



USAID | **SPEED**
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SPEED PROJECT QUARTERLY REPORT

OCTOBER - DECEMBER 2013

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SPEED Project Quarterly Report

October – December 2013

EXECUTIVE SUMMARY

SPEED is a USAID-funded project designed to improve the business environment through better trade and investment policies. 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 jobs and income growth.

The project focuses on reforming trade and investment policies and also emphasizes the policy implementation process, including monitoring implementation of reforms. The SPEED team delivers training and technical assistance to build the capacity of business associations and corresponding government institutions and catalyzes trade and investment in Mozambique.

Over the remaining nine months of the project, SPEED will continue the trend that began during the quarter under investigation: increased focus on communication campaigns and implementation support. The country is entering a new political cycle with national elections in October 2014. It is widely believed that political concerns will consume much if not most of the energy of key Ministers. Therefore, working to improve administrative procedures, streamline processes, and build awareness and advocacy around business environment issues will likely yield better results than promoting reforms that require legislative and/or cabinet-level approval.

The SPEED approach is demand-driven and flexible, and places a high premium on the use of Mozambican expertise to achieve sustainable results. DAI and Nathan Associates implement the project with the assistance of local contractor SAL & Caldeira.

The activities described in this report are divided into four thematic sections: business environment, trade, and investment; agriculture; tourism and biodiversity; and democracy and governance. The report contains information on the context, activities undertaken this quarter, results, and next steps for each of the main activities where SPEED made substantial progress.

Business environment, trade and investment. The bulk of SPEED's efforts focus on working with the private sector and Government to improve the business environment via a wide range of partnerships and activities at both the **macro** and the **micro** level. At the macro level, SPEED works with the Tax Authority and Customs to improve the country's **foreign trade** systems to spur competitiveness and economic growth. At the other end of the spectrum, SPEED works at the more tactical level to support the Government of Mozambique's (GOM's) efforts to improve the country's ranking in the IFC/ World Bank's *Doing Business* report. For example, SPEED has begun to help the GOM to implement both the Insolvency and Competition laws. Another

example includes the concrete recommendations and reforms at the municipal level in Maputo that are estimated to save businesses more than 200 days to obtain their construction permits. This quarter marked an increased emphasis on supporting implementation of key reforms: customs transit procedures and bankruptcy regulations. **SPEED's work on construction permits led the country to jump seven places on the Doing Business ranking, the first time the country improved its ranking since 2011.**

SPEED also works to strengthen the key **institutions** required for a strong business environment. An example includes support for building the capacity of **CTA**, the Confederation of Business Associations, which is the main private sector interlocutor with Government on business environment issues. SPEED contributes a Senior Advisor to CTA, facilitates strategy-building, and implements many joint projects. This quarter, SPEED stepped up its support for **women's organizations**, helping to organize a major financial inclusion conference co-sponsored by New Faces, New Voices and the Bank of Mozambique and supporting strategy and team building for the Mozambique chapter of the African Women's Entrepreneurship Program.

Agriculture. With three-quarters of the population dependent on agriculture for their livelihoods, there is a consensus both globally and within the country that the private sector needs to play a leading role in developing agriculture. SPEED's activities to support the competitiveness of agriculture in Mozambique center upon providing a **Senior Economic Advisor** to the Minister of Agriculture, whose primary responsibility is to develop and implement the Agriculture Investment Plan. The Senior Economic Advisor is also a key player in raising Mozambique's profile, together with the Minister of Agriculture, in important initiatives including the **G8 New Alliance for Food Security in Africa**. In addition, SPEED supports a number of **targeted activities** that have been specifically identified by the private sector in agriculture. An example is the work on the impact of various taxes and non-fiscal barriers on the sector. The Mozambican Tax Authority has agreed to alter the VAT tax regime for agriculture on the basis of SPEED recommendations.

