a greater paradigm shift in SME management’s business approach. These services could be strategic areas of improvement for many SMEs to engage in the changing Mozambican economic landscape.

Currently mass media and word-of-mouth are the main mechanisms through which SMEs become aware of business services. Mass media has benefits, but to maximize its effectiveness BS providers need to ensure their information is informative about the benefits and the value added of the services. An exercise in persuasive communication needs to be made to convince SME in broadening their understanding of growth and shifting toward long term strategic planning over short term solutions. Word-of-mouth also has a significant impact on the selection of BS providers; SMEs prioritize recommendations from within the business and personal networks as well as a proven good reputation.

Amongst the SMEs that have used BS service their importance is proven and they acknowledge that most services are extremely important to improving business competitiveness. Though some of the services they acknowledge as important such as product design and market research have lower awareness and usage rates. This may be due to even smaller supply of the same (with only 2% of BS providers providing either of the above mentioned services to SMEs).

In general SMEs have difficulties coping with the financial requirements of BS providers. One factor that contributes to this scenario significantly is the lack of value-based pricing. The lump sums BS charge for service are often too high for SMEs to part with ease and also not fully grasping the future

value of the service nor its worth makes them even more reluctant to risk the financial commitment when access to finance is one of their most pressing concerns.

Overall SMEs expressed the need for BS providers to understand their real needs and supply products and services that are more adequate. This is certainly an area where BS providers need to be more concerned, as there are a number of opportunities in the emergent economic scenario that if leveraged appropriately could prove to be very lucrative to BS providers, whilst promoting the development of the SME sector.

## 5 Supply-side analysis

Most BS providers generate very low turnover. However, at the higher end 38% of them generate more than \$200,000 per annum.

### 5.1 Profile of BS providers

BS providers are mostly local 100% Mozambican-owned companies. Half of them have a sole proprietor and the other half have shareholding. Joint ventures are uncommon as is multi-national shareholding. The typical BS provider has between 5 and 49 employees (a Small Enterprise) and 42% generate less than \$40,000 turnover per year. Most of their clients are from the services sectors, especially hospitality services, education and training, logistics and transport and construction, despite most SMEs concentrating in the commerce sector.

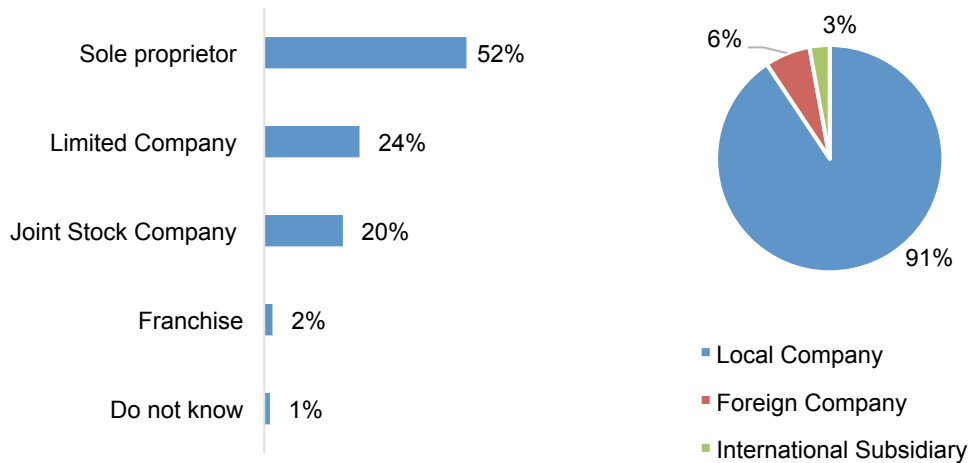
Many (41%) BS providers do not keep regular links with other organizations. The most commonly offered services are technical training and other technical/specific services such as logistics support and event management. Product design and systems design are amongst the least offered, which could contribute to those being amongst the least demanded business services.

BS providers do not generally offer bundled products or services. Their main constraint is accessing finance and being paid on time. Having access to key resources such as real estate and electricity and navigating the business environment are also seen as major constraints particularly the difficulty to comply with laws and regulations and the difficulty to operate in an environment with high levels of corruption. Internally BS providers acknowledge their lack of marketing capabilities, particularly their capacity to develop new products and services as well as financial management and internal technical training of staff.

#### *Ownership and Age*

An overwhelming 91% of surveyed providers of business services were companies with Mozambican ownership. 52% of the providers had a sole proprietor and the remaining 48% have multiple proprietors in the form of a limited company or a joint stock company.

Figure 43: BS providers by Type of Ownership and Shareholding Structure

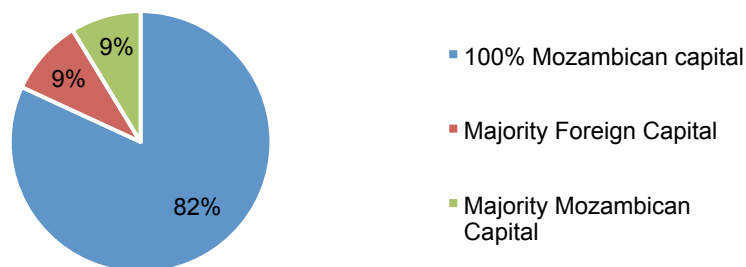


As it was the case on the analysis of the demand side, the percentage of dual nationality (national-foreign) ventures in the BS sector remains low at 18% of the total surveyed providers, despite the large FDI inflows the country is receiving.

The percentage is even lower than in the demand side (21%) suggesting the BS sector is even less “internationalized” than its clients. A factor contributing to this is the competition that Mozambican-registered BS providers face vis-a-vis providers that are not registered in Mozambique but may be providing services to clients in Mozambique.

This includes consulting organizations under the umbrella of a donor bilateral institution, not-for-profit organizations offering business services (potentially crowding out the for-profit business services market) and for-profit organizations based in other countries/regions such as South Africa, EU, USA and Brazil.

Figure 44: BS Providers by Nationality of Ownership

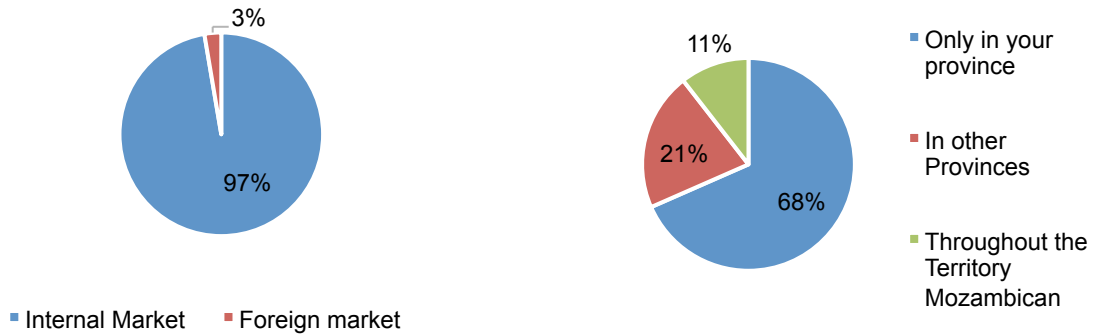


**Geographical Focus**

Also similarly to the demand side BS providers are focused on the domestic market, with only 3% having a foreign markets focus. Also, 68% of them operate only in one province, 21% in more than one province and only 11% country-wide.



Figure 45: Geographical Presence of BS Providers

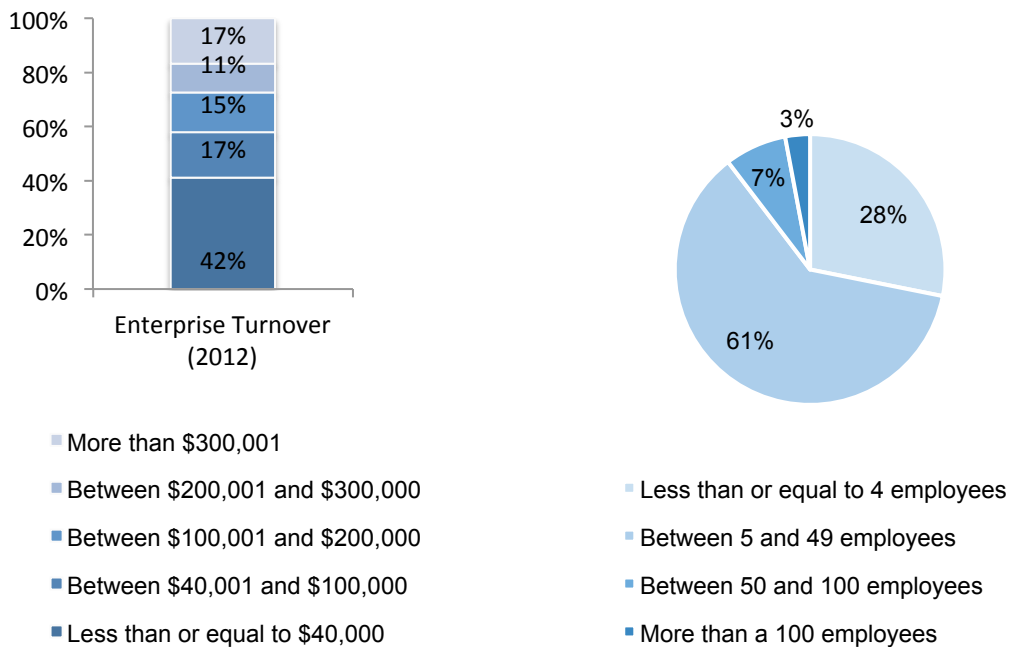


*Number of Employees and Turnover*

61% of BS providers have between 5 and 49 employees and 28% less than 4 employees. Therefore business services are mostly provided by Small Enterprises<sup>31</sup>.

While the picture in terms of number of employees of BS providers is quite similar to that of their SME clients, in terms of enterprise turnover BS providers generate more turnover than SMEs. **A total of 28% of BS providers generate more than \$200,000 turnover per year compared to 16% of SMEs.** At the bottom of the turnover pyramid there are more similarities between suppliers and clients, in both cases 42% of them generate less than \$40,000 per year.

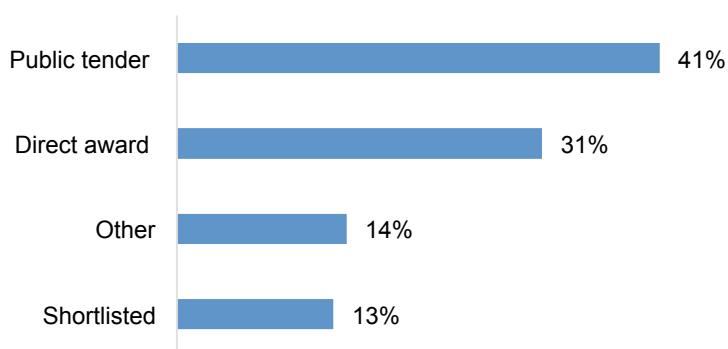
Figure 46: Number of Employees and Turnover



<sup>31</sup> Note the GoM has several definitions of Micro, Small and Medium Enterprises based on the number of employees and turnover and published in different regulations.

The bulk of BS providers' income comes through public tenders (41%). This shows how incredibly important having access to public tendering is for BS providers.<sup>32</sup>

Figure 47: Main Income Sources for BS Providers



A recent private initiative by ACIS, a leading national business association, called InBid provides the opportunity to register BS providers across the country on an electronic centralized database of tender opportunities. Besides this, usually tenders are announced in newspapers but their rural and provincial reach of their printed versions is very limited, often concentrating in the large cities of Maputo, Matola, Beira, Nampula and Pemba. Their on-line versions are available. Internet coverage is poor in remote rural areas but it has decent quality along the coast and in and around urban centres.

## 5.2 Product/Market mix

The most commonly product offered to SMEs is technical training followed by accounting and audit. This contrasts with the most commonly demanded products<sup>33</sup> being advertising, marketing and communications. It is also clear that BS providers offer a host of different products beyond traditional business services including logistics services, event organization etc. This shows the relevance of *technical* business services vs. *generic* business services. So far some donor programs have gone towards promoting generic business services such as business plans and management training. However there is a lot more that the supply side can offer and it can be a lot more technical and specific.

Besides, as was the case on the demand-side, product design seems to be both in low demand and in low supply. The qualitative interviews revealed a fair amount of ignorance and general lack of awareness around this service.

