Business Environment Reform Facility

BER Scoping Assessment for DFID Mozambique Economic Governance Programme

Antonio S Franco and Laureen Katiyo

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BE RF Business Environment Reform Facility

Department for International Development

About Business Environment Reform Facility (BERF)

BERF is funded by the UK Department for International Development (DFID) under the Business Environment for Economic Development (BEED) Programme. BERF is a central facility responding to demand from DFID's priority Country Offices and stakeholders to initiate, improve and scale up business environment reform programmes. BERF is managed by a consortium led by KPMG LLP. The programme started in January 2016 and will finish in January 2019.

We provide expert advice, analysis of lessons learned, policy research about what works and what doesn't, and develop innovative approaches to involving businesses and consumers in investment climate reform.

BERF has a strong emphasis on strengthening the Business Environment for women and girls, as well as for young adults more generally. It is also aiming to improve the relationship between business and the physical environment including, where relevant, through linkage to climate change analysis. BERF recognises the need for appropriate political economy analysis in order to underpin business environment reform processes and interventions.

About this Report

Research for this study was conducted by Laureen Katiyo and Antonio S. Franco between July and August 2017.

Department for International Development

Acronyms and Abbreviations

ACIS	Commercial and Industrial Association of Mozambique
ANJE	Young Entrepreneurs' Association
BAU	Single Service Desk
E-BAU	Electronic BAU Platform
BE	Business environment
BER	Business environment reform
BERF	Business Environment Reform Facility
CEMPRE	Business Census
GCI	Global Competitive Index
CTA	Mozambique Confederation of Economic Associations
DASP	Directorate of Support to the Private Sector
DFID	Department for International Development
DUATs	Land Use Rights
EDM	Electricity of Mozambique
EMAN	Business Environment Improvement Strategy
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GEMS	Growth in Employment in States programme, Nigeria
GoM	Government of Mozambique
IFC	International Finance Corporation
IMF	International Monetary Fund
INE	National Institute of Statistics
IPEME	Institute for the Promotion of Small and Medium Enterprises
Janela Unica	Single Electronic Window system for imports
MASA	Ministry of Agriculture and Food Security
MDAs	Ministries, departments and agencies
MEDIMOC	Medicine Company of Mozambique
MFSDS	Mozambique Financial Sector Development Strategy
MIC	Ministry of Industry and Commerce
MOSTIS	Mozambique Science, Technology and. Innovation Strategy
MSMEs	Micro Small and Medium Enterprises
PARP	Poverty Reduction Plan
PDRHCT	Human Resource Development Plan for Science and Technology
PEDSA	Strategic Plan for Agricultural Development
PEPE	Private Enterprise Programme Ethiopia
PES	Economic and Social Plan
Petromoc	Oil Company of Mozambique
PNISA	National Agriculture Sector Investment
SOE	State-owned Enterprise

SPEED+	Support Programme for Economic and Enterprise Development
TDM	Telecommunications of Mozambique
USD	US dollar
WB	World Bank Group

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Executive summary

DFID Mozambique commissioned Business Environment Reform Facility (BERF) to undertake a scoping assessment comprising:

(i) An economy-wide diagnostic analysis and assessment of the business environment (BE) identifying key BE constraints in Mozambique, mapping reforms (existing and planned) and what has worked or not worked to date;

(ii) Opportunities for BE reform in target sectors, in light of a recent study by ODI (Support Economic Transformation); [1] and

(iii) Mapping of Development Partners' BER programming in Mozambique.

The main goal of this scoping assessment is to identify where gaps exist for DFID Economic Governance Programming to address key BE constraints and make recommendations, prioritised according to their impact and propensity of Government of Mozambique ministries and agencies to plan and implement reforms.

Subsequently, the Terms of Reference (ToR) had to be revised as many of the Development Partner (DP) and government agencies were unavailable to provide inputs during the time of the study. The mapping of DP programming is not comprehensive but includes all of the significant contributors to BER.

The team reviewed many GoM documents and an extensive list of reports and articles on business environment in Mozambique, political economy, macroeconomics and development partners programming with the country. Two members of the team visited Mozambique from 24 July to 4 August 2017. The team member based in Mozambique had meetings and consultations during an additional week in August 2017 (7-11 August). These were held mostly with private sector companies, confederations and associations, government agencies, research centres and civil society, and Development Partners.

Key findings

The contextual factors include:

- **A difficult business environment.** The Doing Business 2017 shows that Mozambique ranks at 137, a deterioration when compared to 2016.[2]
- **A difficult political environment.** Mozambique is in a politically difficult situation as an agreement for peace still needs to be put in place between the government and Renamo, the opposition party.

[1] ODI (2017) Support Economic Transformation: Economic Transformation and Job Creation in Mozambique, DRAFT and not yet publicly available.

[2] The 2017 report is using different indicators. For comparison purposes, the IFC/WB produced an adjusted index for previous years and, in particular, for 2016.

- **A difficult fiscal and macroeconomic environment.** The emergence of $2 billion USD of hidden/illicit external debt has created a financial crisis in terms of the country's budget. Together with declining commodity prices in the recent past and occurrence of natural disasters, this has caused an acceleration of domestic inflation (reaching about 24% by December 2016) and depreciation of the currency, provoking a reduction in economic growth, down from an average of 7.5% per annum over the past 25 years (1991-2016) to an estimated rate of 3.8% in 2016 and recovering only slightly to around 4-5% in 2017.

Macroeconomic stability is linked to consistent and sustained implementation of fiscal policy. Reduction of the resource envelope has led to increased inflation and currency depreciation, as the rising budget deficit was not adequately addressed by decreases in expenditure or mobilisation of revenue. In this context, it is important to maximise budget efficiency. Budget inefficacy is high in Mozambique. Spending could be a lot more efficient if better targeted and linked to specific objectives. State-owned enterprises (SOEs) have been a drain on the limited budget resources. GoM intends to restructure the SOE sector to reduce dependence on budgetary resources, and focus it better on delivery of public goods. The private sector claims that many SOEs are competing on unfair terms with them.

Key factors relating to the BE are as follows:

- Public-private dialogue exists but is not well focused. Three matrices of actions to improve BE in Mozambique have been produced by the DASP and will form part of policy reform activities for 2018.[3] None of them is reflected in the Economic and Social Plan of the GoM, meaning that they have little likelihood of implementation. There is a huge agenda for streamlining, simplification and getting institutions to take decisions.
- Registration process are cumbersome. The one-stop-shops (BAU) are not yet functioning in an integrated manner. Implementation is not consistent and unique among the 18 different BAU offices due to a missing implementation policy.
- There are no separate provisions for defining micro enterprises, in terms of registration and tax. These micro enterprises are unable to formalise and participate in market opportunities. Appropriate regulation could facilitate the formalisation of significant numbers of urban and peri-urban micro companies and providers.
- Imports are supposed to go through a new IT registration system, *Janela Unica.*[4] The old system (TIMS) is still in place, as well as manual registration, which creates opportunities for corruption and delays.

[3] The matrices are produced by the GoM in a dialogue with stakeholders.

[4] *Janela Unica* is an IT platform to register all imports in Mozambique, as well as to automatically identify due customs taxes.

- Slow implementation of laws and regulations. The insolvency and Credit Bureau laws were passed a year ago but close to nothing has happened to implement them. These legal reforms could have a significant impact on BE.

Summary of recommendations

The recommendations take into account the current political and macroeconomic environments, as well as willingness to pursue reforms. The options have an inherently high risk, which can be mitigated through targeting short-term actions and impacts. This allows DFID to change its strategy if things in Mozambique change for the worse, or there is insufficient GoM support to produce the expected results. The proposal targets those policies or reforms that can reasonably be assumed to have a positive impact on the current environment. GoM and the President are trying to push for reform, but the team judges that the current political environment is not conducive to engaging immediately in medium to long-term activities. The political environment may change in a few months and new options may arise.

Recommendations:

1) **Support the Ministry of Industry and Commerce coordinating the BER.** Assist the Ministry of Industry and Commerce to streamline the BE matrices into one single matrix, focus the matrix on five to six actions that can be achieved rapidly and define a clear roadmap. Send monthly decision papers and reports to the President and Prime-Minister's Offices for decision and pressure, and create momentum for reform.

2) **Assist Ministry of Industry and Commerce to streamline business registration.** Map business registration, fully integrate the BAU system and ensure consistent implementation at every BAU office. Make rules fully public and disseminated.

3) **Assist Ministry of Economy and Finance and MIC to fully implement the new import registration system (Janela Unica).** It is imperative that imports go through this system. This encompasses a map of impediments and decisions to fix the obstacles and to terminate TIMS and manual registration.

4) **Provide assistance through the World Bank to identify the value-chain for chicken production and pigeon pea production in Mozambique.** GoM anticipates that these studies will produce a clear roadmap to enable the rapid expansion of production of these products, creating employment for more than a million people.

5) **Assist macroeconomic management and public finance management, mostly through the World Bank.** Macroeconomic stability and management is critical in Mozambique. The WB should continue to receive funds from DFID for this as well as potential provision of DFID expertise in the MEF/research department to enhance their analytical capacities and increase quality of proposed decisions.

6) **Assist MEF to prepare and implement a state-owned-enterprises strategy.** DFID could provide expertise to the MEF to prepare a strategy and roadmap for the restructuring, privatisation and termination of SOEs.

7) **Support the establishment of an insolvency agency.** DFID could provide expertise to ensure that insolvency regulations are established, as well as support creating an insolvency agency in the country. This would enable the preparation of statutes, and define the main deliverables, staff profiles and a roadmap to create and put to work such an agency.

8) **Sponsor Business breakfasts and conferences.** These are critical to create an environment for dialogue on BER and policy decisions involving the main stakeholders. This will assist the BER to gain more momentum in the country.

1. Introduction

1.1 Objectives of the assignment

DFID Mozambique commissioned Business Environment Reform Facility (BERF) to undertake a scoping assessment comprising:

(i) An economy-wide diagnostic analysis and assessment of the business environment (BE) identifying key BE constraints in Mozambique, mapping reforms (existing and planned) and what has worked or not worked to date;

(ii) Opportunities for BE reform in target sectors, in light of a recent study by ODI (Support Economic Transformation); [5] and

(iii) Mapping of Development Partners' BER programming in Mozambique.

The main goal of this scoping assessment is to identify where gaps exist for DFID Economic Governance Programming to address key BE constraints and make recommendations, prioritised according to their impact and propensity of Government of Mozambique ministries and agencies to plan and implement reforms.

Subsequently, the Terms of Reference (ToR) had to be revised as many of the Development Partner (DP) and government agencies were unavailable during the review. The mapping of DP programming is not comprehensive but includes all significant contributors to BER. (The ToR were also adjusted, allowing the draft report to be submitted a few days later than planned (25 August 2017), to accommodate an additional week of stakeholder meetings beyond the envisaged two weeks. This enabled the consultants to fill information gaps arising from staff absence).