Tourism and biodiversity. SPEED's work in tourism and biodiversity focuses on helping Mozambique to realize its potential competitiveness in the sector. Tourism is widely seen as one of the most effective ways of preserving biodiversity, as market forces all pull in the same direction – consumers and providers all have an interest in preserving the natural environment and ensuring sustainable use of natural resources. In addition, tourism tends to be labor-intensive, thus providing opportunities for broad-based economic growth as well as biodiversity. The majority of SPEED's effort helps ensure a private-sector friendly **legal and regulatory regime**. An example of legal and regulatory work includes an examination of competition in aviation (Open Skies initiative).

Democracy and Governance. SPEED's work on democracy and governance aims to improve **transparency** around issues such as the impending resource boom, the increased visibility of the

private sector in policy, and the improvement of corporate ethics. Specifically, SPEED continues to raise the quality and level of dialogue around the country's **resource boom**, including the newly proposed fiscal regime for extractives and local content regulations. This issue will continue to grow in importance from the democracy and governance perspective. Another key area of work includes the development of a legal framework to formalize public participation in the policy process. There is now a solid consortium of actors from the private sector and civil society that are committed to drive this new legislation forward.

Capacity building. This quarter SPEED facilitated 19 **capacity-building events** in support of its technical programs, with a total of around 1,489 participants, including more than 316 women (see Annex 1). This represents a much larger than normal number of capacity-building activities, reflecting an increased emphasis on implementation support. Accordingly, 11 of these events were held outside of Maputo.

Management and administration. This quarter, SPEED developed a new **impact measurement framework**, supported the USAID **Regional Inspector General's** performance audit of the Agriculture, Trade and Business unit, and moved forward on several **IPEME** grant procurements.

BACKGROUND

SPEED is a USAID-funded project designed to improve the business environment through better trade and investment policies. SPEED works to improve the business environment by supporting and expanding ongoing efforts to strengthen Mozambique's economic, legal, and governance systems. 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. SPEED's [website](#) contains further information and reports published by the project, as well as a number of timely blog posts.

The project focuses on reforming trade and investment policies and also emphasizes the policy implementation process, including 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.

Over the remaining nine months of the project, SPEED will continue the trend that began during the quarter under investigation: increased focus on communication campaigns and implementation support. The country is entering a new political cycle with national elections in October 2014. It is widely believed that political concerns will consume much if not most of the energy of key Ministers. Therefore, working to improve administrative procedures, streamline processes, and build awareness and advocacy around business environment issues will likely yield better results than promoting reforms that require legislative and/or cabinet-level approvals.

The SPEED approach is demand-driven and flexible, placing a high premium on the use of Mozambican expertise to achieve sustainable results. DAI and Nathan Associates implement the project with the assistance of local contractor SAL & Caldeira.

SPEED is a four year \$19.4 million project which started in August 2010. Funding obligations for the project equaled \$12,554,506 as of December 2013.

This Document

The activities described in this report are divided into four thematic sections: business environment, trade, and investment; tourism and biodiversity; agriculture; and democracy and governance. The report contains information on the context, activities undertaken this quarter, results, and next steps for each of the main activities where SPEED made substantial progress. In addition, those activities that address policy, regulatory or administrative procedure reforms as defined in the SPEED Indicators Tracking Table (SITT) make specific reference to the SITT stage of reform for ease of cross-referencing between this Quarterly Report and the SITT report.

TECHNICAL ACTIVITIES

Business Environment, Trade and Investment

Business environment, trade and investment. The bulk of SPEED's efforts focus on working with the private sector and Government to improve the business environment via a wide range of partnerships and activities at both the **macro** and the **micro** level. At the macro level, SPEED works with the Tax Authority and Customs to improve the country's **foreign trade** systems to spur competitiveness and economic growth. At the other end of the spectrum, SPEED works at the more tactical level to support the Government of Mozambique's (GOM's) efforts to improve the country's ranking in the IFC/ World Bank's *Doing Business* report. For example, SPEED has begun helping the GOM to implement both the Insolvency and Competition laws. Another example includes the concrete recommendations and reforms at the municipal level in Maputo that are estimated to save businesses more than 200 days to obtain their construction permits. This quarter marked an increased emphasis on supporting implementation of key reforms: customs transit procedures and bankruptcy regulations. **SPEED's work on construction permits alone led the country to jump seven places on the Doing Business ranking, the first time the country improved its ranking since 2010.**