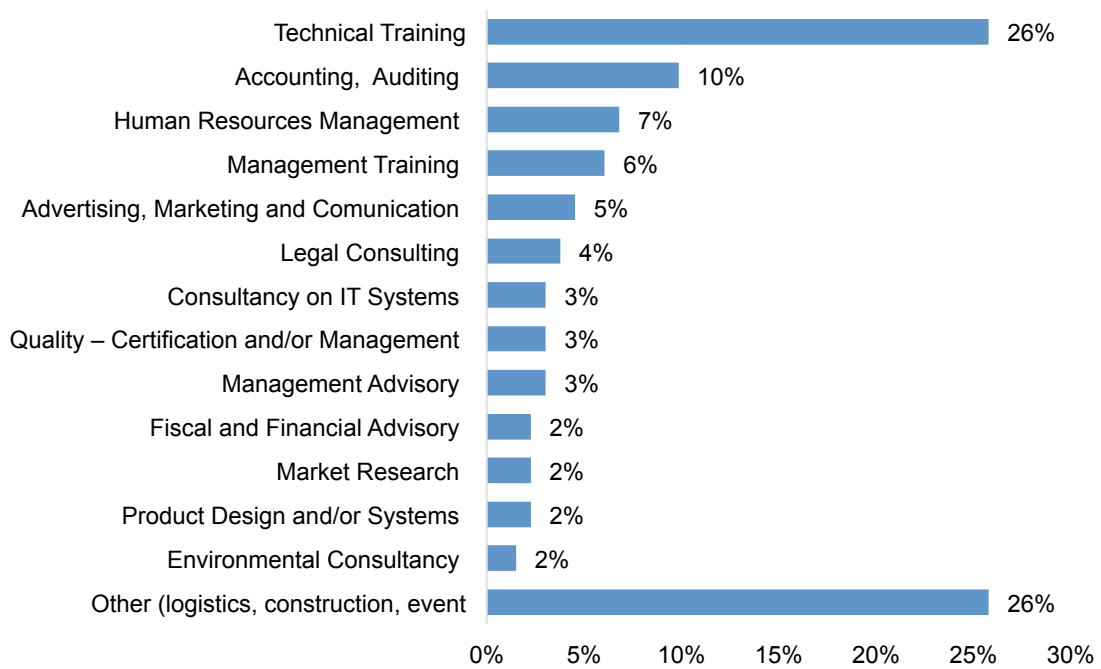
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<sup>32</sup> Shortlisted/restricted bid is the one directed to all the registered suppliers and that have determined qualifications and characteristics already known by the Public Service that initiates the procedure.

Other involves foreign NGOs and sales to public in general.

<sup>33</sup> The exact question in the demand-side survey was 'Has your company used (which) services in the past 2 years?'

Figure 48: Products Offered by BS Providers to SMEs<sup>34</sup>

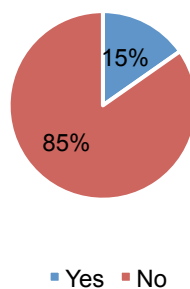


Product bundling is extremely rare in the BS market with only 15% of surveyed providers offering bundled products, as illustrated below.

This is quite limiting, as product bundling can be a win-win strategy to satisfy unmet client needs and improve sales margins. Therefore it can be a strategy with the potential to expand the market. However, it seems product bundling is seen as complex by many providers. Product bundling makes pricing more complicated and therefore requires stronger analytical skills and selling products per unit.

A mystery shopping experienced conducted with a Nampula-based BS provider revealed a lack of benchmarks used to price products. A basic data collection service was requested.

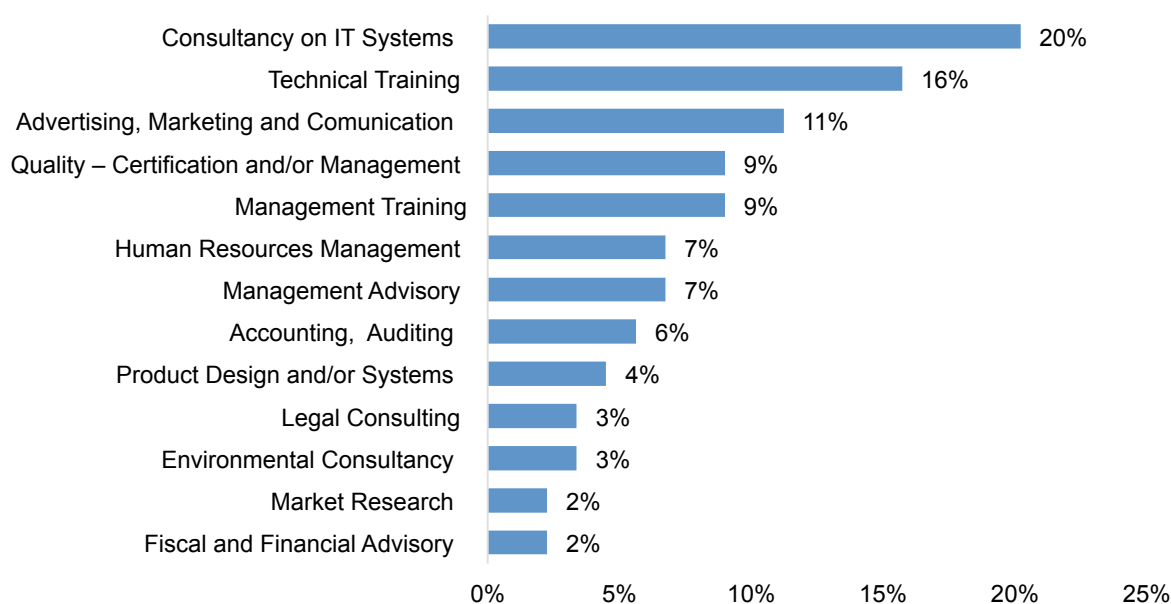
Figure 49: Percentage of BS Providers Who Offer Bundled Products



Certain products are more likely to be offered in bundles: IT consultancy services and technical training, as shown below.

<sup>34</sup> Other involves logistics, construction, event organization, cargo transportation, production, sales and silkscreen printing.

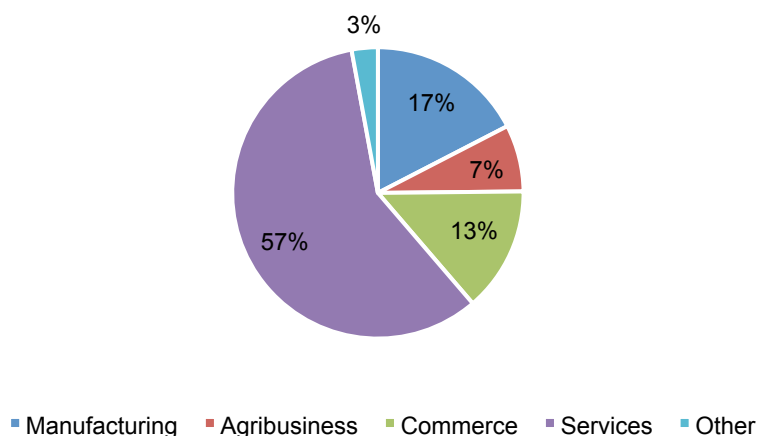
Figure 50: Business Services Offered in Bundles



### Clients and Networks

Despite most of the demand-side SMEs surveyed being active in the commerce sector (40%) the majority of the BS clients come from the services sector (57%) with commerce only representing 13% of clients. This observation poses interesting question for BS program design. Should the program focus on the sector that actually constitutes the largest source of demand for BS products or should the program stimulate demand from other sectors?

Figure 51: Economic Sectors of BS Clients



Within the services sector, those areas or sub-sectors with higher degrees of competition are demanding more business services, especially hospitality & restaurateur services (11%), and education & training (10%) followed by logistics & transport (9%) and construction (9%). An important feature of these sectors is that they probably have a longer track record of market development than other more recent sectors such as real estate, ICT and finance and insurance.

A “learning curve” seems to emerge relating the time a sector has seen active competition and its likelihood to demand BS services. In that way, older sectors are likely to be more complete in that they have a higher propensity to establish linkages with input markets such as BS services. This is

consistent with the first welfare theorem of economics according to which competitive markets are efficient markets. Competition forces market players to stretch their networks and seek the inputs and capabilities they require to compete.

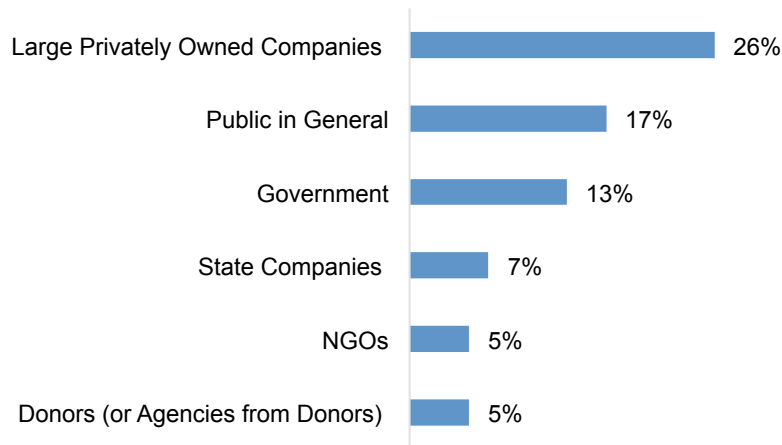
*Table 4: Distribution of Services Sector BS Clients by Sub-Sector*

Services Sub-sector	Freq.
Hospitality & Restaurateur	11%
Education & Training	10%
Logistics & Transport	9%
Construction	9%
Real Estate	4%
Information, Communications and Technology	4%
Finance & Insurance	4%
Repair of motor vehicles and motorcycles	3%
Leisure & Artistic Activities	3%
Health	2%

Large privately-owned companies represent one in four BS clients, the Government and State companies combined represent 20% and the public in general (consumers) 17%. NGOs and donors combined only represent 10%. This finding is corroborated by the ODAMOZ private sector aid mapping (figure 54) which shows only 3% of on-going aid commitments to the private sector in 2012 were directed towards business development services.

As regards sales contribution of clients, largely privately own companies are the main client, followed by the public (consumers). Again, Government and State Companies combined comprise a meaningful 20% of Sales of BS providers, confirming the importance of this demand segment, not only for SMEs in general but also for BS providers.

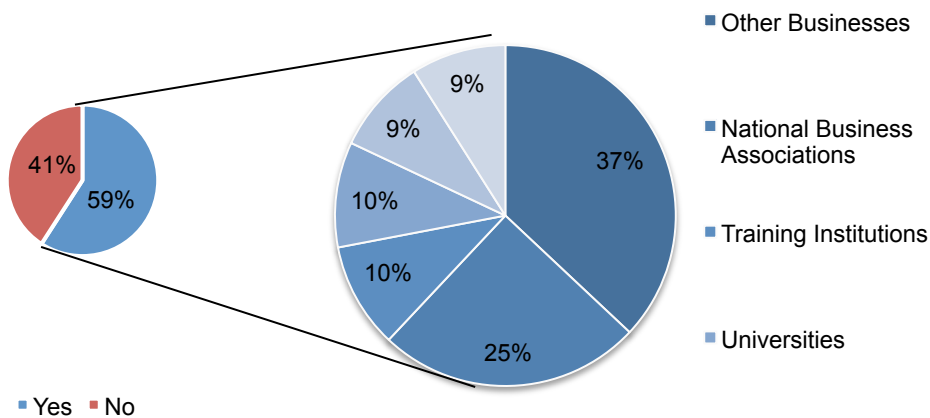
Figure 52: Sales Contribution of Clients by Type



As found for SMEs, a large share of BS providers does not maintain regular links with other organisations, suggesting network building and public relations are key weaknesses. It is even more surprising in the case of BS providers as the most commonly offered product is advertising, marketing and communications, yet they themselves do not always seem to practice what they preach.

BS providers seem more likely to establish regular links with other businesses than SMEs (37% vs. 28%).

