
Assessment
of
The Evolution of the Business Environment
In Mozambique

1996 – 2013

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Acronyms

ACIS	Associação de Comércio e Indústria – Commercial and Industrial Association
AR	Assembleia da República – Parliament
BAU	Balcão de Atendimento Unico – Single Service Desk
BCI	Business Confidence Index - Índice de Ambiente de Negócios (IAN)
BEE	Business Environment Evolution
CAC	Conselho Alargado de Consulta – Broad Consultation Meeting
CASP	Conferência Anual do Sector Privado – annual private sector conference
CEN	Conselho Empresarial Nacional - National Business Council
CEP	Comissão Empresarial Provincial - Provincial Business Commission
CM	Conselho de Ministros – Council of Ministers
CTA	Confederação das Associações Económicas de Moçambique – Mozambique Confederation of Economic Associations
DASP	Direcção de Apoio ao Sector Privado – Government Department for Private Sector Support
EMAN	Estratégia de Melhoramento do Ambiente de Negócios – Business Environment Improvement Strategy
ENDE	Estratégia Nacional de Desenvolvimento – National Development Strategy
FEP	Subnational Platform
FIAS	Facility for Investment Climate Advisory Services
GAZEDA	Gabinete para as Zonas Económicas de Desenvolvimento Acelerado – Department for the Fast Developing Economic Areas
GIP	Grupo Intersectorial Provincial - Provincial Intersectoral Group
GIRBI	Gabinete Inter-ministerial para a Remoção de Barreiras ao Investimento - Interministerial Strategy Monitoring Group
GOM	Government of Mozambique
IAN	Índice de Ambiente de Negócios – Business Confidence Index (BCI)
IFC	International Finance Corporation
INAE	Instituto Nacional de Actividades Economicas – National Institute of Economic Activities
INE	Instituto Nacional de Estatística – National Statistics Institute

ISPC	Imposto Simplificado para Pequenos Contribuintes – Simplified Tax for Small Taxpayers
JaU	Janela Única – Single Window Trade Management System
M&E	Monitoring and Evaluation
MF	Ministry of Finance
MIC	Ministry of Industry and Commerce
NUIT	Numero Único de Identificação Tributária - SingleTax IdentificationNumber
ODAMoz	Official Development Assistance to Mozambique Database
OECD	Organisation for Economic Co-operation and Development
PARPA	Plano de Acção pela Redução de Pobreza Absoluta – Poverty Reduction Plan
PPD	Public-Private Dialogue
PSWG	Private Sector Working Group
SME	Small and Medium-sized Enterprise
USAID	United States Development Agency
VAT	Value Added Tax

1 Executive Summary

The purpose of this document is to demonstrate unequivocally that efforts over the last nearly two decades to improve the business environment and strengthen the private sector in Mozambique have been insufficient. Its goal is to raise awareness of these failings and to act as a call to action within three key groups: the domestic private sector, the government, and the donor community.

Section 2 provides some background on business environment reform in Mozambique, makes the case for the need for this report, and sets out the methodology used and the main constraints encountered.

Section 3 attempts to situate Mozambique's business environment and investment climate within the international context. Limited reforms in the past 18 years have not resulted in substantive change for most businesses. The pace of reform appears to have stagnated, despite the efforts of the private sector and significant investments (over \$10B) by donors and government. This stagnation is reflected in Mozambique's business confidence index (nearly inert for two decades), its Doing Business ranking (146th of 185 countries in 2013) and its performance in the UN's Human Development Index (second from the bottom of 186 countries in 2013).

Section 4 explores the mechanisms through which public-private dialogue take place in Mozambique and how these have evolved over time. It is based on a close examination of CASP documents and qualitative interviews with private sector leaders. Despite an ongoing dialogue process at national level between the government and CTA through the CASPs, the reforms required to enable Mozambique's economy to develop in order to provide jobs and allow for wealth creation is not taking place.

In this meeting [13th CASP] we will see the results of the efforts made by the public and private sectors, optimising synergies for the greater good of the business environment and showing clear results in the performance of the national economy – Armando Inroga, Minister of Industry & Commerce, 2013

Commitments are made, but follow-through is lacking; and crucially, there is no broad consensus between public sector, business and civil society about how to achieve economic development. Statements about economic development based on the private sector such as PARPA, ENDE or EMAN, recognize business and particularly SMEs as crucial to employment and broad based growth. However, these are not transformed into concrete action in terms of legislation that is then effectively implemented.

Section 5 identifies key issues that have been raised by the private sector through the CASP mechanism over time, grouped into sector-specific and cross-cutting categories:

Sector-specific issues (# raised)	Cross-cutting issues (# raised)	
<ul style="list-style-type: none"> • Agriculture (18) • Tourism (16) • Industry (10) • Fisheries (4) • Judiciary (3) • Mining (1) 	<ul style="list-style-type: none"> • Transport (39) • Tax, customs and external trade (21) • Public sector / State Administration (11) • Public Works (10) 	<ul style="list-style-type: none"> • IT and Telecoms (10) • Finance (10) • Labour (9) • Commerce (6) • Crosscutting (5)

While each of these categories contains many issues, grouping them illustrates an overall pattern of concerns raised by business over an 18 year period.

Section 6 begins with an exploration of the national policy framework for private sector development in Mozambique. Although significant effort and investment have gone into the development of strategies and policies relevant to the private sector (particularly 2006-2009), the need for policy improvements continues to arise on the CASP matrices, demonstrating that the national policy framework is not meeting the private sector's needs and expectations. For example, despite the creation of the 2007 industrial policy, the need for an industrial policy recurs in the 2012 and 2013 CASP matrices. Despite the creation of the 2006 tourism marketing strategy, the need to promote and develop the national image in the tourism sector continues on the matrices until 2011. Quality standards related issues continue to arise on CASP matrices up until 2010, despite the existence of the 2003 quality policy and strategy.

We would like to express our indignation at the very slow pace of reforms in the country.- Rogério Manuel, CTA President, 2013

This section also provides a very high-level summary of the EMAN evaluation, and short assessment of the regulatory environment. It notes that regulations tend to be fragmented and sectoral, developed by individual ministries with limited consultation with government counterparts or business. Examples of complexity include: tourism licensing regulations, fiscal legislation and the raft of labour regulations. Further, regulations often do not reflect the policies they are meant to implement.

Things do not happen because it is a structural and midset problem. We all know that the ministries and institutions are working in isolation from each other. – BEE Interviewee 4

Section 6 also contains a comparative analysis of CASP themes over time, EMAN target results, EMAN II specific objectives and activities, and the latest CAC. Given the Government took a strategic decision to focus EMAN II more narrowly than EMAN, how will important issues not covered by this strategy be addressed over the five-year period of EMAN II.

Among the CASP themes, only two – (1) registration and licensing and (2) insolvency and recovery – are wholly reflected in EMAN II. While there is value in some of the activities included in EMAN II, they will not address (within the next five years) key issues consistently raised by the Private Sector such as inefficiency at ports and borders, illegal imports, and excessive bureaucracy and corruption. The vast majority of CASP issues have not been integrated in EMAN II, and there is no indication of if or how they can be addressed outside it.

Another point of note is the obvious lack of alignment between the CAC (the monitoring mechanism for agreements under CASP) and EMAN/EMAN II. This anomaly raises an important question: what is/should be the relationship between the public-private dialogue and monitoring processes (CASP and CAC) and the government's strategy for business environment improvement?

Section 7 begins with a look at the commitment the international community has made to development of the private sector in Mozambique, and questions whether the expected results have been achieved. It then looks at EMAN implementation at macro level. This is followed by a closer look at some specific issues raised through the CASP mechanism over time: investment and trade-related issues, government and governance-related issues, and legal issues.

Section 8 begins with a high-level overview of a number of contributing factors that typically impede reform: political will, structure and capacity within private sector organizations, and public sector capacity. It also explores briefly issues related to protectionism and public sector intervention in the private sector.

Section 9 concludes the report. The main take-aways from the analysis are as follows:

The reform envisaged in the mid-1990s has not materialised. Reports from the annual private sector conferences show repetition of the same messages at each conference, accompanied by a notable lack of concrete action.

Donor investments of relevance to the private sector have not yielded results. Over \$10 billion has been projected for spending on projects with private sector relevance between 2001 and 2015. While some of these funds are grants, others are soft loans which Mozambique will have to pay back. A critical question is therefore whether the private sector has developed sufficiently to create the wealth needed to pay back these loans.

A shared vision for Mozambique's development and an accompanying overarching policy for business environment are lacking. Mozambique has no broad Investment Climate Improvement or Business Competitiveness strategy. Instead, policy is developed sectorally, and is often followed by fragmented, complex, overlapping, and even contradictory regulations that are difficult for the private sector to comprehend and for the public sector to implement.

Policy reform has not been followed by implementation. The lack of implementation has been attributed to: lack of political will; insufficient political power within government bodies tasked with overseeing reform; resistance among functionaries who benefit from the existing system; and poor capacity within the public sector, especially in the provinces, to absorb regulatory changes.

Reforms undertaken have been small-scale 'tweaks' rather than paradigm-shifting, structural changes. A tendency towards smaller reforms or adjustments which could provide "quick wins" is noted, and this is attributed to: powerful forces within the political structure whose interests would not be served by deeper reforms; weaknesses in the CASP mechanism; and a need to demonstrate some successes resulting from the public-private dialogue under pressure from donors for quick wins within short-term funding cycles, rather than a long-term integrated approach to structural reform.

The lack of development has given rise to protectionist tendencies that may stifle private sector growth. There has been a recent focus in public-private dialogue and discussions within the private sector on restricting the business environment by legislating local content and shareholding, and protecting business based on the passport carried by the majority of shareholders.

Public-private dialogue mechanisms have not delivered on their initial promise and should be significantly strengthened. Even with the political will for the types of reform proposed, the format of the CASP matrices and conference is not conducive to promoting and then monitoring reform; this requires much more intense dialogue through transparent, inclusive and efficiently managed mechanisms. The main impediments to a functioning dialogue system are, firstly, open, inclusive, transparent and systematic dialogue between government and business and, secondly, the lack of the same within the private sector itself.

A new window of opportunity for business development is opening up now with the natural resource boom taking place in Mozambique, but high growth rates may lead to complacency among government leaders. Extractives-sector-led growth will not lead to broad-based economic development, large-scale job creation and widespread improvements in human development. The major question facing both business and government now is therefore whether or not the brave steps required for a total reform are going to be taken or whether public-private dialogue is going to continue with tweaking and piecemeal changes, which often do not have a major impact, are frequently poorly implemented and may add unnecessary costs and burdens.

The report concludes with four recommendations:

- **Policy** – there should be one, overarching economic development policy, led from the highest levels of government, as a result of which every thought, action, regulation, levy, fee etc. should be analysed based on its benefit to business, and structured accordingly;
- **Legislation** – legislation should in all cases reflect faithfully the related policy. It should be clear, simple and overall *implementable*. To improve the quality and relevance of legislation, the draft Public Participation Law (*Lei de Participação Pública*) should be approved and implemented immediately to not only ensure broader access to debate on legislation and policy for the private sector but for civil society as a whole;
- **Implementation** – Ministers should be directly accountable to the Prime Minister or the President for the *effective and timely implementation* of policy decisions and associated regulation for which they are responsible. Communication and dissemination of new regulations – to the private sector, common citizens, and especially functionaries tasked with legislative oversight and implementation – should be prioritised;
- **Impact** – progress and achievements should be monitored and assessed on the basis of impact, measured in terms of the experience of the majority of firms, rather than on the completion of activities.

2 Introduction

2.1 Background

Business development and thus wealth creation and employment are critical to improving human development. There is a direct connection between an improved business environment, broad based growth, income generation and poverty reduction. Conducive legal, regulatory and administrative frameworks are a necessary precondition for this chain to develop. Proactive, supportive policies and strong public and private institutional structures working as delivery mechanisms are also needed.

The links between a strong, vibrant and diverse private sector, facilitated by a supportive business environment, and job creation and increased tax revenues for economic and human development have long been recognized in Mozambique. Annual dialogue between the government and the private sector has been ongoing since 1995, and in the intervening period the government has undertaken a number of reforms aimed at improving the business environment.

At the XIII edition of Mozambique's annual private sector conference - CASP (*Conferencia Anual de Setor Privado*) held on the 8th March 2013, the Minister of Industry & Commerce, Armando Inroga, indicated that the government has complied with 80% of its targets for business environment reform. His comments coincided with the conclusion of the first phase of the EMAN (*Estratégia de Melhoramento de Ambiente de Negócios* – Business Environment Improvement Strategy) and preparations to implement a second phase of business environment reform (EMAN II) as well as the launch of a draft of ENDE (*Estratégia Nacional de Desenvolvimento* – National Development Strategy). Five months later, the CTA's report to the National Business Council (CEN) showed that only four of the twenty-one priorities agreed at the 2013 CASP were considered 'completed'.

The private sector's interest is to prosper, grow and consolidate itself, while the government in its turn is interested in protecting the private sector as one of the key instruments for resolving the problems of society. The government ... will continue its support and study ways of increasing it, so that the private sector can participate significantly in reducing unemployment by creating jobs....so that the private sector can serve as the lever with which to raise our people's living standards and eradicate extreme poverty – Joaquim Chissano, President, 1998

In this meeting [13th CASP] we will see the results of the efforts made by the public and private sectors, optimising synergies for the greater good of the business environment and showing clear results in the performance of the national economy – Armando Inroga, Minister of Industry & Commerce, 2013

Despite the government's optimism about its business environment reform policy and actions, SME growth and job creation have been minimal and growth continues to be limited to sectors dominated by major international investors (e.g. extractives and financial services). Companies continue to report being negatively affected by uncertainty in the business environment, unpredictable application of legislation, and other barriers to investment. Indeed, the results of the annual Business Confidence Index (BCI) and the World Bank's

Doing Business indicator surveys paint a very different picture to that expressed by the government. This leads to questions about what has been achieved since the first CASP in 1995.

Conservative estimates based on the number of young people joining the electoral role indicate that the economy needs to create at least 300,000 new jobs per year. Such large-scale job creation can only come from rapid development of key sectors such as agriculture, tourism and labour-intensive industry, and from a massive expansion and development of the SME sector. Major investments (known as mega-projects) will contribute

significantly to state revenue, but they will not create jobs at scale. Indeed major investments planned for the next few years run the risk of increasing inflation and thus pushing up costs for those who can least afford it, while the country has not succeeded in import substitution, particularly of staples such as food.

The problems faced by business and the challenges which the country faces as a result of the resource boom, are complex. However, the greatest challenge facing civil society may be convincing the government that there is a problem. In public statements, government representatives regularly indicate that they believe that significant reform has taken place, the business environment is much improved and that the growth of the economy is based on increased numbers of companies opening and/or investing.

The country continues to be a destination of choice for investment and there is a determination to continue reforming to benefit business. - Aiuba Cuereneia, Minister for Plan & Development,

Therefore, before the type of deep business environment reform required can take place, business is faced with the challenge of presenting a united front and speaking out in order to convince the government that more radical, far-reaching and rapid reform is required if the country is to truly take advantage of the coming resource boom, in a way that benefits everyone.

Recognizing that the assessment is only semiannual we would like to express our indignation at the very slow pace of reforms in the country - Rogério Manuel, CTA President, 2013

In order to have a chance to influence policy it will not be sufficient for one organization to speak out. Instead it will be necessary for a group of influential Mozambican decision-makers and opinion formers from across civil society to lend the weight of their own voices and those of the organisations they represent to a concerted movement for change.

However before this can take place it is necessary to evaluate what has been called for and what has been done in respect of improvements to the business environment in the past 18 years, since the first private sector conference in 1995. This requires a comparison of the CASP matrices, EMAN I and its outcomes, the BCI and Doing Business surveys. By examining progress in the dialogue mechanism provided by CASP alongside actions taken in EMAN and the resulting rise or fall of business confidence (BCI) and world rankings (Doing Business), this report aims to present an overview of the impact of reforms to date, and highlight what remains to be done.

2.2 Purpose

The purpose of this document is to demonstrate unequivocally that efforts over the last nearly two decades to improve the business environment and strengthen the private sector have been insufficient. Its goal is to raise awareness of these failings and to act as a call to action within three key groups: the domestic private sector, the government, and the donor community.

It is hoped that this analysis will pave the way for the sort of open and constructive dialogue that marked the earliest public-private consultations, and that this dialogue can be transformed into deep and meaningful reform that is implemented at all levels.

2.3 Methodology and Constraints

This report was developed based on a desk review of the following documents:

- Doing Business Indicators 2004-2012
- Business Confidence Indicators 1998 – 2012

- CASP matrices and reports 1996 – 2013
- EMAN I and II
- OECD and World Bank reports on public-private dialogue

And other documents included in the bibliography in section 11.

In addition semi-structured, qualitative interviews were undertaken with a number of key players involved in business environment reform over the past 18 years with a view to gathering their reflections on what has and has not worked, and why, and what business should do going forward to ensure more far-reaching and substantive reform is achieved.

A major constraint to developing this report was access to information. Few of the documents required for the analysis were available electronically and many were difficult to source in hard copy. One outcome of the research will be the digitalization and uploading of key materials so that in future they will be more readily accessible.

Another challenge was comparability of data. Methods of presenting key issues changed significantly over time and it was difficult to cross-reference data between reports, even from the same organization. In addition clear indicators and monitored results with specific indications of how outcomes have been gauged as “complete” was lacking in most documents. Issues raised or targets established were found to disappear and reappear over the years but with no indication of why this was the case.

Analysis of the CASP reports is made complex by:

- Regular changes in format of tables of activities to be undertaken
- Regular reclassification of activities
- Activities dropping off and then reappearing on matrices, sometimes under different classifications, with little or no indication of why issues have been included or excluded, or moved
- Lack of clear indicators or monitoring of outcomes

As a result, the contents of the CASP reports have been summarized to identify key themes over time (see *Annex 1 – Private Sector Conference Matrices Summarised*). The report contents are broken down into broad sectors based on those indicated in matrices, or allocated into the most appropriate sector in matrices where no sectoral division was provided.

To place the analysis in historical context the authors have included a series of quotations from the CASP reports.

The authors present the following report with the caveat that the analysis is of necessity generic, and key issues have been grouped into themes, due to the lack of consistency of reporting in source materials.

3 Aggregate business environment indicators

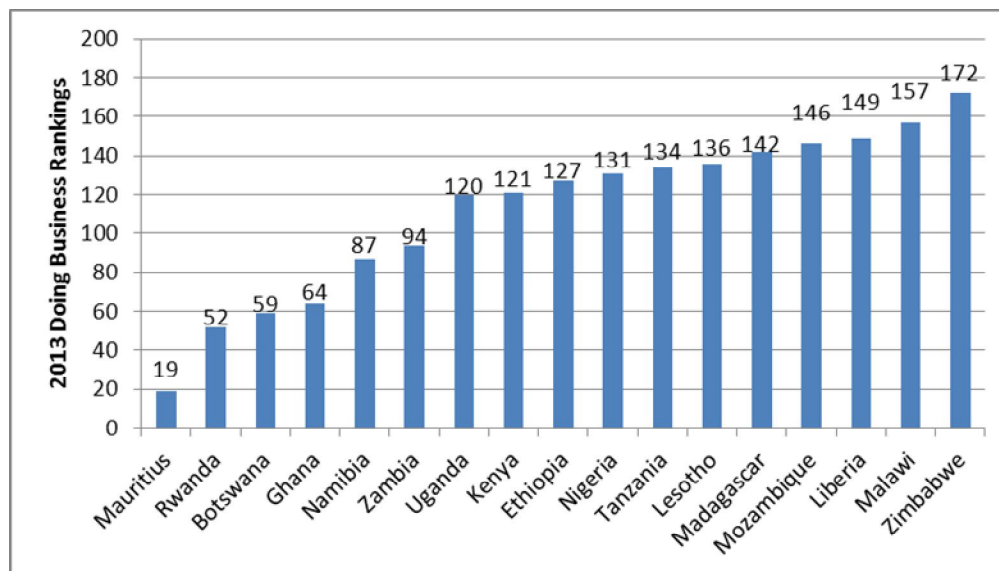
Mozambique is very poorly positioned against its peers, and the domestic private sector continues to struggle with an unfavorable business environment and investment climate.

3.1 Mozambique in the international context

This section attempts to situate Mozambique's business environment and investment climate within the international context. It is primarily based on the World Bank's *Doing Business* ranking, which presents quantitative indicators on business regulations and the protection of property rights that can be compared across 185 economies. *Doing Business* measures the following areas/indicators: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and employing workers.

In 2013, Mozambique ranked 146th out of the 185 countries included in the ranking. Figure 1, below, shows the most recent *Doing Business* rankings for seventeen African economies, among which only Liberia, Malawi and Zimbabwe rank lower than Mozambique.

Figure 1: *Doing Business* Rankings, 2013



Despite criticisms of methodology, this ranking provides a global benchmark for business environment reform and performance. It is used by many to determine the state of a given business environment and can therefore have a significant impact on foreign direct investment.