1.2 Methodology and approach

The team reviewed relevant literature. The team concentrated on GoM policy and programme documents, budget and annual economic and social plans, and on reports prepared by DFID, WB, IMF, USAID, CTA-Confederation and associations, research institutes and centres, and articles and reports from BERF.

1.3 Summary of field work

Two consultants visited Mozambique from 24 July to 4 August 2017. A further week of meetings and consultations later had to be added due to the impossibility of the mission to meet significant officials with the GoM and DPs due to school holidays. The team was able to meet significant members of the private sector and associations, critical GoM agencies in particular in the Ministry of Industry and Commerce, and critical Development Partner agencies. People consulted are listed at Appendix 6.

[5] ODI (2017) Support Economic Transformation: Economic Transformation and Job Creation in Mozambique, DRAFT.

2. Context

2.1 Political economy

Mozambique is emerging from extreme poverty. Independence was reached just over 40 years ago. Gross enrolment rates in primary education now stand at 100% coming from below a quarter of children enrolled. Health services are reaching significant proportions of the urban and rural populations and electricity now gets to almost all the districts in the country. The country is in its fifth democratic cycle. Despite all these achievements, progress has been slow in terms of per capita income, human development indicators and business environment mostly because of weak institutions and low efficiency in the use of resources.

Democracy is still embryonic and has yet to deliver adequate transparency and accountability. Despite the recent history of democratic governments, accountability, transparency and participation are still weak. The ruling-party Frelimo has been in power since independence and the country faces a highly fragmented and dispersed opposition. The peace process from the civil war is still to be completed, with regular and periodic political instability between Frelimo and Renamo, the main opposition party. Political instability has in the past brought growth to a halt, disrupted production, impaired income generation for the most vulnerable, tightened the poverty trap, and generated economic instability. Currently the President, Mr. Filipe Nyusi, has been talking to Mr. Afonso Dlhakama, Renamo's party President, and it is hoped that a peace agreement could be reached before the end of 2017.

The President of Mozambique, elected at the end of 2014, has been facing a difficult time due to a quasi-war with Renamo, the strong grip of Frelimo party over government institutions, and the illicit external debt created by the previous government and the latest international financial and commodity crisis. These have all contributed to slow economic growth, high inflation and economic instability. The strong grip of Frelimo over the government has been associated with a fall in government efficiency, increased waste of resources and corruption, lack of transparency and accountability, and pressure to increase spending even further.

It is felt that the government has done too little to address the current crisis. Inflation is still high (in double-digits); although budget expenditure has been curtailed through the reduction of subsidies. These measures are not yet enough and uncertainties still exist on a political agreement to end the political instability. Recently, the President has made positive speeches on key reforms that he intends to pursue, creating hope for change. In September, the Frelimo party will be holding its congress and the country is hoping that President Nyusi can mobilise enough support to change critical policies towards the peace agreement, reform public finances, decide on a strategy to deal with the illicit debt and take to court those that created this debt, and that he gets called to run for his second term as President. In this environment of uncertainties, it is difficult to predict if significant measures will be taken before the end of the year.

Political and macroeconomic stability should be at the forefront of the decision-making process to maximise the benefits of a peace agreement. Macro stability policies should encompass a reduction of the budget deficit to a more sustainable level and improvements to the efficiency of expenditure. A decision is needed on the strategy for the illicit debt.

Political economy for the remainder of 2017 and 2018 may face different scenarios. The scenarios are:

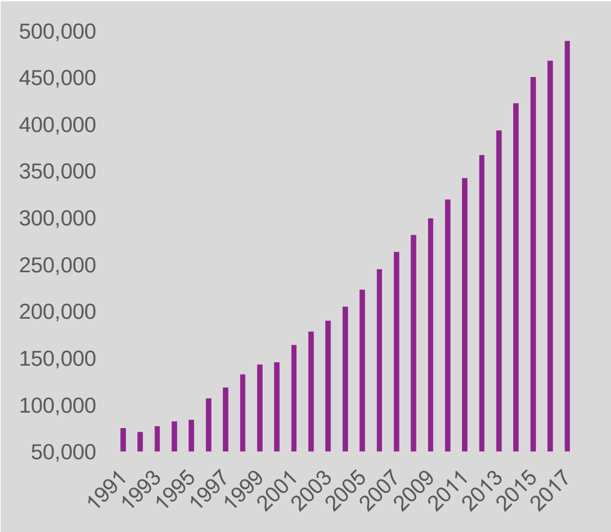
Scenario	Potential Result
President Nyusi is unable to gather the necessary support to pursue a comprehensive peace and reform agenda. This would be a chaotic situation as even the peace agreement could be jeopardized.	**High instability** scenario for political and macroeconomic performance.
President Nyusi can get some support but not enough to get a full programme agenda. This would imply a slow movement towards peace and reconciliation and some public finance adjustments eventually. This process could follow quite a lengthy process and have a detrimental impact on the political and macroeconomic agenda as prospects for improvements would be in the long-run.	**Medium instability** for political and macroeconomic performance.
President Nyusi manages to get the needed support.	**Low instability,** with political and macroeconomic stability largely restored.

President Nyusi is likely to get the necessary support through this congress. In this context, political stability will be strengthened and economic stability will improve. It is likely that inflation may continue to rise, reaching some 11-13% by end of December 2017, and the currency will continue to stabilise. For 2018, additional budgetary pressures will arise from municipal elections that are scheduled to take place. Budget realignment should be at the core of the decision-making process to reduce expenditure to a more sustained level determined by the resource envelope and to restrict domestic credit to the budget. Reduced expenditure, if met by increased budget efficiency, could generate a higher push to the economy and stimulate growth despite a less expansive fiscal policy. With a comprehensive programme to improve the business environment, Mozambique could set the framework for faster response from the private sector and FDI and create the space for increased real growth.

2.2 Macroeconomic issues

Economic growth in Mozambique has been strong over the last 25 years. On average during this period real GDP has increased by 7.5% per year (see Figure 1). Despite this strong performance poverty reduction in Mozambique has not followed the same speed as economic growth, raising issues about the inclusiveness of growth. GDP per capita in 2014 reached almost $700 and dramatically fell to slightly higher than $400 in 2016, a decrease of 40% (see Figure 2).

Figure 1 GDP real terms (million 2009 MT)



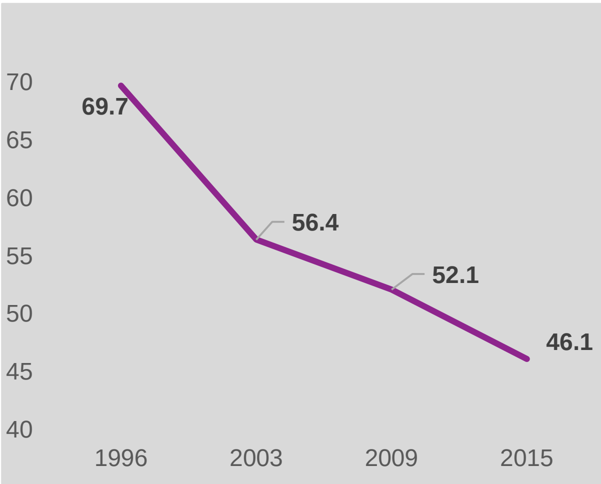
Source: INE, IMF, WB, and team calculations.

Figure 2 GDP per capita (USD)

Source: INE, IMF, WB and team calculations.

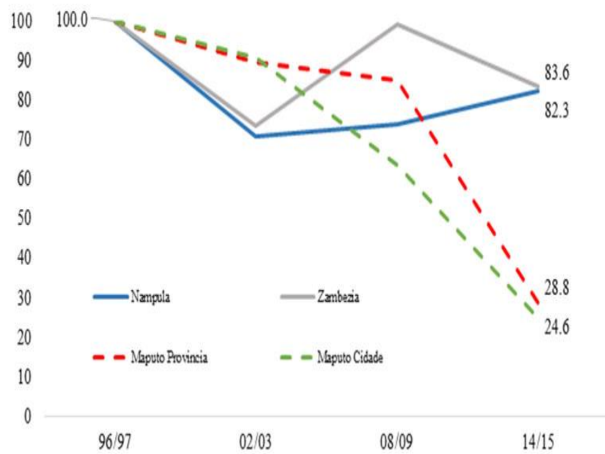
The poverty headcount has gone down from 69.7% in 1997 to an estimated 46.1% in 2015 (see Figures 3 and 4).

Figure 3 Poverty Headcount (in %)



Source: INE, WB, and team calculations.

Figure 4 Poverty by province



Source: INE, WB, and team calculations.

Economic growth has had modest impacts on poverty reduction. Data analysis, prepared by the World Bank, shows that for each percentage point of economic growth between 1997 and 2009 poverty reduced by little more than a quarter of a percentage point, by 0.26. This impact of growth on poverty reduction is about half of the impact of the average Sub-Saharian countries, which is at 0.5.[6] The quality of economic growth in Mozambique has to radically improve to enhance its efficiency at reducing poverty.

There are also concerns about the imbalanced spread of economic growth. Urban poverty in Maputo City and Province was reduced by almost three-quarters between 1997 and 2015, while poverty in the Provinces of Nampula and Zambezia decreased modestly by 17.7% and 16.4% respectively in the same period (see Figure 4).

Government spending has fallen since 2015 due to a hiatus in direct budget support. Fiscal policy has been key to macroeconomic stability in Mozambique. In nominal terms, total expenditure in 2016 was about 8% greater than in 2015. However, when average annual inflation is taken into account for 2016 of about 20%, total expenditure in 2016 fell in real terms by more than 10%. In USD, total expenditure in 2016 was 35% lower than in 2015.

The main cause of this slowdown of expenditure in 2016 was the gap in finance as a result of the DPs' decision to stop disbursing direct budget support commitments of up to $450 million (due to revelations of hidden external debt). These revelations led to a breakdown of agreements with the IMF and donors, leading to a suspension of budgetary support from early 2016 onwards.

Excessive banking credit to finance the budget deficit has led to currency depreciation and inflation. Direct budget support that had been programmed for 2016 and 2017 did not materialise. This instigated an unfinanced budget deficit of roughly $450 million in each year. This unfinanced gap should have been addressed with a proportional reduction in expenditure and/or revenue mobilisation. This was not the case during most of 2016. This meant that the increased budget deficit had to be financed by domestic banking credit to enable expenditure to be realised. Increased domestic credit to the government produced an excess of currency (Meticais) in the economy, while supply of foreign exchange was reduced. The excessive credit provoked a depreciation of the Metical and acceleration of inflation. Economic growth slowed down to an estimated 3.8% in 2016 and is predicted to stay at 4-5% in 2017. Growth stands a good chance to pick up in 2018 with forecasts pointing to between 5 and 6%.