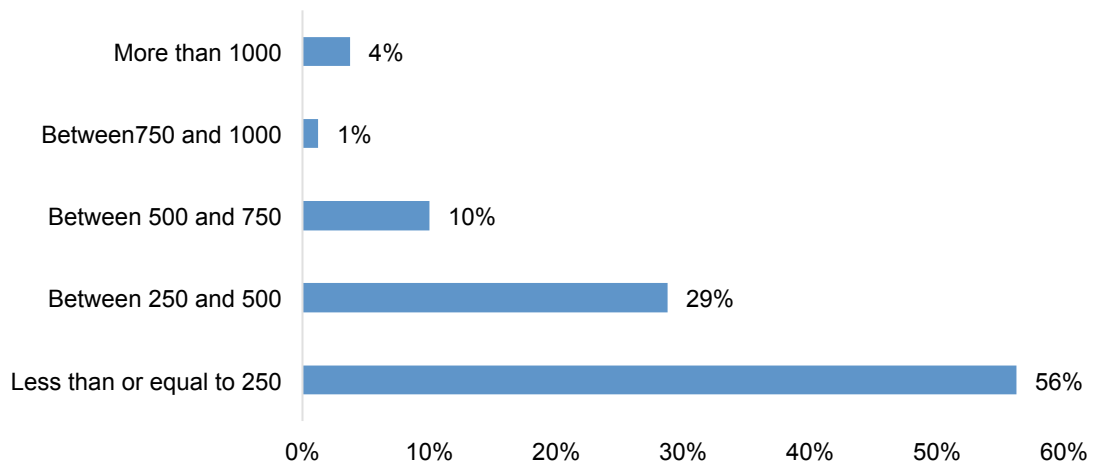
Figure 53: Networks of BS Providers by Type of Organization



### 5.3 Pricing

BS providers report being quite flexible as regards the level of pricing, most them are willing to price below \$250 per day. However, qualitative interviews revealed that successful BS providers are also flexible and innovative in their pricing systems.

Figure 54: Daily Prices BS Providers Are Willing to Offer



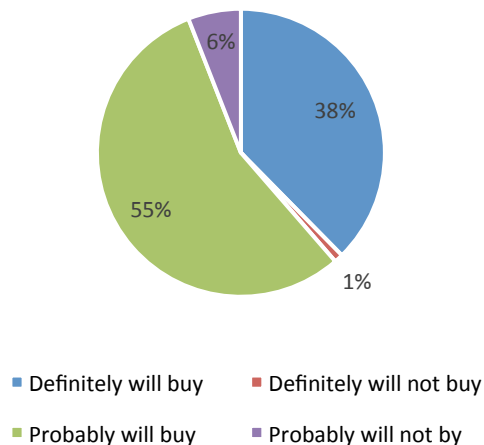
A potential inhibitor for demand of business services related to high prices is the payment method. Many SMEs face cash flow difficulties and the financial sector has not responded well to these needs with a suite of affordable products. In one of our mystery shopping cases a Maputo-based Small Enterprise with a solid revenue-generating record was being charged 30% interest rate for its \$10,000 overdraft facility. That is more than three times the official interest rate in the country (8.75%) at the time of the mystery shopping experience.

#### 5.4 Capacity and future plans

BS providers identify training of staff as the best way to improve the quality of services. Key potential contributors to product quality such technical assistance in quality are not regarded as relevant.

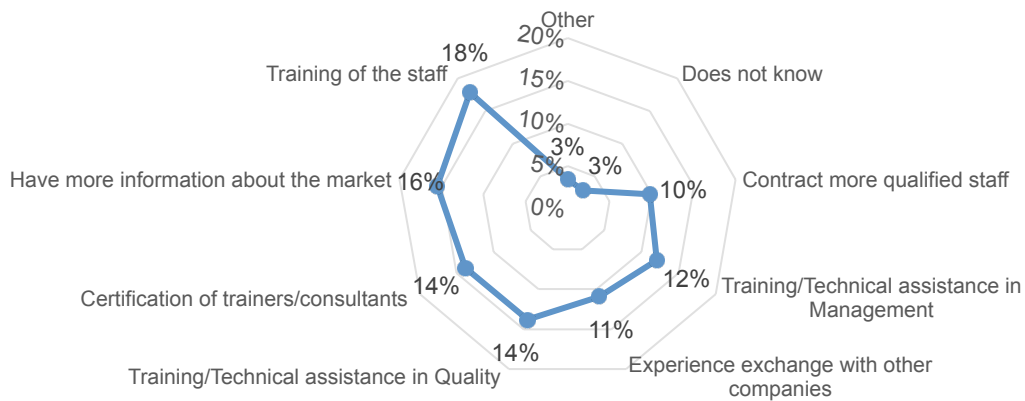
An overwhelming majority of providers is willing to participate in institutional development programs.

Figure 55: Willingness to Pay to Participate in an Institutional Development Program



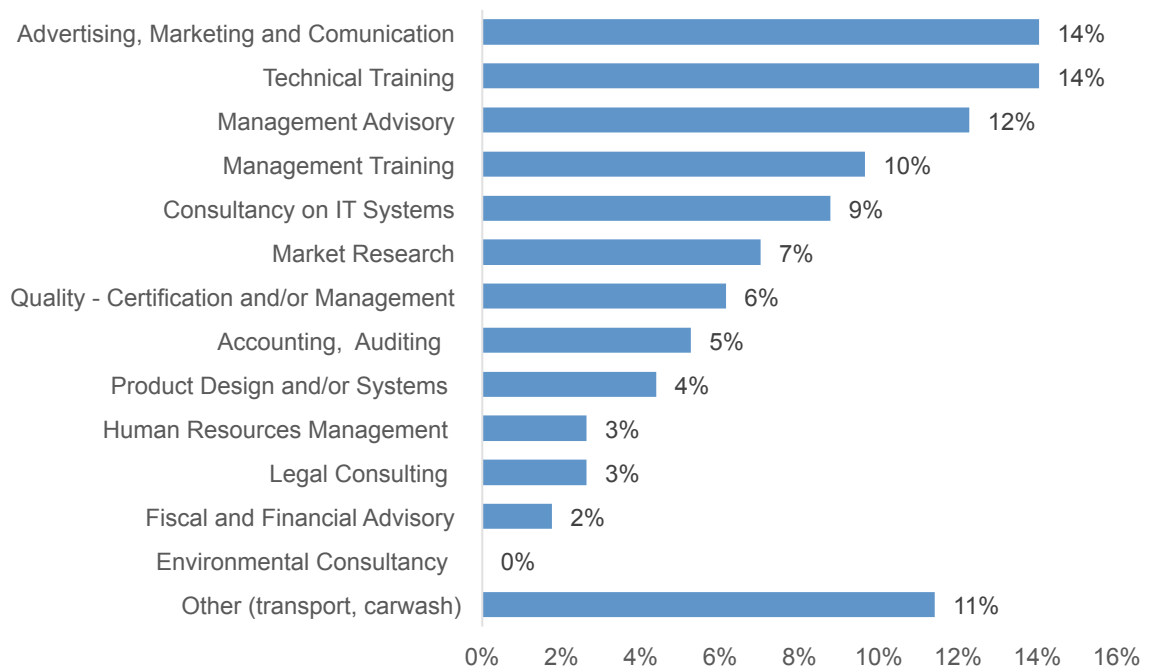
More specifically BS providers are seeking for training of staff, market information, certification and technical assistance in quality.

Figure 56 Services the BS Provider Would Like to Receive for its Development



BS providers' future plans to develop new products focus on mainstream/dominant products such as marketing, training and management. These are in fact the most demanded products so while one could accuse BS providers of not being particularly innovative the I no doubt that they are putting their eyes where the money seems to be.

Figure 57: New Products/Service they would like to offer to SMEs that currently are not





## 5.5 Market perceptions

The quantitative survey was conducted across the entire BDS market. However, the qualitative interviews uncovered interesting trends in specific markets.

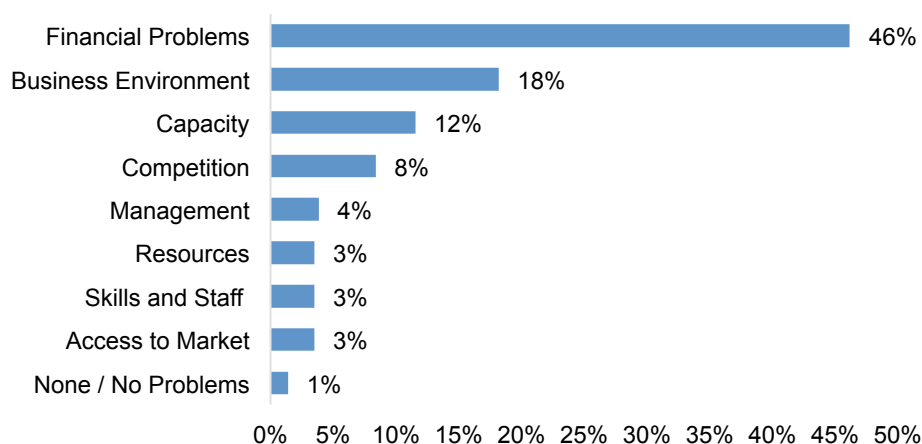
For example, in the extractive industries there is a need for SHE services as indicated earlier in this report. In manufacturing and agriculture quality certification and management are also experiencing an increase in demand. Across various sectors SMEs (without necessarily knowing the name of the specific business service) are pointing to their need to have strategic solutions to know more about the market, establish better networks and partnerships and improve the ability to find and materialize market opportunities, as well as being able to secure finance and having a structured and forward-looking way of planning their businesses. Some of these market trends have been captured by market-specific BS providers.

In undistorted sectors where the market mechanism works better such as supplying services to large foreign companies a number BS providers are improving their ability to respond to market opportunities yet as noted earlier in this report they are still falling behind the expectations of large buyers, mostly due to quality concerns as well as the ability to meet tight deadlines and be able to deliver large orders.

## 5.6 Constraints on BS suppliers

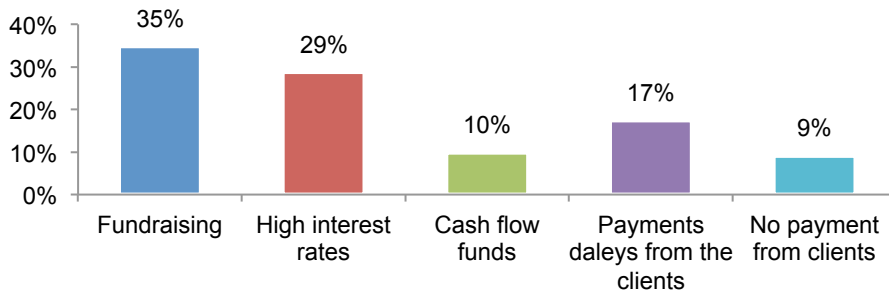
At a micro level, financial problems is the main worry of BS providers as it was for demand-side SMEs, followed by the unlevelled business environment and capacity issues. The business environment was the fourth issue for SMEs, instead of the second worse. Therefore, it seems this is something that is affecting the supply side more than the demand side. There may be structural bottlenecks for the supply side than a growing demand alone may find it difficult to unblock. We have discussed these constraints related to business environment in section

*Figure 58: Major Constraints Reported by BS Providers*



The main financial issues are fundraising, high interest rates and payment delays by clients. There are also cases of non-payment.

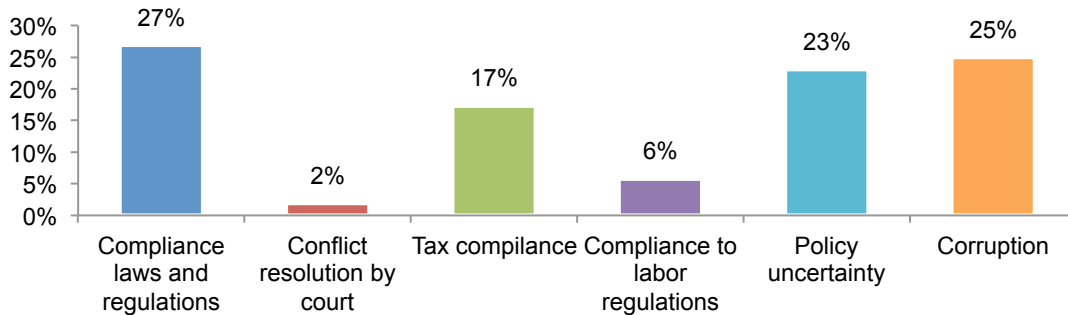
Figure 59: Financial Issues Faced by BS Providers



The main business environment reported was compliance with laws and regulations (also reported in the quantitative interviews as a problem of unlevelled playing field), very closely followed by corruption. An example of a regulation that has become a constraint for BS suppliers is the withholding tax. The appendix contains section outlining the burden it places not only on BS provider but in fact on all SMEs in Mozambique.