I usually tell everyone who talks about this, if they have any small business, because it is much easier to feel it on the skin. Not only of how difficult is it to do business, but the level of degradation of the conditions favorable to business. Things are getting worse every day – BEE Interviewee 4

The need to speed up reforms is urgent also because Mozambique must compete in an increasingly integrated international market....it is no longer enough to compare the situation in Mozambique with its own past, but also with the rapid changes that are occurring throughout the region and around the world. - FIAS report on administrative barriers to investment, 2001

When the ranking is considered over time, it is clear that Mozambique has not strengthened its business environment as quickly as other countries. Table 1, below, shows that Mozambique was ranked below 80% of other economies studied in 2007 (see 3rd column, Relative %).

Table 1: Mozambique's Doing Business aggregate rank and disaggregated indicators, 2007 - 2013

DB Report	Absolute Global Rank	Relative (%)*	Starting a Business	Protecting Investors	Enforcing Contracts	Getting Electricity	Registering Property	Getting Credit	Dealing with Construction Permits	Paying Taxes	Trading Across Borders	Resolving Insolvency
DB2007	140/175	80%	153	83	168	..	105	83	103	80	141	126
DB2008	134/178	75%	125	33	138	..	126	97	147	72	140	134
DB2009	141/181	78%	144	38	124	..	117	123	153	88	140	133
DB2010	130/183	71%	96	41	129	..	153	125	159	98	136	135
DB2011	126/183	69%	65	44	132	..	144	128	155	101	133	129
DB2012	139/183	76%	82	46	132	174	160	127	135	103	135	146
DB2013	146/185	79%	96	49	132	174	155	129	135	105	134	147

*1% being the best positioned country and 100% the worst positioned country

Source: www.doingbusiness.org

EMAN

DB2013 reported progress from June 2011 through May 2012. EMAN monitoring report dated July 15 2012 reported an 80% of average completion of the Indicators. Conversely, the country had dropped 1% point from when EMAN started in 2008 (DB2009) and 10% points from DB2011 (20 positions).

A good momentum was lost. Reflected on DB2010, DB2011 and BCI/IAN 2009.

Tax & External Trade and Finance are at the top of every CASP matrix, sharing 31 issues between them over time. According to the Doing Business these sectors keep on getting worse every year.

Mozambique improved its relative position by 2010, but in 2013 its ranking was back to its 2007 level, showing no progress at all from an international comparative perspective during the same period in which the first EMAN was implemented.

The picture is no better when disaggregated indicators are considered. In fact, during the implementation of the EMAN, Mozambique's relative rankings have significantly worsened in terms of protecting investors, registering property, getting credit, dealing with construction permits, paying taxes, and resolving insolvency. While some progress was noted during the middle of the EMAN implementation, momentum seems to have been lost in recent years, and a general downward trend is noted.

Other international indices paint a similar picture. The World Economic Forum's Global Competitiveness Index ranked Mozambique above only Chad, Guinea, Sierra Leone and Burundi in Sub-Saharan Africa in 2012-13 (see below).

Figure 2: World Economic Forum Global Competitiveness Index Ranking (Regional), 2012-2013

Rank	Economy	Score	Rank	Economy	Score
52	South Africa	4.4	121	Ethiopia	3.6
54	Mauritius	4.4	122	Cape Verde	3.5
63	Rwanda	4.2	123	Uganda	3.5
76	Seychelles	4.1	128	Mali	3.4
79	Botswana	4.1	129	Malawi	3.4
92	Namibia	3.9	130	Madagascar	3.4
98	Gambia, The	3.8	131	Côte d'Ivoire	3.4
99	Gabon	3.8	132	Zimbabwe	3.3
102	Zambia	3.8	133	Burkina Faso	3.3
103	Ghana	3.8	134	Mauritania	3.3
106	Kenya	3.7	135	Swaziland	3.3
111	Liberia	3.7	137	Lesotho	3.2
112	Cameroon	3.7	138	Mozambique	3.2
115	Nigeria	3.7	139	Chad	3.1
117	Senegal	3.7	141	Guinea	2.9
119	Benin	3.6	143	Sierra Leone	2.8
120	Tanzania	3.6	144	Burundi	2.8

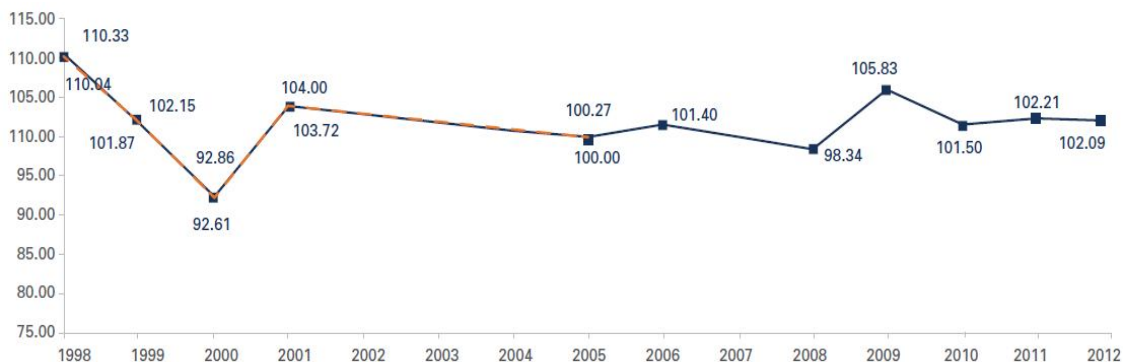
3.2 Domestic perceptions of the business environment

Just as the *Doing Business* ranking provides an international benchmark of the business climate, so the annual *Business Confidence Index*(BCI) provides an indication of the domestic private sector's perceptions. The BCI is an annual survey conducted by KPMG and the Confederation of Economic Associations (CTA), which includes a representative sample of firms of all sizes, in all provinces and in ten key sectors¹. Respondents are asked to rate their level of confidence related to 42 specific factors grouped in 7 categories: macroeconomic factors; financial and credit market related factors; trade and investment factors; infrastructure and services related factors; government

¹Sectors included in the BCI: agriculture and fisheries; food and beverages; banking, leasing and insurance; commerce and services; communication, information and IT; construction and construction materials; energy and fuel trade; tourism and hospitality; manufacturing; and transport, terminals and related services.

and governance factors; labour factors; and legal factors. Figure 3, below, shows the evolution of the BCI since its inception.

Figure 3: Evolution of the Business Confidence Index, 1998 - 2012



Source: BCI 2013

The first point to note is the marked decrease in business confidence between 1998, the first survey and high-point in its history, and 2000, which marked the survey's low point.

Initial optimism followed the first few CASP meetings, the nearly-annual public-private dialogue that began in 1995, but seems to have waned when the promise of those early meetings was not realised.

The second important point is the lack of any meaningful improvement in business confidence since 2000, despite the proliferation of business environment reform strategies, policies and legislation.

Qualitative evidence based on a interviews with key informants suggests that policy reforms that were expected to dramatically improve the business environment, and which would logically be reflected in increasing business confidence and higher Doing Business rankings, have simply not been implemented.

Section5, below, explores the recurring themes in public-private dialogue over the last 18 years, and section6 looks at these themes as they relate to the national policy framework. Section 7 then considers the question of implementation in more detail by looking at specific areas where reform has been proposed through public-private dialogue and subsequently formalised as policy, but where the expected impact of reforms have not been felt by the private sector.

The following section looks at the history of public-private dialogue in Mozambique.

This [CASP] mechanism began in 95/96. Then in 2001 or so, there was a disruption; the "courtship" of those first 5 years, those sayings that people seemed willing to move forward, that they wanted to do things. More speech than action, but people at least had a feeling that they could do things. However, there has never been a fertile willingness to do it – BEE Interviewee 5

We have changed a lot...but if you go deep down into the details of that change, there is a lot left to be done. This country is still not competitive...Most [reforms] did not happen because there was no implementation ability. There was no capacity to implement anything that was decided; we continue to be weak in government implementation ability – BEE Interviewee 1

4 History of public-private consultation and current structures

The government can possess no credibility, and dialogue cannot be productive, unless the private sector feels that property rights are guaranteed, that the state's arbitrary power is limited, and that its promises can be relied upon. (OECD, 2007)

According to the OECD, the objectives of public private dialogue include building trust, bridging gaps, laying the foundation for joint problem analysis, and identification of policies and institutional reforms that contribute to a more conducive environment for private sector development (OECD, 2005). Mozambique's poor international ranking and almost static levels of business confidence show that the long-standing dialogue between the government and the private sector has not been effective. This section explores the mechanisms through which such dialogue takes place and how these have evolved over time. It is based on a close examination of CASP documents and qualitative interviews with private sector leaders.

4.1 Structure of consultation mechanisms

The institutional structures that effective public-private dialogue requires have long been established and are, as international agencies recommend, closely aligned to national institutions. The most central of these is the Confederation of Economic Associations (CTA), an organization comprising private sector associations and business that works towards a better business environment in Mozambique. CTA has its headquarters in Maputo and three regional offices, one in the South (Maputo City), and another in Central Mozambique (Beira City) and the last in the North (Nampula City). CTA liaises with the Government and other public institutions through Working Groups, the National Business Council (CEN), and Provincial Business Councils (CEP). CTA has a Governing Board which meets at least monthly to make policy decisions and monitors the activities of the Executive. The Executive Directorate in turn implements the activities plan and budget approved by the General Assembly of CTA. The Executive Directorate is comprised of the following units:

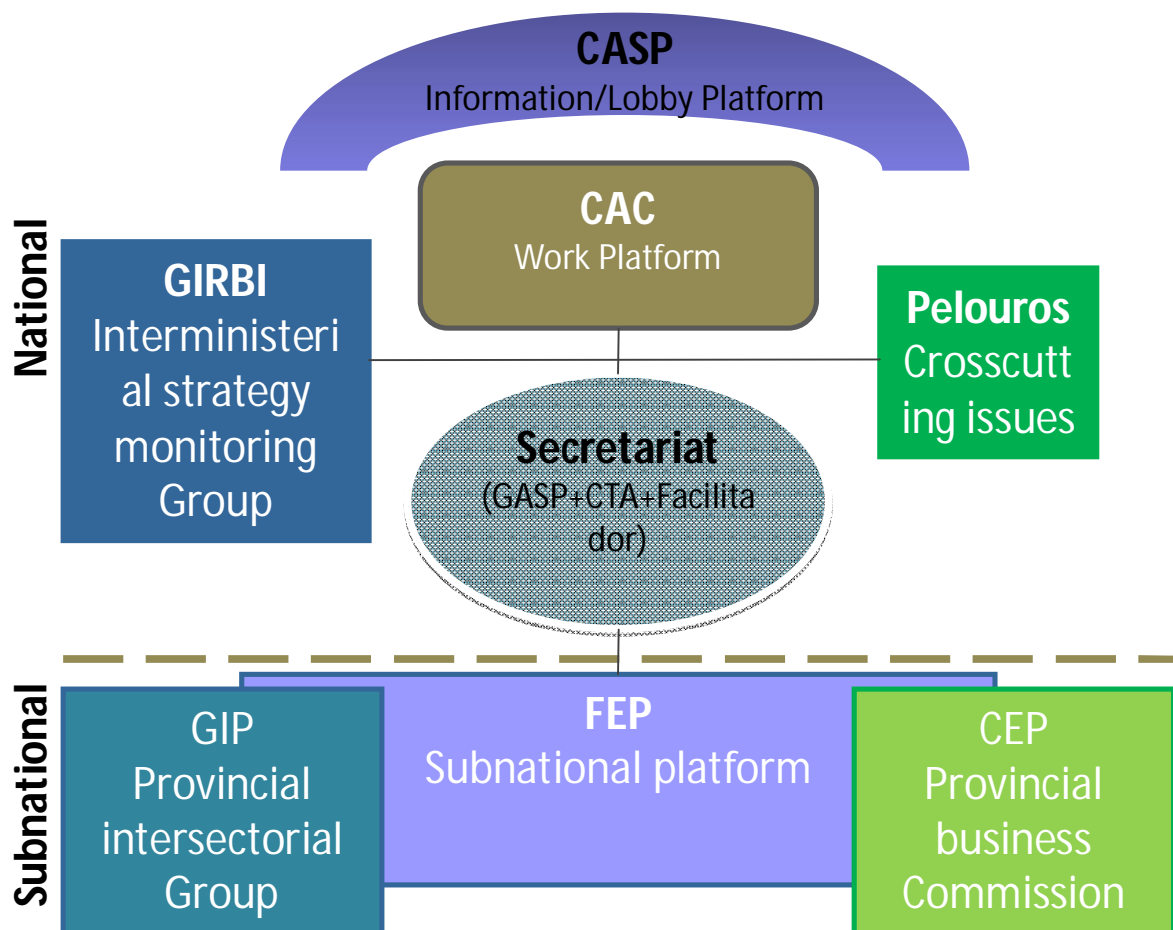
- Consultative Mechanisms (MCs);
- Membership Development and Institutional Relations (UDARI);
- Research and Economic Analysis (UIAE);
- Administration and Finance (UAF);
- Regional Antennas (South, Central and North),
- Provincial Business Councils.

The main area of CTA intervention is the Public Private Dialogue (also known as Consultative Mechanisms), comprised of 10 working groups (Pelouros) that works with assistance and support from the Executive Directorate. Specific mechanisms under this umbrella are:

- Annual private sector conference with the President (CASP)
- Annual private sector conference in the regions (CASP Regional)
- Consultation meeting with the Prime-Minister (CAC)
- Sectorial Meetings with Ministers and/or National Directorates (Pelouro Meetings)

The current structure of public-private dialogue mechanisms are set out in Figure 4, below:

Figure 4: Structure of public-private dialogue mechanisms



Source: Presentation by Orlando da Conceição, CTA Executive Director, at the *Public-Private Dialogue 2010 Workshop, Vienna*.

A second important body is the Private Sector Working Group (PSWG), established after the [donor] Consultative Group held in Paris in October 2003. The PSWG is comprised of:

- Government ministries, agencies and bodies with connection to private sector activities, which are represented by the Private Sector Unit of the Ministry of Industry and Commerce;
- Multilateral and bilateral donors' institutions active in private sector development.

The overall objective of the PSWG, according to its terms of reference, is to:

"Establish a forum of dialogue among donors, government, private sector operators and civil society to jointly gather, analyze, discuss and prioritize, follow-up and monitor policy-related issues pertaining private sector activities in Mozambique directed towards joint recommendations for actions to be taken to improve effectiveness and efficiency of all stakeholders' actions related to the exercise of private sector activities.²"

Let us now turn to the history through which the CASP-related structures have developed.

²Time constraints do not allow for an analysis of the interactions between the PSWG and the CASP mechanisms, but such an analysis would contribute to the much-needed discussion on how to strengthen public-private dialogue processes for greater impact on the business environment.

4.2 History of consultation mechanisms

A balanced and intelligent combination of public and private sector remains essential for sustainable economic development. A full and meaningful partnership is based on open and constructive dialogue – Pascoal Mocumbi, Prime-Minister, 1997

No documentation is available for the first private sector conference, so this analysis begins with the **second private sector conference**, which was held on the 11th July 1996 in Beira and on the 12-13th July 1996 in Maputo. The tone of the conference document was hopeful, and there was great emphasis placed on both the value of the dialogue and on the importance of implementation. In the preface, the World Bank's Simon Bell indicates "The prospects for real action at last seem possible so that...both sides will be able to demonstrate concrete results from their on-going dialogue." This view was echoed by the British High Commissioner, Bernard Everett who stated "two basic principles are universal: it is to the private sector that we must look for wealth and job-creation and it is only through partnership and through discussion that government and the private sector will be able to successfully define their respective roles." He went on to say "meetings like this one do not in themselves represent change. They agree and define what needs to be done. They record intentions. But they have to be followed up and implemented;....Discussion, consultation and implementation are ongoing requirements".

The main challenges facing the private sector, and the respective roles of the government and the private sector in addressing them were discussed. The Director General of the Italian Development Cooperation, Gianfranco Varvesi

In addition to the needed legal reforms, it is extremely important to institutionalize the channels of communication between the private sector and government. Particularly important is the need for the government to change its attitude towards the private sector. The government needs to view the private sector more as its partner in developing the national economy - Lucinda Cruz – Ernst & Young, 1996

noted "the major obstacles to private investment – both national and foreign – [include] an outrageous system of regulations impacting on economic activities and the labour market, disadvantaging investors because of its lack of transparency, while simultaneously creating a fertile breeding ground for corruption."

Oldemiro Baloi, then Minister for Industry, Commerce and Tourism closed his speech saying "the role of government should not go beyond regulation of economic activity so as not to inhibit the initiatives of the private sector....the suggestions for change are

disorganized and it cannot be left to the government alone to sort them out. It is the responsibility of the private sector to come up with an organized plan.....it is worthwhile to pursue a dialogue with the government – even if the dialogue is often repetitive".

These general themes were revisited over the subsequent private sector conferences, which were increasingly led by CTA, the need for the creation of which arose out of the early conferences. Over time the conferences became known as CASP, and a total of 13 were held between 1995 and 2013. The first five conferences (1995-1999) are generally marked by optimism; however, from the conference reports, the initial enthusiasm and commitment to dialogue and reform can be seen to wane over the intervening 13 years.

We also had people in government at the time, who helped it happen. I can also say that the Minister of Industry and Trade was the current Minister of Foreign Affairs, Oldemiro Baloi. And he was very interested that there were changes, because the business environment in the country did not allow for investors to come and feel free to invest – BEE Interviewee 4

The sixth conference, in 2001, was the first conference after the 1999 general election and the floods of 2000. The format was changed somewhat because, according to CTA Chair Egas Mussanhane, "the previous versions had been shown to be unsatisfactory" and over 50 of the objectives identified in previous meetings had not been achieved. He

So in 2001, the disruption takes place. The 5 year "courtship" ended and we got into a long list of things to do and nothing happened. So we now have a smaller list. And yet they are not reforms. They are small-scale "tweaks". – BEE Interviewee 5

later said "despite the great effort expended and the actions undertaken, we must accept that these have not yet produced palpable results for the majority of the population, nor the great majority of firms".

This was a view echoed by President Chissano who indicated "the steps taken until now show us that, although the merit of these events [CASPs] is unquestionable, there are nevertheless lessons to be drawn, namely with respect to their breadth and format, and above all in relation to monitoring and implementation of recommendations". As Carlos Morgado, Minister of Industry & Commerce admitted at the 6th conference "the problem raised [lack of progress] relates to the public sector's difficulty in accommodating the concerns presented by the business community in its programme of work. This situation tends to create a false, albeit legitimate, impression of insensitivity among those who have to live with the problems and expect an answer".

Contrary to previous conference reports, wherein the tone of dialogue is generally friendly and at least on the surface indicates a willingness to engage, **the seventh conference** is marked by disillusionment on the part of the private sector and irritation and defensiveness on the part of the government. President Chissano lamented "perhaps we were excessively ambitious when we defined the main questions in 2000. On the other hand we have the perception that tasks have been carried out which were not in the matrices and therefore are not included in the balance of achievements thus creating a false impression of lack of progress".

The eighth conference, held in 2004, continued to highlight the lack of progress, noting that the previous conference's matrices were "overly ambitious and not well focused on results", and that "the resolution of identified problems and the implementation of prerequisite actions continue to be very weak". Sector-specific working groups (pelouros) were established in this conference.

Following CASP VIII, CTA commissioned a Business Environment Assessment (funded by USAID) "as a result of stalemates having occurred between the perceptions of the private sector and the convictions of the Government". The assessment surveyed 150 firms around the country and aimed to provide "a large base of opinion, credible and technically sustainable data...allowing the private sector to confirm or reinforce its position, and permitting the government to compare and correct its operations".

The assessment found that while "significant improvements have taken place...major disillusionment was prevalent." The report cites centralization and excessive bureaucracy as particularly problematic: "In the majority of cases opinions on quality, delays and costs of service show deterioration in direct relation to the distance between the area where the service is provided and the Capital. One can therefore also conclude that it is not only that the regulations are so complex and require absurd processes and collections of documents and incomprehensible levels of decision-making, but also that the process of moving the documents from one place to another is a further factor which causes extraordinary increases in costs and time periods." It blames "the lack of professional training of those involved as well as... a complete lack of understanding of what professional dignity and public service are" and stresses that "a revolution in understanding and attitude through systematic and aggressive training campaigns is vital". The assessment documented procedures (e.g. time and costs, procedures as experienced by business and according to law), and provided comprehensive recommendations for reform.

Nevertheless, three years later, the report of the **10th Conference**³, held in November 2007 in Maputo, continues to highlight the frustration felt by the private sector. CTA President Salimo Abdula stated in his address to the conference “we propose that the major challenge should be consolidating dialogue in seeking for solutions aimed at improving the business environment”. And despite all evidence to the contrary, President Guebuza assured participants that “on the part of the government, the availability remains total for the continuous improvement of the business environment and the removal of administrative barriers to investment are at the core of our agenda”. The 2007 conference saw the largest matrix of proposed reforms presented to that date.