Realising that the economy was reaching high levels of inflation and depreciation of its currency, during the last quarter of 2016 the Central Bank imposed a brake on domestic credit to the government. This forced a reduction in government expenditure beginning in the last quarter of 2016. This reduced pressure for depreciation and inflation. Inflation at the end of 2016 reached a record of almost 24%, not seen for well over 10 years. Domestic interest rates were repeatedly increased, reaching above 30%. This tough macroeconomic environment caused the slowdown of the private sector and some companies were at the brink of bankruptcy and insolvency.

[6] "Accelerating Poverty Reduction in Mozambique: Challenges and Opportunities", The World Bank Group, October 2016, http://documents.worldbank.org/curated/en/383501481706241435/pdf/110868-ENGLISH-PUBLIC-Final-Report-for-Publication-English.pdf

Nevertheless, the economic situation in 2016 could have been a lot worse, had the hidden debt not been declared as illicit. As the hidden debt was discovered and direct budget support by the DPs was frozen, the budget could suddenly have had a gap of finance of about $1 billion USD. Direct budget support amounts to some $450 million while payments due for this hidden debt were set at some $550 million, per year. A positive event happened when the Prosecutor General's Office of Mozambique declared this hidden external debt illicit, based on the country's Public Finance Management Law.[7] This decision released the government and the budget from assuming this debt and from making the respective annual payments. Therefore, this decision excluded the possibility of $550 million of illicit debt to be paid and the extremely negative impact that it would have made in terms of further inflation and depreciation.

The decision not to pay the illicit debt has continued in 2017. In addition, an investigation into this debt was launched by the government through the company Kroll. This investigation faced many difficulties and the final report is lacking in many findings as information has been blocked by the Mozambican debtor companies and agencies involved. Therefore, the 2017 budget still does not include this debt nor potential due payments. The 2017 budget is roughly about $4.5 billion USD or some 14% lower than the 2015 budget when calculated in USD.

The macro-economic outlook for the remainder of 2017 and 2018 may be regarded as stable. The degree of stability, however, depends on how the budget and hidden debt continue to be managed. At least three scenarios, carrying different levels of risk, can be envisaged:

- *Moderate instability, low probability scenario*: Decision to keep the hidden external debt illicit and, consequently, not included in the budget. In this scenario, inflation may continue to decrease up to 11-13%, by the end of 2017. Maintaining this decision in 2018 and with a sustainably financed budget, inflation could return again to a one-digit rate and macro stability could be regained.
- *High instability, low probability scenario*: Decision to convert the hidden debt into a legal liability and its inclusion in total government debt as well as spending in the budget to cover due payments. In this scenario, the 2017 budget would be immediately short of financing on the amount of $550 million. As it would be almost impossible to cut a proportional amount of budget expenditure to offset this impact, an excess of Meticais would be created by financing this gap with credit to the government. The impact would be an immediate depreciation of the currency and fast increase in domestic inflation. A

[7] The PFM law establishes that a loan can only be assumed if the annual budget identifies it as a financial instrument for a specific expenditure and the budget is passed by parliament into law. This loan agreement once the budget is passed can then be signed and used and the government can issue guarantees and realise debt service payments. If not included in a passed budget law, any loan cannot be assumed by the government. In addition, the PFM law also establishes that Mozambique only has annual budgets and once a year is over, no revenue, expenditure and finance can be charged to that budget. These loans of the hidden debt were not included in the past budgets and there were attempts to charge them back to closed budgets, which is illegal as per the current PFM law.

spiral of depreciation and inflation could be generated and these two price levels could very fast get out of control and it would be chaotic for macroeconomic and, even, political stability.

- *High instability, high probability scenario*: No inclusion of the illicit debt in the budget but the budget does not address the weak sustainability of its financing. If financing to meet the 2018 budget gap is not built on a strong basis, the financing gap could conceivably end up being covered with excessive domestic credit. This will create pressure on depreciation and domestic inflation and bring the economy to macro instability. This risk is high as the country in 2018 will be running municipal elections and additional pressures will arise for more spending.

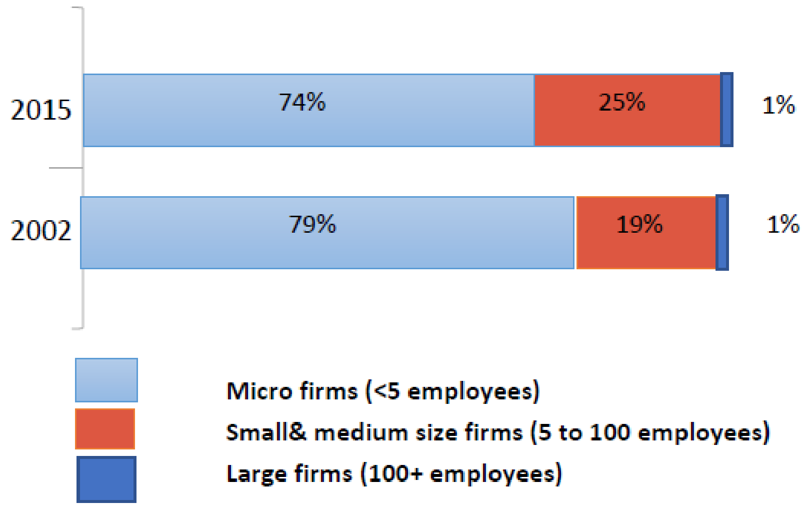
In summary, budgetary policy geared towards economic stability is essential, as is BE reform. Not repaying the illicit debt should be at the core of fiscal policy as well as improving budget spending efficiency to enable fewer resources to produce higher impact and economic growth. In addition, a strong programme towards business environment improvement should be pursued. In Mozambique, as in many other economies, most jobs are created and sustained through micro, small and medium enterprises. The success of these enterprises depends on a solid BE reform programme to create a stimulating environment for them to thrive and sustain activities over the medium and long-run.

2.3 The private sector

The path for Mozambique's poverty reduction lies in job creation through the growth of a vibrant private sector. This requires the development of private sector players, both foreign investors and local SMEs. According to the Global Competitiveness Report, Mozambique performed badly and was five places above Yemen, the last country on the Global Competitiveness Index (GCI) 2016. The country ranked 133 out of 138 countries in 2016 and 133 out of 140 countries in 2015[8]. This attributed to a poor investment climate and low productivity in the existing private sector. The business census (CEMPRE) released in January 2017 shows the number of firms in Mozambique according to size based only on registered companies. Micro enterprises are officially defined as those with one to four employees; small enterprises have five to nineteen; while medium enterprises have nineteen to twenty-five employees. There has been a small in the number of Micro firms and SME firms and while large firms constitute a small percentage of the total number of firms and have not increased their share.

[8] Global Competitiveness Report 2016 - 2017

Figure 5 % of total number of firms by firm size



Source: INE, Censo de Empresas

Economic growth has been largely driven by big players in the extractive and manufacturing sectors such as the Vale Coal Mine, the Mozal aluminium smelter and the Sasol gas project. An upcoming mega-project, the Coral South liquefied natural gas project calculated to be worth US$7 billion is expected to start producing gas by 2022. The outputs from the extractive sector are destined for export, with relatively few direct linkages to the domestic economy.

MSME firms are generally focused in low productivity sectors. An MSME survey in Mozambique in 2012 conducted by FinScope revealed that 22% of MSME firms are operating in the agriculture, forestry and fishing sector and the highest number of firms concentrated in the wholesale and retail sector constitute 44%.[9] Manufacturing and services sectors comprise 12% each while 7% of MSME firms operate in other non-specific sectors and 3% are involved in mining and quarrying. Notably, 60% of MSME firms are owned by men. According to the World Bank, the performance of large firms is higher in terms of output (value-added and revenue) compared to MSMEs[10]. In the current economic downturn, it is likely that large firms will be able to survive better while MSMEs will be more vulnerable due to problems with access to finance, reduced demand for their business and higher costs.

Economic development tends to be over concentrated in the capital. Maputo is central to economic activity and as a result central to job growth, while the rest of the country remains underdeveloped. A pull factor of Maputo is that it is more developed in terms of services such as access to electricity, water and better telecommunications than the rest of the country.

[9] FinScope MSME Mozambique Survey 2012

[10] Mozambique Economic Update: A Two-speed Economy, World Bank July 2017

2.4 State-Owned Enterprises (SOEs)

GoM has many SOEs that operate as commercial entities. It is not clear how many SOEs exist because of a lack of transparency by the government, and they can fall under several categories, as described below.

- **Public Enterprises:** these operate in the public utilities and the state owns 100% of capital stock. Examples include Electricity of Mozambique (EDM). Such enterprises are autonomous and regulated by the Law of Public Enterprises.
- **Publicly-owned Enterprises**: those in which the government owns the enterprise as a sole owner or has majority ownership shared with a public enterprise. Publicly-owned Enterprises operate like private sector firms and are governed by the same rules. Examples are the Telecommunications of Mozambique (TDM), Petromoc (the oil company) and MEDIMOC (medicines)
- **State Shareholding Companies**: private firms in which the State owns major shareholding, such as Mozal and MCel. Similar to Publicly-owned Enterprises, they are regulated through the Commercial Code.[11]

Some SOEs are perceived as being in direct competition with the private sector or having a monopoly on markets which prevent the entry of private sector players into the markets in which they operate.

2.5 Employment and skills

Population demographics have an important bearing on the growth of the private sector. 70% of Mozambique's population lives in rural areas. 45% of the population is currently under the age of 15, which means the private sector will have a steady stream of labour over several decades. Youth (aged 15 – 24) constitute 20% of the population.[12] About two-thirds of the population is under the age of 25. As a result, there is a rapid growth of entrants coming onto the job market for the next several decades. The rapid growth in population has presented a challenge to a country that has not invested sufficiently in its education system. There are not enough schools throughout the country. The average education level is 3.5 years of school. Girls are less likely to go to school or finish school compared to boys. At a higher level, there are insufficient technical training institutions and other skills development institutions. Consequently, the private sector struggles to find the qualified labour it requires and has to invest heavily in training personnel.

Formal employment is concentrated in a few firms. According to the CEMPRE, 70% of this originates from only 7% of all the registered companies. The extractive industry has been the largest formal employer and is projected to employ more people for upcoming mega-

[11] The State's Engagement in Business in Mozambique, USAID August 2014

[12] Mozambique Jobs for Development, World Bank April 2016

projects in oil and gas. It is followed by the Real Estate sector which has slowed down due to the economic downturn. Maputo holds 36.1%[13] of the formal jobs in Mozambique. Outside Mozambique, formal employment growth has occurred through a few firms in Tete, Sofala, Nampula and Zambezia provinces. 30% of FDI has created 90% of jobs through companies like Mozal and other FDIs. 30% of jobs are created by medium-sized companies.

On the other hand, a large section of the population is in informal employment and the informal sector produces about 40% of Mozambique's GDP[14]. The most recent household survey cites as much as 70% to 80% of the population in the informal sector, which also corresponds to the rise in micro-enterprises. About 80% of those in the informal sector work in agriculture and receive payment in cash or in kind. Women are more likely to work in agriculture while men diversify into other forms of livelihood.