SPEED also works to strengthen the key **institutions** required for a strong business environment. An example includes support for building the capacity of **CTA**, the Confederation of Business Associations, which is the main private sector interlocutor with Government on business environment issues. SPEED contributes a Senior Advisor to CTA, facilitates strategy-building,

and implements many joint projects. This quarter, SPEED stepped up its support for **women's organizations**, helping to organize a major financial inclusion conference co-sponsored by New Faces, New Voices and the Bank of Mozambique and supporting strategy and team building for the Mozambique chapter of the African Women's Entrepreneurship Program.

Current quarter results based on previous work. This quarter, SPEED has made progress on and advanced the following five initiatives:

Construction permits

SPEED’s work with the Maputo Municipality to streamline the process to obtain construction permits drove Mozambique’s improved ranking in the 2014 *Doing Business* report, released in October 2013. The construction permit indicator rose by 46 places, with most other indicators remaining more or less in the same place (trade across borders also increased by about five places). The overall increase in Mozambique’s ranking from 146 to 139 was a direct results of the work by SPEED.

Tourism Decree Position Paper

One issue facing Mozambique’s tourism sector is the lack of clear and internationally consistent quality standards for facilities. In August 2011, the government presented a draft Tourism Decree (18/2007), and asked for a private sector opinion of the paper. Femotur, the Federation of Tourism Companies, asked for help from SPEED to facilitate the collection and aggregation of opinions from the private sector. SPEED supported consultation and the development of a comprehensive position paper reflecting the needs and concerns of the private sector which was submitted to the government for legislation. Over the quarter the decree paper was finally approved by government. Next steps involve implementation of the regulation. Concerns ranged from the practicality of hygiene and comfort standards in rural areas to the need to harmonize with SADC standards.

SITT #	SITT Name	Legal Instrument	Stages Achieved this quarter FY2013 Q3
26	Tourism decree	Regulation	4. Passed

Recommendations on Taxes in Agriculture

Mozambique’s agricultural production reaches about one-quarter of GDP, while it incorporates three-quarters of the population. Yields are low and stagnated for over 30 years. The Government has approved several incentives for the agriculture sector including VAT exemptions on imports of equipment and inputs. However, the private sector and other stakeholders have revealed a sense that these tax benefits do not protect domestic production and could even be hurting it. Building on earlier work, SPEED worked with CTA to produce and [publish a paper on the SPEED website](#) that examined the impact of the VAT regime

Current quarter results based on previous work, continued.

agriculture and make recommendations. Over the quarter, CTA's Agribusiness Working Committee worked with the Tax Authority team to make changes to the VAT Code that reflect CTA's proposal on VAT in the agriculture sector. The proposal was approved by the Conselho Superior Tributário and sent to the Minister of Finance's Consultative Council for approval and consequent discussion and approval at the Council of Ministers and Parliament. The expectations of both CTA and the Tax authority are that at the next parliamentary session in March this matter be resolved.

SITT #	SITT Name	Legal Instrument	Stages Achieved this quarter FY2013 Q3
22	Tax regulation in agriculture	Policy	3. Presented for legislation

Credit bureau regulation review

Access to credit is still a big issue in Mozambique. According to the World Bank's *Doing Business* report, credit information systems can facilitate access to credit and improve its allocation. Credit information systems usually imply the establishment of one or more Private Credit Bureau of Reference which does not exist in Mozambique. The Central Bank proposed a regulatory framework for the establishment of private credit bureaus in the country. In 2012, SPEED assisted CTA to assess the regulatory framework to ensure that the Central Bank's proposal met global best practice standards. The draft law on the establishment of private credit bureaus was approved by the Council of Ministers (CoM) in its December 17 session and it has now been submitted to Parliament for final consideration and approval.