Somewhere between the clear plan presented at the second conference in 1996 - which called for the complete implementation of the recommendations arising from the first IFC/FIAS analysis of Mozambique’s business environment, and which showed the optimism of the delegates that this would in

The fact is that, what was done is not enough compared to what should have been done. We did not make reforms; we made small “tweaks” – BEE Interviewee 5

fact be done - and the massive list of reforms proposed by the private sector in 2007, very little concrete reform was accomplished. Four years later, speaking at the closing session of the **12th CASP**, President Guebuza said “the public-private dialogue should evolve to a stage where, as partners, we feel that we share responsibilities in carrying it through effectively. In this sharing of responsibilities we shall understand that each side is under pressure to deliver, and has demands to make, because we are all impatient and want to move more quickly”.

At the 13th CASP, Armando Inroga, Minister of Industry & Commerce said “it is only by working together that we can achieve better results on this path that we are walking together, the destination of which is bold reform, quickly implemented to ensure a more competitive position for Mozambique in the regional economy, and indeed why not the global economy”. For his part, CTA President Rogério Manuel repeated the private sector’s recurring refrain: “without deep reform Mozambican business cannot compete in an ever faster, more globalised world; and reform must be directed towards reducing the time, cost and administrative procedures of doing business in Mozambique”.

The lack of progress over the past 18 years seems to have resulted in the dialogue mechanism manifested through the CASP becoming formulaic and stale. From 2007 there seems less commitment to the dialogue process, with conference reports not being published, matrices not being publicly available and major issues such as infrastructure improvements not appearing. The overall priorities of business have changed little in the intervening 18 years (see Table in the following section). Clearly reform has taken place and Mozambique is not the same place as it was in 1995, but the far-reaching, deep structural reforms envisaged in the early conferences have not taken place and business is still calling for greater dialogue and reform to enable the economy to develop.

Looking at the matrix, if I make a virtual matrix from the first day, after 18 years, the situation has not changed much. – BEE Interviewee 2

We are starting and so we are confronted with what are the difficulties of those who are beginning the path - Alberto Vaquina, Prime Minister, 2013

³The last fully-published conference report.

5 Recurring themes in public-private dialogue

The main issues of concern to the private sector are known – they have been raised repeatedly in nearly *two decades* of dialogue. This section identifies key issues that have been raised by the private sector through the CASP mechanism⁴. It begins with an overview of the types of issues raised through the CASP and recurring themes, and then takes a high-level look at policy and the business environment. Section 7 considers specific issues in some detail.

Although specific issues raised through the CASP mechanism have varied over time, there has been great consistency in the themes that appear from year to year. Table 2, below, groups 173 distinct issues raised through the CASP mechanism into sectors and themes. The table in Annex 3 indicates the report years in which the issues were recorded, and provides a summary of each issue.

Table 2: Thematic groups of issues raised through the CASP mechanism, 1996-2012

Sector-specific issues (# raised)	Cross-cutting issues (# raised)
<ul style="list-style-type: none"> • Agriculture (18) • Tourism (16) • Industry (10) • Fisheries (4) • Judiciary (3) • Mining (1) 	<ul style="list-style-type: none"> • Transport (39) • Tax, customs and external trade (21) • Public sector / State Administration (11) • Public Works (10) • IT and Telecoms (10) • Finance (10) • Labour (9) • Commerce (6) • Crosscutting (5)

Issues range from very specific (reduction of cost of non-intrusive inspection, lack of consultation with private sector in the development of ProAgri II) to very general (production costs make the agriculture sector uncompetitive, lack of an industrial policy). Overall the issues included have become more specific over time and the number of issues being presented or included, having reached a peak in the period 2006 – 2009, reduced between 2010 -2012 when an attempt was made to create a “top 10”, and increased again slightly in 2013.

Table 3, below, groups the main issues that have been raised through the CASP mechanism under the categories of factors that impact business confidence used in the BCI survey⁵ and demonstrates that the BCI survey accommodates most of the non-sector-specific concerns of the private sector. The lack of improvement in the BCI over time is therefore one indication, among many, that the concerns of the private sector are not being addressed.

⁴The first annual conference between the private sector and government was held in 1995. Unfortunately documentation from that meeting is not available. Therefore this analysis is based on the conference report books prepared between 1996 and 2007, and electronic summaries provided by CTA for the period 2007 – 2013. A series of quotations from conference documents are included in section 10.3: Annex 3 – Key quotes from CASP matrices and provide an overview of the issues raised, and the general tone of dialogue.

⁵Issues that cannot be mapped to the BCI themes are grouped under either ‘sector-specific issues’ or ‘cross-cutting issues’.

The following quotes from the earliest dialogues show how little things have changed:

*An important problem concerning administrative barriers in Mozambique is the **uncertainty of the outcome**. Companies initiate processes without knowing how and when they will end - Aracelli de Leon – IFC/FIAS, **1996***

*When the company is in operation it is the overhead created by **excessive paperwork and compliance with taxes and labour regulations** that has become an issue for reform. The main cost of administrative barriers to private activity in Mozambique are brought about by unpredictability of processes and the prolonged time it can take to complete all steps to operate legally. - Aracelli de Leon – IFC/FIAS, **1996***

*The development of the country, and in particular, of the private sector cannot be achieved without **clear institutional reform**, we intend to transform the public sector from a centralized bureaucratic institution into an efficient and innovative player which will encourage and support private initiative. The **decentralization and removal of administrative barriers** is crucial to our plans and strategy for socio-economic development – Pascoal Mocumbi, Prime-Minister, **1997***

*We are fully aware that incentives are not the only variables underlying private sector development and investment decisions. **Transparent policies and healthy procedures, norms and practices, complemented by a skilled labour force**, complete the package. In this framework our **government** is deeply committed to creating a favourable business climate – Joaquim Chissano, President, **1998***

Table 3 organises issues into three groups: those that relate to *policy*, those that relate to *institutions*, and those that relate to the general *business environment*. These major thematic areas intersect and in many cases contribute to or exacerbate each other.

Four groups of factors particularly stand out:

- Trade and investment related factors;
- Infrastructure and services related factors;
- Government and governance related factors;
- Legal factors.

While each of these categories and sub-categories contains a wealth of issues, grouping them in this way illustrates an overall pattern of concerns raised by business over an 18 year period. These categories are examined in further detail in section *7 Analysis of specific areas*.

The issues in Table 3 have been aggregated from CASP matrices from the last 18 years, but a quick scan shows that the vast majority of them remain relevant today.

Table 3: Main CASP issues mapped to BCI themes, and CASP issues outside scope of BCI survey

	Macro-economic factors	Financial and Credit markets factors	Trade and investment factors	Infrastructure and services related factors	Government and governance factors	Labour factors	Legal factors	Outside scope of BCI survey	
								Sector-specific issues	Cross-cutting issues
Policy/Legislation	<i>Fiscal & monetary policy</i> – taxation on key sectors (particularly agriculture and tourism), wide variety of taxes, levies and fees, exchange rate management;		<i>Fiscal & monetary policy</i> – external trade costs and inefficiencies, exchange rate management;	<i>IT and telecoms policy</i> – lack of development in the sector;	<i>Anti-corruption</i> Public sector reform, good conduct and anti-corruption	<i>Labour Law and related regulations</i> –minimum wage unsustainable, employment of expatriate labour, HIV/AIDS, social security		<i>Agricultural policy</i> – lack of development in the sector, land not useable as collateral; <i>Tourism policy</i> – lack of branding and promotion of Mozambique as a destination, lack of integration with other sectors (e.g. immigration, police) to provide a positive impression to tourists, visa policy; <i>Industrial policy</i> – lack of development in the sector;	<i>Commercial policy</i> – lack of development of sector particularly in rural areas; <i>National business development</i> – lack of development, lack of engagement in key sectors, requirement for protection and stimulation; Lack of quality standards

	Macro-economic	Financial and Credit	Trade and investment	Infrastructure and services related	Government and governance factors	Labour factors	Legal factors	Outside scope of BCI survey	
Institutions				Independent regulatory authorities – lack of these in the transport sector (air, rail in particular);	Justice system – perceived non-functioning court system, lack of transparency and accessibility, lack of use of alternative dispute resolution;				Ineffective dialogue between the public and private sectors
Business Environment		<p><i>Access to finance</i></p> <p><i>Cost of financial services</i></p>	<p><i>External trade</i> – customs complexity and costs, regional integration, border infrastructure and operation, inefficient port operations;</p> <p>Globalisation – policies, procedures, standard and systems incompatible with the region and wider world;</p>	<p><i>Infrastructure</i> – lack of infrastructure impeding sectoral development in all key sectors, poor quality and high cost of infrastructure, lack of competition (air, rail, ports), lack of internal road, rail, air and maritime transportation;</p> <p><i>Cost of factors</i> – electricity, water, fuel, telecoms, IT, transport, construction materials</p>	<p><i>Attitudes to business</i> – inspections, lack of cross-sector integration to facilitate business, arbitrariness/ uncertainty, slow payment for state procurement.</p> <p><i>Bureaucracy</i> - obsolete procedures, delays in issuing documents of all types;</p> <p><i>Centralisation</i> and state intervention;</p> <p><i>Lack of transparency</i> – corruption/hidden costs (e.g. municipal, provincial, transport, port, customs, other levies and fees), inconsistent enforcement, lack of information, governance, criminality;</p>	Lack of qualified human resources	<p><i>Legislation</i> – difficulties with implementation (delays, bureaucracy), complexity; lack of legislation in key areas (fisheries, diving, bankruptcy), legislation perceived to be out of step with modern market economy;</p> <p><i>Legal compliance</i> - illegal and grey trade, intellectual property protection, general lack of legislative enforcement across key sectors, unfair competition, lack of transparent state procurement, lack of tax rebates</p>	<p><i>Agriculture</i> – lack of development in the sector, land not useable as collateral;</p> <p><i>Tourism</i> – lack of branding and promotion of Mozambique as a destination, lack of integration with other sectors (e.g. immigration, police) to provide a positive impression to tourists, visa policy;</p> <p><i>Industry</i> – lack of development in the sector;</p>	<p><i>Cost of factors</i> – raw material costs and lack of local production.</p> <p><i>Access to information</i> – on among other things legislation and proposed reforms, procedures to be followed in implementation of legislation, credit, procurement;</p>

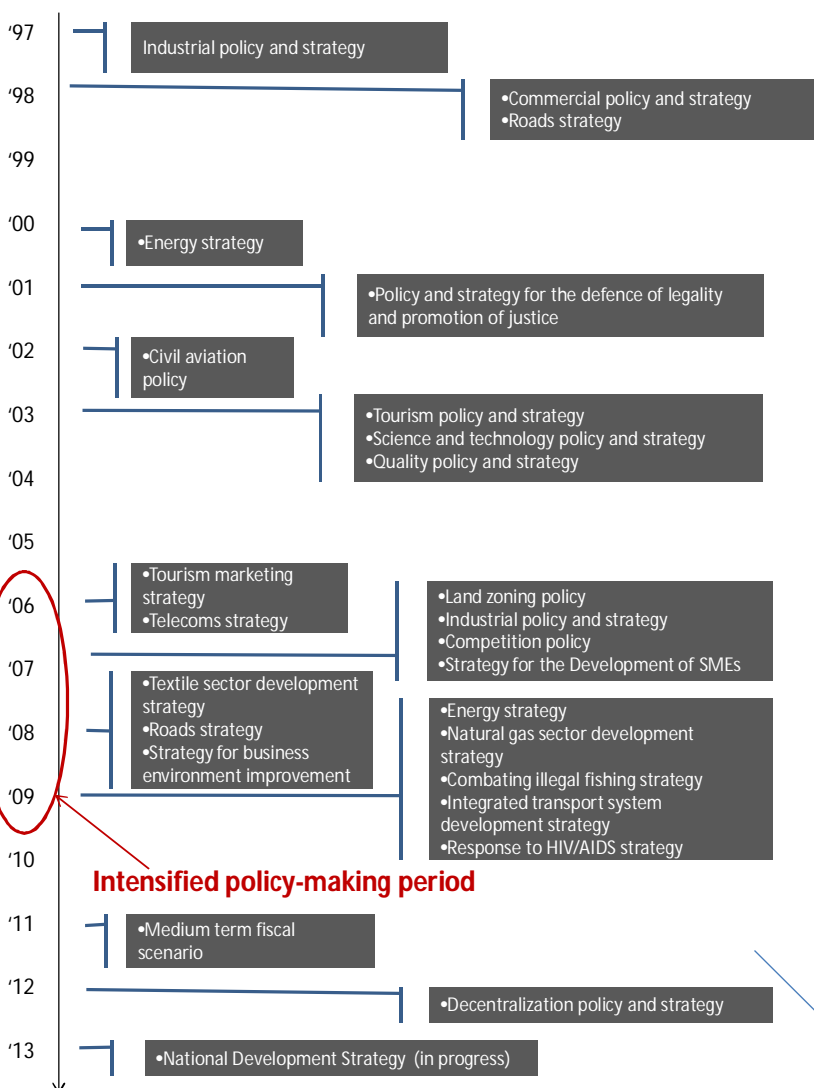
6 Policy - addressing the concerns of the private sector?

Policy reform has been ambitious, but has lacked a unifying vision. Policy is not coherent, has not been translated to relevant and simple regulations, and is often not implemented or enforced. Policy sets the stage for meaningful improvements in the business environment. The national policy framework creates a platform for private-sector-led growth, large-scale job creation, and economic and human development. Policy must be relevant, coherent, and, crucially, implemented. There is little evidence, however, that the Mozambican policy framework meets these criteria.

6.1 Policy over time

Significant effort and investment have gone into the development of strategies and policies relevant to the private sector, particularly between 2006 and 2009 (see Figure 5):

Figure 5: Relevant strategies and policies, 1997 - 2013



This country has good sectoral policy; in agriculture we have a development policy, we have a fiscal policy, we have them in almost all sectors. Rare are those cases, where there is no policy – BEE Interviewee 2

Nevertheless, the need for policy improvements continues to arise on the CASP matrices, demonstrating that the national policy framework is not meeting the private sector's needs and expectations.

For example, despite the creation of the 2007 industrial policy, the need for an industrial policy recurs in the 2012 and 2013 CASP matrices. Despite the creation of the 2006 tourism marketing strategy, the need to promote and develop the national image in

The revision of legislation, although important, is not a goal in itself. What is important is its implementation, for which both the private and public sectors must strive. To this end we must continue to improve our internal organization and disseminate the changes widely, so that our objectives are achieved - Oldemiro Baloi, Minister of Industry, Commerce & Tourism, 1998

the tourism sector continues on the matrices until 2011. Quality standards related issues continue to arise on CASP matrices up until 2010, despite the existence of the 2003 quality policy and strategy.

Salient questions, which should be answered through focused dialogue between the public

and private sectors, are therefore: Which existing policies are considered inadequate by the private sector, and why? And, where policies are considered appropriate but implementation is inadequate or inconsistent, what concrete steps can be taken to improve implementation?

6.2 EMAN overview

The central policy documents related to business environment reform are the Business Environment Improvement Strategy, 2008-2012 (EMAN), and EMAN II, 2013-2017, which was approved in September 2013. EMAN was evaluated in mid-2012, and this section draws heavily on that document.

The overall objective of the EMAN is to “reduce absolute poverty levels, through the promotion of rapid, sustainable and inclusive economic growth, focusing on the creation of an environment favourable to investment and to the development of national entrepreneurship, and of the realization of actions in education, health and rural development.”

EMAN includes an implementation matrix that consists of four Domains – Fiscal and Financial Environment, Legal Reform, Infrastructure, and Governance - 5 Objectives, 25 Results and 55 Activities. Although not comprehensive, the evaluators considered EMAN “very relevant at the ...stage of development that the Mozambican business environment had in late 2007 and early 2008.” A mapping of issues from the CASP matrices against EMAN target results (see Annex 10, section 10.2), however, shows that the issues EMAN aimed to address were in fact raised by the private sector much earlier. The fact that they had not been addressed in over a decade of public-private consultation (1995 – 2008) raises questions about the legitimacy of the dialogue, the political will to implement reforms, and the implementation capacity of government at all levels.

In our country's case there is also lack of a common and shared vision about the country's development strategy. What is the country going to use to develop? Mineral resources? Agriculture? Tourism? Transport and logistics? Or what is the strategy for each area of the country? We do not have a common response to this. Do not have a shared vision. This shared vision is for everyone to have awareness of what we want to achieve and wake up every day knowing that we will work to contribute to that common goal. – BEE Interviewee 4

The EMAN evaluators also noticed gaps in the strategy's scope, and recommended that “the new Strategy for Improvement of the Business Environment be broad-based, even including areas left out in EMAN today, such as road transport improvement, as **there is no other**

broad Investment Climate improvement or Business competitiveness strategy in the country.”

...the matrices have been treated in what in fact does not constitute the backbone. I say this because if you look at the matrices and revisit them, there are points that have been there since then and are still there – BEE Interviewee 3

The pace of reform of the business environment in the country does not meet the expectations of the private sector - Orlando da Conceição, CTA Executive Director, 2010

But there is a very important document missing. A written commitment which states that each of these ministries should address a specific problem listed in the matrix with concrete deadlines and concrete human resources listed. What happens now is that during the meeting there is an apparent commitment and then we relax – BEE Interviewee 2

I felt that at the highest levels, of ministers and the president, there was an understanding and a consciousness that the reforms had to happen, but the problem was with mid- and low-level functionaries resistant to change. So the processes slowed; and today, 18 years later, we still have [many] problems to resolve (the majority of these from that time). – BEE Interviewee 2

6.3 Regulation

The regulatory environment is theoretically determined by the policy / strategic environment, with policy and strategy guiding the development, content and implementation of legislation.

Given that there is no overarching policy framework for business development it is not surprising that the regulatory environment is largely unfavourable to business and develops in an ad hoc manner. As the CASP VIII summary indicates “there is a prevalent tendency to legislate “everything” and a belief that the legislation must be complex in order to be good. This overly-complex legislation leads to corruption which increases transaction costs and creates uncertainty. The weaknesses of the legal framework also result in excessive fines and penalties applied to business and individuals”.

Regulations tend to be fragmented and sectoral (see Figure 5: Relevant strategies and policies, 1997 - 2013, p. 22), being developed by individual ministries with limited consultation with other government counterparts, or business.

Things do not happen because it is a structural and mindset problem. We all know that the ministries and institutions are working in isolation from each other.
– BEE Interviewee 4

Examples of complexity include the tourism licensing regulations, fiscal legislation and the raft of labour regulations. Additional regulations in this area would do little but add additional complexity when in fact sector or business-specific requirements could be included in collective bargaining agreements or internal regulations developed between business and its employees without the need for state intervention.

Without a guiding policy and strong commitment from the government as a whole to business development, regulatory change will continue to be sporadic, unpredictable and unfocused. It will continue to not respond to the needs of business because legislators do not have an overall goal of business development in mind when drafting, nor do they understand the needs of business and how “their” piece of legislation fits within the greater whole of business environment reform and economic development. While regulatory changes may offer “quick wins” by improving international rankings, if they are not set within a wider policy structure, or correctly implemented they will continue to be piecemeal and merely “tweak” the legal framework rather than leading to deep reform.

The issues listed above cascade directly from the lack of a favourable policy and regulatory framework. Without a coherent, government-wide approach to ensuring the development of business, it is not surprising that the overall attitude to business is bureaucratic and regulatory implementation is uneven and uncertain.

6.4 Policy as a response to public-private dialogue

As background to the analysis undertaken in this section, it should first be noted that the international evaluators of EMAN saw the lack of any other broad investment climate improvement or business competitiveness strategy as a critical issue, as do the authors of this report. The EMAN evaluators therefore proposed that the subsequent strategy (EMAN II) be *broadened* to include four components (1. Business Cycle Simplification, 2. Legal and Fiscal Rights and Reforms, 3. Supporting Services, and 4. Local Economic Development) and two cross-cutting themes (A. Microenterprise Development and B. Governance, Transparency and Communication). At the same time, they acknowledged that, since many EMAN activities were not implemented, a greater focus (rather than a broader scope) might be warranted. In the end, the GoM chose the latter approach: EMAN II is much more focused than

EMAN was, with only two overarching aims: simplifying the business cycle and improving business competitiveness. These are expressed in terms of 12 specific objectives (see Table 4):

Table 4: EMAN II specific objectives

Simplifying the business cycle	Improving business competitiveness
1 – reduction in the time for licensing of economic activities	5 – Operationalisation of the Insolvency and Recovery Law
2 – simplify the business cycle	6 – Operationalisation of the Competition Law
3 – reduction of time for construction licensing	7 – reduce the positive list (related to pre-embarkation inspection)
4 – reduction of complexity in the payment of duties and taxes	8 – reduction of costs in the agriculture and fisheries sectors through complete VAT exemption
	9 –reduction in transaction costs
	10 – reduction in administrative costs (licensing) license
	11 – promotion of access to financing
	12 – reduction in the cost of credit

Commentators closely involved in the development of EMAN II agree with this approach, and feel positive about the strategy's potential to be implemented. Cautious optimism may therefore be warranted.