An estimated 420,000 young people enter the labour market each year. Due to seasonality, agricultural workers are not able to work full time. The investment in higher productivity sectors like the extractives sector means more skilled labour is required. Some important trends that characterise skills and employment are listed below.

- Tendency for men to emigrate to work in other countries, e.g. South African mines.
- High labour force participation of both men and women (86% for men and 82% for women)
- 80% of children in rural areas are enrolled in school. The rest do not attend school at all.
- Multiple income earning activities for those in employment in both rural (agriculture) and urban areas – usually household enterprises
- High unemployment among educated urban youth due to: a) youth not being employment-ready (skills); b) they are not ready to look after themselves and have no idea what career to do with their qualifications; c) they have no work experience and internships are not a common practice.

2.6 Key Policy and Strategy

The Government of Mozambique has been conscious of the challenges it faces to improve its economic growth and reduce poverty. In addition to its overarching agenda, there are three main plans which guide the development of policy, development strategies and sector-specific strategies in the country.

Agenda 2025: The agenda outlines the three main pillars of focus as governance, human capital and economic development. These are also reflected in the Poverty Reduction Plan

[13] Mozambique: Jobs for Development, World Bank & Let's Work – April 2016

[14] Mozambique Economic Update: A Two-speed Economy, World Bank - July 2017

(PARP). The Mozambican economy has been too focused on oil and gas and the PARP aims to diversify economic activities and to increase productivity in agriculture and fisheries.

The Five-Year Plan 2015 – 2019: The main pillars of the plan are to consolidate democratic rule of law, governance and decentralisation as well as promoting a balance and sustainable macroeconomic environment. The objectives form a medium-term mechanism for the government which are also reflected in national and sector strategies.

Poverty Reduction Plan (PARP) 2011 - 2014: This is based on objectives set out in The Five-Year Plan to increase output and productivity in the agriculture and fisheries sectors, to promote employment and to foster human development as well as focusing on good governance, macroeconomic stability and public financial management. The PARP has been criticised for not being linked to the budgetary process and for its lack of robust monitoring framework. It has been updated as the **National Development Strategy 2015 – 2035** which consists of four pillars: i) development of human capital; ii) development of infrastructure of productive base; iii) research, innovation and technological development; and iv) coordination and institutional coordination.

Economic and Social Plan 2017 (PES): The document outlines the country's projected economic growth forecast, fiscal policy, and improvement of financial and foreign exchange system to preserve the value of the Meticais and macro-economic stability. It also prioritises the need for increased food production.

In addition to the above, the GoM has developed strategies designed to support the private sector and relevant mechanisms to ease the process of business registration and paying taxes as listed in Table 1 in Appendix 1.

3. BER Diagnostic Assessment

3.1 Review of existing BER diagnostics

Mozambique has had a strong focus on market-based economic policies to stimulate economic growth for more than a decade. The desire for change has been spurred by the need to attract FDI, which has resulted in mega-projects, particularly in the extractives sectors which have created quality jobs.

Such market-based policies have attracted investment only in the extractive industry. There has been insignificant FDI in agriculture, industry or tourism where there is a high potential for job creation**.** At the same time, the benefits of the FDI have not equated to immediate gains because the main products from the extractive sector are for export.

The government is aware it must support MSMEs and has developed targeted policies, but MSMEs remain marginalised and do not operate on a level playing field. The priority sectors that have potential (agriculture, forestry, construction, light manufacturing and tourism) are constrained by various factors as follows:

Agriculture

- Rural farming is carried out on small plots of land averaging only 2 hectares and completely dependent on rain water for irrigation.
- Poor access to agricultural inputs for rural farmers.
- Cotton has benefitted from Portuguese investment but there is still greater potential for expansion if more players come on to the market. The same applies to the tobacco industry flourishing in Niassa province.
- Failure of the cashew industry has been attributed to cessation of government subsidies.
- South Africa's Illovo company has invested in big sugar factories in Maragra but struggles to have access to high-paying markets in the US due to quota systems and to Europe.
- Commercial farming is growing but is limited by business environment constraints such as the lengthy process of accessing land, as well as road and electricity infrastructure

Forestry

- South African logging enterprises have invested in the sector but all the wood is destined for export because there is no development in the manufacturing industry to make goods. The logging capacity is way below potential.
- Access to infrastructure, both transportation and energy is a major constraint.

Construction

- The construction sector has slowed due to the economic downturn and MSMEs have indicated there is a problem with lack of demand, which could be attributed to the fact that foreign enterprises have most of the construction contracts. It is also worth noting that local enterprises have experienced problems with access to finance because they depend on the local market to borrow.

- MSMEs lack experience and relevant skills.
- Lack of equipment and building materials.

Light Manufacturing

- There has been little in the sector in 15 years and most firms have remained the same size while foreign-owned firms have experienced growth.
- Firms face competition from cheap, illegal imports.
- Cost of energy and imported materials makes local manufacturing uncompetitive in terms of price.
- High minimum wages in relation to productivity affect profitability of enterprises and their potential to survive.

Tourism

- Processing of visas is lengthy and expensive, except for neighbouring countries.
- Lack of choice and direct flights to Mozambique means that travelling is expensive.
- Road linkages to areas outside Maputo are poor.
- Poor marketing of the country as a destination has resulted in limited growth of the sector.

There are challenges to overcome in order to create a transparent business environment that caters for both foreign investors and local MSMEs.

A key challenge is that the role of the state as a policymaker, regulator, promoter and facilitator is in conflict with its role as owner of SOEs.[15] Lack of fair competition has been cited in cases where the entry of private sector would place it in direct competition with an SOE. The current legal framework is complex and difficult to interpret with regards to intellectual property rights, protection from expropriation and dispute resolution. There have been vested interests to avoid implementing policies that might affect SOEs or businesses of the elite.

Other challenges are:

- **Complex land registration process**. The land-use rights (DUATs) involve multiple procedures and institutions, lengthy community consultations and are expensive.
- **Poor infrastructure, specifically electricity and transport**. These are mainly reserved for large projects and specific to their locations. Large projects in the

[15] The State's Engagement in Business in Mozambique, USAID August 2014

extractives sector have to supplement with their own supply but this does not benefit the local population. Consequently, MSMEs outside these specific large consumer zones have poor electricity and transport access.

- **Tax and regulations are not equally applied to SOEs** as they are to private sector firms. A number of SOEs are lossmaking but cannot be sold off because individuals who are shareholders (along with the state) have benefitted from not paying tax.
- **Public procurement.** Despite a new procurement regulation introduced in 2010, there are concerns about lack of transparency, especially in the extractive industry.[16]
- **Human development.** Low average level of formal education and the poor quality of education affect the private sector which seeks skilled labour. This also affects the livelihood opportunities and inclusive growth for the people of Mozambique[17].
- **Good governance.** Mozambique averaged a ranking of 107 on the Corruption Perceptions Index between 1999 and 2016 but this dropped down to 142 out of 176 countries.[18]

3.2 Doing Business Index

There is evidence that GoM wishes to improve the country's business environment and has taken measures to do so through policy reform. This marks a shift away from previous tendencies to focus on Maputo (rather than the entire country) and issues affecting the extractives sector. Table 2 (see Appendix 2) shows the Business Environment Indicators between 2013 and 2017. The improvements in dealing with the construction permits are commendable and place Mozambique at the top within Sub-Saharan Africa. The ranking for resolving insolvency has also markedly improved although the Insolvency Agency is not yet operational.

The country's ranking peaked in 2015 but is steadily declining, driven by the worsening of contract enforcement, protection of investors, the difficulties of starting a business and access to credit. Increasing registration and notary fees have led to the decline of the 'starting a business' indicator. Poor governance is responsible for the decline in 'enforcing contracts' and 'protection of investors'. Consequently, the President of Mozambique held a meeting in July this year with the Directorate of Support to the Private Sector (DASP) within the Ministry of Industry and Commerce (MIC). DASP was tasked to promptly consult with relevant ministries, departments and agencies (MDAs) to improve the country's position on the Doing Business Index.

[16] The State's Engagement in Business in Mozambique, USAID August 2014

[17] Country Strategy for Development Cooperation with Mozambique 2014 - 2017, Ministry of Foreign Affairs for Finland

[18] Rankings in the Corruption Perceptions Index are ordered from least corrupt at the top to most corrupt country at the bottom of the list.

DASP is currently working on a Doing Business Plan of Action, a matrix of priority indicators with specific activities on which relevant MDAs must regularly update DASP. However, the matrix is separate from the current EMAN III which is under preparation and it is not linked to any financial budget support. There are other matrices to improve the business environment but they are also disjointed.

The private sector is sceptical and believes that interest in improving Mozambique's Doing Business Indicators is cosmetic and belies a superficial interest. Many blame the reactionary approach to resolving business environment constraints as the reason why the country vacillates between average performance and decline. There are strong sentiments that Mozambique has developed sufficient policy reforms and relevant institutions to change the business environment but this is hampered by a lack of political will to implement reforms because the status quo benefits politicians and the politically-connected.

3.3 Priority Constraints

This report focuses on the priorities selected by stakeholders as major constraints that should be addressed immediately. There is a two-tier business environment: one for foreign investors and large firms, and the other for MSMEs who are predominantly local. When large firms encounter obstacles, they are important enough to have direct contact with relevant authorities for their concerns to be addressed. MSMEs have neither the muscle, the knowledge nor the contacts for such privilege. A good business environment should function equally for all stakeholders.

3.3.1 Political Economy

Though stable in the past, the business environment in Mozambique has generally been mediocre. This has been attributed to lack of political will and a generally chaotic environment in which ministries are operating in silos and developing policies that have no links to national strategies. There is currently no plan to coordinate ministerial activities nor link them to the national budget although there are numerous committees that meet to discuss this. Since the term of the current President began, there has been internal political instability within the ruling party which has preoccupied ministers to such an extent that they are hardly focused on their jobs. Instead of developing and implementing strategies to deliver services to the nation, politicians are currently consumed with personal political strategies. This is manifested in the following:

- Highly corrupt environment in which rent-seeking is prevalent - the toxic debt scandal is an example.
- Lack of transparency in government functions in general.
- The politicising of everything, including discussions on private sector growth and the business environment.
- Intolerance of criticism which is blamed on opposition politicians.

- Disregard for the law.
- Lack of ownership of reforms for economic growth.

3.3.2 Business Registration

The business registration reform which led to the creation of the BAU has resulted in little improvement of the process for entrepreneurs. It does not provide a full service, therefore entrepreneurs still have to go to the Fonte Azul for name reservations and payment and return to the BAU to present certificates. Specific short-comings that need to be addressed:

- There are no linkages nor engagement between the different ministries and authorities involved in the BAU system.
- Lack of information either online or in the form of leaflets about the entire registration process; where entrepreneurs should go for various stages, as well as taxes that should be paid (e.g. social security) and the next steps. Extra support is required for the less-educated or illiterate who are intimidated by the entire business registration system.
- Registration fees have more than doubled in a short period and made entrepreneurs reluctant to formalise their businesses.
- Incorporating a company takes three days on paper but, in reality, officers often claim the computer system is down unless they receive a bribe.
- The different forms that require completion by entrepreneurs are an opportunity for ministries to retain power and collect revenue but create a further stumbling block for entrepreneurs.
- Entrepreneurs are forced to pay bribes in order to obtain tax numbers.
- BAU staff lack training on the system and service delivery. Many have never worked in the private sector and have no understanding of private sector needs.