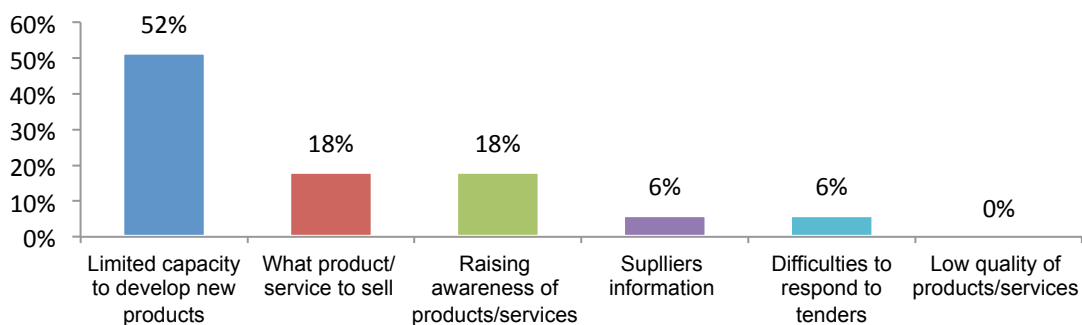
The market-disrupting effect was also a recurrent them in the interviews. When corruption cases are aired in the media there is hardly any response from the legal system which effectively dampens the use of market prices as signal for competitiveness and efficiency. Corruptions ware reported to happen not only in the public sector but also in the private sector.

Figure 60: Business Environment Issues Faced by BS Providers



The main capacity issue mentioned was limited internal capacity to deliver new products.

Figure 61: Capacity Issues Faced by BS Providers



## 5.7 Conclusions

In many regards BS providers are remarkably similar to their SME clients. They also bear the consequences of a tough business environment where it is difficult to access capital and where due to corruption clients and rewards not always follow performance thus blocking the incentives mechanism of open markets (where the most competitive player would capture a higher share of demand through more competitive pricing and quality).<sup>35</sup>

They are eager to improve their organizational/institutional strength and resilience to ups and downs of the market, and as SMEs they are fixated with the need to train their staff, yet they also need more market information and quality management.

Worryingly, BS providers seem to be rather myopic about the needs of their SME clients, perhaps because often SMEs are not their main clients (large private companies, public enterprises and the Government are).

More specifically, they need to improve their understanding of their client needs and develop more flexible approaches to delivering business services, such as on-going services rather than short-term projects, periodic payments, pricing linked to performance. BS providers experimenting with more innovative pricing schemes are starting to reap the rewards.

At a product level bundling is still rare as well as embedding BS in commercial transactions. In the extractive industries there is a need for SHE services as indicated earlier in this report. In manufacturing and agriculture quality certification and management are also experiencing an increase in demand. Across various sectors SMEs (without necessarily knowing the name of the specific business service) are pointing to their need to have strategic solutions to know more about the market, establish better networks and partnerships and improve the ability to find and materialize market opportunities, as well as being able to secure finance and having a structured and forward-looking way of planning their businesses

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<sup>35</sup> Corruption involving BS providers and public institutions has been recently reported in the media.

## 6 Good practice in design of business services market development

### 6.1 The Market Development Paradigm

Due to the observed limited success of the earlier BS paradigm based on the provision of services by implementing agencies in the recent years there has been a shift towards BS Market Development Approaches that are centered on systematic change, i.e. on developing business service markets so that SME's would be able to access such services through market mechanisms.<sup>36</sup>

The *Market Development Paradigm* promotes positive changes in the market:

- Number of differentiated suppliers increases;
- Suppliers earn profits from fees to MSMEs or other commercial sources; they do not depend on subsidies;
- Suppliers' costs are appropriate for the MSME market, not skewed by donor funding;
- A variety of service products is available in the market;
- Service quality and appropriateness improves with increased competition to serve MSMEs; and
- Number of transactions between private suppliers and MSMEs increases.

A key principle for choosing and designing interventions is that the intervention should not be any more intensive than required to address the market issue.

The Market Development Paradigm to BS design and delivery has the potential to reach large numbers, cost-effectively and sustainably by developing a broad market of local and mostly private, for –profit BS suppliers and client SMEs who access services through mainstream, business-to-business relationships<sup>37</sup>.

Charging fees for services (the market mechanism based on prices) has proved to be more financially sustainable contrary to traditional development programs that focused on one institutions providing subsidies that allow MSMEs to access services free or at very low costs. The traditional approach had a limited impact because programs were generally short-term, small scale and expensive.

The BS Market Development Approach is underpinned by the following principles:

#### *Affordability & willingness to pay*

Willingness to pay is key determinant as well as ability to pay or affordability. However capacity to pay can be supported by external funding whereas willingness to pay is a strictly internal requirement that presupposes an understanding of the value added to the company by the purchased services. Therefore this implies that:

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<sup>36</sup> However as quoted in Philip, TK (2008), 'Systemic change' entails changing the rules of the game in markets, but apart from the need to be 'embedded in a local context', issues of political or economic power are largely absent from the picture, which narrows rapidly in focus to the level of business service markets, and the ways in which formal and informal rules of the game affect the way this particular market works.

<sup>37</sup> ILO (2003)

- BS market development programs should focus on the market segment with ability to pay (i.e. not so much micro but higher-income small and specially medium enterprises)
- Even when focusing on a segment with purchasing power, the program should include initiatives to increase the awareness of business services and the benefits these provide to the business, not only operationally but also strategically.

#### *Broad and diverse demand of business services*

A market with a diverse array of business services **requires a diverse array of businesses to service (demand-side)**, and a feature of weak markets is that the necessary economies of scale on the demand side are often absent. In general, we believe that a demand-based approach to developing BS markets is the most effective approach. This implies that a BS market development program should target specific market with sufficient scale (potential demand) rather than being blindly defined across an amalgamation of different markets (some with scale some lacking it).

The development of specific BS markets might possible by promoting supply to induce demand, thus inverting the premise of “sufficient demand” in such markets that are suffering from informational gaps or asymmetries. For example while many SMEs do not demand auditing services the existence of low-cost audit service for SMEs may raise the awareness of the benefits of this service unlocking latent yet unforeseen demand at lower price levels.

#### *Nature of business services: Operational vs. Strategic*

There is a notable distinction that should be made between operational and strategic services, the latter also seems to have a significantly smaller and in some cases nonexistent market. Operational services are relatively generic, and can service a diverse range of types of enterprise: for example, motor vehicle maintenance, freight, or accountancy services.

This is important because SMEs need sustainability and a longer-term, strategic approach that goes beyond addressing operational gaps they may currently have.

In summary a BS market development programme should consider the following interventions:

- **Promotion of fee-based services** by Government and donors to generate greater results and potentially lower costs by delivering services through MSMEs with specialist knowledge (B2B)
- **Business Linkages and Promoting Embedded Services** the aim is to create or expand BS embedded within business relationships between MSMEs and other firms.
- **Strategy and management services** provided to Suppliers the aim is to build the capacity of new or existing BS suppliers to profitably serve MSMEs.
- **Soft skills (values, styles, staff relationships, emotional intelligence)** are important to contribute to changing the attitude and behavior of SMEs towards business services and their ability to interact with providers more flexibly and effectively.
- **Product Development and Commercialization** the aim is to commercialize new products through existing suppliers by assisting with product development, market testing and initial marketing of new products. New product commercialization can also be undertaken by promoting franchising of appropriate service products or service businesses.
- **Packaging services in small pieces** or “sachets” – instead of a 2 week long workshop, offer several shorter seminars.

- **Value-based pricing** where the price depends on the value generated to the company (for example the increase in sales or the reduction in operating costs as a result of the execution of the business service)
- Offering **gradual payment mechanisms** based on the capacity to pay– pay by installments, or pay a percentage of future sales.
- Offering **introductory services with immediate value-added** for free or at a low cost; once MSMEs benefits from these services, they may have improved cash flow to purchase future services.
- **Vouchers Programs** the aim is to expand demand for BS by providing information and encouraging MSMEs to try services by subsidizing their initial purchase(s).
- **Information** is to expand demand for BS by making MSMEs aware of available services and their potential benefits.
- **Collective Action:** Clusters, Networks and Associations the aim is to help MSMEs overcome diseconomies of scale in purchasing BS by enabling them to purchase services in groups.

## 7 Recommendations

The recommendations of this study derive from the “evidence grid” of sources used to conduct the study, combining qualitative and quantitative analyses with ICC experience and international best practices.

In our view the most effective way to support SME development is to support the expansion of competitive forces by addressing missing, incomplete and uncompetitive markets that prevent the realization of business opportunities by local SMEs thus reducing the levels of employment created endogenously by the Mozambican economy.

The Government and donors should adopt BS Market Development Approaches that are centered on systematic change, i.e. on developing business service markets so that SME's would be able to meet their needs by purchasing business services through the local BS market.

In order to induce systemic changes over above impacts on direct beneficiaries constraints at all levels (macro, meso and micro) should be addressed.

At the **macro level**, Government and donors can promote a more competitive environment leveling the playing field for SMEs (vs. micro and large enterprises), penalizing corruption and rewarding performance, and removing restrictions to free competition in donor tendering such as favoring donor-country BS providers vis-à-vis local providers.

Simplifying measures should crucially be implemented by enforcing a single and clear way to apply and implement regulations across the country so as to remove uncertainty and arbitrariness.

A quick-win example would be to remove the taxation of services acquired by local SMEs from abroad (withholding tax -*taxa liberatoria*) which effectively rewards foreign enterprises who are exempt for that, and the removal of labor quotas based on nationality that acts as an impediment for knowledge transfer. Another quick-win would be the establishment by the Tax Authority (*Autoridade Tributaria*) of a programme to persecute opaqueness and arbitrariness by its officials in interpreting and enforcing regulations as the case of the *taxa liberatoria* illustrates.

Moreover, by reducing the tax burden on SMEs the tax evasion and tax avoidance levels are likely to be minimised, hindrances to entrepreneurship would be heavily reduced and SME growth stimulated. In line with international experience (for example the case of Mauritius and Rwanda) tax revenue could increase rather than decrease as a result, with the increased number of SMEs and growing earnings.

At the **meso level**, it is crucial to improve the dissemination of market information and to consolidate market facilitators such as non-partisan business associations, civil society organizations and consulting firms increasing their outreach beyond Maputo and other provincial capitals like Beira and Nampula.

At the **micro level**, it is equally important to improve SMEs capabilities to access market information and opportunities and to improve their strategic effectiveness and operational efficiency. A coherent program of supporting core competence building would not only take into account managerial gaps but the need to use strategic business services and access to technology and capital within defined business and management processes with the right attitudes and behaviors at the people level.

By combining these three operational levers of business performance (systems, processes and people) with meaningful strategic direction, interventions are poised to become practice-oriented and fully-owned by SMEs, rather than simply donor-defined programs, delivered by organizations with limited for-profit expertise and with a generic or theoretical approach.

Donors should do much more to support market development. To do that they must gather local market and business intelligence to help create the right informational base upon which their programs would be designed. Furthermore, they should refrain from conducting unfair competition by entering the market with not-for-profit organizations that are tax-exempt often conducting the same activities as local for-profit tax-bound enterprises.

In addition they should allocate their funding competitively to the best business service provider regardless of whether it has the same nationality as the donor itself or it come from the same cultural space (European, American, etc).

The GoM should protect the nascent development of the BS sector as a means to promote its competitiveness. As one of the main clients of the sector it should ensure its own procurement of goods and services is based on merit and it enforce measures to prevent tender from being adjudicated to firms that are concealing performance issues. As regards the extractive industries the GoM should honour its commitments around infrastructure development and should seize all opportunities within its reach (such as the Millennium Challenge Account) to fund infrastructure development with a market-catalysing impact,

Mega-projects and large multinationals, not only in the extractive sectors but also in construction and agribusiness should develop sustainable strategies to root their operations in the wider local economic, social and environmental development. They should do this not in a reactive fashion but in a proactive forward-looking way of grounding their local content and linkages programs on rigorous advice from Mozambican-owned providers of business services. An effective way to induce systemic changes would be to embed business services in their commercial transactions with local SMEs.

Mozambican SMEs, including BS providers should expand their approach to doing business, seeking partners, not only national but foreign, securing technology and skills transfers and seeking to generate network effects by building an ecology of inputs built into their supply chains as part of their business models, before not after potential business opportunities arise. This also implies improving their foresight by enabling access to strategic and market/customer research services.

At a more notional level, Mozambican SMEs, especially those struggling to grow their businesses, should become fully aware that ultimately it is not the GoM or donors who are responsible for presenting them with business opportunities or affordable production inputs such as BS. It is them who must pursue them proactively if they are to survive the fierce and increasing competition posed by foreign SMEs that are following the FDI developments in the country.