Given that a more narrow focus within EMAN II was a strategic decision taken by the Government, the obvious question is how, over the 5-year term of EMAN II, important issues not covered by this strategy can be addressed. The rest of this section considers this question based on an analysis of CASP matrices⁶, EMAN and EMAN II, and the most recent list of issues presented at CAC. It aims to highlight important gaps in the government's policy response to the ongoing public-private dialogue and to point out certain points of incoherence among these policies and monitoring mechanisms. Cross-cutting (i.e. non-sector-specific) CASP issues, can be loosely grouped as follows (see Table 5):

⁶As indicated above analysis of the CASP reports is made complex by:

- Regular changes in format of tables of activities to be undertaken
- Regular reclassification of activities
- Activities dropping off and then reappearing on matrices, sometimes under different classifications, with little or no indication of why issues have been included or excluded, or moved
- Lack of clear indicators or monitoring of outcomes

As a result the contents of the CASP reports have been summarized to identify key areas over time and this summary analysis is included in section 10.1: Annex 1 – Private Sector Conference Matrices Summarised. The report contents are broken down into broad sectors based on those indicated in matrices, or allocated into the most appropriate sector in matrices where no sectoral division was provided.

Table 5: Cross cutting CASP issues

BCI factor groupings	CASP themes
Legal factors	Registration and licensing Protection of creditors ⁷ Insolvency and recovery
Trade and investment factors	Customs – import/export
Macroeconomic factors	Taxes
Financial and credit markets	Credit and Access to finance
Infrastructure factors	Road transport Liberalised airspace Water and electricity Telecommunications and internet
Labour factors	Labour
Government and governance factors	Governance and corruption
Policy and legislation (not a BCI category)	Competition Industrial policy Commerce

Table 6, below, summarises key issues raised through the CASP mechanism over time, and attempts to link these to EMAN target results, EMAN II specific objectives and key activities, and priority issues noted in the latest CAC presentation. CASP issues (first column) marked in **'bold'** are those which appear to have been dropped from the public agenda (i.e. neither resolved (to the private sector's satisfaction) nor included in EMAN II).

The first point of note is that, among the CASP themes, only two – (1) registration and licensing and (2) insolvency and recovery – are wholly reflected in EMAN II⁸. Other themes – specifically: customs (import/export), taxes, credit and access to finance, and governance ('cost of transactions') – are included in EMAN II, but will not be one hundred percent resolved even if EMAN II is fully implemented. This is to say that while the EMAN II planned activities will (if implemented) certainly bring progress in these areas, they will not wholly address the issues raised by the private sector through the CASP mechanism. For example, EMAN II includes two specific objectives related to customs/import & export: #7 – reduce the positive list (related to pre-shipment inspection) and #9 –reduction in transaction costs. The related activities are focused on *process*(e.g. decreasing the number of items subject to pre-shipment inspection and conducting a study on

Ways and means must be found to overcome the huge problems and challenges that exist including high operating and transaction costs that reduce the competitiveness of small firms and serve as negative incentives to new investment – namely the price of fuels, the costs of loading and unloading in the ports, the excessive costs of telecommunications, coastal shipping, banking services, air transport and costs of energy. Overcoming these problems demands permanent dialogue between the government and private sector, through CTA – Egas Mussanhane, 2001

⁷This theme is included under 'legal factors' rather than 'financial and credit markets' because it relates to creditors' legal right to protection, and how the judiciary enforces those rights.

⁸That is not to say that these issues will be resolved if EMAN II activities are fully implemented, as the strategy's indicators are still framed in terms of activities and directly-related outcomes rather than the impact on the private sector's experience. For example, an appropriate target for 'registration and licensing' might be: "SMEs in all provinces and sectors are registered and licensed within one week and experience zero petty corruption".

the inspection process (activities to improve the process after the study is completed may be added to the strategy), improving the scanner system), and on decreasing the cost of import and export (though it is unclear how).

While there is value in some of these activities, they will not address (within the next five years) issues of inefficiency at ports and borders, illegal imports, short-sea-shipping (cabotage), the cost and systemic issues raised by the introduction of the Janela Unica, and excessive bureaucracy and corruption. The EMAN evaluators also advised against running parallel strategies in related or overlapping areas because of the risk of confusion among implementing agencies and the complexity of overseeing separate but related strategies. Are these issues therefore 'on hold' for the foreseeable future? Might there be other means through which they could be addressed?

A second example is EMAN II's approach to taxes. The strategy's specific objective in this area is #4 – reduction of complexity in the payment of duties and taxes, with activities focused on simplifying procedures. Again, while needed and very useful, it will not address the need, raised repeatedly by the private sector, to reduce the overall tax burden in order to promote a culture of paying taxes and expand the tax base.

The second key point of note, and corollary to the first, is of course the fact that the vast majority of CASP issues have not been integrated in EMAN II, and there is no indication of if or how they can be addressed outside it. Some of these (for example: enforcement of contracts, uniform inspections, cabotage, lower cost road and air transport and electricity, and 'good governance') were listed as target results in EMAN but have not been carried forward to

In tourism for example it is found that there is a lot of resistance to open the airspace. Although the official discourse say that the air space is liberalized, this actually is not so. There are a number of traps and mines set up that do not easily allow foreign companies to come to Mozambique. – BEE Interviewee 3

EMAN II. This might suggest that these issues have been resolved, but that is not the case. One explanation could be that some of these issues have not appeared on the most recent CASP matrices and were therefore not prioritized for EMAN II. Yet a number of them (e.g. privatization of notarial services, cabotage, VAT rebates, liberalised airspace, infrastructure improvement, labour

issues) remain as relevant as ever. As above, a discussion of how these issues might be addressed without derailing the EMAN II implementation is needed.

The third key point of note from Table 6 is the obvious lack of alignment between the CAC (the monitoring mechanism for agreements under CASP) and EMAN/EMAN II (see the mostly blank last column). This anomaly raises an important question: what is/should be the relationship between the public-private dialogue and monitoring processes (CASP and CAC) and the government's strategy for business environment improvement?

Table 6: Mapping of key issues between CASP, EMAN, EMAN II and CAC

	CASP issues – cross-cutting ⁹	EMAN target results ¹⁰	EMAN II specific objectives	Key EMAN II activities and comment (in italics and brackets)	CAC 2013
Legal factors (BCI)	Registration and licensing				
	Improvement in the licensing system (2003-2010)	1.1 Simplified Registration	Specific objective 1 – reduction in the time for licensing of economic activities	Integration of the BaU in the government’s e-platform (sectors of commerce, industry, tourism, and simplified regime).	Integrated digitization of licensing processes
	Simplify the registration, creation and licensing of companies (2003-2007, 2012-2013)	1.2 Simplified Licensing	Specific objective 2 – simplify the business cycle	Decrease # days for licensing from 15 to 10 and from 1 day to one hour under the simplified regime.	
	Revised Regulation for Commercial Licensing (2009)	1.9 Registration and Collateral simplified	Specific objective 3 – reduction of time for construction licensing	Introduce the ‘single form’ (reducing the # forms required to 3) and adjust the legal framework	
	Simplify procedure for allocation of NUIT (2010)	4.1 Establish and develop One-stop-shops (BAUs)	Specific objective 10 – reduction in administrative costs (licensing) license	Introduce online licensing	
	Excessive bureaucracy and lack of knowledge at the counters of ministries (2004-2006)			Reduce the time for construction licensing from 377 to 89 days	
				Reducing the tax applied to licensing and the cost of a construction license.	
	Protection of creditors				
	Protection of creditors' rights and insufficiency of guarantees (2004-2007)	2.3 Enforcement of contracts, claims and collateral 5.1 Comply with contracts		<i>[These issues seem to have been dropped]</i>	

⁹Bold indicates CASP issues that seem to be ‘off the table’¹⁰Bold = not carried forward to EMAN II (achieved or dropped?)

	CASP issues – cross-cutting ⁹	EMAN target results ¹⁰	EMAN II specific objectives	Key EMAN II activities and comment (in italics and brackets)	CAC 2013
Legal factors	Insolvency and recovery				
	Bankruptcy and recovery Code (2007)	1.4 Company Insolvency and recovery Law	Specific objective 5 – Operationalisation of the Insolvency and Recovery Law	Create the association of bankruptcy administrators; train administrators and the judiciary	
Trade and investment factors (Ind. Barriers to export) (BCI)	Customs – Import/Export				
	<p>Improving management of customs (1996, 1998)</p> <p>Import of raw materials for industry (2001, 2006-2009)</p> <p>Delays and costs associated with customs clearance of goods (2004-2007)</p> <p>Revised procedures of customs clearance including border operation (2004-2010)</p> <p>Exchange procedures regarding import and export of goods and services not favorable to international trade (2010)</p> <p>Problems in the cabotage sector (2004-2007, 2010)</p> <p>Single Window System (2010-2011)</p> <p>Pre-shipment Inspection (2010-2013)</p>	<p>1.7 Uniform and compatible inspections</p> <p>1.8 Import-export systems simplified and lower cost</p> <p>1.11 Competition in short-sea-shipping (cabotagem)</p> <p>5.5 Information on potential investments available</p>	<p>Specific objective 7 – reduce the positive list (related to pre-embarkation inspection)</p> <p>Specific objective 9 –reduction in transaction costs</p>	<p>Review the positive list subject to pre-shipment inspection, decreasing the number of items from 144 to 115</p> <p>Conduct a comparative study on the legal framework and execution of non-intrusive inspection - <i>no follow-up action envisaged</i></p> <p>Introduce good practices for goods inspection (scanner)</p> <p>Reduce the cost of imports (by 16%) and exports (by 36%)</p> <p>[issues of inefficiency at ports and borders, illegal imports, excessive bureaucracy and corruption are not addressed; the issue of short-sea-shipping and uniform & compatible inspections have been dropped]</p>	<p>Non-intrusive goods inspection (scanner)</p> <p>Positive list – pre-embarkation inspection</p> <p>Reduction in the cost of transactions <i>[no info on specific objectives or progress]</i></p>

	CASP issues – cross-cutting ⁹	EMAN target results ¹⁰	EMAN II specific objectives	Key EMAN II activities and comment (in italics and brackets)	CAC 2013
Macroeconomic factors (including taxes) (BCI)	Taxes				
	<p>The tax system is complex heavy with many exemptions, the tax base is reduced, there is corruption and disincentives (1996)</p> <p>Fiscal policy discourages investment, production and job creation, too complex, high rates, resulting in tax evasion (2001-2007)</p> <p>Revision of the tax code (2007-2012)</p> <p>Review and approve the Fiscal Benefits Code and its rules (2010-11)</p>	<p>2.1 Simple and not burdensome fiscal system</p> <p>5.3 Promote a culture of paying taxes</p>	<p>Specific objective 4 – reduction of complexity in the payment of duties and taxes</p>	<p>Simplify procedures for payment of taxes and charges and reduce the # forms through piloting an e-tax system (online submission of declaration and payments)</p> <p><i>[This approach ignores the need to reduce the number of taxes and the overall tax burden in order to promote a culture of paying taxes and expand the tax base.]</i></p>	
	VAT in agriculture inputs (2006-2013)		<p>Specific objective 8 – reduction of costs in the agriculture and fisheries sectors through complete VAT exemption</p>	<p>Conduct a study to analyze the impact of the introduction of full exemption of the VAT Code in Agriculture and fisheries, and implement the recommendations <i>[Commitment dependent on results of study.]</i></p>	<p>IVA Exemption in Agribulture</p> <p>Implementation of the incentive for gasoline for agriculture</p>
	Exemption from customs duties and tax charges on fuel for the fishing industry (2012-2013)				Approval of customs duty exemption on gasoline destined for fishing vessels
	Reduction of the VAT rate (2007-				

	CASP issues – cross-cutting ⁹	EMAN target results ¹⁰	EMAN II specific objectives	Key EMAN II activities and comment (in italics and brackets)	CAC 2013
	2011)				
	Credit and access to finance				
Financial and Credit markets related factors (BCI)	Credit registration central, access to information (2004-2013) Cost of credit, access to finance Notice 5/GGBM/2005 (credit in foreign currency) (1996-2004, 2010, 2013) Access to finance in IT (2004-2007) Microfinance and rural finance (2004-2006)	2.4 Promote SME access to credit 2.5 New Financial products	Specific objective 11 – promotion of access to financing	Increase the use of identity cards (BI) and NUIs [no specific targets; seems more related to informalism and increasing the tax base] Disseminate information about sources of alternative funding to SMEs [does not address reach of such funds, or SME capacity to apply for funds] Increase options for guarantees [no targets]	
		2.2 Credit and Insurance information bureaus	Specific objective 12 – reduction in the cost of credit	Define the legal framework; Create and operationalize the central registration of collateral; operationalise a central register of borrowers and credit risk	Creation of a central credit register
	Road transport				
Infrastructure related factors	Proposal for establishment of the Transport Regulatory Body (2010 - 2013) Transportation costs prohibitive for development (2003) (Trasport) Failure to comply with	3.3 Reduced fuel costs		[These issues seem to have been dropped]	Creation of a regulator for the transport sector Update road transport tariffs

	CASP issues – cross-cutting ⁹	EMAN target results ¹⁰	EMAN II specific objectives	Key EMAN II activities and comment (in italics and brackets)	CAC 2013
	compulsory insurance law, concessioning inspection services (2004-2009)				
Infrastructure related factors (BCI) – continued	Liberalised air-space				
	Aviation Legislation (2006-2010)	1.10 Competition and lower cost air transport		<i>[CAC notes that liberalization of airspace has been achieved, but there is still no domestic competition to bring down the cost of air transport.]</i>	Liberalization of airspace
	Number and quality of landing fields (2006-2009, 2012)				Clearance
	Management of the Institute of Civil Aviation of Mozambique (2007, 2012-2013)				Management of the Institute for Civil Aviation
	Effective liberalization of airspace (2006-2007, 2012-2013)				
	Electricity and water				
Quality and cost of energy for the Industry Sector (2001-2010)	3.1 Electric energy with quality, safety and reliability			<i>[These issues seem to have been dropped]</i>	
	3.2 Supply energy at competitive cost				
	5.4 Set up and make operational waterregulator				
Telecommunications and internet					
Lack of national telecoms network, high cost(2001-2007)	3.5 Increased access to Internet				
	5.4 Set up and make				

	CASP issues – cross-cutting ⁹	EMAN target results ¹⁰	EMAN II specific objectives	Key EMAN II activities and comment (in italics and brackets)	CAC 2013
		operational telecom regulators			
				Labour	
Labour related factors (BCI)	Lack of skilled labor (2001-2003, 2006-2007) Legislation and spirit of inspections (2001-2007) Employment of foreigners (2003-2007) Lack of staff in IT (2004-2007) Mediation and Arbitration (2003-2010) Operation of INSS (2003-2010) Minimum wage policy (2003-2010) Labor law and complementary regulation (2003-2013)	1.3 Labour legislation promoting employment			
				Governance and corruption	
Government and governance related	Reform of the public sector to reduce bureaucracy and promote good conduct and good governance (2003) Anticorruption Law (2012) Judicial system (2001-2007) Crime¹¹ (2006)				

¹¹Also rose as a key negative factor in the BCI consistently since 2008.

	CASP issues – cross-cutting ⁹	EMAN target results ¹⁰	EMAN II specific objectives	Key EMAN II activities and comment (in italics and brackets)	CAC 2013
	<p>Late payments by state and VAT refunds and payments (2001-2011)</p> <p>Procurement rules and disclosure of public procurement (2001-2010)</p> <p>Outdated legislation, inadequate, (1996-1998, 2003)</p>	<p>5.2 Good governance in public and private institutions</p>	<p>Specific objective 9 –reduction in transaction costs</p>	<p>Comparative study of the legal framework and execution of non-intrusive inspections</p> <p><i>[EMAN governance target was too general, but the spirit has been lost in EMAN II]</i></p>	<p>Reduction in the cost of transactions <i>[no info on specific objectives or progress]</i></p>
Policy and legislation	Competition				
		1.5 Competition Law and regulation	Specific objective 6 – Operationalisation of the Competition Law	Prepare the regulations of the competition law; create and operationalize the competition authority, and train the judiciary	
	Industrial policy				
		Lack of industrial policy to boost the development of the sector, funding (2001, 2004, 2012-2013)			
		Quality (1999); standards and quality in industrial production (2001-2010)			
		Intellectual property legislation (2006-2009)			
Commerce					
	<p>Illegal trade, control of foreign trade (1999, 2001-2003, 2006)</p> <p>Reform of Commercial Code</p>				

	CASP issues – cross-cutting ⁹	EMAN target results ¹⁰	EMAN II specific objectives	Key EMAN II activities and comment (in italics and brackets)	CAC 2013
	(2001-2003) Strategy and integrated policy of trade (2004-2007)				

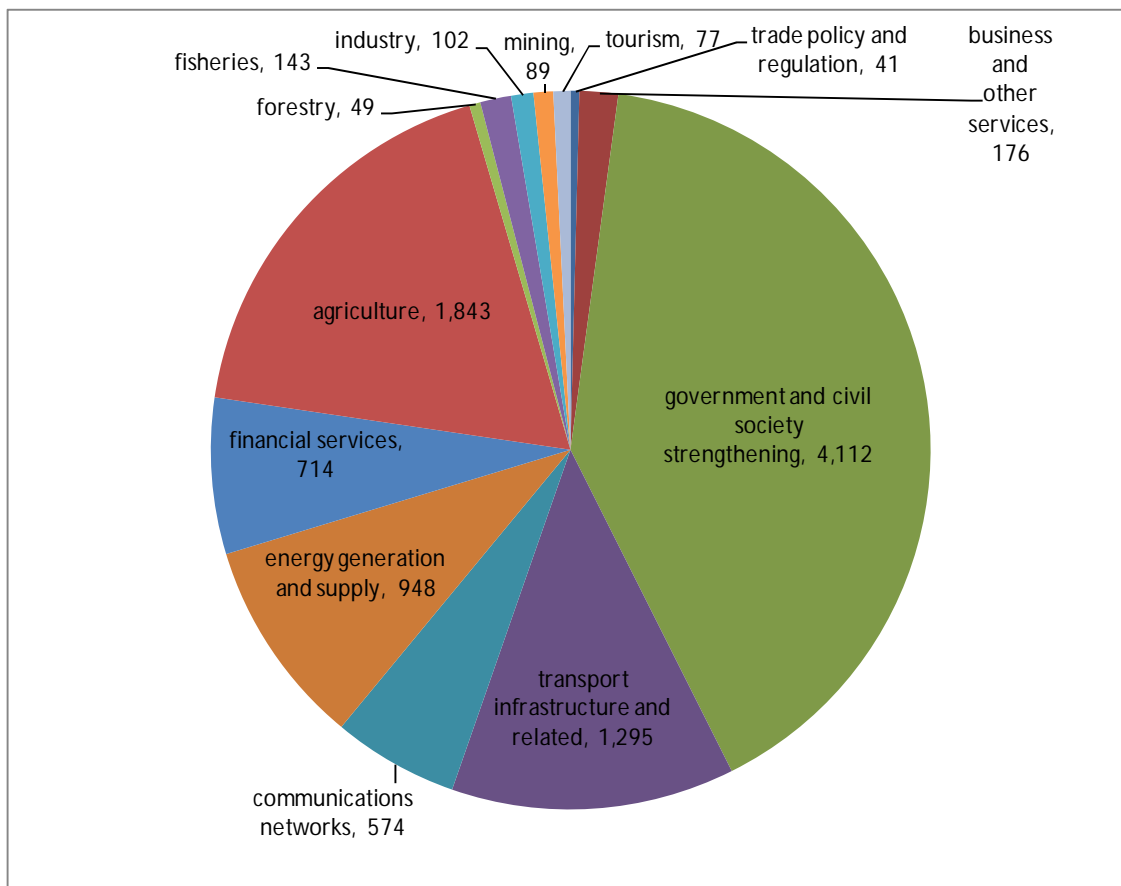
7 Analysis of specific areas

Despite billions of dollar invested in private sector related programs, and despite government commitments to reform over nearly two decades, very little progress has been made in key areas of concern to the private sector. This section begins with a look at the commitment the international community has made to development of the private sector in Mozambique, and questions whether the expected results have been achieved. It then looks at EMAN implementation at macro level. This is followed by a closer look at some specific issues raised through the CASP mechanism over time.

7.1 Investment in private sector development

According to the ODAMoz web site, which lists donor funded projects in Mozambique, over \$10 billion has been projected for spending on projects with private sector relevance between 2001 and 2015 (see Figure 6, below).

Figure 6: Private-sector related donor-funded project projected spending 2001-2015 (\$m)



While some of these funds will have taken the form of grants, others will have taken the form of soft loans which Mozambique will be required to pay back. Critical questions therefore include whether the level of business environment reform and subsequent private sector development achieved since 1996 has been value for money, and whether the reforms undertaken will result in a sufficiently healthy private sector capable of creating enough wealth to enable the government to pay back the money borrowed to invest in the development of the private sector.

