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SPEED PROJECT QUARTERLY REPORT #1

SEPTEMBER – DECEMBER 2010

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Background

The SPEED project is a four-year USAID-funded trade and investment project. SPEED supports and expands ongoing efforts to strengthen Mozambique's economic, legal, and governance systems in order to improve the environment for doing business. SPEED's goal is to have more companies doing more business, resulting in increased trade and investment and a stronger competitive position for Mozambican firms, thus creating local opportunities for job and income growth.

The project focuses not only on reform of trade and investment policies, but attention also is directed to the policy implementation process and on monitoring implementation of reforms. The SPEED team delivers training and technical assistance that builds the capacity of business associations and corresponding government institutions and catalyzes trade and investment in Mozambique. SPEED operates a grants fund to complement the training and technical assistance activities with associations and government.

The SPEED approach places a high premium on the use of Mozambican expertise to achieve sustainable results. The project is being implemented by DAI and Nathan Associates with the assistance of local contractors Cimpogest and SAL & Caldeira.

Project Amendment

The SPEED project fielded its start up team in mid-September 2010. The team consisted of Scott Simons, SPEED COP; Marina Mutchler, SPEED Director of Operations and Training; and Ashok Menon, the technical director for SPEED's Nathan Associates subcontract. A first order of business was to work through with USAID the impact of a cut in funding available to the SPEED project.

SPEED was contracted with a budget of \$19.5 million. At the time of starting up, likely funding available to the project had fallen to \$16 million. Aside from getting basic logistical and administrative tasks underway, no further start up activities or hiring was to proceed until the SPEED Scope of Work and budget were revised. Funding was adjusted downwards once more, to \$14 million, before a final revised SOW and budget were submitted in November. At that time SPEED restarted activities pending issuance of a contract amendment.

SPEED Project Changes

In order to absorb the cut in funding to the SPEED project, the SPEED SOW was scaled back, startup of staff and activities was delayed, and an expatriate position was eliminated. The following activities were scaled back in the revised SOW:

- formalization of informal businesses,

- project management capacity building in government,
- formal training of journalists
- capacity-building support to associations.
- a sub-national business environment survey

These activities are not being cut entirely from SPEED but instead incorporated, where possible, into other activities SPEED will conduct.

Every effort was made to maintain the level of technical services being provided to Mozambique through the SPEED project. To this end, though the total cut in SPEED funding was 27%, the budget for long and short term technical assistance was reduced by only 16%. The largest cuts were made in the budget for allowances. These were afforded by the decision to eliminate the long-term expatriate position of Director of Operations and Training. Tasks to be performed from this position will now be provided by the host-country national Director of Administration and short-term technical assistance.

Stakeholder Consultations

Starting in September and continuing through December, SPEED conducted consultations with a number of prospective partners and stakeholders. The objective of these meetings was to introduce the SPEED project and SPEED project staff and to hear from stakeholders their priorities, both in terms of needs for policy reform and for institutional support. The following organizations were consulted during the period:

- ACIS – Associação de Comércio e Indústria
- AgriFuturo Project
- Banco de Moçambique
- CACM - Centro de Arbitragem Conciliação e Mediação
- CTA – Confederação das Associações Económicas de Moçambique
- Cimpogest, Lda
- European Union
- FEMOTUR – Federação Moçambicana de Turismo e Hotelaria
- GTZ – German Technical Cooperation
- INAE - Instituto Nacional das Actividades Económicas
- IPEME – Instituto para a Promoção das Pequenas e Médias Empresas
- IPEX – Instituto para a Promoção de Exportações
- IPI – Instituto de Propriedade Industrial
- KPMG
- Michigan State University project
- Ministry of Agriculture
- Ministry of Finance
- Ministry of Industry and Trade - DASP – Direcção de Apoio Sector Privado
- Ministry of Industry and Trade – DNI - Direcção Nacional de Indústria
- Ministry of Industry and Trade – DRI - Direcção Relações Internacionais
- Ministry of Planning and Development
- Ministry of Tourism
- Mozaico de Índigo
- OECD

- PACDE project – Projecto de Apoio a Competitividade e Desenvolvimento do Sector Privado
- PSWG – Private Sector Working Group
- SAL & CALDEIRA
- Southern Africa Trade Hub
- Technoserve
- USAID – tourism sector head
- USAID – agriculture sector head
- USAID - trade and investment sector head

Technical Activities

The initial three technical activities being pursued by the SPEED project are: an analysis of a new regulation requiring the surrender (conversion) of foreign exchange revenue by exporting enterprises; assistance to the new tourism organization Mozaico de Indigo; and a study of the economic impact of newly imposed higher visa fees.