3.3.3 Tax reform

The tax code was reviewed and modified between 2007 and 2012 but this has had little impact on reducing tax. GoM has sought to increase revenue from a small, formal business base by increasing the number of taxes that businesses pay so that there are taxes and levies to be paid according to business sector and geographical location instead of streamlining taxes. This has increased costs for businesses and discouraged formalisation for micro-enterprises. Entrepreneurs cited various constraints.

- Definition of business size categories is too wide and results in businesses paying more tax than they can afford. Consequently, businesses struggle to survive, especially nano-businesses - those that are small beyond the current ‘micro’ definition. They are usually single-person enterprises with irregular income.

- Regardless of efforts to simplify tax for small companies, there is conflict in the layers of taxes at local and national level which prevent business growth and threaten business survival.
- There are no exemptions for start-up businesses so that they can only pay taxes when they begin to make a profit or have reached a particular level of revenue and growth.
- There is a link between poor education and compliance with tax payments. The less informed and educated people are, the less likely they are to pay their taxes.
- The role of the National Inspectorate of Economic Activities (INAE) is regarded as disruptive to businesses and the fines it levies on businesses are heavy-handed to the extent that this is detrimental to MSME growth.
- Social Security Tax is not sufficiently explained to entrepreneurs. New entrepreneurs do not know how soon after starting a business they should make payments, resulting in fines which add further to their tax burden. Furthermore, the structure of NSS payments does not take into account the nature of businesses run by women.
- Janela Unica (the Single Electronic Window) has been beset by problems since inception. There is a paperwork system functioning alongside the electronic system, which creates opportunities for rent-seeking. Instead of reducing time frames, Janela Unica has added to delays in clearing of goods.

3.3.4 Access to finance

Access to finance is an impediment for entrepreneurs in Mozambique. Banks are aware of the need to make money more available but they have their own constraints which prevent them from catering for MSMEs. They have a small market base of private sector firms and limited capital markets. Therefore, they concentrate services on large firms. Even so, a few banks are working with USAID on a guarantee scheme to support medium enterprises working on agricultural values through Banco Terra Moçambique. SOCREMO bank has a facility for micro and small enterprises with a target for women entrepreneurs which includes business training. M-pesa services have opened individuals to banking services that they otherwise would not have accessed but these services do not yet address requirements of MSMEs. These interventions are not enough to address MSMEs constraints.

- Access to information about finance (in language that is easy to understand for semi-literate people) and complicated bank forms.
- High interest rates of borrowing from 30% upwards, more expensive than loan sharks.
- Lack of collateral.
- Little to no understanding of banking requirements and how banking for business functions.
- Women and youth are considered high risk when it comes to borrowing money.

- The lack of an independent functioning Credit Bureau makes banks risk-averse when it comes to lending to medium and large-scale enterprises. The Central Bank currently has the function to carry out credit checks but it is not regarded as transparent nor sufficiently rigorous.
- The lack of an Insolvency Agency makes credit lenders risk-averse.

3.3.5 Skills development/ human capital

The country has not carried out a skills census or inventory to determine the skills required for private sector growth. There is no central monitoring of skills training in major skills categories to anticipate demand nor monitoring to identify gaps. This is critical for the upcoming mega-projects in gas and mining. The private sector has to invest heavily in training before projects can be fully operational. The government itself lacks the skills required to deliver services. Binding constraints are listed as follows:

- Few highly-educated young people who are ready for the workplace.
- Quality of skills in practical jobs, such as welding or plumbing, is below the standards expected, despite government claims that all requisite skills for the oil and gas sector are readily available in Mozambique.
- Few skills transfer arrangements through donor partnerships and technical assistance.
- No entrepreneurial system to focus on capacity building of young entrepreneurs.
- No specific human resources development and skills strategy from the Ministry of Labour.
- No coordination between the Ministry of Education and the Ministry of Labour on linkages between education and labour market needs.

3.3.6 Constraints for women entrepreneurs

In addition to the business environment constraints discussed, women entrepreneurs encounter particular problems which need to be specifically addressed.

- Lack of equity in the way women entrepreneurs are treated which leads to lack of development of their businesses. Most women's entrepreneurial ventures remain at subsistence level partly because their roles as mothers with household responsibilities are not taken into account.
- Ineffective Ministry of Women's Affairs.
- No consideration of gender issues as a cross-cutting theme in improving the business environment and very little consultation with women on policy reform.
- Poor literacy amongst women because many do not finish school and some do not attend school at all.

- Little mentoring of women and few role models of women entrepreneurs or women in corporate positions in the private sector.
- No accessible micro-finance schemes. IFC developed a toolkit for SMEs which is also meant to focus on women entrepreneurs, but it is limited to agribusiness and its criteria precludes women. Those intending to use the IFC toolkit have to pay for it. Consequently, uptake is low because relevant stakeholders believe the IFC should provide it for free.

3.3.7 Constraints for youth entrepreneurs

Outside the educated elite, youth tend to directly engage in entrepreneurial activities to make a living. Some of their activities begin in the family home where they work on family land in agriculture or sell fish and do other household income-creating activities as directed by their parents. The business ideas they focus on are predominantly in the services sectors. They experience impediments in terms of:

- Lack of skills training to enable them to develop or diversify their business ideas.
- Poor exposure to mentors or role models mainly due to what is perceived as a culture of informal businesses.
- Short-term approach to entrepreneurship as a form of subsistence while waiting to find a formal job.
- Not being taken seriously as entrepreneurs leading to problems accessing credit.
- No specific government-led interventions to create business incubation hubs.

3.3.8 Public-Private Dialogue

Mozambique has a very active public-private dialogue structure which is commendable. The Mozambique Confederation of Economic Associations (CTA), as the biggest association representing the private sector, is regarded as the main conduit for any private sector concerns and counts other associations such as ACIS, FEMME and ANJE amongst its members. It is informally perceived as the only representative of private sector voice. For many years it has functioned with financial support from the government which has gradually been reduced. Despite regular meetings to discuss the business environment, there is a disconnect between discussions and implementation for various reasons indicated below.

- The CTA is regarded as compromised because it receives financial support from the government and is therefore not sufficiently independent to criticise government.
- There is a conflict of interest in that some of the CTA's members are also policymakers who have no interest in changing the status quo.
- The leadership roles in the organisation have been used as stepping stones into political careers.

- The CTA is said to wield power and considers itself a government ministry, in direct conflict with its mandate. The private sector has little choice but to join the CTA if it wishes to participate in PPD, though organisations such as ACIS have their own mandate and manage to implement their own activities, but with difficulty.
- CTA has not achieved much change. At one point, it had 200 key goals on its agenda but none were realised and they were eventually abandoned. The association also provides input into the EMAN. Members have complained that the priority reforms pitched to government are not those prioritised by the private sector.
- The role of women in the CTA is secondary.
- Lack of transparency on how funding from government is spent has been raised as an issue.

3.4 Review of BER delivery ministries, departments and agencies

Efforts to improve indicators have to come from the top-down and be delivered by an authority given the mandate by the President. The ability of the State and its relevant MDAs to design and implement appropriate strategies, coordinate activities and deliver services is critical to the business environment. However, there is political hierarchy in how MDAs operate and the authority they have to enforce regulations and implement policies. Consequently, there are challenges relating to governance and oversight. Table 3 in Appendix 3 summarises the BER delivery MDAs and their capabilities. The office of the President carries the highest authority. While the Ministry of Industry and Commerce is responsible for coordinating economic development strategies and coordinating business environment indicators through its DASP department, it has no power to enforce other ministries to implement reforms.

3.5 Donor coordination

There are multiple projects being implemented by different donors in Mozambique to improve the business environment. Coordination of donor programmes is critical to avoid replication and for the purposes of a consistent strategic approach that will lead to successful business environment reforms. Where possible, it may be necessary for donors to jointly fund projects to reduce costs and improve efficiency and effectiveness. The list of relevant donor programmes in Table 4 in Appendix 4 indicates that joint-funding of projects does occur. There is also some level of coordination and interaction through the Private Sector Development Group which donors chair alternately.

Assumptions that the business environment market is overcrowded with donor projects are unfounded. Table 4 indicates that there are gaps in support for implementation of reforms, which is where government generally falls short. Donor approaches to addressing business environment constraints are scattered and lack the sequencing required to achieve lasting reforms. There is space to support implementation instead of sticking to simple quick wins.

3.6 Lessons from experience

Despite the many programmes designed for inclusive growth and poverty reduction, there has been no significant reduction in poverty in Mozambique; (although the poverty headcount ratio has fallen there has been rapid population growth so the number of poor people has not declined in the same way). The OECD Aid Effectiveness report[19] commended improvements in accountability attributed to donor harmonisation and direct budget support. However, the toxic debt scandal has proven that while budget support is useful for fostering political dialogue with the government and encouraging good governance, strong monitoring is still required. Programmes that involve channelling funding through the national system carry risk because of poor public financial management.

There are lessons to be learned from programmes currently being implemented and those implemented in the past. Institutional capacity building of MDAs is an issue that has been raised frequently by the private sector. They cite lack of knowledge leading to poor decision-making and bad service delivery in improving the business environment. The programme 'Strengthening the administrative capability of Mozambique's Revenue Authority' has been supporting the BAU system for business registration. However, the programme did not foresee the constraints that are being caused by lack of fully-trained staff and their inability to process decisions, link information between relevant ministries and the lack of sufficient staff to deliver the work. There are indications of monitoring issues related to performance such as lack of specific targets for staff in terms of number of registration applications processed per day, logging in complaints from the public and how quickly they are addressed. Ordinarily, any MDA should have its own internal procedures, but due to the lack of skills, donor programmes have to build in such activities into the design of the programme to ensure efficient programme delivery.

Linkages between programmes are important to building up critical mass in order to achieve significant change. There are currently several programmes focused on skills development which include JOBA, LIGADA, Better Delivery on Jobs, Employment for Development (E4D) and (Pro-Educação). These programmes are operating in isolation and do not seem to take the extra step to link trained recipients with jobs. The private sector has voiced requirements for specific skills. The expected oil and gas projects will require skills and have already conducted audits of the types of skills and the numbers of workers required. This is an opportunity for donors to design programmes with potential huge employment creation in conjunction with the major stakeholders involved. There is a vast difference between the environment in Maputo and the rest of the country. Unless donors design programmes that can be replicated in other parts of the country and create critical mass, then programmes will remain isolated activities that have some impact during their duration and location, but fail to have a broad impact.