For those involved in private sector development and business environment reform, this reality is necessarily disappointing and demotivating. They see that the environment has undoubtedly improved somewhat since 1996, but also the opportunity cost of not having committed then to the levels of reform envisaged. One business association representative interviewed for this report said “*Yes, there has been some improvement, but really is this the best that we can do? Is it really acceptable that after 18 years this is all we have achieved?*”

7.2 EMAN implementation

As noted above, EMAN was the central strategy for business environment improvement between 2008 and 2012. The strategy was evaluated in mid-2012, and this section draws heavily on that document. EMAN was to be implemented by 13 institutions, mostly Ministries and regulatory agencies. The private sector, represented by CTA was to be involved through quarterly monitoring meetings, of which *eight* had been held by July 2012, when the government reported *80% average completion of the EMAN indicators*.

This claim considers the strategy’s implementation through the lens of activities undertaken, but does not consider the *impact* of these activities. The international evaluators found that “no impact objectives or measures were defined at any moment during implementation.”

They further advised that “much better specification of what was meant by achieving a result, accomplishing an indicator and what was the potential impact should have been made. No baseline situation was described either, so for some activities it is difficult to understand what was there before EMAN started and what was accomplished during the EMAN period of implementation.”

In the case of EMAN, it takes political will for things to really happen. Those are things on paper. There is need for more advocacy and slightly less policy analysis. – BEE Interviewee 7

The evaluators found that commitment to implementation of the strategy varied greatly across institutions: “For some it was priority of the institution (Single Window Trade Management System, ISPC tax, etc.), while for others it was a very marginal activity or even not accepted in its intended real result (Short-sea-shipping, airline competition, microenterprise free registry, low cost financing with donated funds or credits from the State, etc.).” They noted that “while some [implementing agencies] complained as to staffing issues, most said that the major hurdles had been rather lack of political will or consensus on whether certain measures should even be implemented (microenterprise free registry, airline and shipping liberalization, etc.) rather than simply ‘studied’.”

In terms of results achieved: “Interviews indicate that the simplified registration is certainly an achievement, that the elimination of the minimum capital and compulsory deposit at a bank is useful for very small enterprises, that the BAUs are starting to have more competences and act less as a “mailbox” for the institutions, that the ISPC has helped many come out of informality, that VAT reimbursement is slightly faster, that energy has improved a little in recent times, and a few other impacts.”

“On the other hand, property registration, common licenses, inspections, cost and still the unreliability of electricity, very high transport costs by sea and air (land is not included in EMAN), not the lack of finance but the cost of finance is prohibitive, lack of transparency of most public institutions and perceived corruption, complicated and high enterprise tax rates, and several others, remain as before thus leading to the assessment that EMAN did not perform as well as it was expected in 2008....There is still a lot of work to do until both public and private sector effectively use the legal instruments created as a result of EMAN.”

This is confirmed by the President of the CTA, who indicated at the CASP 2013 that SME still face the following key challenges:

- High cost of and difficult access to financing;
- Limited access to public procurement; and
- High transaction and production costs.

Yet the very nature of the State makes holding the government to account difficult. OECD explains: Agreements with the State are inherently uncertain because “There is no third party to oblige the state to keep its promises, and the transaction’s validity depends entirely on the state’s ability to respect its commitments and to exercise self-discipline. In other words, whatever the quality of PPD may be at any given moment, the private sector remains exposed to the risk of the state behaving inconsistently over time... This is due to the nature of the state – no stakeholder can force it to keep its promises, or guarantee that they will be kept.” [OECD, 2007]

Let us now look at some specific areas of concern in four areas identified as recurring factors in public-private dialogue (see section 5 above): trade and investment, infrastructure and services, government and governance, and legal.

7.3 Trade and investment related factors

7.3.1 Tax and customs

The complex and burdensome tax system has been an issue raised through the CASP mechanism consistently over time:

- The tax system is complex heavy with many exemptions, the tax base is reduced, there is corruption and disincentives (1996)
- Fiscal policy discourages investment, production and job creation, too complex, high rates, resulting in tax evasion (2001-2007)
- Revision of the tax code (2007-2012)
- Reviewed and approved the Fiscal Benefits Code and its rules (2010-11)
- VAT in agriculture inputs (2006-2013)
- Exemption from customs duties and tax charges on fuel for the fishing industry (2012-2013)
- Reduction of the VAT rate (2007-2011)

Two target results in EMAN - #2.1 Simple and not burdensome fiscal system, and #5.3 Promote a culture of paying taxes – attempted to address these issues, but little progress was made. The EMAN evaluation provides the following assessment: “[among] MF (Ministry of Finance)-coordinated activities, the stronger results seem to be in the introduction and registration of 100,000 new small contributors of the new tax regime ISPC, certain simplification of the normal tax regime, of the import-export procedures and letters of credit, the promising start of the Single Electronic Window for Trade (“Janela Unica”) for imports in several pilot locations, and in the set-up of the first free trade zones by the agency created for that purpose- GAZEDA. Less strong results are in the improvement of VAT reimbursement, which is far from the legal commitment of reimbursement within 30 days; in the inexistence yet of dedicated fiscal sections in the courts (which is theoretically more the responsibility of Ministry of Justice) and the still too complex tax code.”

The formal business base remains small. While the government’s drive to increase its revenue is laudable, it is in fact resulting in rising costs to business. Examples include increases in municipal levies which are applied in addition to standard taxation, scanner and JaU fees, road usage tariffs, and increases in sectoral licensing fees (land, forestry

& wildlife, environment). Rather than a focus on broadening the business base and increasing the number of taxpayers (both businesses and employed individuals), the focus appears to be on maximising revenue from the existing tax base. Fees and levies are applied sectorally or dependent on geographical location (in the case of municipalities) rather than taking an integrated approach and considering the overall cost to business of the combined volume of taxes, fees and levies.

On the other hand there are numerous incentives to or causes of businesses remaining informal and thus not contributing to the tax base. The following is an extract from a study on Formalization & Business Development in Mozambique (Krause et al, 2010):

“Enterprises with higher levels of formality are checked more frequently than those with lower levels of formality. Hence those enterprises that have room for manoeuvre in choosing their level of formality, and that anticipate the costs of formality, have an incentive to stay informal in order to avoid or reduce not only the costs of compliance with regulations but also the costs of inspections. As far as further barriers are concerned, our finding that formality and owner level of education are associated supports the view that poor education constitutes a barrier to formalisation (due to the greater difficulty involved in complying with the in part complex registration, licensing and taxation procedures). This problem is exacerbated by a lack of easily understandable and consistent information on the formal requirements businesses have to comply with, depending on their branch of business, size, location etc. Finally, we found evidence that enterprises with very low and irregular cash flows have difficulties in bearing the costs of formality”.

An estimated 75% of the economically active population is in the informal sector. The importance of creating formal-sector jobs, formalising informal businesses and allowing space for the development of new formal businesses, in order to expand the tax base, is clear. Formal businesses are likely to create better quality jobs, pay higher salaries than those in the informal sector and thus contribute more effectively to poverty reduction and human development.

What happened since then was small and slight changes that do not make life easy for a trader yet. There was some progress at the level of taxes for example, but overall we are very far from making reforms. – BEE Interviewee 5

At the end of the day what the entrepreneur has to pay as taxes probably reach 50% of their income; it is high. – BEE Interviewee 2

7.4 Government and governance related factors

In 2002, Booz Allen Hamilton performed an assessment on corruption and red tape in Mozambique commissioned by USAID¹² which noted that “the country has shown disturbing signs of dysfunction in day-to-day government processes and alarming indications of corruption at all levels of government.”

The ‘cancer’ which consumes private sector development in this country is called ‘bureaucracy’ – David Ankers, Hotel Polana, 1996

¹²Booz Allen Hamilton, Assessment of Corruption and Red Tape as Barriers to Trade and Investment in Mozambique, commissioned by USAID, 2002.

7.4.1 Red tape and petty corruption

Administrative requirements that are arbitrary, inconsistent, or influenced by personal connections increase the cost of doing business and create uncertainty that reduces confidence in the business environment. They also create opportunities and cover for systemic petty corruption.

Yet despite long-standing commitments from the government to administrative reform, excessive bureaucracy, and accompanying rent-seeking, continues to plague Mozambican businesses. The following is an extract from the Booz Allen Hamilton report:

"In 1996, Mozambique embarked on an effort to reduce administrative barriers to investment. In the following four years, the Government of Mozambique instituted a series of laws and decrees regarding business activities in general and licensing and taxation in particular.

In 2001...the International Finance Corporation's Foreign Investment Advisory Service (FIAS) reviewed the implementation and effect of the 1996 regulatory scheme. Its report¹³... concluded that, while there had been progress since 1996, reforms were insufficient and, more seriously, key reforms had not been actually adopted and implemented...the report made clear that the GOM had fallen far short of its overall goals of facilitating investment and conforming Mozambique's systems to international practices...

It highlighted "political will" as a prerequisite to further action, suggested a general strategy to address these concerns, and outlined specific objectives and a staged plan of action for additional reform in eight areas (access to land, import procedures, employment of expatriates, labor, industrial licensing, tourism licensing, business registration, and inspection). ...

Despite efforts to identify problems and initiate corrective efforts, there has been little actual progress in resolving even the main issues, a fact which may indicate weak capacity and/or insufficient political commitment."

Key informants interviewed for that report noted that (in 2002):

- Administrative rules and procedures were not perfect, but they had improved since the post-1996 reforms.
- Red tape and attendant petty corruption continued to impede business activity.

It is to government we look to give priority to reforming outdated legislation and processes, to create an administration which is results oriented, not procedures oriented, to producing consolidated and simplified measures to replace the existing layers of regulation and bureaucracy – Bernard Everett, UK High Commissioner, 1997

We intend to transform the public sector from a centralized bureaucratic institution into an efficient and innovative player which will encourage and support private initiative. The decentralization and removal of administrative barriers is crucial to our plans and strategy for socio-economic development. – Pascoal Mocumbi, Prime Minister, 1997

The question of complexity also prevails; an ordinary citizen can not process certain documentation or have access to land, or have access to a license if they do not have relations with some people connected to the government. – BEE Interviewee 2

Corruption is much more complex today than it was 10-15 years ago because today there is an installed culture of petty corruption. There is the high level and the low level (petty) corruption. Now the low level corruption is, in my opinion, much more complicated and difficult to fight...this to me is the "cancer" regardless of having laws or making reforms, because this is a cancer-type corruption that gradually eats up society. It is an invisible disease. For me this is the fundamental issue. – BEE Interviewee 3

¹³FIAS, "Mozambique: Continuing to Remove Administrative Barriers to Investment", 2001.

- Problems due to flawed and corrupt implementation were considered greater than those presented by the requirements themselves.

At that time, interviewees considered *import processing* and *employment of expatriates* as priority areas for improvements in the implementation and enforcement of legislation. These two issues were still appearing in the CASP matrices until 2010 and 2007, respectively:

- Review customs and border processes (2004-2010)
- Border services, especially Ressano Garcia [border with South Africa] (2004-2009)
- Foreign employment (2003-2007)

As were more general issues related to red tape:

- Improve licencing system (2003-2010)
- Simplify registration and licensing of businesses (2003-2007, 2012-2013)
- Reform the public sector to reduce bureaucracy and promote good conduct and governance (2003)
- Excessive bureaucracy and lack of knowledge at service centers among the various ministries (2004-2006)
- Review Commercial Licencing Regulations (2009)
- Simplify procedures for assigning NUIs [tax identification numbers] (2010)
- Single Electronic Window (2010-2011)

The licencing process today is quite easier; it is said that in 24 hours one can get a license issued, but if someone really wants to get a license to open a company, they will not get it in 24 hours. There are a number of things that do not allow for that to happen. So what does this mean? It means that the process is apparently eased. The BaU makes the process much easier, but when you go there, the people who are working there are not prepared to give you information to make it easier. – BEE Interviewee 6

The EMAN evaluation, *conducted a decade later* in 2012, identifies two areas of progress in this area between 2008 and 2012: “the simplified licensing, the strengthening of the BAUs (one-stop-shops) and their increasing effectiveness in resolving directly the procedures, are the stronger activities.” But the private sector does not wholly concur (see box, above). While simplified licensing appears to be a significant change on paper, and reportedly is implemented as such in Maputo, in some provinces the same complex procedures, delays, bureaucratic obstruction and corruption continue.

The recurring themes remain *political will* and *implementation*. The EMAN evaluation continues: “Weaker results are related to the harmonization of the company inspections, in spite of the creation of an agency- INAE; the competition law which is not yet approved by the AR (although it is approved by the CM); and the Centre for Business Information (CIN) which is still under creation.”

The Booz Allen Hamilton report provides a possible explanation: “If the situation in Mozambique follows the common pattern, and petty corruption associated with red tape is simply a link in a corrupt chain connecting officials at all levels, both the heads of agencies and lower-level civil servants will be averse to collaborating in an effort which seeks to identify and correct specific conditions and is publicized to a broad audience.”

7.4.2 Grand corruption

The Booz Allen Hamilton report explains: “When grand corruption becomes apparent, it is already entrenched and protected throughout by those forming its net, and the potential rewards and penalties have escalated. Corruption, having in effect become part of or entirely taken over the system, is beyond proof or quantification. It has destroyed

the accountability controls of the state, and those who could bear witness have too much at stake to take part in the remedy.”

It continues: “Although perception does not always square with reality, many factors point to widespread grand corruption in Mozambique. ...Current research clearly identifies widespread corruption not as a happenstance but as a systemic consequence of policy decisions taken by the central authority. Consequently, more so than in any other areas of reform, the issue of political will from the highest level is crucial in any initiative to address the problem of corruption, as such initiatives go against the very core of the system that has been established with its interlocking networks of interests and political ties.” The report estimates that, at that time, corruption in Mozambique had reduced foreign direct investment by 50%.

7.5 Legal factors

The genuine entrenchment of the rule of law and its institutionalisation (more than simply institutional structures) are the keys to a successful dialogue and the creation of a climate of trust between state and business sector. (OECD 2007)

The EMAN evaluation provides the following assessment of progress in legal issues: “MJ (Ministry of Justice)-coordinated activities, no activities can be really considered strong, but the creation of commercial sections of courts and the creation of the Centre for Arbitration, Conciliation and Mediation (CACM) of Maputo – even if it presently has sustainability problems- has had some results and preliminary impact. Weaker activities are the Insolvency Law (still under processing), the property registry (no real improvements or new Law yet), no Microenterprise registry (no consensus on how to proceed and what model to follow or how to finance the mass registration of informal microenterprises).”

Another recent activity was the approval of the Ethics Code by Parliament, which is now, renamed the Public Probity Law. This law, which was passed in May 2012, contains important conflict of interest and declaration of assets provisions that are important for fighting corruption. Some Members of Parliament who were simultaneously presidents of boards of directors and officers of public companies or subsidiaries by the state were forced to leave one of the places as a result of law enforcement. Officials from the Ministry of Civil Service were pioneers in the election of a Commission for Public Ethics also under the fulfillment of the Public Probity Law.

8 Key challenges

Dialogue is not an end in itself: it may help to improve the quality of government policy making, but its continuance depends on the real changes brought about by the policies adopted. – OECD, 2007

A book published by the OECD on Public Private dialogue in developing countries¹⁴ warns that such dialogue “runs the risk of being merely a façade, either by being reduced to becoming a screen for collusion, corruption, and government capture by vested interests, or else by serving to disguise the theft of private-sector wealth by state officials who are using official power for their own purposes.”

We believe that from now on things will change with the approval of EMAN-II (Strategy for Improvement of the Business Environment) so I believe that the reforms will be quicker, as promised by the Government. Rogério Manuel, CTA President, 2013

In Mozambique, there can be no question that the depth and breadth of reform envisaged at the earliest CASP sessions has not materialised. But before considering what can be done to change this situation, we must first explore the possible reasons for the lack of progress, and place them within the current context. The OECD and the World Bank¹⁵ indicate a number of potential contributing factors that typically impede reform and which seem to fit with the Mozambican reality; these are discussed below.

8.1 Political will

The World Bank report stresses that “the most critical factor [for business environment reform] seems to be the willingness of government to engage in dialogue and commit to the reform process. The business community will rarely turn down a genuine offer of consultation... But when government commitment to dialogue is less than whole-hearted, little seems possible.” In Mozambique, key stakeholders have often cited a lack of political will as a critical barrier to progress. The CASP VII report, for example, recognized that “many changes that were suggested by the private sector were only superficially implemented, either because they were not understood properly by government or the political risk of their adoption was too high”.

If the main goal of business reform is economic growth (wealth and job creation) then Mozambican business is perhaps unfortunate that the country has experienced ongoing economic growth during this period. It may be that the government no longer sees the need for deep reform, since development is happening anyway and deep reform

São problemas que têm a ver com questões políticas. Saem um pouco da esfera empresarial e entra para a parte política. Se por exemplo se abrir o espaço aéreo, isso põe em risco a continuação da LAM como companhia e não convém ao governo, ao estado moçambicano ver a LAM desaparecer. É uma companhia de bandeira. Não se pode depender de privados. Há todo um jogo de interesses pessoais e de tratamentos privilegiados, troca de favores, etc. etc. Portanto, esse tipo de reformas nunca vão avançar. – BEE Entrevistado 3

would likely require substantial structural downsizing of the public sector, which would be politically unpopular, given that the public sector continues to be the largest employer in the country. With ongoing economic growth and now the promise of coal and gas, there may be still less inclination to reform.

The lack of political will often reflects a resistance to change among senior politicians: “where, as

¹⁴ Pinaud, N. *Public-Private Dialogue in Developing Countries – Opportunities and Risks*, OECD Development Centre Studies, 2007.

¹⁵ Hertzberg, B. and Wright, A. *Competitiveness Partnerships - Building and Maintaining Public-Private Dialogue to Improve The Investment Climate*. The World Bank, Policy Research Working Paper Series, no. 3683., 2004.

happened in many [developing countries], a nationalist movement has transformed itself after independence into the sole ruling party (absorbing the state and the bureaucracy), opening up the economy will be understood as heralding a major challenge to the existing political system and as opening the door wide to political change. This is why many regimes oppose it.”(OECD, 2007)

Political will is closely related to conflicts of interest at the highest levels of government and the private sector. When the political elite that also acts, in large part, as the economic elite, powerful individuals may not find reforms in their personal interest, even if they are in the interest of the majority: “Civil society’s lack of autonomy equally affects the business sector, given its multiple links with the state apparatus. Political entrepreneurs (government leaders and top officials) can sometimes at the same time be important economic entrepreneurs and use the state apparatus to serve their industrial and commercial interests – and of course, this situation of collusion somewhat destroys the meaning of [public-private dialogue].” (OECD, 2007)

You have the issue of the economic elite that is intertwined with the political elite, wants to defend its business interests and begins to capture everything that is social organization and civil society and all the rest...It is very difficult for you to see; there is this whole thing of wanting to capture economic opportunities. – BEE Interviewee 4

The main barrier to improving the business environment is the conflict of interest. There is a situation where there is a collective interest that is in collision with the individual interest of someone. I want to believe that the law of public probity will positively contribute to improve this situation. – BEE Interviewee 4

8.2 Structure and capacity within private sector organisations

The OECD further warns of the danger of ‘capture’ of private sector organisations by minority interests: “[public-private dialogue] very much risks being monopolised by an extremely small group of powerful lobbies that are often in control of key national resources and have a crucial influence on government policy. Dialogue will then amount to little more than a means of extracting rents, blocking reform, and maintaining the *status quo*. Then, far from strengthening democratic decision making, public-private dialogue is likely to increase the power of existing elites and of groups and individuals that already exercise a strong influence on government policy making.” (OECD, 2007)

In the Mozambican context, significant weaknesses are evident within the public-private consultation mechanism. The CASP matrices do not reflect a number of major constraints to business such as uncertainty arising from short or non-existent consultation on legislative changes (for example MCTA system of cargo traceability, VAT rules requiring provincial reporting, transit customs legislation, environment regulations, rules governing employment of foreigners), illegal trade, poor and costly infrastructure and corruption. Instead, analyses of CASP matrices and interviews with key players have shown that issues raised at CASPs have become increasingly specific rather than aiming at wholesale reform of the business environment. A tendency towards smaller reforms or adjustments which could provide

Today I am conscious that if we continue with this approach for each of the sectors to list a specific problem (you may notice that problems included in our matrices are focused on very small issues that concern a certain segment of the private sector), this agenda of problems is so long that if we continue to take this approach we might still need 20, 30 or even 50 years. – BEE Interviewee 2

So we now have a smaller list. And yet they are not reforms. They are small-scale “tweaks”. – BEE Interviewee 5

“quick wins” is noted. While these small changes (ending the use of 25-line paper and stamps, diesel tax reductions for the agricultural sector, creation of a quality standards institute and SME development institute), if correctly implemented, may make a difference in day to day business operations, they will not stimulate large-scale job creation and economic development.