Arco Norte Tourism Development Corporation

In 2012 SPEED supported the National Tourism Institute, INATUR, to build the Arco Norte Tourism Development Corporation, an innovative public private partnership. INATUR and the Municipal Council of Pemba have subsequently partnered with Atterbury Property Holdings Limited (www.atterbury.co.za), for the first project, a \$50m investment in the Wimbe Mall in Pemba. Over the quarter, the Board of Directors of Atterbury Property Holdings International approved the proposed investment. The way is now cleared for Atterbury to make the investment, once it is able to obtain access to the land. This investment will hopefully catalyze further projects in the Pemba ZIT. Simultaneously, Pemba master planning project is underway. INATUR seeks further technical assistance to support policy reforms required for the venture.

Partnership for Trade Facilitation

Context. Following the recommendations from WTO, WCO and others, Mozambique has carried out a number of customs reforms for facilitating trade. Despite these efforts, reports such as the *Doing Business* report from World Bank still find procedural difficulties, time delays and high costs in the processes for importing and exporting goods to and from Mozambique. At the same time, Mozambique introduced the Single Electronic Window (SEW) system in April 2012, which is a positive development but has encountered some serious “teething” problems as implementation has not always been smooth.

USAID / SPEED engaged with the Mozambican Tax Authority (AT), CTA, and other organizations to find solutions to these problems. Specifically, under the Partnership for Trade Facilitation Program (PTF), SPEED provides capacity-building to AT in three areas: internet upgrade, transit module capacity-building and pre-shipment inspection (this last activity has not yet begun).

This quarter. The new Customs Transit procedures were neither understood by the majority of operators nor by customs officials. SPEED supported AT to provide training across the country to disseminate the new legislation to customs officials, economic operators, clearing agents and other interested parties through workshops and local media. A new Customs Transit decree, DM 116/2013, was passed and the workshops that had been started in the previous quarter, continued through this quarter. All the main borders in the south, center and north of the country were covered as well as the 3 international ports.

The dissemination activity was successfully finalized and took place in all planned points of entry and exit of cargo. During the quarter, 290 people participated in the workshops, 249 male and 41 female (see the Annex 1). Participants included transit agents, customs officials and clearing agents (Mozambican and non-Mozambican). The initiative also includes equipment supply to set up transit hubs in the country (to be started next quarter).

Regarding the Internet Upgrade, the website layout was approved by the AT. The contents specialist presented tables on import- export procedures, commercial agreements and regulations to be inserted into the International Trade Portal for import-export.

Regarding Pre-shipment Inspection, AT has not responded regarding the consultant to be selected for this work, and the issue needs to be approached strategically to clearly define next steps. A high level meeting is being suggested with the participation of AT and MIC to discuss the current situation and define clear steps to follow, if any.

Results. On the transit regulation side, the highlight of the process was the identification of specific issues and the harmonization of transit procedures. This training is expected to decrease

the time and costs of transiting merchandise throughout the country. The website moved forward significantly through to approval stage.

SITT #	SITT Name	Legal Instrument	Stages Achieved this quarter FY2013 Q3
44	International trade website	Admin Procedures	4. Passed

Next steps. A SoW will be produced for an impact assessment of the training dissemination of the new Customs Transit decree, DM 116/2013. There is need to assess the current status at the points of entry and exit as well as the perceptions of the participants about the results of the training. SPEED will work with AT to discuss the need and proposed utility of the equipment to be supplied for the setup of transit hubs. Procurement and supply is expected to take place over the next quarter.

On Internet upgrade, over the next quarter the consultants will help AT begin populating the portal and training technicians. The website development firm, Mz Business, will present a clear plan for the second phase of the project with clear milestones leading up to the launch, expected for next quarter. In addition to training AT officials for website management and sustainability, the project will also undertake hardware equipment acquisition, hosting of the website and finally the launching and dissemination process for the website to be known and useful to all.