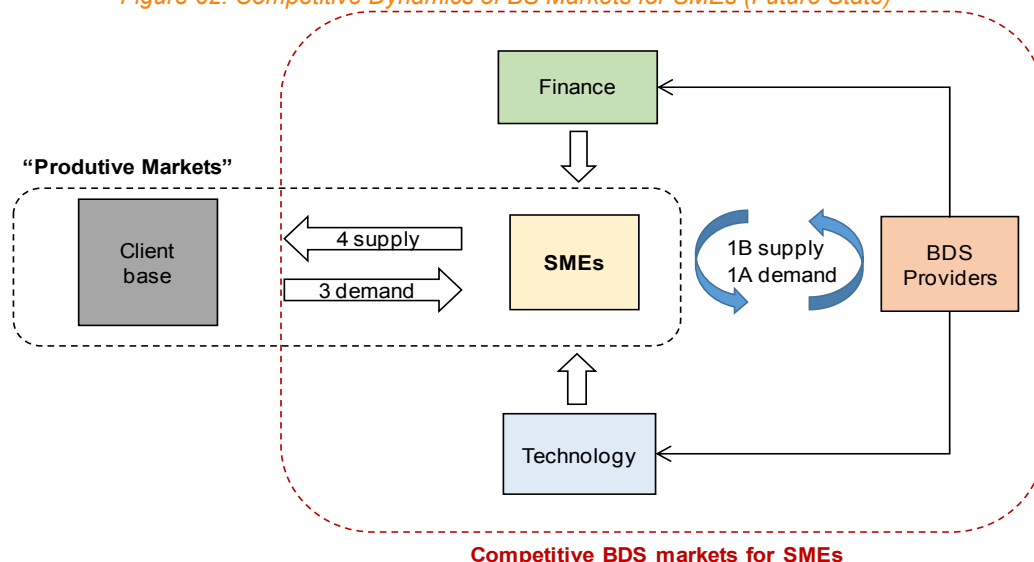
Both the demand-side and the supply-side must become more aware of the need to develop more technical and more strategic business services and reduce the excessive focus on generic management and training. Strategic advisory, coaching and mentoring, product design, systems design and implementation and quality management are undersupplied services with high potential in improving SMEs competitiveness.

A core capability that is in low supply for SMEs and also for BS providers is pricing or revenue management. Innovative ways of pricing can enable more transactions, more repeat use/consumption of services allowing clients to improve their affordability profile over time. The Mozambican consumer tends to discount time heavily in a hyperbolic fashion. Pricing systems that are dynamic and progressive starting with lower levels than may involve various payments (even increases) overtime are likely to be welcomed by the demand side. Having a “on-going service” approach rather than a once-off output approach, reduces the perceived risk in the transaction for clients and it is also likely to deliver more value to clients as services (for example advisory) are more reactive to the evolving real-life conditions of the client.

Our approach to promoting the development of the BS markets for SMEs does not simply “wait” until there is sufficient demand for business services nor it expected SMEs to have the full set of ideal conditions before they are in a position to service their clients.

Instead, it focuses on strategic constraints of SMEs, notably around financial capacity (being able to access and manage capital), technology and generic and technical BS (not only in demanding BS services but also in responding to potential demand from clients) and on the key services awareness and understanding of BS supply can induce demand for BS services.

Figure 62: Competitive Dynamics of BS Markets for SMEs (Future State)



Complete BS markets for SMEs must be internal to the core transactions in the productive markets: they must be based on the actual needs of SMEs which in turn are based on the real needs of their clients.



For example, to be able to secure a large contract to supply goods to a mining company a SME needs working capital for which it may need to access some form of credit. For that to happen the SME may need business services to be able to document a compelling business case for the bank.

Additionally, the SME finance provider may need assistance to develop products, design systems, develop staff and help SMEs develop business plans and investment proposals. Therefore the BS providers acts as key go-between for the demand and supply (in this case of a financial service) that will catalyze the realization of business opportunity in a productive market (the supply of goods to a mining company). For this cumulative and transformative effects to happen timing is of the essence, business opportunities must be anticipated *ex-ante*, thus the requirement for the SMEs to develop market intelligence and to be able to think and act strategically, which incidentally is a capability for which they may need to demand the support of a BS provider, *before* seeking more operational BS.

With competitive dynamics within the SME sector (including initiatives to level the playing field) and the BS sector (addressing unfair and uncompetitive practices) demand and supply of BS services for a given set of market players are not discrete and erratic but continuous and interactive (as the market mechanism rewards business performance), reinforcing each other (1A and 1B).<sup>38</sup>

In this recommended setting SMEs would embed BS services in their supply chains (not only as stand-alone transactions but also embedded in other commercial transactions) in a strategic way so that 1A and 1B take place before 3 (demand) and 4 (supply) to the SMEs client base. Therefore our recommended approach is based on a picture of sustainability, i.e. *“a nuanced view of how markets function now and how they could function in the future”*<sup>39</sup>.

Ultimately a SME development program is bound to make hard choices around what segment to prioritize. As we have seen in the turnover data, there is a large mass of micro and small enterprises (42%) with low turnover (equal or less to \$40,000 per year).

Business managers may often be illiterate and their ability to absorb complex or technical business concept may be limited. How to approach such group (for example through social marketing initiatives, vouchers, consumption cooperatives, etc.) is likely to require a very different approach than targeting small and medium enterprises with larger turnover, better growth prospects and educated management.

For the latter group a more technical and diverse approach is needed, one that is not foreign to the unique operational realities across Mozambican markets but also one that has world-class analytical capabilities to shape strategy, de-compose problems into tractable tasks, change attitudes, and guide execution successfully to embark SMEs onto a sustainable growth path on the basis of their hard-earned competencies and their ability to outperform competitors, national and foreign.

Donors need to use local market-based expertise in designing their programs rather than conceiving and designing them remotely as the contrasting experiences of PODE and Growth Poles Project suggests.

Furthermore, they should do so by targeting viable Small and Medium Enterprises with the capacity to strategically (re)design their supply chains linking their needs (in a market research and networking

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<sup>38</sup> This approach includes a wider examination of the institutional environment for BS and of market supporting functions, what Bear, M. et al (2003) have identified as “commonly absent from market assessments”.

<sup>39</sup> Ibidem.

effort) to identified BS providers able meet such needs at appropriate levels of quality and consistently way over time thus creating a B2B ecology that links productive market opportunities to SME needs and market-specific BS providers.

In addition, Government and donors can promote a more competitive environment leveling the playing field for SMEs (vs. micro and large enterprises), punishing and discouraging corruption (not only in the public sector but also in the private sector, including the BS market) and rewarding performance in their public tendering process.

Finally, donors should encourage free competition in tendering avoid favoring donor-country BS providers and set explicit targets to contracting local BS providers to stimulate a systemic expansion of the BS markets.

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## 9 Appendices

### 9.1 The Case of the Withholding Tax

In the past years the government of Mozambique endeavored to improve and simplify the tax system through the new tax laws of 2006 with increased clarity on tax administration and simplified rules implemented with the New Simplified Tax in 2009.

Behind these measures was, among others, the argument that simplified tax system would help formalize the economy bringing informal businesses, mainly MSMEs, to the formal sector and development of a vibrant private sector.<sup>40</sup> Despite these improvements the SME sector in Mozambique still faces considerable constraints in complying with the tax system.

Taking the withholding taxes as an example, two main challenges are encountered on the administrative and economic fronts. As part of the Income Tax (individual and corporate), Mozambican companies are obliged to retain tax on technical service fees paid to a resident and a non-resident which are subject to a 20 percent withholding tax and a reduced tax is applied to countries that are under a tax treaty.<sup>41</sup>

On the administrative side, the compliance of non-resident withholding tax has proven to be quite challenging for both the contracting company (i.e. a Mozambican company) and the service provider company (eg. a foreign company) due to the lack of clarity with regards to the procedures, payment dates, required etc. For instance, the Mozambican tax authority only applies the tax exemptions or reductions given to countries under the tax treaty if the contracting company presents a declaration issued by the tax authorities from the service provider country. However, if the contracting company only retained the exempted tax rate as per the law, the Mozambican tax authority will deduct the standard tax rate from the required declaration, imputing additional costs to the contracting company.

The lack of clarity on the implementation of this tax may also affect greatly the SMEs with limited accounting skills resulting in penalizations due to inappropriate compliance of the obligations.

On the economic side, there is a risk that Mozambican SMEs when dealing with resident and non-resident service providers are charged higher prices stemming from tax obligation transference. Knowing that 20 percent withholding tax will be retained at source, the supplier can mark up its invoice by 25 percent or more in order to obtain its full payment after the client withholds 20 percent of the payment. The contractor loses through higher prices while the supplier loses through a reduction in its competitive price.

Although both the administrative and economic impacts of the withholding tax are onerous to the contracting company, the latter is difficult to remedy as it is difficult to detect the instances when a supplier is transferring its tax obligation.

However, the administrative implications can be minimized through further tax simplification, improved tax authorities' customer services and a better tax information through step-by-step

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<sup>40</sup> USAID (2009) "PARPA II Review – The Tax System in Mozambique", Volume I, USAID

<sup>41</sup> [www.portaldogoverno.co.mz](http://www.portaldogoverno.co.mz)

procedure guides for taxpayers.

## 9.2 Interview Guides

Provided separately as the document cannot handle more information.

## 9.3 List of companies interviewed

### 9.3.1 Quantitative Survey - Demand Side Enterprises

*Table 5: Quantitative Demand Side Enterprises*

Province	Name of the Enterprise	Address
Cabo Delgado	Fundo p/ Fomento de Habitacao	N/A
Cabo Delgado	MITI Lda	Av. EN No 106 CP77
Cabo Delgado	Grupo AbuBacar	Av. AN No 106
Cabo Delgado	Vumba	N/A
Cabo Delgado	Fody	EN 106
Cidade Maputo	Chipatim Boutique	Av. Karl Marx, Nr: 48, R/C
Cidade Maputo	Samsung LTD	Av. 25 de Setembro, Nr: 405, R/C
Cidade Maputo	Electro Sul LTD	Av. 24 de Julho Nr: 603 R/C Museu
Cidade Maputo	Supermercado LAM	Av. 24 de Julho Nr: 1087 R/C Bairro Central
Cidade Maputo	farmacia Vicente Luis	Av. Angola, Rua do Aeroporto R/C
Cidade Maputo	Sangue Florista	Av. Salvador Alende Nr: 478 R/C
Cidade Maputo	Restaurante Bicafe Mogador/Pastelaria	Av. 24 de Julho Nr: 970 R/C Museu
Cidade Maputo	Metalex	Av. Guerra Popular R/C Alto Mae
Cidade Maputo	MozamPoloni LTD	Av. Maguiguana Nr: 407 R/C
Cidade Maputo	omar trading Ida	Av. Josina Machel nr 875
Cidade Maputo	Mobiard Djast Ida	Av. De Mocambique nr 2461
Cidade Maputo	ImproChaem	Av. Vlademir Lenine
Cidade Maputo	Pedro A.J Massonda	Av. Romao Fernandes Farinha nr 888
Cidade Maputo	Gringo Jeans	Av. 25 de Setembro nr 824
Cidade Maputo	Ayoob comercial Ida	Av. 24 de julho, loja 7048
Cidade	Teixeira Morais Ida	Av. De mocambique km6 Bagamoyo