While the content of the CASP matrices could be greatly improved to better reflect the priorities of the private sector, the CASP process could also be strengthened considerably. To date, there has been a lack of transparency in how the dialogue process itself is conducted, and a lack of clarity about how CASP matrices are decided. Finally, there is little reflection on lessons learned about lack of progress or approaches used to try and promote and develop dialogue, even though a great deal of experience in this area has been accumulated and documented around the world.

Monitoring of progress against matrices is another critical issue, which President Chissano recognised in 2001: “The steps taken until now show us that, although the merit of these events [CASPs] is unquestionable, there are nevertheless lessons to be drawn, namely with respect to their breadth and format, and above all in relation to monitoring and implementation of recommendations.” Nevertheless, this is still a serious challenge. Matrices do not generally include concrete indicators, clear responsibilities, or implementation timeframes, and progress on one matrix is not followed up in the subsequent matrix. It is therefore functionally impossible to evaluate progress. In mid-2013, CTA commissioned an international consultant to develop an M&E system for the CTA overall¹⁶, which should also have included an M&E framework for the CASP mechanism. By September, when this document was drafted, that work had not been made public.

8.3 Public sector capacity

Another very significant constraint to the progress of business environment reforms is the capacity of the public sector in two areas:

- Capacity of government bodies tasked with oversight of strategies and enforcement of implementation.
- Capacity of the bureaucratic system to absorb and implement regulatory changes, especially among low- and mid-level functionaries and especially in the provinces;

So I feel that in this third phase CTA managed to garner respect and receive from the government side a certain political commitment that they are the valid interlocutor from the private sector. But it is just a political commitment. In practice, the reforms happen at the pace of the government. – BEE Interviewee 2

The World Bank recommends that responsibility for oversight of the implementation of reforms agreed through public-private dialogue rest with a government body tied to the highest levels of government, often the Prime Minister’s office or the office of the President. In Mozambique’s case, interviewees noted that MIC may not have the political power needed to oversee reform in other ministries and government bodies.

[DASP] should not be in the MIC, but should be in the PM’s office for instance. And it is not a matter of resources in this case. It is a matter of lack of power. The DASP has no power to do this. – BEE Interviewee 4

¹⁶ A previous USAID-funded Project, in 2008, had similar aims: USAID contract No.GS-10F-0619N, Task Order No. 656-M-00-05-00037-00, for the Mozambique Trade and Investment Project, Nathan Project No. H403-300.

Regardless of which ministry is responsible for reforms, implementation is always a challenge. Certain reforms which CTA has called for in the name of the private sector, such as the introduction of the Janela Única, changes to the IRPS and IRPC codes, revision of the labour law and

Private sector development will only happen if we have an efficient mediator, a facilitating government, a government willing to dialogue, a government with capable public administration and a government involved with the country's development – Oldemiro Baloi, Minister of Industry & Commerce, 1997

public private partnerships legislation have been poorly implemented and in some cases have added time and cost to the process of doing business. For example, reforms to the state procurement legislation have been regularly called for. As a result of the changes made, state purchasing is an area of extreme complexity in which few small businesses can engage, with large bundles of certified documents being demanded for each tender, despite many of these same documents having already been submitted to the state's procurement cadastre. Problems related with access to state procurement tenders is another factor arising from the fragmented way in which the government as a whole operates and highlights the gap between legislation and implementation. One way for the government to assist business, given that the state continues to be a major purchaser in the economy, would be to simplify and streamline these procedures and ensure that registration on the national cadastre means that the bundle of documents submitted nationally does not need to be repeatedly submitted for each tender.

We are starting and so we are confronted with what are the difficulties of those who are beginning the path - Alberto Vaquina, Prime Minister, 2013

From the perspective of contract between the state and the private sector there is nothing that says that the state has the obligation to respond within a specified period of time to what the private sector puts on their agenda or their matrices (the public-private dialogue is still weak). The private sector meets several times with national directors, permanent secretaries, ministers, Prime Minister, President but those are mere gatherings for show; because when the agenda is set, there should be a specific agreement, a contract, a record, a memorandum, that is binding, that ensures the commitment based on issues presented by the private sector, the government will resolve those issues within an X period of time and eliminate from the matrix. – BEE Interviewee 2

Further, as noted above, reform often encounters resistance to change among the very functionaries tasked with implementing it, many of whom benefit from a complicated system that provides opportunity and cover for petty corruption.

8.4 Protectionism

Instead of the optimism for deep reform surrounding the early conferences, now the issues being raised at CASPs focus on restricting the business environment by legislating local content and shareholding, and protecting business based on the passport carried by the majority of shareholders. Approaches to protection range from the explicit – calling for legislated local content requirements based on nationality of company shareholders, and demands that investors cede “golden shares” to nominated local partners, to the more subtle – proposing that those companies that can afford to obtain “Made in Mozambique” certification benefit from preferential state purchasing. There is a real risk therefore that the second window of opportunity which Mozambique now faces will not result in opening up and deeper reform, but instead in retrograde steps towards protectionism. This may result from confidence that independent revenue streams from hydrocarbons will come online soon meaning that the government does not need to depend on donors or SME development for income.

8.5 State intervention in the private sector

The government often expresses frustration with levels of business engagement and development. In response to this the state itself opts to intervene in areas which would traditionally be occupied by business, such as construction and operation of grain silos and rice mills. This creates a form of unfair competition which distorts the market and further prevents business development and investment.

Alternatively the government opts for contracting business to undertake roles such as non-intrusive inspection (scanning) and the JaU in order to increase state revenue. However at the same time it passes the costs for these changes to business, where in other jurisdictions the costs would be absorbed by government out of the increased revenue generated.

As a result of the lack of progress over the last 18 years local business is still nascent and struggling to compete. The conservative and protectionist reaction of local business to the current window of opportunity is therefore a direct result of the lack of reform undertaken so far. If the reforms proposed in the first and second FIAS reports had been implemented in 1996 and 2001, local business would have had 12-18 years in which to develop to a level where it could compete both locally and regionally, and take advantage of the current natural resource boom. Government would also have benefitted over the same period from increased revenue and likely would not therefore feel the need to intervene through its own investments resulting in unfair competition, or public-private partnerships financed by additional levies on the nascent private sector.

If one looks at changes which have taken place, in areas where business has been able to take matters into its own hands, such as tourism branding and destination marketing of Mozambique, provision of information through manuals, guidebooks, online libraries and procurement platforms these have generally been successful and provide an argument for not requiring state involvement in such activities. An effective, open business environment which gives space to business to operate will result in business innovating to solve its own problems.

9 Conclusions

This section presents the main conclusions of the report based on the above analysis. It also poses key questions this analysis has raised, and considers the role of donors in strengthening public-private dialogue for business environment reform. Finally, it sets out a number of recommendations.

9.1 *Main take-aways from the analysis*

The reform envisaged in the mid-1990s has not materialised

In 1996, as Mozambique entered a period of peace and stability, there was a window of opportunity for major reform. The CASP reports for the years 1996-2001 show enthusiasm and optimism for genuine reform which would create a conducive business environment. However this was not acted on in a sufficiently meaningful way to remove barriers, and reading any of the quotes in *Annex 3 – Key quotes from CASP matrices* shows that comments made then could just as easily apply today. Reports show repetition of the same messages at each conference, accompanied by a notable lack of concrete action.

A shared vision for Mozambique's development and an accompanying overarching policy for business environment are lacking

Apart from EMAN II, the focus of which has narrowed considerably compared to EMAN I, Mozambique has no broad Investment Climate Improvement or Business Competitiveness Strategy for the country. The result is that policy is developed sectorally, and is often followed by fragmented, complex, overlapping, and even contradictory regulations that are difficult for the private sector to comprehend and for the public sector to implement.

Policy reform has not been followed by implementation

The analysis above has shown that there is a massive gap in Mozambique between legislating and implementing. The apparent completion of much of the legislative agenda in EMAN I but the lack of impact in the business environment on the ground illustrates this. Reform has been measured by a legislative change when, in fact, it is the quality and effect of implementation that should be monitored.

The lack of implementation has been attributed to:

- Lack of political will
- Insufficient political power within government bodies tasked with overseeing reform
- Resistance among functionaries who benefit from the existing system
- Poor capacity within the public sector, especially in the provinces, to absorb regulatory changes

Reforms undertaken have been small-scale 'tweaks' rather than paradigm-shifting, structural changes

The CASP matrices do not reflect a number of major constraints to business. Instead, issues raised at CASPs have become increasingly specific rather than aiming at wholesale reform of the business environment. A tendency towards smaller reforms or adjustments which could provide "quick wins" is noted.

This tendency is attributed to:

- Powerful forces within the political structure whose interests would not be served by deeper reforms

- Weaknesses in the CASP mechanism (see below)
- A need to demonstrate some successes resulting from the public-private dialogue

A second window of opportunity for business development is opening up now with the natural resource boom taking place in Mozambique. The major question facing both business and government now is whether or not the brave steps required for a total reform are going to be taken or whether public-private dialogue is going to continue with tweaking and piecemeal changes, which often do not have a major impact, are frequently poorly implemented and may add unnecessary costs and burdens.

The lack of development has given rise to protectionist tendencies that may stifle private sector growth

There has been a recent focus in public-private dialogue and discussions within the private sector on restricting the business environment by legislating local content and shareholding, and protecting business based on the passport carried by the majority of shareholders. These risk closing the door to international investors who often bring much-needed technology-transfer and know-how that strengthens the private sector overall.

Public-private dialogue mechanisms have not delivered on their initial promise and should be significantly strengthened

The CASP has merits as an annual opportunity for business and government to meet and interact, and discuss relevant issues of the day. However the format tends to include an enormous range of issues, and has proven to be an inadequate lobbying tool. It has proven difficult to date to introduce concrete change based on an event which takes place more or less annually and which presents issues ranging from macro, policy level down to sector specific regulations or the conduct and professionalism of public functionaries. Even with the political will for the types of reform proposed, the format of the CASP matrices and conference is not conducive to promoting and then monitoring reform. If there is to be real negotiation and reform action in specific sectors this requires much more intense dialogue through transparent, inclusive and efficiently managed mechanisms.

There are in fact two main impediments to a functioning dialogue system, one being lack of open, inclusive, transparent and systematic dialogue between government and business and the second being the lack of the same within the private sector itself. 18 years ago the private sector was a smaller, more homogenous group. Despite the fact that most formal businesses today, regardless of size, continue to face broadly the same issues in the business environment, the simple factor of increasing numbers means less homogeneity and a greater diversity of views which should be solicited and heard. Those representing these different groups should begin to determine the most effective mechanism for business to talk amongst itself, and to government.

9.2 Conclusion

In some ways Mozambique has come full circle. After failing to capitalise on the first window of opportunity in 1995-1996 the country has another chance, as a result of hydrocarbon discoveries. Assuming that the nation's goal is wealth and job creation, then the critical question is how best to take advantage of this new window of opportunity to ensure inclusive development based on a strong and healthy private sector. This question applies to all sectors of government, not only those traditionally associated with business, since economic development is intrinsically linked to all other forms of development and should not be seen in isolation.

The foregoing demonstrates that there are **structural problems** in respect of policy, legislation and the business environment. It further demonstrates that the type of ad hoc, uncoordinated reform which has taken place so far

does not have the results required to enable the local business sector to develop in line with the national and regional opportunities available to it.

There is a **need to focus at macro level on a radical policy** shift based on strong political will and leadership, and then cascading from that the type of regulatory and public sector reform needed to sweep away bureaucracy and corruption, move from state control to state oversight and facilitation. This is the proposition made in 1996 and it remains equally valid and necessary in 2013.

The lack of an overarching investment climate and business competitiveness strategy has serious repercussions for the business environment and constrains the private sector's ability to drive growth and create jobs. A **policy framework** aiming to create a favourable environment for business, would take into account both sectoral needs (for example in agriculture and tourism) and general business needs such as exchange rate policy dictated by goals such as import substitution combined with fiscal and labour policies structured towards employment creation through industrial and agricultural development.

As a result of the lack of development there is now increasing pressure to revert to **protectionist policies**. The question is, who will be protected and who will benefit from this type of approach? Experiences in other jurisdictions suggest that it is unlikely to be those who are most in need of economic development.

The report's authors therefore believe that the opposite approach should be taken. There should be a **paradigm shift** in which every action undertaken by every government functionary touching the private sector should be analysed in terms of its benefit to business, and particularly to SMEs. It is only when this philosophical shift takes place that the existing barriers will begin to be eliminated in such a way that formal companies can develop and grow and thus fulfil their role in providing jobs and tax revenue. Strong will and commitment is needed at senior levels of government to ensure that every piece of new and existing legislation and policy, every implementation action and every behaviour is assessed and revised to support SMEs and the broader private sector.

Resolving **key aspects such as infrastructure and cost of factors** should be determinants of business development policy. Questions about why the issues noted above exist and how they interact should be asked and answered as honestly as possible. For example to what extent do the problems with the functioning of the judicial system in fact impact on access to finance? How do lack of information and a culture of not sharing information and of arbitrary implementation of legislation contribute to lack of investment? To what extent are levels of bureaucracy and delays in public sector decision-making attributable to ongoing centralization and what is the true cost to business of such delays?

9.3 Key questions arising

The foregoing analysis raises a number of questions which should be answered or researched in order to develop a more detailed understanding of the social, political and economic reasons for and impacts of lack of business environment reform over the past 18 years. It is only by understanding why major reform has not taken place that business, government and society as a whole can determine what needs to be done and whether in fact there is will for the type of deep structural reform that is proposed here.

Questions related to perceptions of business reform and achievements, and to political will:

- a) Do CTA and the government agree with the view that progress has been limited, and if so to what do they attribute this?

- b) Does the government genuinely believe that it has reformed the business environment and if so to what does it attribute the consequent lack of progress in terms of economic development?
- c) What is the government's policy going forwards? Is it prepared to genuinely commit to deep reform? If it is not, what is the position, role and relevance of business and its representative bodies?
- d) What is the opportunity cost to Mozambique as a whole of not reforming the business environment?
- e) What is required for genuine, far-reaching reform to be achieved? What should be the goal of this reform?

Questions related to public-private dialogue processes

- f) How are issues selected for inclusion on CASP matrices? How are they framed given that they appear to range from very general to very specific? What analysis is undertaken to understand the underlying causes of each issue and how it interrelates with other issues, before proposing what should be done to reform them?
- g) Do the matrices reflect the real concerns of business?
- h) Have issues which are no longer included in the matrices in fact been resolved? Are they recurring? If they have not been resolved why have they been dropped from the matrices?
- i) How is progress measured? How can traceability of issues and comparability of data be better ensured? If reforms have taken place what has been the impact of these - in some cases it seems that the following year similar issues reappear with an indication that the reform was not adequate.
- j) Is it possible to achieve the level of reform needed by focusing on specific reform tasks and "tweaking" the business environment or is more required?

9.4 The role of donors

Each CASP is estimated to have cost in the region of 200,000 USD (2,600,000 USD for the 13 conferences), the majority of which has been funded by international donors. Can this be considered as reasonable value for money, given the lack of progress and the current state of the business environment? And what, beyond direct funding for the dialogue itself, should be the role of donors in improving the impact of public-private dialogue on the business environment?

The OECD report identifies some key areas where donor support can be of great value:

Material, analytical and procedural support. Donors "can advise participants on procedural and organisational aspects of the consultation process (e.g. frequency, number of participants, defining the agenda, conduct of discussions and publication of minutes). They can also provide material and analytical support to the secretariat co-ordinating the dialogue process."

Reduction of "transaction costs". "Donors can be guarantors of the dialogue process, ensuring its transparency and, especially, its follow-up. Supporting the co-ordinating secretariat is a key role. 'A secretariat may provide an objective information-collection and analytic capacity ... And the ability to collect information may help monitor the extent of compliance with CM [consultative mechanism] decisions by participants' (World Bank, 2001, p. 5). The follow-up and monitoring of commitments made during the dialogue is vital to its credibility, and so it is essential to have a secretariat that is financially and analytically independent – and this can be guaranteed by donors."

9.5 Recommendations

The following assumptions guide the recommendations arising from this report:

- That there is a political will for change, and for economic development, and that this political will would be manifested from the highest levels of government;
- That no reform which, even as a temporary measure, reduces overall national fiscal income, can be contemplated at this point in the country's development.

Many recommendations could be made in respect of existing mechanisms for dialogue, and proposals for reform of the business environment. However as the foregoing demonstrates the issues are well-known. What is required is a completely fresh approach to addressing them.

We believe that there should be one guiding principle or common goal: **Economic development for inclusive job and wealth creation.**

Therefore rather than presenting a long list of recommendations aimed at "tweaking" the status quo, we have instead opted for four recommendations which would have a radical effect on the business environment and thus on economic and human development:

- **Policy** – there should be one, overarching economic development policy, led from the highest levels of government, as a result of which every thought, action, regulation, levy, fee etc. should be analysed based on its benefit to business, and structured accordingly;
- **Legislation** – legislation should in all cases reflect faithfully the related policy. It should be clear, simple and overall *implementable*. To improve the quality and relevance of legislation, the draft Public Participation Law (*Lei de Participação Pública*) should be approved and implemented immediately to not only ensure broader access to debate on legislation and policy for the private sector but for civil society as a whole;
- **Implementation** – Ministers should be directly accountable to the Prime Minister or the President for the *effective and timely implementation* of policy decisions and associated regulation for which they are responsible. Communication and dissemination of new regulations – to the private sector, common citizens, and especially functionaries tasked with legislative oversight and implementation – should be prioritised;
- **Impact** – progress and achievements should be monitored and assessed on the basis of impact, measured in terms of the experience of the majority of firms, rather than the completion of activities.

10 Annexes

10.1 Annex 1 – Private Sector Conference Matrices Summarised

Sector	Assunto resumido	Anos em que aparece
Agricultura	Fraca contribuição de agricultura a economia, necessidade de apoiar pequenos produtores, necessidade de ter crédito, Necessidade de política agrária que desenvolve o sector	1996 - 2003
Agricultura	Custo e qualidade de energia para sector agrícola	2007
Agricultura	Lei de terras - morosidade em atribuir DUAT, falta de zoneamento, DUAT não pode ser usado como colateral	2001-2009
Agricultura	Zonas de produtividade não aproveitadas, falta de zoneamento	2001-2007
Agricultura	Falta de normas de qualidade impede o desenvolvimento do sector e exportação	2001-2007
Agricultura	Dificuldades de infra-estrutura impedem desenvolvimento de agricultura	2001-2003
Agricultura	Formação de técnicos no sector agrícola	2007
Agricultura	Divulgação de informação para exportadores sobre fitossanitário, regras de origem etc.	2007
Agricultura	Factores e custos de produção fazem o sector não competitivo, incluem água, energia, combustível	2004-2011
Agricultura	IVA em insumos agrícolas	2006-2013
Agricultura	Sistema de salários faz o sector não competitivo	2007
Agricultura	Proferi I & II - falta de consulta com sector privado, falta de desenvolvimento no MINAG	2001-2007
Agricultura	Financiamento específico para o sector agrícola	2003-2010
Agricultura	Parcerias públicos privados a criar investimentos agrícolas	2004-2010
Agricultura	Mecanismos consultivos a serem desenvolvidos	2001, 2003, 2007
Agricultura	Eliminar taxa rodoviária para agricultura e em especial exportes	2009-2012
Agricultura	Incentivos para gasóleo para produtores agrícolas	2012-2013
Agricultura	Controle sanitário	2010

Sector	Assunto resumido	Anos em que aparece
Industria	Falta de política industrial a impulsionar o desenvolvimento do sector, financiamento	2001, 2004, 2012-2013
Industria	Normação e qualidade em produção industrial	2001 - 2010
Industria	Custos de produção não competitivas, incl telecoms, TI, energia, água, transporte	2001
Industria	Custo de combustíveis para indústria	2001-2007
Industria	Qualidade e custo de energia para indústria	2001-2010
Industria	Protocolos comerciais de SADC e AGOA subaproveitados pela indústria, falta de comércio externo pela indústria nacional	2001-2007
Industria	Licenciamento industrial - como promove desenvolvimento de PMEs? Melhoramento no sistema de licenciamento	2003-2010
Industria	Importação de matéria-prima para indústria	2001, 2006-2009
Industria	Legislação sobre propriedade intelectual	2006-2009
Industria	Mecanismo consultivo	2001, 2003
Comercio	Mecanismo consultivo	2003
Comercio	Atrasos e custos de desalfandegamento de mercadorias	2004-2007
Comercio	Estratégia e política integrada de comércio	2004-2007
Comercio	Sector farmacêutico - revisão de legislação, redução de monopólio, falência de empresas	2006-2007
Comercio	Desenvolvimento de comércio rural	2006
Comercio	Revisto o Regulamento do Licenciamento Comercial	2009
Pescas	Lei de pescas	2009-2013
Pescas	Isenção de direitos aduaneiros e imposições fiscais sobre combustível para o sector de pescas	2010-2013
Pescas	Mecanismos consultivos a serem desenvolvidos	2010