On Pre-shipment Inspection, as discussed above, there is the need to have a broad and high level meeting to define the SoW for this work with clear objectives and steps. This meeting would involve AT, Customs, MIC, USAID, CTA and other involved stakeholders.

Making it easier to pay taxes

Context. Paying taxes was one of the indicators showing no progress in the *Doing Business 2013* report. In fact, the country experienced no progress over the previous three years. According to this report, on average, firms make 37 tax payments per year, spend 230 hours a year filing, preparing and paying taxes and pay a total tax rate as a percent of profit of 34.3%. While taxes are essential to fund public services and infrastructure (among other expenses), the difficulty and cost of paying taxes may drive substantial economic activity to the informal sector, thereby deriving no tax revenue for the government. This represents a significant potential loss for the Government of Mozambique. At the same time, CTA identified simplifying and reducing the number of tax payments as one of its priorities in its Policy Matrices for 2012 and 2013.

In order to streamline the tax payment system in Mozambique, CTA asked SPEED to carry out a comprehensive study looking at: (i) the time and cost for companies to comply with tax obligations; (ii) tax payments that can be combined to reduce the number of payments over the

course of a year; and (iii) possible impacts of such streamlining. Last fiscal year SPEED supported a major CTA public workshop to present the results to a wide range of stakeholders.

This quarter. A technical team composed of CTA, SPEED, AT and a consultant, worked to accommodate recommendations from the workshops as well as the reaction of the Tax Authority. The following recommendations were selected as priorities for possible future work: i) implementing e-taxation; ii) simplifying procedures; iii) introducing information campaigns on the advantages of existing modalities of tax payments; and v) increasing the numbers of charging stations in areas of high taxpayers concentration.

Results. AT considered and accepted a subset of the recommendations related to the study. It is expected that when implemented, these improved administrative procedures will reduce costs significantly to the private sector.

Next steps: In partnership with CTA, SPEED will support AT to incorporate the recommendations into their strategic plan matrix and in the annual plan for 2014, and consider offering training for AT officials and accountants.

Evolution of the business environment

Context. At the XIII CASP (annual private sector conference with the President of the Republic), the Minister of Industry & Commerce indicated that the government has complied with 80% of its targets for business environment reform. His comments coincided with the conclusion of the first phase of the EMAN (national strategy to improve the business environment) and preparations to implement a second phase of business environment reform.

Despite the government's optimism about its policy reform activities, businesses' experience on the ground indicates that little has changed over the past several years. Companies are still severely affected by uncertainty in the business environment, unpredictable application of legislation, and other barriers to investment.

ACIS and CTA identified the need to conduct a fact-based analysis that evaluates what has been done to improve the business environment since the CASP began in 1996.

This quarter. An analysis was conducted to assess the evolution of the business environment in Mozambique. It looked at the various socio-political, economic and institutional aspects that conditioned the existing status quo. This required a comparison of the CASP matrices, EMAN I and its outcomes, the IAN (Investment Confidence Index) and *Doing Business* surveys. By mapping progress in the dialogue mechanism provided by CASP against actions taken in EMAN and the resulting rise or fall of business confidence (IAN) and world rankings (*Doing Business*),

the paper presents a detailed overview of the impact of reforms to date, and highlights what has still to be done.

English and Portuguese versions of the draft document are now available on the [website](#). The paper was presented to the Private Sector Working Group (PSWG) and received positive comments about how to best move forward. Specific feedback included comments on how to work at the sub-national level for better results, the need for more specific lessons and recommendations for public private dialogue, and the best structure for coordinating business environment issues within the GOM.

Results. The Assessment of the Evolution of the Business Environment 1996 – 2013 was completed and widely disseminated, resulting in discussion by government and donors organizations. The paper improved various stakeholders’ understanding of the evidence surrounding progress – or lack thereof – on improving the business environment over the past 18 years.