Maputo		
Cidade Maputo	Ferro e Ferro	Rua da Imprensa nr 256 6 andar
Cidade Maputo	Nelca Ida	Av. Consiglieri pedroso nr 228
Cidade Maputo	Padaria expresso	Bairro de xiquelene nr 4006
Cidade Maputo	Computer yard	Av. Eduardo Mondlane/Av. Lucas Luali nr 537 r/c
Cidade Maputo	Atelier Machalele	Mavalane rua do complexo
Cidade Maputo	Procure Ida	Av. Salvador Allende nr 471 R/C esquerdo
Cidade Maputo	Chiundo Producoes e servicos	Asv. Olof palme nr 680
Cidade Maputo	Inter med moz Ida	av. Josina Machel nr 499 r/C
Cidade Maputo	Agah Arnaldo Guibunda e Associados Ida	Rua Timor leste 1 andar nr 34
Cidade Maputo	Somofer Ida	Av. Eduardo Mondlane nr 408
Cidade Maputo	Gng Jeans	Av. Karl Marx nr 677 R/C
Cidade Maputo	eletctro plus	av. Vladimir lenine nr 3479
Cidade Maputo	Elbe Rede Computadores	Rua de bagamoyo 266 1º andar
Cidade Maputo	Fly Well	Av. 25 de Setembro nº 2077 r/c
Cidade Maputo	Tecno Maputo.Lda	Av. Ho Chi Min 1900 R/C Maputo
Cidade Maputo	Restaurante o Pilão	Av. Mahomed Siad Bare nº 1014
Cidade Maputo	ACBB Alimentos Lda	Av. De Moçambique, nº8654
Cidade Maputo	Moz Shop Zimpeto	Av. De Moçambique EN1 - Zimpeto nº 1402
Cidade Maputo	Carpintaria Benfica	Bairro Benfica, rua 7 nº 248
Cidade Maputo	Med Max Construcoes	Bairro Jardim Av. Mocambique EN1 Nrº 6000
Cidade Maputo	Banze Comercial LDA	Av. De Mocambique Nrº6124
Cidade Maputo	Estaleiros julio e Filhos	Av. Mocambique EN1 Parcela 14
Cidade Maputo	Estaleiro Bazmis	Av de Mocambique EN1 Drive In Nr: 6891
Cidade Maputo	Asna Construcoes LTD	bairro Central
Cidade Maputo	Asna Construcoes LTD	bairro Central
Cidade Maputo	A Phama- Micro- Credito	Av. De Mocambique
Cidade Maputo	Carpintaria Mabunda	Av. Mocambique proximo a ponte
Cidade Maputo	Oracle Auto Limitada	Av. 24 de Julho

Cidade Maputo	glasfit	Av. 24 de Julho
Cidade Maputo	Pastelaria Nilos	Av. Mocambique
Cidade Maputo	Pastelaria Oasis	Av. Mocambique
Cidade Maputo	Mindzo Comercial	Av. Joaquim Chissano
Cidade Maputo	Serigrafia Linha Verde	Av. Fernao Magalhaes, 2017 R/C
Cidade Maputo	Procure. LTD	Av. Salvador Allende, 471 R/C
Cidade Maputo	Yoyo LTD	av. Eduardo Mondlane, 3033
Cidade Maputo	Boutique Edis Fashion	Av. Amed Sekou Toure, 113, R/c
Cidade Maputo	Blue Jeans	A. 24 de Julho, 676, R/C
Cidade Maputo	Florista Leana	florista
Cidade Maputo	Viveiro Santa Verde	Av. 24 Julho 641, R/C
Cidade Maputo	Grupo Intermoda LTD	Av. 24 de Julho, 2067 R/C
Cidade Maputo	Papelaria e Repografia Wassila	Av. Josina Machel, 1142
Cidade Maputo	Cometal SARL	Av. Josina Machel, 1043 R/C
Cidade Maputo	haldigup Comercial	Av. Momed Sekou Toure, 241
Cidade Maputo	Estaleiro Zavala	Av. Mocambique- Zimpeto
Cidade Maputo	Cab Pc Trading	Av. Mocambique
Cidade Maputo	Estaleiro e Bombas tamele	Bairro Benfica Av. 4 de Outubro
Cidade Maputo	Colchoes Amado	Av. Angola
Cidade Maputo	imoinveste material de contrucao	Av. Mocambique N2088
Cidade Maputo	Diname	Av. Zedequias manganhela
Cidade Maputo	Aluark El Arquitetura em aluminio	Av. De Mocambique
Cidade Maputo	fipag-Fund de investimento e patrimon	Filipe Samuel Magaia 1291 Maputo
Cidade Maputo	ADHDY	Av. Do trabalho
Cidade Maputo	Ingraffic	Av. De Mocambique 3015- Maputo
Cidade Maputo	mundo de Parafuso LDA	Av. Romao Fernandes Farinha
Cidade Maputo	Escola Primaria e Secundaria SOS Hermann gmeiner	Av. Juius Nyerere- Bairro Laulane C.F
Cidade Maputo	carpintaria	Av. De Mocambique
Cidade Maputo	Solectric LDA	Av. Da Tanzania Maputo- Mocambique

Cidade Maputo	Escolar editora, Editores	Av. 24 de Julho 1637
Cidade Maputo	Tipografia	Av. Mohamed Said Brre N424
Cidade Maputo	Lend car Render	Joaquim Chissano
Cidade Maputo	Sinac padaria	Av. De Mocambique Bairro do jardim
Cidade Maputo	Estaleiro Monjane	Bairro Zimpeto Rua 327
Cidade Maputo	Padaria Pao de lenha	Av. Mocambique
Cidade Maputo	Serrakharia Paulo e Filhos	Bairro Zimpeto
Cidade Maputo	Engime Force LDA	Av. 24 de Julho M1083
Cidade Maputo	Moveis Jacintolar	Av. 24 de Julho n1023
Cidade Maputo	das@Gmail.com	Av. De Mocambique, 16 Chopal
Cidade Maputo	Electro Plus	Av. Do trabalho N 432
Cidade Maputo	Yusif e Aisha	Av. Holf Palm N 3364
Cidade Maputo	Maxi Oils LDA	Rua Gago Coutinho N 401
Cidade Maputo	Sogecoa metalo	Av. Julius Nherere N 1859
Cidade Maputo	Mobiserv,Lta	Av.Acordos de Lusaka No 1801
Cidade Maputo	Casa das chaves	Av. Vladimir Lenine No 986
Cidade Maputo	Tintas Barbot Mocambique	Av. 24 de Julho, No 1071
Cidade Maputo	Sodicor	Av. Trabalho
Cidade Maputo	Soclima	Av. De trabalho
Cidade Maputo	Industria de Boracha e calcado	Av. Trabalho , No 60
Cidade Maputo	Win Car Rent	Av. Joaquim Chissano No 593
Cidade Maputo	Al nazir motors	Av.Joaquim Chissano No 2
Cidade Maputo	Maning nice	Av. Joaquim Chissano
Cidade Maputo	Papelaria RS Lda	Av. 24 de Julho no 1389
Cidade Maputo	Promae,LDA	Av.24 de Ju No 1092lho
Cidade Maputo	Fabrica de sabao liquido	B. Ferroviario
Cidade Maputo	Portador Diario	Aeroporto No 226
Cidade Maputo	Feragem Maputo	Rua da mesquita No693 Baixa
Cidade Maputo	Jhossi comercio e investimentos	Av.De Mocambique No 2462



Cidade Maputo	Marco Mocambique Lda	Av.Vladimir Lenini 1469 r/c
Cidade Maputo	Chiundo Produções e serviços	Av. Atof Palme No 680
Cidade Maputo	Safelock	Rua da mesquita No 42
Cidade Maputo	Blume/Outlet	Av. Das FPLM No 798
Cidade Maputo	Construtora de Mondego Empreiteiros, SA	Av. 24 de Julho, No 1389
Cidade Maputo	Complexo e Pensao Mutembola	Av. Ahmaed Skou Toure, No 482
Cidade Maputo	Knan Japan	Av. 24 de Julho, No 1074
Cidade Maputo	So Brindes	Av. Zedequias Manganhela 760 R/C
Cidade Maputo	Proconsult Lda	Av. Patrice Lumumba, 1125, R/C
Cidade Maputo	Woovmart	Av. Samora Machel, No 1091
Cidade Maputo	Scorpion Comercio e Servico	Av. Mocambique Bairro Zimpeto
Cidade Maputo	Salao de cabelereiro Gurica	Bairro Zimpeto, Av. Nelson Mandela
Cidade Maputo	Informatica Electrodome e CCTV	Av. Eduardo Mondlane 2721
Cidade Maputo	Consultra Jin, Lda	Av. Tanzania, No 318 R/C
Cidade Maputo	Joyo Lda, Aluminio e Vidros	Av. 24 de julho, No 1089
Cidade Maputo	Uniao de Sucatas	Av. Da OUA
Cidade Maputo	L. Duarte dos Santos	Av. Da Angola, No 2416
Cidade Maputo	Proseguranca Lda	Av. Zambia, 305
Cidade Maputo	Farmacia Cidade	Av. 24 de Julho, R/C No 381
Cidade Maputo	Colegio Midas	Av. Angola, Bairro Mavalane
Cidade Maputo	Facai Lda, Cozinhas Americanas	Av. 24 de Julho No 2584
Cidade Maputo	Lataria Wiliamo	Rua Tindzau Av. Amaral Matos
Cidade Maputo	Carpintaria Maria	Av. Do Trabalho, Rua da UFA
Cidade Maputo	Serelharia e Carpintaria	Av. Amaral Matos
Cidade Maputo	Bios Minds	Av. Eduardo Mondlane
Cidade Maputo	Novo Dia Desenvolvimento	Av. De Mocambique 6752, Bagamoio
Cidade Maputo	Optica Visual Lda	Av. 24 de julho, No 726
Cidade Maputo	Visa Seguranca	Av. 25 de Setembro, No 255 b
Cidade Maputo	Electrobrinde Comercial Lda	Av. Eduardo Mondlane, No 3357

Cidade Maputo	DSP - Plascom	Av. Alberto Lithuli, No 981
Cidade Maputo	Central Impressora e Editora de Maputo	Rua Consiglier pedraso, No 366
Cidade Maputo	New Shop	Av. Karl Marx, No 953
Cidade Maputo	Mulula Cosmetic, Lda	Av. Guerra popular, No 52
Cidade Maputo	PFM, Piscinas e Ferragens de Moc, Lda	Rua da Mesquita 301
Cidade Maputo	Mini Pensao Mahenhe	Av. Vladimir Lenine
Maputo	Tubex LDA	Umbeluze Bloco - 2 Boane
Maputo	Farmacia Milauze	Bairro intaka nr 208
Maputo	Transportes Khan e Filhos	Mozal parcela 2467 n°240 quarteirão 26
Maputo	Salina Exploradora 6 Salema	Rua da Escola n° 59, Zona Maritima
Maputo	Sem Custo LDA	Rua da Mozal Matola Nr:1247
Maputo	Alfataria Zitha	4 de Outubro, B. T3
Maputo	Duys Mozambique	Dark 7, Bebeluane
Maputo	Serelitaria Pobre não Zanga	Bairro 21 em frete a escola 25 de Setembro inhamiue
Maputo	Carpintaria Fumo	Bairro Patrice Lumumba dentro do Mercado
Maputo	Alfaiataria Fernanda	Rua do Jardim A 138Al Ingulene
Maputo	Doys Mozambique	Beluluane Industrial Park 7
Maputo	Internatinal Machine Movers	Parcela 654/R N.6
Maputo	Serelitaria Pobre não zanga	Bairro 21 em frente a escola 25 de setembro
Maputo	Carpintaria Setique	Av. Liberdade N2021 Q32
Maputo	Metafil	Av. Basentina
Maputo	Estaleiro Benfica	Av. Mocambique dentro do mercado
Maputo	carpintaria Nhavene	Bairro do benfica Rua 321
Maputo	Mobilias Dourado LDA	Av. Hamed Seckou Toure
Maputo	Prit Supre market Lda	Av. Samuel Magaia N968
Maputo	Serralharia civil David Nhaca	Av. Namaacha Matola Rio
Maputo	Estalciro Jonas Armando Mungo	Bairro Ndlavela Q5 Casa N 252
Maputo	Sapataria Universo	Bairro t3
Maputo	Mau mua Company	Bairro patrice Lumumba Av. Lossias Tongar
Maputo	Serralharia e engenharia Chacanhono	Av. De Mocambique Zimpeto
Maputo	Carpintaria e Merciaria Janada	Rau Mutateia
Maputo	serralharia e Fabrico de Enaados Zacarias	Bairro T3 Q18 Casa n 619
Maputo	Riz Industrias LDA	Av. Josina Machel Machava
Maputo	Estaleiro Cuambe Vieira Foquico	Av. Das Industrias Bairro da liberdade Matola
Maputo	Esfaleiro Mbanguine	Av. Naacha Km15 N870
Maputo	Plast	Av. Naacha N87
Maputo	Estalairo nhamuave-Matola-Maputo	Av. Samora Machel malhampsene
Maputo	Padaria Mariamo e filhos lotal	Matola j. Unidade 1 N271
Maputo	Carpintaria Mfumo	Patrice Lumumba celula 'C' Matola
Maputo	Padaria e pastelaria Bom Sucesso	Cidade da Matola