Sector	Assunto resumido	Anos em que aparece
Pescas	Isenção da Taxa Liberatória no Afretamento de Embarcações de Pesca	2010-2011
Turismo	Imagem do país e do sector, segurança, custos, corrupção	1996-2010
Turismo	Mau tratamento pelo PRM e outras agências de turistas	2003-2010
Turismo	Reintrodução de taxa de turismo a 1%	2007, 2010-2011
Turismo	Qualidade de infra-estrutura, falta de materiais e recursos humanos no sector de turismo	2001-2010
Turismo	Transporte aéreo - falta de competitividade, custos altos,	2001-2012
Turismo	Áreas de conservação, concessões, ecoturismo e safari	2003-2007
Turismo	Investimentos nacionais e locais, fundos de investimento, projectos a estimular investimento	2010
Turismo	Predominância da Caça Furtiva	2012-2013
Turismo	Mergulho e pesca recreativa - falta de legislação	2004-2007
Turismo	Carga fiscal e aduaneira torna o sector não competitivo, redução de IVA no sector	2001-2011
Turismo	Aumento do valor da franquia nas fronteiras aeroportuárias, melhorar movimento nas fronteiras	2004-2011
Turismo	Taxa de embarque incorporada no custo da passagem aérea	2007, 2009
Turismo	Redução e custo para obtenção de visto, harmonização de custos e procedimentos	1999-2009
Turismo	Simplificada a legislação que regula actividade de agências de viagem e operadores turísticos	2004-2010
Turismo	Mecanismos consultivos a serem desenvolvidos	2001-2010
Turismo	Ilegalidade no sector e na construção de estâncias	2001
Transporte	Acidentes de viação e causas	2001-2009
Transporte	Informatização de cartões de condução e livretes	2008-2009
Transporte	Custos de transporte proibitivos para desenvolvimento	2003

Sector	Assunto resumido	Anos em que aparece
Transporte	Incumprimento com lei de seguro obrigatório, concessionar serviço de inspecções	2004-2009
Transporte	Licenciamento do sector, complexo	2003-2009
Transporte	Acordos bilaterais permitem concorrência desleal por operadores estrangeiros no mercado local de transporte	2003-2007
Transporte	Serviços fronteiriços em particular fronteira de Ressano Garcia	2004-2009
Transporte	Horário de circulação	2004-2009
Transporte	Fiscalização nas estradas	2007
Transporte	Redefinição e clarificação de competências e infracções cuja sanção consista na apreensão da carta de condução	2007-2009
Transporte	Arbitrariedade na determinação da contribuição industrial para contribuintes de Classe B	2004-2006
Transporte	Procedimentos aduaneiros complexos	2006
Transporte	Falta de fiscalização de transportadores estrangeiros e pagamento de cabotagem	2007
Transporte	Dimensões e pesos de veículos	2007-2009
Transporte	Transparência na consignação de taxa de combustível	2007
Transporte	Mecanismos de consulta	2001, 2006, 2007
Transporte	Critérios uniformes e níveis para tributação e licenciamento	2007
Transporte	Privação de liberdade em caso de homicídio involuntário e seguro obrigatório	2007
Transporte	Taxas do sector rodoviário	2012-2013
Transporte	Centro de Formação Profissional / formação no sector de transportes	2006-2007, 2012-2013
Transporte	Criação do Órgão Regulador do sector dos Transportes	2013-2013
Transporte	Acesso a financiamento - todos os componentes de transporte	2004-2007
Transporte	Regime fiscal e aduaneiro	2004, 2006
Transporte	Custos elevados de transporte de carga	2001
Transporte	Lei do mar	2007

Sector	Assunto resumido	Anos em que aparece
Transporte	Participação dos armadores na atribuição de novas licenças	2007
Transporte	Elevadas taxas portuárias	2004-2007
Transporte	Fraca eficiência dos portos	2004-2007
Transporte	Falta de obrigatoriedade do seguro de carga importada	2006-2007
Transporte	Problemas no sector de cabotagem	2004-2007, 2010
Transporte	Necessidade de manter funcional a sinalização e balizagem do Porto do Maputo	2010
Transporte	Legislação aeronáutico	2006-2009, 2010
Transporte	Número e qualidade de campos de aterragem	2006-2009, 2012
Transporte	Gestão do Instituto de Aviação Civil de Moçambique	2007, 2012-2013
Transporte	Liberalização efectiva do espaço aéreo	2006-2007, 2012-2013
Transporte	Proposta para a criação do Órgão Regulador da Actividade Transportes	2010
Transporte	Falta de publicação dos procedimentos aduaneiros para importação e exportação	2004-2006
Transporte	Excesso de burocracia e falta de conhecimento nos balcões dos ministérios	2004-2006
Transporte	Regras de procurement	2004, 2010
Obras Publicas	Regras de procurement	2001-2010
Obras Publicas	Divulgação de concursos	2001-2007, 2010
Obras Publicas	Custo de Construção em Moçambique, indústria nacional de matérias	2004-2010
Obras Publicas	Capacitação de empreiteiros nacionais	2004-2007
Obras Publicas	Falta de mão-de-obra qualificada	2001-2003, 2006-2007
Obras Publicas	Pagamentos atrasados pelo estado e reembolsos de IVA	2001-2010
Obras Publicas	Mecanismos de consulta	2001-2007
Obras Publicas	Aviso 5/2005 de BdM	2006-2007

Sector	Assunto resumido	Anos em que aparece
Obras Publicas	Revisão de preços de empreitadas de obras públicas	2001-2010, 2012-2013
Obras Publicas	Financiamento	2003, 2007, 2010
TI e comunicação	Incentivos para promover PMEs em TI	2004-2010
TI e comunicação	Contratação de empresas nacionais	2007, 2012
TI e comunicação	Falta de pessoal	2004-2007
TI e comunicação	Falta de política para desenvolvimento de infra-estruturas incluindo TICs	2006-2007
TI e comunicação	Falta de rede nacional de telecoms, custo elevado	2001-2007
TI e comunicação	Acesso a financiamento	2004-2007
TI e comunicação	Regime fiscal e aduaneiro	2004-2007
TI e comunicação	Incubadora	2007
TI e comunicação	Base de dados de empresas	2007
TI e comunicação	Mecanismos de consulta	2003
Financiamento	Custo de crédito, acesso a financiamento Aviso 5/GGBM/2005 (credito em moeda estrangeira)	1996-2004, 2010, 2013
Financiamento	Bilhetes de tesouro	2007
Financiamento	Aviso 2/GGBM/2006	2007
Financiamento	Protecção de direitos de credores	2004-2007
Financiamento	Insuficiência de garantias	2004-2007
Financiamento	Fixação de preços aplicados pelos bancos	2007, 2010
Financiamento	Central registo de crédito, acesso a informação	2004-2013
Financiamento	Microfinanças e finanças rurais	2004-2006
Financiamento	Regulamentação de lei cambial	2009
Financiamento	Elaboração de guião sobre os procedimentos do Banco de Moçambique mais transparentes (elaboração de guião de procedimentos).	2010
Fiscal, aduaneiro e comércio externo	O sistema fiscal e pesado complexo com muitas isenções a base tributável e reduzida há corrupção e desincentivos	1996

Sector	Assunto resumido	Anos em que aparece
Fiscal, aduaneiro e comércio externo	Comércio ilegal, controle de comércio externo	1999, 2001-2003, 2006
Fiscal, aduaneiro e comércio externo	Introdução de IVA, melhoramento de gestão das alfândegas	1996, 1998
Fiscal, aduaneiro e comércio externo	Mecanismos de consulta	2001-2007
Fiscal, aduaneiro e comércio externo	Política fiscal desincentiva investimento, produção e criação de emprego, muito complexo, taxas altas, resulta em fuga ao fisco	2001-2007
Fiscal, aduaneiro e comércio externo	Eliminar imposto de selo	2007
Fiscal, aduaneiro e comércio externo	Reformulação de sistema de tributação autárquica	2007
Fiscal, aduaneiro e comércio externo	Atrasos nos pagamentos pelo governo	2003-2006
Fiscal, aduaneiro e comércio externo	Plano de contas internacionalmente compatível	2001-2007
Fiscal, aduaneiro e comércio externo	Scanners	2007-2013
Fiscal, aduaneiro e comércio externo	Inspecção pre-embarque	2010-2013
Fiscal, aduaneiro e comércio externo	Revisão dos códigos de impostos	2007-2012
Fiscal, aduaneiro e comércio externo	Redução da taxa de IVA	2007-2011
Fiscal, aduaneiro e comércio externo	Revisto e aprovado o Código de Benefícios Fiscais e respectivo regulamento	2010-2011
Fiscal, aduaneiro e comércio externo	Tribunais fiscais	2007-2011
Fiscal, aduaneiro e comércio externo	E-procurement	2013
Fiscal, aduaneiro e comércio externo	Janela Única	2010-2011
Fiscal, aduaneiro e comércio externo	Reembolsos de IVA	2010-2011

Sector	Assunto resumido	Anos em que aparece
Fiscal, aduaneiro e comércio externo	Simplificar procedimento de atribuição de NUIT	2010
Fiscal, aduaneiro e comércio externo	Revistos os processos e desembaraço aduaneiro incluindo o funcionamento das fronteiras	2004-2010
Fiscal, aduaneiro e comércio externo	Procedimentos cambiais relativamente a importação e exportação de bens e serviços não favoráveis ao comércio internacional	2010
Trabalho	Escassez de força de trabalho, formação profissional	1997-2001
Trabalho	Emprego de estrangeiros	2003-2007
Trabalho	HIV/SIDA - legislação e códigos de conduta	2001-2007
Trabalho	Mecanismos de consulta	2001-2007
Trabalho	Legislação e espírito de inspecções	2001-2007
Trabalho	Lei de trabalho e regulamentos complementares	2003-2013
Trabalho	Mediação e arbitragem	2003-2010
Trabalho	Funcionamento de INSS	2003-2010
Trabalho	Política de salário mínimo	2004-2010
Sector Publico Administração Estatal	/ Legislação desactualizada, inadequada, aumenta custo de negócio	1996-1998, 2003
Sector Publico Administração Estatal	/ Falhas na implementação da legislação	1999
Sector Publico Administração Estatal	/ Centralização	1996-2001
Sector Publico Administração Estatal	/ Simplificar o registo e constituição e licenciamento das empresas	2003-2007, 2012-2013
Sector Publico Administração Estatal	/ Reforma de código commercial	2001-2003
Sector Publico Administração Estatal	/ Mecanismos de consulta	2001-2006
Sector Publico Administração Estatal	/ Reforma de sector público a reduzir burocracia, promover boa conduta e boa governação	2003
Sector Publico Administração Estatal	/ Energias renováveis	2012
Sector Publico Administração Estatal	/ Lei anticorrupção	2012
Sector Publico Administração Estatal	/ Inspeção de actividades económicas	2010

Sector	Assunto resumido	Anos em que aparece
Sector Público Administração Estatal	Código de falência e recuperação	2007
Judiciário	Desempenho de sistema judicial	2001-2007
Judiciário	Mecanismos de consulta	2001-2007
Judiciário	Mediação e arbitragem	2001
Minas	Legislação transparente e regras a permitir a entrada de investidores	1996
Crosscutting	Redução dos custos de transacção	2013
Crosscutting	Demora na emissão de Bis	2006
Crosscutting	Criminalidade	2006
Crosscutting	Qualidade	1999
Crosscutting	Clima empresarial pouco favorável, caro e burocrático	1998

10.2 Annex 2 - Mapping of EMAN target results (numbered) against BCI factors and CASP issues (in blue)¹⁷

2.1 Simple and not burdensome fiscal system; 5.3 Promote a culture of paying taxes	2.2 Credit and Insurance information bureaus	1.8 Import-export systems simplified and lower cost	1.10 Competition and lower cost air transport	1.7 Uniform and compatible inspections	1.1 Simplified Registration; 1.2 Simplified Licensing; 1.9 Registration and Collateral simplified
O sistema fiscal e pesado complexo com muitas isenções a base tributável e reduzida há corrupção e desincentivos (1996) Política fiscal desincentiva investimento,	Central registo de crédito, acesso a informação (2004-2013)	Introdução de IVA, melhoria de gestão das alfândegas (1996, 1998) Importação de matéria-prima para indústria (2001, 2006-2009) Atrasos e custos de desalfandegamento de	Legislação aeronáutica (2006-2010) Número e qualidade de campos de aterragem (2006-2009, 2012) Gestão do Instituto de Aviação Civil de	(Trabalho) Legislação e espírito de inspeções (2001-2007) (Trasporte) Incumprimento com lei de seguro obrigatório, concessionar	Melhoramento no sistema de licenciamento (2003-2010) Simplificar o registo e constituição e licenciamento das empresas (2003-2007,

¹⁷Three EMAN target results - 1.3 Labour legislation promoting employment, 1.5 Competition Law and regulation, 5.4 Set up and make operational water/telecom regulators, and 5.5 Information on potential investments available – are not included because they do not respond to any issues raised under the CASP.

<p>produção e criação de emprego, muito complexo, taxas altas, resulta em fuga ao fisco (2001-2007)</p> <p>Revisão dos códigos de impostos (2007-2012)</p> <p>Redução da taxa de IVA (2007-2011)</p> <p>Revisto e aprovado o Código de Benefícios Fiscais e respectivo regulamento (2010-11)</p>		<p>mercadorias (2004-2007)</p> <p>Revistos os processos e desembaraço aduaneiro incluindo o funcionamento das fronteiras (2004-2010)</p> <p>Procedimentos cambiais relativamente a importação e exportação de bens e serviços não favoráveis ao comércio internacional (2010)</p>	<p>Moçambique (2007, 2012-2013)</p> <p>Liberalização efectiva do espaço aéreo (2006-2007, 2012-2013)</p> <p>Proposta para a criação do Órgão Regulador da Actividade Transportes (2010)</p>	<p>serviço de inspecções (2004-2009)</p> <p>Inspeção pre-embarque (2010-2013)</p> <p>Inspeção de actividades económicas (2010)</p>	<p>2012-2013)</p> <p>Revisto o Regulamento do Licenciamento Comercial (2009)</p> <p>Simplificar procedimento de atribuição de NUIT (2010)</p>
	2.4 Promote SME access to credit	1.11 Competition in short-sea-shipping (cabotagem)	<p>3.1 Electric energy with quality, safety and reliability</p> <p>3.2 Supply energy at competitive cost</p>	1.8 Import-export systems simplified and lower cost	<p>2.3 Enforcement of contracts, claims and collateral</p> <p>5.1 Comply with contracts</p>
	<p>Custo de crédito, acesso a financiamento</p> <p>Aviso 5/GGBM/2005 (credito em moeda estrangeira) (1996-2004, 2010, 2013)</p> <p>Acesso a financiamento em TI (2004-2007)</p>	<p>Fraca eficiência dos portos (2004-2007)</p> <p>Problemas no sector de cabotagem (2004-2007, 2010)</p>	Qualidade e custo de energia para industria (2001-2010)	<p>Revistos os processos e desembaraço aduaneiro; funcionamento das fronteiras (2004-2010)</p> <p>Serviços fronteiriços em particular Ressano Garcia (2004-2009)</p>	Protecção de direitos de credores e Insuficiência de garantias (2004-2007)
	2.5 New Financial products		3.3 Reduced fuel costs	5.2 Good governance in public and private institutions	4.1 Establish and develop One-stop-shops (BAUs)

	Microfinanças e finanças rurais (2004-2006)		Custos de transporte proibitivos para desenvolvimento (2003)	Legislação desactualizada, inadequada, aumenta custo de negócio (1996- 1998, 2003) Falhas na implementação da legislação (1999) Centralização (1996-2001) Reforma de sector público a reduzir burocracia, promover boa conduta e boa governança (2003) Lei anticorrupção (2012) Redução dos custos de transacção (2013)	Excesso de burocracia e falta de conhecimento nos balcões dos ministérios (2004-2006) Janela Única (2010-2011)
			3.5 Increased access to Internet		1.4 Company Insolvency and recovery Law
			Falta de rede nacional de telecoms, custo elevado (2001- 2007)		Código de falência e recuperação (2007)

10.3 Annex 3 – Key quotes from CASP matrices

The government stresses its commitment to productive dialogue	Oldemiro Baloi – Minister of Industry, Trade & Commerce	September 1996
There is a need to find a balanced solution which protects local industries without fostering inefficiency and increased costs to	Tomaz Salomão, Minister of Plan & Finance	1996

consumers. It has not been easy to find a solution which is acceptable to local producers who want protection and importers who want low prices

Problems identified include:

- Costs involved in doing business
- Excessive bureaucracy
- Excessive centralization
- Fiscal costs
- Accountancy problems
- Inadequate training
- Weak infrastructure

Oldemiro Baloi – Minister of Industry, Trade & Commerce September 1996

It is imperative that the infrastructure and the port facilities around Beira be radically improved. There is also a need to incentivize agricultural activity in the surrounding area

David Zausmer – Director of Beira Corridor Group 1996

An important problem concerning administrative barriers in Mozambique is the uncertainty of the outcome. Companies initiate processes without knowing how and when they will end. The cost and time vary from company to company and even from person to person, depending on contacts, sector, familiarity with local bureaucratic practices, financial resources and closeness to political groups.....inconsistent application of laws is another reason for uncertainty of outcome

Aracelli de Leon – IFC/FIAS 1996

There are numerous instances of notarized copies of identification documents. Many duplicate steps are covered under another prior requisite for the same license. For example one of the documents needed to apply for an industrial license is a certificate for commercial registration which itself also requires notarized proof of identification documents

Aracelli de Leon – IFC/FIAS 1996

[There is] an administrative maze. Nobody can anticipate the ease or difficulty of obtaining a license even when all necessary documents have been submitted

Aracelli de Leon – IFC/FIAS 1996

When the company is in operation it is the overhead created by excessive paperwork and compliance with taxes and labour regulations that has become an issue for reform. The main cost of administrative barriers to private activity in Mozambique are brought about by unpredictability of processes and the prolonged time it can take to complete all steps to operate legally. Administrative processes are extensive, contain numerous and often redundant steps and require interaction of various government agencies with less than well informed staff

Aracelli de Leon – IFC/FIAS 1996

This review [of the commercial legislation] is required to ensure that all state institutions which are involved in the registration of commercial and industrial companies have a coordinated approach to

Lucinda Cruz – Ernst & Young 1996

information gathering to ensure that applicants do not have to go from office to office submitting virtually the same information at each office

In addition to the needed legal reforms, it is extremely important to institutionalize the channels of communication between the private sector and government. Particularly important is the need for the government to change its attitude towards the private sector. The government needs to view the private sector more as its partner in developing the national economy. There is also a need to develop mechanisms whereby the private sector can discuss their main concerns with the appropriate government authorities and present their proposals and ways of resolving them

Lucinda Cruz – Ernst & Young 1996

To become competitive internationally, Mozambique will need to adopt appropriate policies, ensure that financial resources are available, develop appropriate technologies for the [agriculture] sector and ensure that well trained management is in place. Macroeconomic policy dictates the need for private sector growth within the economy – with increasingly more responsibility assumed by the private sector and less by the government. An appropriate legal environment as well as removal of bureaucratic constraints to development are important components which will support the national desire to promote growth, stability and overall development

António Branco – Grupo Madal 1996

It is extremely important to allocate adequate funding to secure the sustainable use of forestry and water resources in many parts of the country. It is imperative that investors work hand in hand with the government to ensure the sustainable utilization of these resources so as to make sure that development takes place within an environmentally sustainable setting

António Branco – Grupo Madal 1996

The 'cancer' which consumes private sector development in this country is called 'bureaucracy'. It is imperative that this excessive bureaucracy and red tape must be eradicated, because nothing demotivates an investor more than to be encased in red tape and bureaucratic tentacles....hence the elimination of bureaucracy and red tape is the number one priority for private sector development in Mozambique

David Ankers – Polana Hotel 1996

Although mega projects will be an important dimension of development in Mozambique, the growth of small and medium scale Mozambican private businesses remains an exceedingly important element....private sector agricultural activities must play an important role in the future

Simon Bell – World Bank 1997

A balanced and intelligent combination of public and private sector remains essential for sustainable economic development. A full and

Pascoal Mocumbi – Prime Minister 1997

meaningful partnership is based on open and constructive dialogue.