Forex surrender - SPEED prepared a draft policy note during the quarter entitled “Economic Effects of Regulating the “Surrender” of Export Earnings.” The policy note was in response to announcement of new forex surrender regulations requiring business to convert export proceeds into local currency. The private sector was deeply concerned about the regulation’s impact on the cost of doing business in Mozambique, on forex borrowing by firms and on competitiveness of exports. SPEED conducted discussions with the Banco de Moçambique (BM), Ministry of Finance (MF) and Ministry of Planning and Development (MPD) on issues related to surrender schemes, advantages and disadvantages, main causes of foreign exchange instability in Mozambique and experience of other countries in similar situations.

The regulation that was approved by government in December 2010 required conversion of only 50 percent of export forex proceeds and provided for a 90 day conversion window. The regulation also would not affect forex borrowing or account holdings in foreign currencies. SPEED’s policy note found that the benefits of the measure are likely to be fairly small, but also that the costs will be less serious than suggested by the private sector, because of the flexibility afforded by allowing 50 percent of export earnings to be retained in foreign currency accounts. Still, the new regulation is a backward step in the liberalization process, which sends mixed signals to business and investors about the sustainability of reforms. Therefore, a follow up should be found.

CTA is taking the lead on the note’s dissemination and follow up among companies and associations. The regulation and policy note will be discussed further in an upcoming CTA meeting which will also define needs for further assistance from SPEED on this issue.

Mozaico de Indigo – Mdl was formed by government in order to mobilize government land resources making them available for tourism sector development and promote establishment of tourism development companies in Mozambique’s tourism development zones. SPEED was approached to assist Mdl prepare its business plan. Because of the many conceptual questions surrounding Mdl, SPEED’s SOW for this activity focuses first on addressing issues of Mdl’s mandate, governance and funding and work on the study begins in January 2011. Later assistance, if appropriate, will focus on operational issues.

Visa fees - In July 2010, Mozambique announced an increase in visa fees from \$25 to \$82. The increase in fees has been introduced reportedly to offset costs associated with a new biometric passport system. The increase in visa fees affects all foreign entrants to Mozambique with the exception of citizens from SADC Countries, who do not require an entry visa for Mozambique. SPEED worked with the tourism industry in Mozambique along with the Ministry of Tourism in drafting a SOW for a study to understand the implications of the increase in visa fees on the economy, particularly on its tourism sector. This work will begin in January 2011 with field work conducted in February.

Policy Inventory – The SPEED project began compiling an inventory of pending policy recommendations that had been proposed during the Trade and Investment Project (TIP), but not yet implemented. TIP was SPEED’s predecessor project funded by USAID/Mozambique. SPEED is reviewing outstanding policy recommendations and will identify which ones remain important and merit continued efforts to get them implemented. The inventory will also recommend actions likely to succeed in moving the policy changes to completion.

Workplan and PMP – Drawing from information collected during the stakeholder consultations conducted by the SPEED team and from the SPEED contract, a project workplan was prepared and submitted to USAID. The workplan lists technical activities and the period they will be undertaken over the course of Year 1. Several activities listed in the workplan already are underway and others are in planning phases. SPEED’s workplan will remain a “working document” over the course of the year and will be continually revised in light of changing priorities of stakeholders and evolving opportunities for influencing policy. New activities will be added as the project proceeds and others will be dropped or rescheduled. A current draft of the workplan is attached. A draft Performance Monitoring Plan (PMP) was also completed during the quarter and will be finalized and submitted once the workplan is approved.

Administrative Activities

Office setup - The location for the SPEED project was selected within the first several weeks of the startup team’s arrival in Mozambique. The site is the top floor of the Sun Square Commercial Centre in the Sommerschild II neighborhood. SPEED was able to obtain this site at a cost considerably below other spaces offered by real estate agents. Work then began on configuration of the offices for SPEED project team and procurement and installation of furniture, blinds, air conditioners, phones and internet services. SPEED explored procurement of office IT equipment in Mozambique or South Africa in order to save time in shipping and clearing and expedite installation in the offices, but none of the bids received were deemed responsive to the technical specifications and equipment is being sourced in the U.S.

Registration – SPEED engaged the services of the law firm SAL & CALDEIRA in pursuing registration of the project in Mozambique. Applications for registration were completed and submitted to government in October 2010. While the process for registering private companies in Mozambique has become more clear and can be accomplished faster than in the past, there are still ambiguities with respect to registering donor projects which have delayed completing SPEED’s registration. Delays were compounded entering the end-of-year holiday period, however the process is expected to be completed in January 2011.

Immigration - Once registration is complete, SPEED can obtain a NUIT (tax number) and then can regularize its banking, contracts, etc. The SPEED COP can also begin immigration proceedings to obtain

a work permit and residence permit in place of a temporary visa which must be renewed at the border each month. Once obtained, a process which should take two more months, the project can initiate shipping the COP's household effects .