Maputo	Carpintaria Paulo e Filhos	Infulene D, Rua Alcafra Santos
Maputo	Oleos Mocambique LDA	Av. Uniao Africana estrada velha
Maputo	Makda Foam	Av. Josina Machel N 190, Mavhava
Maputo	Unilever	Av. Samora Machel No 526
Maputo	Lotaria e serralharia Ernesto Tsinini	Av. Da liderdade, No 220
Maputo	Padaria e Pastelaria Dona Alice	Rua da Namaacha No 45 Boane
Maputo	Serelharia Horacio	Rua dos Coqueiros, C 243 B - Q3
Maputo	Complexo e Pensao Mutembola	Bairro Ndlavela, Av. Complexo
Maputo	Serelharia Leopoldo	Bairro T3 Infulene - D
Maputo	Serelharia e Mercearia Pindula	Av. 4 de outubro T3
Maputo	Carpintaria e Mercearia Nhanombe	Bairro Zona Verde, Av. 4 de Outubro
Maputo	Estaleiro central	Av. Eduardo Mondlane Machava
Maputo	Estaleiro Xinavane Lda	Bairro T3, Av. 4 de outubro
Maputo	Complexo Muchipo	Bairro Z. verde Rua da Escola
Maputo	Moveis Mauricio e Ceressao	Bairro T3, Av. 4 de Outubro
Maputo	Estaleiro Sabao	Av. Josina Machel
Maputo	Control Cosmos Mocambique, Lda	Parque Industrial de Beluluane
Nampula	Serrelharia Novo Horizonte	Bairro Triangulo
Nampula	Cicomo SARL	Zona Industrial
Nampula	SANAL SACARIA LDA	Estrada Nacional No8 Bairro industrial
Nampula	Carpintaria Salimo	Triangulo
Nampula	PRE SER Informatica	Av Eduardo Mondlane
Nampula	Salao Bela Fatima	Av Eduardo Mondlane
Nampula	LSE	Av Josina Machel
Nampula	Crabe Construcoes LDA	Rua da Franca
Nampula	GANI COMERCIAL	AV do Trabalho
Nampula	Baribari Comercio e Servicos	Bairo Muhavire- Rua A 264
Nampula	Novos Horizontes Lda	Parcela 223
Nampula	CIM NPL Companhia industrial da Matola	Av do Trabalho
Nampula	Quality Product Lda	Zona Internacional Nacala Porto
Nampula	Carpintaria Selemane	Bairro Triangulo
Nampula	MIRC - Industrias	Zona Industrial 1 - Ruas das Magoas
Nampula	GS Holdings LDA	Zona Industrial 1 Mogas
Nampula	SANAL SACARIA, Lda	Estrada Nacional No 8, Bairro Industrial II
Nampula	Eurico da Silva	Av Martires da Moeda
Nampula	Fashion Word	Av Paulo Samuel kankomba
Nampula	Moagem Alumpaca	Bairro Umtupara, Estrada Nacional No 8
Nampula	2K publicidade	Predio Issufo
Nampula	Estufaria Jose Rede	Av do Trabalho
Nampula	Moagem Irene	Bairro Onfupara
Nampula	Restaurante Marisqueira	Av Eduardo Mondlane
Nampula	Agricultura e Comercio Internacional	Rua da Bigilancia No 3
Nampula	Carpintaria Mussagy	Rua da Franca 5272/ Carrupeia

Nampula	Auto Victor	Rua Martires da Moeda No 231 Muhala
Nampula	Carpintaria Jose Sao Tome	Rua 5400, B Napapine Q47 Unidade Santa Maria
Nampula	ADHAY Peças sobressalientes	Rua Unidade No 5251
Nampula	Almeida Garret	Av Francisco Manyanga No 284
Nampula	PBT Despachantes Aduaneiros e Associados LDA	Av 25 de Setembro
Nampula	ADPP	Av Eduardo Mondlane
Nampula	Auto VIV	Av 25 de Setembro
Nampula	NBC Representações	Rua da Mogas
Nampula	Padaria Nacala	Bairro Mucone - Direcao a praia Fernao Veloso
Nampula	Alfaiataria Ibrahim	Mercado Cntral - Radio Watara
Nampula	Padaria e Pastelaria M. Munir	Bloco 1 No 41
Nampula	Padaria e Pastelaria M. Munir	Bloco 1 No 41
Nampula	RM Cosmeticos e Vestuario	Rua do Untimedores - Zona da ADEMO
Nampula	Afritool Moçambique	Av 25 de Setembro No 1063 R/C
Nampula	Sky Net	Av OMM
Nampula	Royal Plastic Lda	Zona Industrial II Estrada Nacional No 8
Sofala	Acampamento Manuel Magandu	Praia Nova Rua - 1306
Sofala	Acampamento Luis Zingoma	Praia Nova
Sofala	Rafael Manuel Picas - Madeiras	Av. Samora Machel - Munhava
Sofala	Prestação de Serviços João Magur	Av. Samora Machel 07
Sofala	Mini Boutique Otávio	R. Lisboa Lima Perto do Bulha
Sofala	Oficina Transporte Uenganha	R. 1306 Praia Nova
Sofala	Sorveteria do Maquinino	R. Machado Santos n. 1347
Sofala	Pensão Sofala	Av. Do Bagamoio 544
Sofala	Nunes Castro Goveia Comercial	Mercado central SN Dondo
Sofala	Dinhos's Place	Av. 25 de Setembro
Sofala	Estofaria Mbazo	Av. Samora Machel ao pe do stop da Munhava
Sofala	Latoaria Merson	Av. Samora Machel
Sofala	Agência Funerária Machava	R. Major Cerpan N1128 R/C
Sofala	PG-Industria Mozambique	554 General Vieira da Rocha
Sofala	Acampamento - Moises	Praia Nova rua-1308
Sofala	Mercearia Amina	R. Lisboa de Lima Perdo do Bulha shopinhg
Sofala	Carpintaria Domingos	Ao lado da Maternidade da Munhava AV Kruss Gomes
Sofala	Machango Construcoes	Av. Acordos de Lusaka, perto da esquadra da Munhava
Sofala	Carpintaria Nova Inhanguvo	Av. Samora Machel 539 Q7 Munhava
Sofala	Lataria Chipire	Av. Cruz Gomes - Munhava N20 Q12 B-R
Sofala	Carpintaria Alex	Av. Samora Machel Casa N39 Q4 Munhava
Sofala	Carpintaria Augusto Gopane	Av. Samora machel ao lado do chapa Axema
Sofala	Mac-Solucoes Computer	Rua Correio Dobrito
Sofala	Agencia funeraria Pfunani	Av. Edurdo Mondlane N146 Beia-Pontageia
Sofala	Cecil-Contrucao Civil e Consultori	Rua Afonso Paiva N187 andar Esquerdo

		ponta-gea
Sofala	Papelaria e tipografia digital	EN. N6 B.central Dondo
Sofala	Mojo contrucoes	EN. N6 B.Central Dono
Sofala	Carpintaria gumbeia	Av. Samora Machel
Sofala	Agencia Funeraria Pinto & Filhos	
Sofala	Estufaria Macurungo <Life's Bad>	Ao lado das instalacoes da INSS Entre Macurungo e Macutis
Sofala	Merciaria Chissico	Ao lado do mercado 1 de maio Massamba-Toturro
Sofala	Carpintaria dois irmaos unidos	Proximo a pagagem Munhava N615
Sofala	Acampamento Gundana	Rua da prais nova N1306 Praia nona
Sofala	Latoaria Associacao dos latoeiros 25 de Setembro	Av. Samora Machel ao lado da latoaria Merson
Sofala	Acampamento Joao	Rua da praia nova Rua N1306 Prai Nova
Sofala	Acampamento Chambuera	Rua 1306 Praia Nova
Sofala	Galp	Em frente ao hotel Militar Rua Martiris da Revolucao Estoril
Sofala	Carpintaria Mutende	Munhava 3381
Sofala	Entrepосто de Mocambique	Em frente ao edifivio antigo da mcel Chaimite-Baixa
Sofala	Merciaria lourenco	Rua A3 B. N543 Alto da manga
Sofala	Merciaria munuel	Rua 3 14bairro N231 Manga
Sofala	Alfataria karibuni	Rua belgado da selva perto da casa janete
Sofala	Alfataria gohel	Estrada nacional N6 CP239 casa 590 Beira manga
Sofala	Pite comercial	R1306 P.nova
Sofala	Acampamento ide	R.1306 P.nova
Sofala	Acampamento Augusto Magumbua	R1306 P.nova
Sofala	va	
Sofala	Merciaria da Munhava	Rua cruz gomes- munhava
Sofala	foro da m	Av. Cruz gomes ao pe do cimafora de Munhava
Sofala	Construcoes 1º de maio	Av Samora Machel
Tete	genbarachi investimento	Estrada nacional no:07 ao lado da Baxcúla
Tete	Serralharia Kwachena-Tete	B.Josina Machel perto do Mercado-Tete
Tete	Serralharia e soldadura metálica	Bairro Filipe Samuel Magaia
Tete	Farmácia Govind	Av. 25 de junho
Tete	Papelaria Valter	Av. Da Independência, B.Josina Machel
Tete	Banca Liriana	Mercado OUA, No 193
Tete	Chaveiro da cidade	B. F. Manyanga
Tete	Moagem Zacarias Cumpeu-Tete	B.Josina Machel-Unidade chipsedwe
Tete	Carpentaria Amade	Rua 7 Perto da Bascula
Tete	Armazem Chingodzi	B. Filipe Samuel Magaia
Tete	Moage Gonho	B. Bagamoyo; Unidade 4
Tete	Serralharia Viana	B. Bagamoyo; Unidade 4
Tete	MoageBonguezo Investimento	B. Bagamoyo; Unidade 4
Tete	Sapataria Chapananga	B. Bagamoyo; Unidade 4

Tete	Home center	B. Francisco Manyanga
Tete	Construa	B.Josina Machel
Tete	Bonimar Agro-comercial Ida	Rua da OUA-Tete
Tete	Carpintaria Maropa Falso	EN No 7 Perto da DPM
Tete	Carpentaria Flora	B. Matundo; EN 7
	Serralharia Antonio Miguel	Av. Julius Nyerere Quarteirao 26 Nr: 17
	Red Shocolat	Av. Vladimir Lenine

### 9.3.2 Quantitative Survey - Supply Side Business Service Providers

*Table 6: Quantitative Supply Side BS Providers*

Province	Name of the Enterprise	Adress
Cabo Delgado	Serrelharia Agelina	Av. Josina Machel
Cabo Delgado	Lopes Construções	Expansão II
Cabo Delgado	Construções	Av. Josina Machel - 619
Cabo Delgado	Sociedade Crispe, Lda	Rua Geronimo Romero - 487
Cabo Delgado	Sociedade Imobiliaria Naultombe	Rua Namtrubo
Cabo Delgado	Construções Tropival	Av.Alberto Chipande
Cabo Delgado	Oficina Auto Rosas Txa	Av. Josina Machel
Maputo	Carlos Naslev - Transporte de Mercadoria e venda de Material de Construcao	Bairro ghanvela Q-24 comercio - S6 Matola
Maputo	Lotaria Machava	Av. das industrias
Maputo	AAD Estaleiro	Av. Jossias Tangogok Bairro Patrice
Maputo	Tudo bom construcoes- estaleiro	Umbeluze Bloco 2 Boane- Maputo
Maputo	Conference Systems Lda	Mozal Construction Vilage nr 123
maputo	Trellicor Lda	Av. Josina Machel nr 27
Maputo	transportes Naiene, LDA	Rua da Mozal Nr: 3824 - Matola - Rio
Maputo	Padaria e pastelaria servino	EN4-N36, ponte matola
Maputo	executivo 2000 LDA	Av. 25 de setembro
Maputo	Moagem Tameles Ida	Boane casa nr 38, Q27
Maputo	Construcoes Modernas	Av. Vladimir Lenine No 1001, 3a Esq
Maputo	Blue jeans	Av. 24 de julho N672 R/C
Maputo	Game Discount Mozambique LDA	Av. da Marginal, Nr: 4666
Maputo	Padaria e Pastelaria Dassis	Av Paulo Samuel Kankomba
Maputo	salao Ld	Av. Amaral Matos nr 166 Q-11
Maputo	Construção moderna. LTD	Av. Vladimir Lenine, N1001, 3 andar esquerdo
Maputo	Estaleiro Cuambo	Av. 4 de Outubro
Maputo	Despachante Aduaneiro	Av. Maguiguana Nr: 789 Cave
Maputo	Sergio Vembane	av. de Boane