[19] Better Aid Effectiveness 2011, OECD

Developing strategies and policy frameworks is quite critical in the context of Mozambique. There is a plethora of these documents, each containing actions and activities that are not achieved. It is evident from meetings with the MIC and DAIS that staff are overwhelmed and inexperienced in how to consolidate all these strategies in such a way that there is a single, common agenda for policy reform and the business environment in general. Programmes such as Supporting the Policy Environment for Economic Development (SPEED+) should consider technical assistance to impart this know-how.

There is a gap in the market to address growth of MSMEs and sustainability. Clustering is one way of addressing barriers to industry development. It has been proven to increase access to markets, sharing of information amongst entrepreneurs which leads to learning and better performance, improved efficiency and building sector capacity. It is worth considering a cluster approach in identified prioritised sectors. There are also options to explore such as community development programmes where DFID could design programmes according to income activities in specific areas. This is ideal for agriculture where contract farming activities can be built into entire value chains that lead to job creation and formal economic activities. This can be replicated in areas where manufacturing, fishing, tourism and other economic activities can be developed into clusters.

Access to information is currently not being addressed by donor programmes. Corruption thrives when there is no access to information because it is easy for entrepreneurs to be taken of adventure. The private sector has raised access to information, particularly pertaining to business registration and paying taxes. DFID has had a successful programme in Nigeria called Enhancing Nigerian Advocacy for a Better Business Environment (ENABLE), to improve the quality and quantity of business advocacy and Public-Private Dialogue which includes access to information. There are elements of ENABLE which can be replicated in Mozambique. In addition to ENABLE, Private Enterprise Programme Ethiopia (PEPE) and Growth in Employment in States programme (GEMS) are very relevant to Mozambique:

- **Private Enterprise Programme Ethiopia** (PEPE), is designed to support private sector development by improving firms' access to finance and addressing market and government failures in identified priority sectors, could be applied to Mozambique. It has turned Ethiopia into the biggest garment and leather goods manufacturing country and has created thousands of jobs. It uses the market-based approach to make markets work better for the poor. One of its successes is that it has managed to address business environment constraints as a built-in component of the PEPE programme. The government has bought into it because it can see the direct benefits of job creation and economic growth.
- **Growth in Employment in States programme** (GEMS) in Nigeria has been used to grow markets sector by sector and create jobs. The initial concept was a long-term strategy supported by a direct business environment programme to address major constraints in the business environment. The programme focused on: a) meat and leather sector, b) land and tax reform, c) construction and real estate and d) retail sector.

4. Recommendations

4.1 Approach

DFID Mozambique needs to respond to immediate opportunities. These opportunities are in business environment reform, in particular, implementation, capacity building, maintaining government relationships and dialogue on improved public finance management (as budgetary policy is key for macroeconomic stability).

DFID assistance should be done in phases building up to a more complete and integrated programme reform. This phasing is fundamental to allow engagement while waiting for the outcome of the main decisions of the ruling-party Frelimo congress that will be held at end of September 2017.

A list of recommendations is presented. These recommendations take into consideration the political economy, policy frameworks, partnerships, value for money, and DFID's comparative advantage and principles of engagement in the Mozambican context.

The government's attention being distracted by the Frelimo party congress and President Nyusi not being able to gather enough political support to pursue a reform programme is a key political risk**.** It is believed that there is a good likelihood that President Nyusi will survive and will begin exerting pressure for reforms as of October 2017. Business environment reform is sitting at the Ministry of Industry and Commerce that has been nominated by the President as the coordinating body for BER. They are a great champion but lack capacity to clearly identify a strategic matrix of actions to pursue and lack power to push forward such a cross-sectoral programme.

Recommended options below indicate entry points and potential mechanisms to make BER possible. The team recommends that a few experts (national and international) should be selected to assist the government, CTA and partners to not only identify specific actions but also to implement them (legislation and regulation passed, full implementation done and monitoring and evaluation to assess impacts and impose decisions when encountering problems). Evaluation of actions and support from DFID should be made every 6 months to decide if it should continue forward. This support should ensure that this is well embedded in institutions that gradually would be more capable of pushing the BER programme forward.

4.2 Options for DFID Mozambique engagement

4.2.1 Support the Ministry of Industry and Commerce coordinating Business Environment Reform

Mozambique's President wants to give a strong push to BER. He has asked the MIC to coordinate this effort. In addition, the President has also requested the Prime-Minister to coordinate the BER due to the BER cross-sector framework. MIC needs two different sets of support: (i) assistance to clearly identify a matrix of actions within a roadmap to guarantee that everything is well-documented and implementation takes place; and (ii) technical assistance to enable analytical work to be done to ensure a BER is prepared and followed by the government.

Mechanics of assistance to MIC

DFID could recruit national and international experts to be allocated to two working groups. The first group is the most immediate in the short-term as the President wishes to see an improvement for Mozambique in the next Doing Business assessment and report. This would entail identifying which are the five to six actions that can be resolved from now until May 2018, ensuring that a detailed roadmap exists and resources are allocated to ensure full implementation and monitoring and evaluation of the matrix. This group should:

(i) produce the very first matrix and roadmap with resources needed and send to the Prime Minister's office and the President's office within a month for immediate decision – this matrix should get the different stakeholders involved in its preparation to ensure engagement and success;

(ii) submit monthly evaluation reports for decision and feedback; and

(iii) ensure that the BE reform actions are fully reflected in the Economic and Social Plan of the government.[20]

This should enable MIC and the working group to raise awareness of the cross-sector decision of BE and push for frequent decisions by the government to ensure that the BER gains traction and reforms are implemented. The government would be able to see how, why and when things happen and see impacts immediately. The German GIZ is providing assistance to MIC and full coordination should be ensured.

The second group of assistance to MIC would mainly target the creation of analytical research and putting together a strategy and BER programme. This would enable the government and the different stakeholders to fully understand the big picture and long-term road to improve BE as the world keeps moving forward. This is critical for understanding that countries cannot and should not ever stop thinking and pursuing a BER if they intend to accelerate and sustain growth over the long-run and reduce and terminate poverty.

Assistance to CTA

Assistance to CTA on analytical capacities on BE is pivotal. This would entail getting their message across on what BE really is, which would improve the focus and contribute to enhanced dialogue within CTA itself and wider public-private dialogue in the country. This assistance should be provided cautiously and directly to the Deputy Executive Director, who is currently in-charge of the analytical work of CTA. There are strong comments that CTA is a weak representative of the private sector but because it is the one that exists, there is a

[20] The PES is the key policy instrument with targets for each government agency that gets resources from the budget. The annual budget is passed as law every year by parliament and the PES is a parliamentarian resolution supporting and justifying the budget resource allocation.

compelling argument that assistance could dramatically improve their role. USAID via SPEED+ is aiming to provide this assistance. Coordination with the DFID proposal above should be strongly harmonised because the success of DFID assistance will depend on private sector engagement.

Recommendation 1: Support the Ministry of Industry and Commerce coordinating the BER. Assist the Ministry of Industry and Commerce to streamline the BE matrices into one single matrix, focus the matrix on five to six actions that can be achieved rapidly and define a clear roadmap. Send monthly decision papers and reports to the President and Prime-Minister's Offices for decision and pressure, and create momentum for reform.

4.2.2 Assistance to Ministry of Industry and Commerce to streamline business registration

DFID support should help MIC to fully identify the business registration legal framework; assess BAU performance and determine why decisions are implemented differently in the provinces; and decide on actions to significantly enhance business registration. This support may entail an expert to produce a map of business registration, what needs to be done for it to be improved and which institutions must be involved, and then get a programme of actions to be rapidly implemented by each BAU, in all different regions where BAUs are set up. This should include ensuring full publication and dissemination of registration rules as many in the private sector claim that they are not explicitly known.

The definition of micro enterprises needs to be reviewed and registration simplified, as well as reducing taxes for start-up businesses. Taxes for such small businesses should be low to start with or possibly these companies should be exempt from taxes for the first five years if they cannot reach a certain level of annual revenue. Creating these possibilities will enable informal micro businesses to be formalised and participate in the competition process and, eventually, some would survive as enterprises.

Recommendation 2: Assist Ministry of Industry and Commerce to streamline business registration. Map business registration, fully integrate the BAU system and ensure consistent implementation at every BAU office. Make rules fully public and disseminated.

4.2.3 Assistance to Ministry of Economy and Finance and MIC to fully implement Janela Unica

Janela Unica is an IT system to register imports and it is based in Customs. This was supposed to be in force by now as the single system to register imports, automatically identify taxes (customs and VAT) to be applied to those imports and ensure that imports could be cleared in no longer than three days. However, the old TIMS system is still in place and many import processes are also being done manually. The existence of TIMS and manually-processed imports create a negotiating possibly between the importer and Customs officials and often used through corruptive means. Ensuring that all imports only go through *Janela Unica* and immediately terminating TIMS and manual processes will speed up and simplify the import process for the private sector. Equally important is that full identification of taxes to be collected will be done automatically, making the process more transparent and raising revenues that are currently not reaching the country's Treasury.

DFID support should target assisting with an expert in the MEF that would produce a full map of imports going through TIMS and manual records, identify the cause of inefficiency in these two processes and define a roadmap with clear actions and a timeline for termination of TIMS and manual-processes.

Recommendation 3: Assist Ministry of Economy and Finance and MIC to fully implement the new import registration system (Janela Unica). It is imperative that imports go through this system. This encompasses a map of impediments and decisions to fix the obstacles and to terminate TIMS and manual registration.

4.2.4 Assistance through the World Bank to identify the value-chain for chicken production and pigeon pea production in Mozambique

The government, both the MIC and MASA (Ministry of Agriculture and Food Security), believe that Mozambique has enormous potential to expand the production of chicken and pigeon pea in the country. Some information exists on the value-chain for these two commodities but these studies are not complete nor integrated. They do not provide a clear roadmap of actions that could be developed to stimulate private sector participation and gradually induce a real surge in their production. DFID could support the research of these two value chains through its programme with the World Bank and in coordination with the two ministries. Programmes that catalyse these productions in Mozambique could generate income activities for well over a million pigeon pea farmers in Zambezia province and possibly another half a million chicken producers in the country. This would be a tremendous contribution to poverty reduction.

Recommendation 4: Provide assistance through the World Bank to identify the value-chain for chicken production and pigeon pea production in Mozambique. GoM anticipates that these studies will produce a clear roadmap to enable the rapid expansion of production of these products, creating employment for more than a million people.

4.2.5 Assistance to macroeconomic management and public finances management through mostly the World Bank

Macroeconomic stability is pivotal for economic growth. Improving the efficiency of the budget is of foremost importance in an environment of slow economic growth and shorter availability of external financing to the budget. Government absorption capacities are currently weak with a great proportion of budgetary resources not producing results and generating enormous waste. Improving government efficiency on expenditure will enable the production of more and better services under the same resource envelope. In parallel, the hidden external debt should continue to be considered illicit to avoid additional budgetary pressures that could bring the economy back to high inflation and currency depreciation. Producing quarterly macro updates and providing PFM assistance is crucial and should be pursued. DFID could provide a couple of experts to enhance macro and PFM analytical capacities at the MEF which are depleted. WIDER University is providing some assistance but capacities are tremendously lacking. DFID assistance, with support from the World Bank, to MEF could produce a significant impact on budget efficiency as well as to look into future issues of potential appreciation of the currency, 'Dutch disease' and the resource curse, and absorption capacity, i.e. policy issues that mineral-rich countries have to address.