Website – SPEED's website was created during the quarter by absorbing the website previously used for the USAID/TIP project. Information about the SPEED project was inserted as well as the newly approved SPEED logo. Website URL: <http://www.speed-program.com/>

Hiring

As mentioned above, hiring of SPEED staff aside, from the start up team of the COP, Director of Operations and Nathan Associated Technical Director, was postponed during the period that the SPEED SOW and budget were being revised and the contract amended. SPEED received the go-ahead to begin hiring staff in November 2010. However, most staff would start in early 2011 in order to reduce costs and stay within the lower annual budget ceiling.

Technical team – Antonio Franco, SPEED's Business Enabling Environment Specialist and key personnel, began in November 2010 and immediately started work on the Forex Surrender regulation mentioned above. Rosario Marapuse, SPEED's Business Development Coordinator planned to continue with his current contract until completion in mid-January and then start with SPEED. Unfortunately Sergio Chitara, SPEED's Business Development Specialist and key personnel accepted an extension to his current project during the hiatus and is no longer available to the SPEED project. A prospective replacement for Mr. Chitara was identified and will be proposed to USAID in the coming quarter. SPEED is seeking USAID approval Stelia Narotam as theSPEED Business Enabling Environment Coordinator, the final member of the long-term technical team, completed a law degree subsequent to the date of submitting the SPEED proposal and SPEED will be requesting USAID approval of a salary increment consistent with the new credential. Ms Narotam is expected to begin with SPEED during the next quarter.

Support team – SPEED reviewed a number of candidates for project support positions and hired Benjamim Nandja as SPEED's Director of Administration and Finance and Nancy Bello as SPEED's Admin. Assistance and Receptionist. Both will start in early 2011. SPEED was fortunate the two drivers who worked for the USAID TIP project which closed down earlier this year were still available and Fernando Macamo and Abdul Chamussidine were hired in September 2010. As a cost-saving measure, SPEED decided to postpone hiring of other administrative support staff at this point of project implementation.

Attachment: SPEED Workplan

Mozambique SPEED Year 1 Work Plan (DRAFT)				S	O	N	D	J	F	M	A	M	J	J	A
Activity	SPEED Team	LOE	STTA	Year 1 (Month)											
			Consultant	1	2	3	4	5	6	7	8	9	10	11	12
Start up activities															
1 Mobilize Core Project Team	Simons														
2 Revise SOW and budget and amend contract in light of reduced funding															
3 Project / company registration															
4 Set Up Project Office															
5 Hire Local Staff															
6 Meet Counterparts															
7 Develop consensus on key provinces to target SPEED support															
8 Launch Project Kick-Off Event															
9 Launch Regional Project Kick-Off Events in 2-3 Regions															
10 Develop and Submit Draft Annual Work Plan to USAID															
11 Develop and Submit Draft M&E Plan to USAID		8	Goldmark												
12 Develop Grants Manual															
13 Develop Field Operations Manual															
14 Develop Scopes of Work for Immediate Activities															
Objective 1: Improved Policy Development															
1A: Formalized Participatory Policy Process															
1A.1 Produce discussion paper on participatory approaches to policy development	Franco / Narotam	15	Menon												
1A.2 Develop draft model law and model rules		20	S&C												
1A.3 Seminar to disseminate results (promote public-private sector dialogues & train press)		5	TBD												
1A.4 Ensure participatory approaches and model rules are utilized in pursuing policy reforms under Objective 4															
1B: Standard Cost Modeling / Performance Monitoring Plan															
1B.1 Develop SCM to estimate monetary benefits of policy reforms	Simons	15	Bolnick												
1B.2 Estimate the economic impact for selected reform measures under Objective 4		15	Bolnick												
1B.3 Watch for opportunities to apply rigorous impact evaluation methods		15	Bolnick												
Objective 2 - Improved Policy Implementation															
2A: System Mapping															
2A.1 Produce a briefing paper that "maps" the processes and steps for policy and legal reform & implementation (identifying key institutions, players, steps, processes, etc. for reform)	Franco / Siteo	15	Menon												
2A.2 Ensure system map is integrated into subsequent analysis done under Objective 4		10	Menon												
2B: Addressing Gaps															
2B.1 Identify weak points in "map" for reform/implementation and develop strategy to address	Franco / Siteo	10	Menon												
2B.2 Ensure weak points of map for specific sectoral analysis is addressed in Objective 4		10	Menon												
2C: Regional Business Environment															
2C.1 Conduct regional doing business surveys	Simons	25	Goldmark												
Objective 3 - Improved Policy Advocacy of Viable Business Associations															
3A: Association Survey															
3A.1 Compile list of economic associations in Mozambique (name, location, contact info, area of activity, etc.)	Marinho / Marapusse														
3A.2 Gauge capacity of associations to influence policy change and identify in list															
3A.3 Develop materials about SPEED Project to disseminate to associations															
3A.5 Solicit requests for assistance from associations															
3B: Association Selection															
3B.1 Create committee to review assistance to associations (TOR, identify members, call meeting)	Marinho / Marapusse														
3B.2 Select associations for relationship and approach															
3B.3 Develop activities and services to be provided based on Assoc. survey findings															