The development of the country, and in particular, of the private sector cannot be achieved without clear institutional reform, we intend to transform the public sector from a centralized bureaucratic institution into an efficient and innovative player which will encourage and support private initiative. The decentralization and removal of administrative barriers is crucial to our plans and strategy for socio-economic development

Pascoal Mocumbi – Prime Minister 1997

There is a need for urgent and drastic reduction in the bureaucratic requirements of official regulation, not just in relation to imports and customs operations, but across the whole spectrum of commercial and industrial activity...official procedures must be simplified and speeded up if trade is to flow and productive investment is to grow

Bernard Everett, British High Commissioner 1997

It is to the government that we must look to provide a level playing field for fair competition and a stable economy. It is to government we look to give priority to reforming outdated legislation and processes, to create an administration which is results oriented, not procedures oriented, to producing consolidated and simplified measures to replace the existing layers of regulation and bureaucracy

Bernard Everett, British High Commissioner 1997

President Chissano is quoted as saying that at a certain point in the past two years Mozambique decided that going half way when it came to economic reform was simply not good enough

Carmen Matrinez, US Chargé D'Affaires 1997

Corruption is essentially the transfer of wealth from the poor and the weak to the rich and powerful. How can a small start-up businessperson compete with a well-established one that has an inside track? Levelling the playing field for small business is fundamental to economic reform. Some of these small businesses will be well-established ones someday. Undue influence distorts an economy and serves the interests of a few at the expense of many

Carmen Matrinez, US Chargé D'Affaires 1997

Guiding principles for reform should be simplicity, consistency, and low cost. I encourage you to speed your efforts to reform so that Mozambican companies can meet the demand generated by large foreign investments

Carmen Matrinez, US Chargé D'Affaires 1997

If you want more investment and more employment, eliminate self-defeating rules on foreign workers. More expatriate workers do not mean fewer jobs for Mozambicans. On the contrary it means more jobs. Expatriates bring capital, technology, and management experience which they will transfer Mozambicans. Furthermore they pay taxes and are consumers. They need transport services, they need business supplies, they need houses. They will be some of your best consumers

Carmen Matrinez, US Chargé D'Affaires 1997

A country must have a literate and healthy workforce if it wants its workers to be trainable and productive. Invest in primary schools and basic health care. No country has sustained growth without widespread literacy and improved public health	Carmen Matrinez, US Chargé D'Affaires	1997
If Mozambique is courageous and continues its bold economic reforms its future will be bright. So finish the task – fight corruption, reduce complex bureaucratic requirements, realign tariff rates and speed up customs clearance, encourage foreign investment, invest in health and education. Otherwise growth will be slow and prosperity will be a reality only for a select few.	Carmen Matrinez, US Chargé D'Affaires	1997
The current education system does not produce people who are appropriately qualified for business' needs. Companies face the problem of an insufficiently skilled workforce due to the lack of adequate training facilities ...vocational training centres do not provide training of a high enough standard	Egas Mussanhane - AEPRIMO	1997
The modernization of the state implies the strengthening of the judicial system and the resolution of conflicts in a credible, transparent, opportune, speedy and accessible manner.	Abdul Carimo Mahomed Issá	1997
Private sector development will only happen if we have an efficient mediator, a facilitating government, a government willing to dialogue, a government with capable public administration and a government involved with the country's development	Oldemiro Baloi – Minister of Industry, Trade & Commerce	1997
Criticism only comes from those who believe change is possible	Oldemiro Baloi – Minister of Industry, Trade & Commerce	1997
I want to express my confidence in the development of a dynamic, responsible, and broadly based local private sector. I believe in the constructive and complementary role that this private sector can play in formulating and conceptualizing a vision of national development...we will succeed in overcoming existing constraints primarily related to our human capital capacity, our burdensome bureaucracy and the regulatory system	Joaquim Chissano - President	1998
The private sector's interest is to prosper, grow and consolidate itself, while the government in its turn is interested in protecting the private sector as one of the key instruments for resolving the problems of society. The government in performing its role as facilitator of the activities of the business class, will continue its support and study ways of increasing it, so that the private sector can participate significantly in reducing unemployment by creating jobs...so that the private sector can serve as the lever with which to raise our people's living standards and eradicate extreme poverty	Joaquim Chissano - President	1998
We are fully aware that incentives are not the only variables	Joaquim Chissano - President	1998

underlying private sector development and investment decisions. Transparent policies and healthy procedures, norms and practices, complemented by a skilled labour force, complete the package. In this framework our government is deeply committed to creating a favourable business climate.

Shipping delays, tax inequities, cumbersome licensing requirements, corruption, ambitious labour laws, and overly complex regulations drive up costs to the point where they can drive away domestic and foreign investors. The result is lost income, lost jobs and lost tax revenue for the government

Brian Curren, US Ambassador 1998

Broad-based economic growth and the bulk of new employment are normally generated by small and medium-sized businesses. It is no secret that small and medium-sized businesses are the ones most damaged by a poor business environment, as is the economy. If a person cannot start a small business, then he or she will never be able to grow that business into a large one....close attention should be given to how these laws affect the competitiveness of small and medium-sized businesses. Competitiveness means, most importantly, the ability of all levels of business to survive and prosper

Brian Curren, US Ambassador 1998

It seems that red tape is much longer in the provinces because it wraps around Maputo several times

Brian Curren, US Ambassador 1998

Inefficiency in the public service and official bureaucracy are enemies of development, of innovation and of cost reduction to taxpayers and consumers. Inefficiency and bureaucracy are friends of stagnation, corruption and injustice

Bernard Everett, British High Commissioner 1998

I hope that the government seeks to change not only some laws, to reform some procedures, but to change generally the perspective of those who make the laws and of the public administrators, as well as the way in which they evoke their role. I hope that government will promote a change of attitude, replacing control with facilitation, self-serving behaviour with service to the public, and excessive regulation of private sector activity with the promotion of economic initiatives and innovation

Bernard Everett, British High Commissioner 1998

The revision of legislation, although important, is not a goal in itself. What is important is its implementation, for which both the private and public sectors must strive. To this end we must continue to improve our internal organization and disseminate the changes widely, so that our objectives are achieved.

Oldemiro Baloi, Minister of Industry, Commerce & Tourism 1998

Mozambique currently faces a wonderful window of opportunity. The political, economic and social transformation of this country has been amazing...we are looking at one of the biggest and brightest windows of opportunity that this country has seen for decades. However is

Simon Bell, World Bank 1998

Mozambique's current record of growth and economic management sustainable over the longer term?...a decade of 10 per cent growth will only put Mozambique at Zambia's per capita national income today. Twenty years of 10 per cent growth and Mozambique will still be poorer than Zimbabwe is today. Mozambique has no option. It must grow fast for a very long period of time.

To achieve our objectives we need to change our mentality. We must start developing a new approach and a totally new way of doing business. We should not remain captivated by the realities we have always known – we must introduce a new reality. In other words we need to stop being constrained by the Mozambican reality and start thinking outside the box. In so doing Mozambique will go from being a follower to becoming a leader. It will set trends not follow them.....this is not a dream – with conviction it can be done.

Simon Bell, World Bank 1998

The hand of government on the private sector must be light – and we must continually challenge and review the role and function of the government in private sector activity...the government should move well beyond FIAS' red tape study of bureaucracy in Mozambique, to stop tinkering around the edges and start setting totally new rules of the game.

Simon Bell, World Bank 1998

The government has been giving special attention to the simplification of procedures through the systematic elimination of administrative barriers in the context of the public administration. We are aware that the country's development in general, and private sector development in particular, will not be feasible without the required reforms and transformation of the public sector

Oldemiro Baloi, Minister of Industry, Commerce & Tourism 1999

We believe that Mozambique's development should start from its own resources natural, human or financial. This is only possible if there is a smart partnership between the public and private sectors. The prerequisite for this partnership is the existence of an open and constructive dialogue

Oldemiro Baloi, Minister of Industry, Commerce & Tourism 1999

When businesses were asked to rank the factors most inhibiting their work, stability and transparency issues were the most prominent. Reliability of policy is crucial to competitiveness and to attracting investment, both foreign and domestic. Countries with policy stability are clearly holding the competitive edge in attracting investment. Corruption impairs the ability of the firm to function efficiently. Some argue that corruption can be managed or that it is a way of life for doing business in emerging markets...however it is one of the single biggest concerns on the agenda of business. Corruption lowers efficiency, productivity, competitiveness and economic growth

Frederico Siteo, World Economic Forum 1999

We must have confidence, conviction and determination in the path we have chosen. The problems that arise must be understood in a

Joaquim Chissano, President 2001

more global context, always remembering that the reforms underway in our country are also taking place with the same intensity in other developing countries. Investors go where they can derive maximum benefits from their enterprises

The current reforms are irreversible and the government will do everything to ensure that both national and foreign investors operate in an environment of total transparency

Joaquim Chissano, President 2001

Our government has adopted a philosophy of smart partnership in recent years, and has become an active participant in forums because it believes that dialogue, national reconciliation and partnerships for development are key components in our country's progress. We should view the dialogue between the government and the private sector with this spirit, and consolidate channels of communication so that information flows regularly in both directions

Joaquim Chissano, President 2001

Ways and means must be found to overcome the huge problems and challenges that exist including high operating and transaction costs that reduce the competitiveness of small firms and serve as negative incentives to new investment – namely the price of fuels, the costs of loading and unloading in the ports, the excessive costs of telecommunications, coastal shipping, banking services, air transport and costs of energy. Overcoming these problems demands permanent dialogue between the government and private sector, through CTA and its member associations. Moreover a growth dynamic is essential for the internal market – the strategy of any action undertaken should be for increased agricultural production and marketing combined with the promotion of agro-industries, labour intensive manufacturing industry using local raw materials, along with the development of services such as tourism, ports and railways

Egas Mussanhane – CTA Chair 2001

Our stage of development is very backward...the political and macro-economic situation is very fragile; basic infrastructure remains inadequate and human capital is still not enough. The business environment is characterized by high costs. If we have to add the consequences of the lack of political understanding to these problems...the economy will slow down and society as a whole could suffer

Egas Mussanhane – CTA Chair 2001

If Mozambican enterprises are to compete in global and domestic markets the enabling environment must be improved and corruption must be reduced. A failure to foster an environment where enterprises can emerge and along with a failure to lessen corruption will inevitably constrain economic development.

Jay Knott, USAID Director 2004

10.4 Annex 4 - Strategies and policies of relevance to the private sector

- Commercial policy and strategy (Resolution 25/98)
- Energy strategy (Resolution 10/2009 / Resolution 20/2000)
- Civil aviation policy (Resolution 40/2002)
- Tourism policy and strategy (Resolution 14/2003)
- Tourism marketing strategy 2006 – 2013 (Resolution 45/2006)
- Textile sector development strategy (Resolution 46/2008)
- Natural gas sector development strategy (Resolution 64/2009)
- Combating illegal fishing strategy (Ministerial Diploma 58/2009)
- Social and economic plans (PES) and five year plans
- Policy and strategy for the defence of legality and promotion of justice (Resolution 16/2001)
- Response to HIV/AIDS strategy 2009 – 2013 (Resolution 44/2009)
- Medium term fiscal scenario (Resolution 44/2011)
- Decentralization policy and strategy (Resolution 40/2012)
- National Development Strategy (ENDE – currently being drafted)
- Roads strategy (Resolution 61/2008 / Resolution 50/1998)
- Science and technology policy and strategy (Resolution 23/2003)
- Quality policy and strategy (Resolution 51/2003)
- Telecoms strategy (Resolution 54/2006)
- Land zoning policy (Resolution 18/2007)
- Integrated transport system development strategy (Resolution 37/2009)
- Industrial policy and strategy (Resolution 38/2007 / Resolution 23/97)
- Competition policy (Resolution 37/2007)
- Strategy for the Development of SMEs (Aprovada pela 22^a Sessão Ordinária do Conselho de Ministros em 21 de Agosto de 2007)
- Business environment improvement strategy (Resolution 3/2008)

10.5 Annex 5 – Charter of Good Practice in Using Public Private Dialogue for Private Sector Development

This Charter was initially drawn up on the Second of February, Two Thousand and Six, at the International Workshop on Public-Private Dialogue, organized by a crosssectoral team from DFID, the World Bank, the IFC and OECD Development Centre, held at the World Bank Paris Conference Centre, and attended by over a hundred participants from thirty countries

Recognising that economic progress depends on a business climate conducive to private investment and enterprise, which in turn requires a range of private sector development policies and institutions, infrastructure, access to services, and supporting laws and regulations designed within a coherent policy framework and with sensitivity to the interests of all sectors of society,

Observing in particular that reforms designed to improve the business climate are more effective when dialogue between the public and private sectors involves the ultimate beneficiaries of those reforms in diagnostics, solution design, implementation and monitoring,

Aware of the challenges experienced by practitioners in capitalizing on the benefits of dialogue, such as accelerating the reform process, maximizing returns on investment climate reforms and public-private investments, contributing to broader poverty reduction strategies and allowing public and private sectors to build mutual trust that commands widespread confidence,

Conscious of the demand that practitioners have voiced for good practice recommendations and a monitoring and evaluation baseline aimed at providing guidance, measuring success and increasing performance,

Drawing from experiences of numerous professionals from the public, private and donor communities and lessons learned from research into dialogue mechanisms, consolidated at the international workshop for public-private dialogue held in Paris in February 2006,

Now, therefore, by consensus, practitioners are recommended to draw on the following principles hereby set forth as the Charter of Good Practice in using Public Private Dialogue for Private Sector Development.

PRINCIPLE I: MANDATE AND INSTITUTIONAL ALIGNMENT

A statement of objective is helpful for clarity. A formal or legal mandate can be an important help in some political and economic contexts, but mandates are never sufficient to establish good PPD. Wherever hosted and whenever possible, PPD should be aligned with existing institutions to maximize the institutional potential and minimize friction.

- Dialogue depends on the capacity and mindset of participants, and a legal mandate is not sufficient to create this.
- Nonetheless, a formal mandate is a signal that can establish credibility, make continuity more probable, and enable dialogue to be better integrated into an existing institutional framework.
- A mandate with legal backing is especially likely to be helpful in transition economies or countries with a strongly bureaucratic tradition.

- However, energy should not be diverted into establishing a legal status at the expense of losing momentum on substantive reform efforts.
- Legal mandates which are too detailed carry the risk of restricting flexibility and restraining initiatives from adapting to changing circumstances.
- Existing institutions should be capitalized on as much as possible. Even when hosted outside existing institutional frameworks, PPD is more effective when aligning its structure with existing institutional priorities and lines of command.

PRINCIPLE II: STRUCTURE AND PARTICIPATION

PPD's structure should be manageable while flexible, enable participation to be both balanced and effective, and reflect the local private sector context.

- Appropriate structures can be formal, informal or a mixture. Their design needs to take into account existing processes and institutions.
- Participation of relevant representative stakeholders should be agreed on in a transparent manner and be balanced and practicable, so as to best serve the objectives of the dialogue.
- Dialogue structures can be set up to carry out specific participatory processes in a series of working groups, for example to contribute to the elaboration of reform strategies for specific sectors, issues or regional areas.
- An organizational design operated under the umbrella of a secretariat is often useful to help ensure a coherent approach to public-private dialogue, including the shaping of an overarching policy framework.

PRINCIPLE III: CHAMPIONS

It is difficult to sustain dialogue without champions from both the public and private sectors, who invest in the process and drive it forward.

- Backing the right champions is the most important part of outside support to PPD.
- It is easier for dialogue to survive weakness of champions in the private sector than the public sector.
- If champions are too strong, the agenda can become too narrowly focused, or dialogue can come to depend too heavily on individuals.

PRINCIPLE IV: FACILITATOR

A facilitator who commands the respect of stakeholders can greatly improve the prospects of PPD.

- Important qualifications include negotiation skills, understanding of technical issues and an ability to converse easily with everyone from ministers to micro-entrepreneurs.
- An innovative and entrepreneurial approach is often helpful.
- A difficult question is whether the facilitator should be local or external – local knowledge is an advantage, but so is a lack of any personal baggage with participants.

PRINCIPLE V: OUTPUTS

Outputs can take the shape of structure and process outputs, analytical outputs or recommendations. All should contribute to agreed private sector development outcomes.

- Analytical outputs can include identification and analysis of business roadblocks, agreement on private sector development objectives, and private sector assessment of government service delivery.
- Recommendations can address policy or legal reform issues, identification of development opportunities in priority regions, zones or sectors, or definition of action plans.
- Structure and process outputs can include a formalized structure for private sector dialogue with government, periodic conferences and meetings, ongoing monitoring of public-private dialogue outputs and outcomes, and a media program to disseminate information.

PRINCIPLE VI: OUTREACH AND COMMUNICATIONS

Enabling communication of a shared vision and understanding through the development of a common language is essential for building trust among stakeholders.

- Common communication requires a mutual understanding of core motivation, which depends on frequent and iterative interactions between all parties.
- Dialogue should be as open-access and broadly inclusive as feasible. This necessitates an outreach program to the reform constituency. Elements can include use of the media, seminars, workshops, and roadshows.
- This also necessitates attention to building the capacity of the private sector to participate in dialogue to achieve a concerted strategy to communicate reform issues through clear and targeted messages.
- Transparency of process – in particular, an open approach towards the media – is essential for outreach, and also contributes to measurement and evaluation.

PRINCIPLE VII: MONITORING & EVALUATION

Monitoring and evaluation is an effective tool to manage the public private dialogue process and to demonstrate its purpose and performance.

- While remaining flexible, user friendly and light, the monitoring and evaluation framework adopted by a PPD should provide stakeholders with the ability to monitor internal processes and encourage transparency and accountability.
- Definition of inputs, outputs, outcomes and impacts will be enhanced with designation of appropriate indicators with periodic review from stakeholders, which will rely on the collection of reliable data.
- Monitoring and evaluation techniques enable better overall planning, can ignite potential advocacy, and provide both internal and external motivation to promote more effective implementation.
- To this effect, PPDs should develop a baseline assessment to measure their effectiveness in order to enable the partnership to better measure how it is achieving its goals over time and delivering on its envisaged benefits.

PRINCIPLE VIII: SUB-NATIONAL

Public-private dialogue is desirable at all levels of decision-making down to the most local possible level, especially as this is likely to be more practically capable of involving micro-entrepreneurs, SMEs and other local stakeholders.

- Local level public-private dialogue allows local issues and solutions to be identified and taken to decentralized decision-makers or channeled upwards to the appropriate level of authority at which they can be solved.
- Local dialogue can contribute to effective implementation of national policies. It may be particularly effective when explicitly aligned with dialogue taking place at national or regional level.

- Local level dialogues can especially benefit from use of participatory tools, capacity building initiatives, and the use of local and neutral facilitators.

PRINCIPLE IX: SECTOR-SPECIFIC

Sector-specific or issue-specific public-private dialogues should be encouraged because they provide more focus, greater incentive to collaborate, and more opportunity for action.

- To tackle the risk of missing the big picture sector-specific dialogues should be linked to a broader, cross-cutting dialogue process.
- The choice of sectors to involve in dialogue can be controversial, especially where institutions are weak. This can be mitigated by a transparent process.
- Dialogue works best with the sectors most willing to invest time and resources – though this requires safeguards against unfairly favoring already-strong sectors.
- Rent-seeking activity is more of a risk in sector-specific dialogue.
- This can be mitigated by greater transparency, explicit enunciation of intended outcomes, and an inclusive approach that creates open access for all stakeholders with an interest in the sector's or cluster's value chain.

PRINCIPLE X: INTERNATIONAL ROLE

Broad and inclusive public-private dialogue can effectively represent and promote national and regional interests of both public and private actors in international negotiations and international dialogue processes.

- Complex international challenges require broad, ad hoc alliances between state and non-state actors. These should be transparent, inclusive and open-access.
- Involving local partnerships at the international level can give a more effective voice to national and regional interests by helping public and private sectors to coordinate and thus widening their room for maneuver.
- International partners can foster an informal process of regional and multilateral policy dialogue, setting an example for national-level initiatives.

PRINCIPLE XI: POST-CONFLICT / CRISIS-RECOVERY / RECONCILIATION

Public-private dialogue is particularly valuable in post-conflict and crisis environments – including post-natural disaster – to consolidate peace and rebuild the economy through private sector development.

- Because they focus on the specific and tangible issues of entrepreneurship, economic reconstruction and investment climate improvement leading to job creation and poverty reduction, public-private dialogue initiatives are very effective at building trust among social groups and at reconciling ethnic, religious or political opponents.
- PPD can be especially valuable in enabling the sharing of resources and building capacity – a particular priority in crisis environments.
- Structures and instruments for dialogue need to be adapted to each post-conflict or crisis context. They need to take into account the inherent informality of some economic actors and the potential role of informal systems in re-establishing the rule of law.
- An external “honest broker”, possibly linked to international organizations in charge of peace building, may be needed to kick-start dialogue. But mechanisms should be put in place for quick transfer of the initiative to local ownership.

PRINCIPLE XII: DEVELOPMENT PARTNERS

Public-private dialogue initiatives can benefit from the input and support of donors (development partners) when their role is determined by the local context, demand driven, and based on partnership, coordination and additionality.

- Development partners can encourage conditions for dialogue, and initiate, promote, support, fund and facilitate dialogue.
- Capacity building and disseminating international best practice are two areas where development partners can play a particular role.
- The role should be as neutral as possible, maximizing the local ownership and capacity, the development of trust and the maintenance of a conducive and transparent environment.
- Development partners should consider social, economic and political context, exit strategies and sustainability issues.
- They should coordinate among themselves to avoid duplicating their efforts and maximize the availability of funds when partnerships are found to be worth supporting.

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