Recommendation 5: Assist macroeconomic management and public finance management, mostly through the World Bank. Macroeconomic stability and management is critical in Mozambique. The WB should continue to receive funds from DFID for this as well as potential provision of DFID expertise in the MEF/research department to enhance their analytical capacities and increase quality of proposed decisions.

4.2.6 Assistance to MEF to prepare and implement a state-owned-enterprises strategy

State-owned-enterprises are a critical policy issue for the government. They can be important in the provision of public goods as they can also be a significant drain on financial resources from the budget. The government has announced that it needs to look into this issue and set a policy programme to help restructure this sector of enterprises. It is important to have a full diagnostic of the sector, which companies should continue, which should be privatised or even liquidated, as well as a restructuring and relationship to the budget. DFID could provide assistance to this matter through contracting of a specialist company to prepare this. Once a strategy and roadmap exist, assistance should also be provided to proceed with its implementation.

Recommendation 6: Assist MEF to prepare and implement a state-owned-enterprises strategy. DFID could provide expertise to the MEF to prepare a strategy and roadmap for the restructuring, privatisation and termination of SOEs.

4.2.7 Support to the establishment of an Insolvency Agency

The company insolvency law was passed about a year ago. Implementation is still lagging as well as the creation of an insolvency agency. DFID could support the creation of the agency by funding an advisor that would be working to define the statutes of such an agency, assist in the preparation of the legal framework for such an agency, and defining the profile of key personnel for the agency. This expert could also assist with the recruitment of some of the key personnel.

Recommendation 7: Support the establishment of an insolvency agency. DFID could provide expertise to ensure that insolvency regulations are established, as well as support creating an insolvency agency in the country. This would enable the preparation of statutes, and define the main deliverables, staff profiles and a roadmap to create and put to work such an agency.

4.2.8 Business discussion and debate

Awareness, discussion and debate, and communication on BE, macroeconomic management, public finance management, policy issues to avoid in the future, and the resource curse should be stimulated. This type of debate fosters a conducive environment for discussion, finding solutions and agreeing on implementation with a large group of stakeholders in an open and live debate framework. This should be done at several levels: (i) ministerial level to enhance debate on major macro, budget and BE issues, and keep them informed of the reform agenda and how it is progressing, (ii) senior government officials, academics and private sector on specific issues to find common ground on findings, decisions and the implementation framework, and (iii) development partners, government officials, private sector and civil society. These debates, including business breakfasts and conferences, should be done ideally under the Prime-Minister's office or under the Minister of Industry and Commerce chairmanship. DFID could finance this activity, involving the Private Sector Working Group and the development partners supporting direct budget support and private sector development.

Recommendation 8: Sponsor Business breakfasts and conferences. These are critical to create an environment for dialogue on BER and policy decisions involving the main stakeholders. This will assist the BER to gain more momentum in the country.

4.3 Other Opportunities and Quick Wins

In addition to the options presented above, it is believed that there a few actions that could also benefit from assistance to accelerate implementation. These are: defining company size and registration and the tax system, improvement of EBAU and the establishment of the Credit Bureau. These are quick wins which DFID can embark on immediately.

4.3.1 Defining company size

The informal sector in Mozambique employs some two-thirds of the economically-active population in the country. Significant numbers of informal micro companies in the urban and peri-urban areas would like to register and become formal but the current registry and tax system act as deterrents. A study looking at best practices in the region and around the world could assist in the preparation of a framework to assist these micro, family companies to register. Potentially a more relaxed tax system could be set with no tax payments at all for the first five years or so to ensure these companies could grow, compete and survive in their market, raising up their sustainability probabilities. Two experts could be recruited to prepare such a framework for discussion and development; one national to bring the needed domestic content and one international to bring regional and international best practices.

4.3.2 Improve the EBAU

The EBAU is an IT platform initially developed to connect the different agencies dealing with business registration. This connectivity is not yet fully developed among these agencies but EBAU is already looking into other areas that contribute to this registry, such as land registry, property registry, ID cards and a few other options. This is an enormous undertaking which could consume many years of work and financial resources. The proposal is not to assist such an ample and justified intention of what this platform could be in the future, where citizens would be able through a one-stop-shop get all their government services done. The proposal would be to concentrate on finalising the IT platform for company registration processes so that it is fully functioning in an integrated manner. An expert could be hired to set a roadmap of what is missing, defining the roadmap to finalise this activity and respective costs.

4.3.3 Assist establishment of the Credit Bureau

The Credit Bureau law was passed about a year ago. A legal framework is now in place defined by the Central Bank to allow a private company to set up the bureau. It is not totally clear if assistance is needed in this area of significant importance to private sector development. It is suggested that DFID could explore with the *Banco de Moçambique* what has been done, outstanding actions and what assistance would be required to help set up the Credit Bureau.

Appendix 1 Strategies to support private sector growth

Table 1 Strategies to support private sector growth

Strategies to support private sector growth	
Institutes or Strategy	**Purpose**
Business Environment Improvement Strategy (EMAN II – EMAN III)	To reduce poverty levels through the promotion of rapid, sustainable and inclusive economic growth, focusing on the creation of an environment favourable to investment and the development of national entrepreneurship and the realisation of actions in education, health and rural development.
Mozambique Financial Sector Development Strategy (MFSDS) 2011 – 2020 which includes a Rural Finance Strategy	To boost rural finance by improving access to finance for rural MSMEs, individuals and particularly women and the poor.
Strategic Plan for Agricultural Development (PEDSA) 2014 – 2018	National plan to improve agriculture and access to land and water.
National Agriculture Sector Investment Plan 2013 – 2017 (PNISA)	Focuses on mechanisation, irrigation, research and subsidised inputs.
Human Resource Development Plan for Science and Technology (PDRHCT)	To increase and improve availability of skills in IT through funding and working with local universities.
Mozambican Science, Technology and Innovation Strategy (MOSTIS)	A strategy to develop an enabling framework to improve access to science and technology for poverty reduction purposes.
Institute for the Promotion of Small and Medium Enterprises (IPEME)	To provide support to MSMEs.
Extractive Industries Transparency Initiative	To provide transparency in taxation and licencing frameworks for using revenues from natural resources.
Single Service Desk (BAU & EBAU)	Single service desk that functions like a one-stop shop for business registration and uses an online system for registration which is designed to consolidate all information.
Janela Unica	Single Electronic Window system to register imports and, automatically identify taxes (customs and VAT).

Appendix 2 Business Environment Indicators 2013 to 2017

Table 2 Business Environment Indicators 2013 to 2017

Business Environment Indicators 2013 to 2017					
Indicator	2017 Ranking out of 190	2016 Ranking out of 189	2015 Ranking out of 189	2014 Ranking out of 189	2013 Ranking out of 185
Overall Ranking	**137**	**133**	**127**	**139**	**142**
Business Environment					
Starting a business	134	124	107	95	96
Dealing with Construction Permits	30	31	84	77	135
Getting electricity	168	164	164	171	174
Registering property	107	105	101	152	155
Getting credit	157	152	131	130	129
Protecting investors	132	99	94	52	49
Paying taxes	112	120	123	129	105
Trading across borders	106	129	129	131	134
Enforcing contracts	185	184	164	145	132
Resolving insolvency	65	66	107	148	147

Appendix 3 BER delivery MDAs

Table 3 BER delivery MDAs

BER delivery MDAs	
MDA	**Comments**
The President's Office	■ The President's Office is the highest authority possible to champion business environment reforms. His interest in improving the Doing Business Indicators will bear results if stakeholders including donors engage and obtain commitment. ■ He can appoint or give authority to a department or agency to lead the reform process
The Prime Minister's Office	■ Has no specific mandate. Makes an ideal candidate to lead business environment reforms, so that all relevant ministries report to him for monitoring
The Council of Ministers/National Council	■ Directs and coordinates the activities of the ministry and reports to the President. ■ Monitors delivery of policy reforms but has too wide a mandate to concentrate on business environment reforms or enforce implementation ■ Too much vested interested to be efficient
Ministry of Finance	■ Viewed as lacking in expertise - this is manifested in the lack of skills in debt management ■ Need capacity building at sectoral & sub-levels ■ Reports to IMF lacking in analytical skills & demonstrate challenges monitoring and measuring debt ■ Budgets not linked to EMAN strategy, MFSDS, PEDSA, PNISA, IPEME or other relevant strategies that require budget allocation. ■ Although ATM (Tax Authority) is semi-autonomous, it is answerable to the Ministry of Finance
Central Bank	■ Governor regarded as competent but lacking competent staff to deliver work ■ Principled and has on occasion refused to lead to government because it was not prudent to do so
Ministry of Industry and Commerce	■ Carries the mandate to develop national strategies and collect input from all stakeholders ■ Has implemented some good reforms such as the BAU and the EBAU ■ Failed to consolidate national strategies into one comprehensive strategy that is linked to financial budget and other requisite resources
DASP (Directorate of Support to the Private Sector)	■ Responsible for areas of service to citizens and businesses, administrative simplification and e-government ■ Responsible for developing the EMAN III currently in progress and other strategies

BER delivery MDAs	
MDA	**Comments**
	■ Responsible for monitoring and reporting on policy reform developments and regulations, but has no mandate to enforce implementation ■ Lacks sufficient staff with appropriate skills ■ Facing resistance from other ministries on EBAU implementation because when efficient, it will reduce opportunities for corruption
GIRB (Inter-ministerial Strategy Monitoring Group)	■ Considered ineffective as most targets from ministries are not met
CPI (Mozambique Investment Promotion Council)	■ Recently made autonomous ■ Has worked hard to build relationships with key authorities and ministries but struggles to receive cooperation in matters such as licensing and business registration ■ Faces resistance from MDAs who may have rent-seeking interests
Ministry of Labour	■ Labour strategy has not taken private sector requirements into consideration ■ No regular audit of skills availability and skills requirements ■ Working on National Policy and Youth Entrepreneurship with the Ministry of Youth & Sport and in conjunction with ANJE
Ministry of Education	■ Not enough schools, higher education institutions and vocational training institutions in the country ■ Requires financial support to address monumental task to make basic education available to all ■ No coordinated approach to skills development with the Ministry of Labour
Ministry of Women's Affairs	■ Considered ineffective on gender issues in the private sector and representation of women on policy reforms
Ministry of Youth and Sports	■ Engaged with youth and working with ANJE ■ Working on National Policy and Youth Entrepreneurship with the Ministry of Labour in conjunction with ANJE.