Maputo	careshal (R)	Av. Amaral Matos N14
Maputo	Padaria Liberdade	Bairro da Liberdade Rua No7
Maputo	Chiunda Africa bar	Av. 24 de Julho
Maputo	Moz Computers	Maputo shopping Rua. Ngungunhane N85 Piso 2 loja 224
Maputo	Nemas Service e prestação de serviço	Av. Joaquim chissano N905
Maputo	Alfaiataria fernanda	Infulene Quarteirão 36
Maputo	Acadêmica LDA	Rua Joaquim Lapa N47
Maputo	carpintaria Mussane	Bairro Zona verde
Maputo	Estaleiro Rui Cuco	Bairro T3 Rua 9
Maputo	Padaria Alico Mendes	Bairro t3 Av. 4 de Outubro
Maputo	Pão de lenha quente	Infulene proximo ao hospital geral da machava
Maputo	Welding LTD	Av. das Industrias
Maputo	Prometal LDA	Av. das industrias Machava bananeiros
Maputo	Culinaria Arte e Profissao	Av. Agostinho Neto
Maputo	Seralharia Joao Balito	Ndlavela Q 20
Maputo	TC & Servicos, Lda	Av. Patrice Lumumba, 1164
Maputo	Proconsult Lda	Patrice Lumumba, No 1125 R/C
Maputo	Stationery Work	C. Maputo
Maputo	Atlanta cosmeticos	Av. De Mocambique
Maputo	N.Service E.I	Bairro Central
Maputo	Ermoto Lda	Av. Do trabalho nr 1124
Maputo	Sweetos Mozambique	Av Josina Machel 1469
Maputo	Tudo bom construções-estaleiro	Umbeluze, Bloco 2
Maputo	Polyex Ida	Av. Do trabalho nr 747, Maputo
Maputo	Macro Video Seguranca eletronic Ida	Av. Josina Machel nr 989
Maputo	Serralharia Civil David nhaca	Bairro Matola Rio
Maputo	Tecnologia hospitalar e laboratorial Ida	Av. Romao Fernandes Farinha 364/6
Maputo	Sogecil Corporation, LDA Serviços e Consultoria	Av 24 de Julho N 740
Maputo	Aries Corporate, LDA	Av. Guerra Popular, Nr: 1028, 2o andar
Maputo	Operacao Days Mocambique Lda	Parque industrial de beluluane
Maputo	Lavandaria Imperial	Av. Josina Machel, Nr: 901, R/C
Maputo	Carpintaria e Ferragem Inacio	Bairro boquisso, Machava Sicimol, Matola
Maputo	Carpintaria e Marcenaria Maningue	Rua de diamantino
Maputo	Arkay Plastics	Av. das industrias 403
Maputo	Mundi Import e Rxport	Av. das industrias
Maputo	Zandamela Microcredito	Av. Guerra popular 1477
Maputo	Limpatudo.LTD	Av. Vladimir Lenine, Nr: 819, R/C, Maputo
Maputo	Restaurante Jielou	Bairro da Malhangalene, No 2748
Maputo	Espa Innovative Solution	Av. de Mocambique N1818
Maputo	Limpers grupo	Av. da Mocambique

Maputo	HBN despachante aduaneiro e Associados LDA	Av. Karl Max N1086 Maputo
Maputo	Construcao Fuel	Maputo Lima Paiva 12
Maputo	Agencia de viagem e turismo S.K	Av. Tomas Nduda 1.099
Maputo	Canol-Construcoes	Romao fernandes Farinha nr 919 R/C
Maputo	Instituto de Tecnologia, Inovacao e Servicos	Rua dos Voluntarios No 101, R/C
Maputo	Portador Diario	Av. 24 de Julho, Predio da Emose
Maputo	HowardJohnson International Call Center	Av. Do Trabalho, 1501
Maputo Cidade	Ipsos Synovate	Av F O Magumbwe
Maputo Cidade	Printer Serigrafia LTD	Av. Alberto Lithul
Maputo Cidade	Kutumga	Av. filipe Samuel Magaia nr 838
Maputo Cidade	kambas Producoes	Av. Eduardo Mondlane, Nr: 2616, 1o andar Flat 18
Maputo Cidade	A.C.S	Av Eduardo Mondlane
Maputo Cidade	Chicken Palace	Raua da Franca 300, Taranga, Campus Universitario da UEM
Maputo Cidade	Matsinhe Services	Av. Julius Nyerere Bairro Mavalane
Maputo Cidade	talho 15	Av. eduardo Mondlane nr 73 R/C
Maputo Cidade	Cosmos	Av. Martires Enhaminga N228 Maputo
Maputo Cidade	Papelaria repograffia Wassila	Av Jossina Machel No 1142 R/C Maputo
Maputo Cidade	Auto Body	Bairro do Bagamoyo casa 20
Maputo Cidade	Slapion Comercio e Servicos	Av. de Mocambique, Km 15
Maputo Cidade	Farmancia Missavene	Av. FPLM
Maputo Cidade	Extin, Exiniores LTD	Av. 24 de Julho, No 3348 R/C
Maputo Cidade	Soclima	Av. do trabalho 1690/1708
Maputo Cidade	New Contabilidade e gestao empresarial	Av Ahmed Sekou Toure 2749 2o Andar
Maputo Cidade	TCF Financial Consulting, LDA	Av. Lucas Luali, Nr 705 - 2o andar, Bairro Alto Mae
Maputo Cidade	Cadeinor Auto	Av. de Mocambique, Bairro do Jardim Nr: 2550
Maputo Cidade	Reprografia Todai	24 de Julho N4005
Maputo Cidade	Express 1	Av. 25 de Setembro Nr:1509 6o andar P-2
Maputo Cidade	Magnolia Florista	Av. Salvador Alende, No 323, R/C
Maputo Cidade	ICC Mocambique	Av. 25 de Setembro Nr: 420, 5o andar
Maputo Cidade	MLS - Milenio Logistica e Servicos, Lda	Av. Ho Chi Min Nr 1908
Nampula	RH Formação & Consultoria e Serviços Lda	Av. da Independência Predio Fabião



		1ªA
Nampula	Wanassa e Filhos, Ida	Bairro de Muahixir Expansão
Nampula	Escomala - Escrit. de Contabilidade de Manuel Lapucheque	Bairro Mutmanha
Nampula	SHD - Services	Av. do Trabalho - Bairro Central
Nampula	Labouv Broker - LB - Consultoria e Serviços	Nacala Estrada Nacional nº8
Nampula	Abdurremane e advogados associados, Lda	Av. Trabalho, nº8, loja 10
Nampula	LG Consulting Lda	Rua Sansão Muthembe
Nampula	Srananine Consulting Lda	Rua dos Continuadores, 09 1º Andar
Nampula	JM Global	Rua de Quelimane, 1017
Sofala	Livraria e Papelaria Martejo	Ponta Gea r/c nº 48 Edificio da Atabe
Sofala	Port Service Ltd	Praça do Municipio, Edificio Riviera, 1º andar esquerdo
Sofala	Dourado Cleaning - LTD	Av. Acordo de Lusaka, ao pe da Praca - Munhava
Sofala	Brithol Michcoma	Rua Correia de Brito nr 2063
Sofala	Lucas Investments Ltd	Rua Governador A Castilho nº 242 1º andar
Sofala	Papelaria Dinis	13º Bairro Alto da Manga nº 443
Sofala	Aces Lda	Auto Estrada Bairro da Manga
Sofala	Rafael Computer	Av General Vieira da Rocha Maquinino
Sofala	Elite service	Av. Samora Machel
Sofala	IFDA, Ltd - Ilidio Ferro	Predio da casa Simoes, 1o Andar Direito
Sofala	Fedex Supaswift Mozambique Lda	Rua Aira de Ornelas nr 499
Sofala	Auto Bosal LTD	Rua dos Acores, Nr: 2041 Maquinino
Sofala	SPM	Av. Armando tivane 1552
Sofala	Helecto Irmaos	General Vieira Rocha, 554
Sofala	Josef I Bagnate	Rua dos acores
Sofala	Walter express computer	Av general Vieira - Bairo do Maquinino
Sofala	AAN	Av rua Companhia das aguas
Sofala	Dokumenta	Rua Augusto Castilho 2o Andar no 27
Sofala	Jojo Service	B. Maquinino
Sofala	NovaEra multi Services	Av 25 de Setembro
sofala	ATAP Service Center	EN 6, ao lado do armazem da Coca cola
Sofala	J Multi Service	R Diego de Azumbujo
Sofala	CMC Africa Austral	Rua do mercado das Oficinas da CMD
Sofala	Moflor	Bairro Nhamaiobwe
Sofala	Azas 8 J Servicos Lda	R da Administracao em frente a EDM
Sofala	Indico Logistic Lda	CFM Building
Sofala	VERGA Empresa de construcao civil/ Consultoria	Rua Governador Augusto Castilho, 2o andar predio Pinheiro
Tete	Business Management Services Lda	Estrada Nacional, No 07 Bascula, Atras do Banco - Paiva

Tete	T.C.O	Av. da liberdade
Tete	Consultorias Medicas em Tete	B. Francisco Manyanga
Tete	Instituto de Lingua	B. Francisco Manyanga
Tete	Maze Bilar	
Tete	Oficina Mini Electro Bobinadora	Rua 25 de Julho
Tete	Internet - Cafe	Av. da liberdade
	Tabacaria Zambeze	Av. Karl Marx

### 9.3.3 Qualitative Interviews

No	Enterprise Name
1	Administrator of the District of the Vila do Ibo
2	Autoridade Tributária
3	Hocks Design
4	Associação de Desenvolvimento Sustentável de Nacala
5	Baobab Construções
6	BKSC
7	BMG
8	Bureau for the Accelerated Economic Zones (GAZEDA)
9	Cavalete Ltd
10	CeConta
11	Confederation of Business Associations (CTA)
12	Consultorios Medicos de Tete
13	Couto e Graca Associados
14	Electro Vera
15	Fumigation International Mozambique
16	Imagem Real
17	MOZOASIS
18	Municipal Council of Mocimboa da Praia
19	Norco
20	Nutriconsult
21	Oderbrecht
22	Pamberi Services
23	President of local Silver Artisans Associations
24	Pro Imagem
25	ProIntel Africa
26	SBS
27	Sizananine Consultores Lda
28	Terra Nova
29	Univendas
30	Biriu Cópias

### 9.3.4 Definitions

These terms are defined as used in this report<sup>42</sup>.

**Benefits (of a service):** What a consumer gets out of a service, for example assistance in making transactions faster, a way to save time, contacts with new customers, prestige or a feeling of competence.

**Business Services:** Any service used by an enterprise to assist in business functioning or growth.

**Consumer:** A potential or actual user of a service. In many cases in the report, this refers to the population of SEs or some segment thereof.

**Customer:** An entrepreneur or enterprise that has either purchased a service or acquired it through another type of commercial transaction.

**Demand:** The extent to which consumers want to purchase a service.

**Embedded Services:** Services that are acquired as part of another commercial transaction, for example when a technology supplier provides training to his/her customers as part of the purchase of the technology.

**Facilitator:** An international or local institution which has as its primary aim to promote the development of local BS markets. Currently, most BS facilitators are public institutions, NGOs or project offices of donors, usually funded by governments or donors.

**Features (of a service):** The attributes or characteristics of a service that ensure a consumer get benefits from a service and that create customer satisfaction, for example the length of a training course, the friendliness of attendants at a telecommunications center or the speed in responding to a request for consulting services.

**Market:** The interaction of demand and supply for a particular business development service. A market includes consumers, suppliers, transactions and factors that affect these.

**Market Opportunity:** A situation in a market that shows potential for increasing the number of transactions in the market, for example unmet demand for services from a particular consumer segment.

**Market Weakness or Problem:** A situation in a market that is suppressing the number of transactions in the market, for example a lack of products with the benefits and features that consumers want.

**Multi Service Study:** A market assessment focused on a variety of business development services.

**Small and Medium-Sized Enterprises (SMEs):** in Mozambique the MSMSE Statue establishes the number of employees and annual turnover as the two concurrent criteria to define MSMEs. 0-4 employees and no more than 1,200,000 Meticais for micro enterprises, 5-49 employees and 14,700,000 Meticais for small enterprises and 50-100 employees and 29,970,000 Meticais for medium enterprises.

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<sup>42</sup> As presented in ILO FIT Manual, ILO 2001.

**Supplier:** Any firm, institution or individual that provides business services directly to SMEs. In this report, the term includes private sector firms, public or donor funded institutions, business associations, government agencies, etc.

**Supply:** The availability of services in a market.

**Transaction:** The exchange between a customer and a supplier of a service