Appendix 4 Relevant Donor-funded programmes on Business Environment

Table 4 Some Relevant Donor-funded programmes on Business Environment and Related Areas in Mozambique

Title	Donor	Budget	Brief details
Business Environment			
Fundaçao Para Ambiente de Negocios	DANIDA	-	DANIDA has completed its projects and stopped direct budget support. It has created a five-year fund instead, the FUN Foundation started by Danish Foundation, to support private sector development, business associations and the business environment.
Employment for Development (E4D)	GiZ with DFID, Norwegian Agency for Development Cooperation (Norad), Shell	-	E4D's approach focuses on sectors with great employment potential, such as agriculture, construction, infrastructure and the textile sector. It provides training above all in transferable job profiles and qualification standards that can be used across all sectors of the economy.
Programme for basic and technical education and vocational training (Pro-Educação)	GiZ	-	Children and youth, especially girls and young women, receive basic education relevant to the real world and employment-oriented vocational training, both characterised by good quality. The programme is fully integrated into the Mozambican Government's education strategy and vocational training reform. Pursuing a programme-based approach coordinated with all donors, it works both at national and decentralised level, in the provinces of Sofala and Inhambane.
ProEcon – Improving Framework Conditions in the Private and Financial Sector	GiZ	-	Aim is for MSMEs to be using better framework conditions for growth that benefits all sections of the population. Through inclusive growth driven by the private sector, employment in Mozambique is rising, incomes are increasing and poverty is on the decline. The project supports the Ministry of Industry and Trade, the Central Bank of Mozambique and selected municipalities. It advises and supports them in the creation and implementation of the national strategy to improve the business climate. Through training, workshops and organisational advice the partners in the Ministry, Central Bank and municipalities gain the knowledge and expertise required to implement the necessary reforms.
SPEED	USAID	US$37,207,248	SPEED+ will provide expert technical service to the Government of Mozambique in support of economic and structural reform in the areas of agriculture, trade, business enabling environment, energy, private sector provision of water and biodiversity.

Title	Donor	Budget	Brief details
Access to finance for agribusiness	SIDA & USAID	US$10m	Implementing guarantee schemes with Banco Terra Moçambique to guarantee US$10m to support Medium and large enterprises working in agribusiness value chains.
Access to finance for SMES	SIDA	-	Implementing guarantee schemes with SOCREMO bank – for micro and small enterprises. This also has a target for women entrepreneurs – at least 50% should be in cities and 50% in rural areas. In addition – there is a business training element for the beneficiaries to receive training.
JOBA (Skills for Employment)	DFID	£17,099,997	To increase incomes among marginalised youth, women and adolescent girls, through relevant, quality, non-state vocational training that leads to formal or self-employment. This contributes to SDG 8) on achieving productive employment including for women and young people.
LIGADA (Support to Adolescent Girls and Women)	DFID	£14,035,155	To identify, test and ensure uptake of sustainable solutions for urban female economic empowerment (FEE); generate, disseminate evidence and build capacity on gender to drive improvement in policy, programming and budgets.
Strengthening the administrative capability of Mozambique's Revenue Authority - Tax Common	DFID	£7.2m	To strengthen tax administration in Mozambique by providing support to Mozambique's Revenue Authority. A more effective, efficient and fair tax system will contribute to enhance Mozambique's domestic revenue mobilisation and gradually reduce aid dependency over the duration of the programme (2013-2019). This will indirectly benefit the wider population of Mozambique.
Deepening and Broadening Access to Financial Services in Mozambique	DFID & SIDA	£13,705,291	Through active engagement with a range of public and private stakeholders working at the macro, meso and micro levels, deepen and broaden the Mozambican financial sector contributing towards the Government of Mozambique's target of increasing financial inclusion to 35% (over 2 million beneficiaries) and supporting the provision of financial services to over 650 Micro, Small and Medium sized Enterprises (SMME's) over 6 years.
Mozambique Land Action (MOLA)	DFID	£15,500,000	To build on previous DFID-supported programming on promoting land tenure security for Mozambicans, so that investors, State and communities can share the benefits of Mozambique's natural resources. The programme has a dual focus on: i) improving economic resilience of rural based livelihoods and ii) increasing public demand for better land administration at local level.
Better Delivery on Jobs	DFID	£13,975,000	To increase the impact on job creation and incomes in developing countries of the policies and programmes of DFID, the World Bank, other donors, development finance institutions and NGOs. Working primarily through a World Bank Trust Fund on Jobs this programme will strengthen the international community's work by engaging with governments and the private sector, on issues including youth employment, fragile states and improving data on jobs.

Appendix 5 List of Key Documents/ Bibliography

List of Key Documents/ Bibliography		
Author	Title	Year
Balchin, Coughlin, Papadavid, Willem te Velde and Vrolijk	Economic Transformation and Job Creation in Mozambique	June 2017
DFID Mozambique	Business Plan 2016/17- 2019/20	May 2016
DFID Mozambique	Mozambique Inclusive Growth Diagnostic	2015
World Bank	Mozambique Economic Update: A Two-Speed Economy	June 2017
Sindy Karberg, LWP	Stocktake Report	-
Technoserve	Identifying opportunities for Small Scale Entrepreneurship in Value Chains in Mozambique	March 2016
More & Better Jobs in Mozambique	Let's Work: Value Chain Based Job Creation, Volume 1: Product Selection and Background	May 2016
DASP	ESTRATÉGIA DA REFORMA E DESENVOLVIMENTO DA ADMINISTRAÇÃO PÚBLICA (2012-2025)	2017
DASP	Nota técnica 06 Reformas ponto da situação	January 2017
DASP	Matriz de prioridades de reforma	2017
DASP	Matriz Doing Business em Produção	2017
USAID	SPEED: The-Evolution-of-the-Business-Environment-in-Mozambique-1996-–-2013	October 2013
FinScope	FinScope – Mozambique MSME Survey 2012	2012
DFID	LASER Fourth-synthesis-paper	November 2016
DFID	LASER Savi	November 2016
IMF	Mozambique Rising: Building a New Tomorrow	2014
USAID	SPEED: Manufacturing Competitiveness and the Resource Boom	2014
USAID	SPEED: Tourism-Competitiveness-and-the-Resource-Boom	2014
DFID Mozambique	Mozambique Inclusive Growth Diagnostic	2015
DFID Mozambique	DFID Mozambique Business Plan 2016-2020	2016
OECD	Supporting Business Environment Reforms: Practical Guidance for Agencies	2008
ODI	Support Economic Transformation: Economic Transformation and Job Creation in Mozambique, DRAFT	2017

List of Key Documents/ Bibliography		
World Economic Forum, World Bank	Africa Competitiveness Report	2017
United Nations Economic and Social Affairs	Governance in Africa - Challenges and trends	2005
ODI, OECD	Mutual Accountability at the Country Level – Mozambique Case Study (Draft)	2008
World Bank	Doing Business Report	2017
World Economic Forum	Global Competitiveness Report	2017
LSE, University of Oxford, DFID	Back Ground of Strategy and Policy Framework to Support the Development and Construction Materials Industry in Mozambique	2015
Transparency International	International Corruption Perception Index	2016
IMF	Audit Report on Mozambique's Undisclosed Loans	June 2017
Kroll	Independent Audit Related to Loans Contracted by ProIndicus S.A., EMATUM S.A and Mozambique Asset Management S.A.	June 2017
Smart and Hanlon	Chickens and beer: A recipe for agricultural growth in Mozambique	2014

Appendix 6 List of stakeholders consulted

Name	Position	Organisation
Dr. Ragendra de Sousa	Vice-Minister	Ministry of Industry and Commerce (MIC)
Mr. Carlos Henriques	CEO	ACIS (Industrial and Trade Association of Mozambique) and MozFoods
Ms. Fernanda Fazenda	Executive Director	ACIS
Mr. Lars Ekman	Counsellor	Norway Embassy
Mr. Carlos Mate	Sr Economist	NORAD
Mr. Nito Matavel	Program Officer	SIDA-Sweden Embassy
Mr. Olov Atterfors	Program Manager	SIDA-Sweden Embassy
Mr. Fausio Mussa	Chief Economist	Standard Bank
Ms. Sonia Cumbi	Director	Standard Bank
Mr. Nelson Guilaze	Sr Policy Analyst	USAID/Mozambique
Ms. Amanda Fong	Policy and Partnerships Team Leader	USAID/Mozambique
Ms. Shaida Seni	Program Manager	GIZ/Mozambique – MIC
Mr. Nicolau Sululo	National Director	MIC
Mr. Osman Nala	National Coordinating Director	MIC E-BAU
Mr. Teofilo Chau	Sr. Business Environment Officer	MIC
Mr. Andre Almeida Matos	Acting Director and Economist	AfDB – African Development Bank
Mr. Ascencao Machel	Sr Business Environment Officer	GIZ/Mozambique – MIC
Mr. Gilberto Mabunda	Officer	MIC
Dr. Peter Coughlin	Consultant	SET paper and macroeconomics
Ms. Madeleine Salinger	Program Officer	Austrian Embassy
Mr. George Mukkath	Managing Director	CARDNO – E-BAU
Mr. Pedro Rios	Framework Manager	CARDNO – E-BAU
Mr. Ashok Menon	Program Manager	SPEED+ USAID
Ms. Alima Hussein	Program Manager	SPEED+ USAID
Ms. Mariam Bibi Umarji	CEO and President	MB Consulting; FEMME (women's empowering organisation)
Ms. Jusceline Cossa	President	ANJE – Young Entrepreneurs Association
Ms. Henriqueta Hunguana	CEO	ICC and women's empowerment activist and advisor
Ms. Shireen Madi	Sr Economist	The World Bank/Mozambique
Ms. Carolin Geginat	Team Manager	WB/Mozambique
Mr. Fion de Vletter	National Coordinator	WB program/Mozambiqie
Mr. Avelar da Silva	General Manager	Intertek
Mr. Feliz Nhonguane	Director	BP/Mozambique
Mr. Felizberto Mulhovo	Director	Shell/Mozambique
Mr. Gabriel Machado	Team Manager	MUVA DFID
Ms. Lourenco Sambo	CEO	APIEX (Agency for the Promotion of Investment and Exports)
Mr. Flor E. Healey	Interim Team Leader	JOBA DFID

Name	Position	Organisation
Mr. Edson Cortez	Team Manager	CIP – Centre for Public Integrety
Ms. Kaluwa Vergamota	Private Sector Attaché	EC
Mr. Eduardo Sengo	Acting Executive Director	CTA – Confederation of Economic Associations
Mr. Mauro Ferrao	Adviser	CTA
Mr. Sergio Dista	Private Sector Officer	DFID/Mozambique
Ms. Shahnila Azher	Team Leader	DFID/Mozambique
Ms. Laura Norris	Economic Adviser	DFID/Mozambique
Ms. Cate Turton	Head of DFID	DFID/Mozambique
Mr. Helio Cumbi	Investment and Trade Adviser	UK High Commission

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