Next steps. Next steps include further dissemination via CTA/ACIS events and follow-up analysis of public private dialogue models in other jurisdictions and international best practice.

Insolvency law implementation support

Context. The bankruptcy process in Mozambique, based on the Code of Civil Procedure from 1967, is slow, costly and complex. Attempts have been made in the past to update legislation and streamline the process, but efforts had languished at the time of SPEED project startup. To reinvigorate reform efforts and get new legislation passed, SPEED, working with CTA and the law firm SAL & Caldeira, conducted a series of activities including review of draft legislation, meetings with government officials and legislators, and a public seminar on the proposed changes in legislation and their expected impact on the bankruptcy process.

In 2011, SPEED [reviewed the Insolvency Law](#) that authorizes the Government to establish a legal framework for insolvency and business recovery. It was then submitted to Parliament for legislative approval. On 19 February 2013, the President of the Republic of Mozambique enacted the law. The law was then approved by the Council of Ministers on 4 June 2013. Following approval of the law, SPEED was engaged by the Ministry of Justice to support the drafting of the SOW for implementation of the law and to support the process.

This quarter. Workshops for dissemination of the law and more specific technical meetings for the training of judges, prosecutors and clerks were conducted in all three regions of the country. Currently and in the past, there have not been enough cases of declared insolvency in the courts. Many are not familiar with the process. Businesses would rather dissolve than undergo a

bankruptcy process due the complexity and the extensive time taken for deliberation. On the other hand, many stakeholders were not familiar with the new law.

Judges, provincial directors, clerks and prosecutors were the intended audience. In Maputo, the training also included referees/mediators, and trainers from the Judicial Training Centre (CFJJ). The latter participated in order to build their capacity to develop their own curriculum to continue with the training process starting in 2014. Overall, 45 judges, clerks, prosecutors, referees and trainers were trained around the three regions of the country according to the following table:

Date	Region	Activity	Subtotal
5 & 6 -Dec-13	Center (Beira)	Training of Judges	16
12 & 13 -Dec-13	North (Nampula)	Training of Judges	13
18 & 19 Dec-13	South (Maputo)	Training of Judges	16
		Subtotal	45
		Total	45

That number is double the target set by the GOM for 2013, which set a target of 22 judges trained for the whole country. Besides training of judges, all 11 Provincial Directors of Justice attended the dissemination workshops and had access to material to carry on dissemination in their respective provinces. The onus is on them now to carry on with this important work.

To support dissemination of the law and training activities SPEED also supported the publication of 3,000 copies of the book on insolvency legislation. These were distributed to the participants and the remainder will be sold through CTA to the private sector. The creation and legalization of an association of insolvency administrators (as envisaged by the law) shall be done outside the scope of this activity.

Results. The training package prepared by Sal & Caldeira was presented for consultation with the involved stakeholders and implementation of the activity took place regionally around the country. The judges now have access to the necessary material and are ready to take up insolvency cases.

SITT #	SITT Name	Legal Instrument	Stages Achieved this quarter FY2013 Q3
57	Insolvency law - Implementation	Admin Procedures	2. Presented for consultation 5. Implementation begun

Next steps. Going forward, there is need to create an association of insolvency administrators and train insolvency administrators. These are crucial for implementation of the law. SPEED

plans to investigate the status of the insolvency administrators training and Association through a follow up meeting to discuss the training of judges and define next steps.

Also, it is clear that the private sector needs to understand the mechanics of the law as it serves them. There have been suggestions for a follow-up systematic and continuous dissemination work to the private sector in particular. A substantial role would be played by CTA here.

Competition law support

Context. Regulatory barriers, pervasive rent-seeking behavior, and other impediments to trade threaten the competitiveness of Mozambique’s economy and private sector growth. In addition, market distortions spurred by monopolistic markets in some sectors further threaten efficiency and competitiveness. The dynamics of economy and lack of tools suited to this new legislative reality determined the approval by the Council of Ministers on 24 July 2007, of the Competition Policy.

On April 11, 2013, Law n. ° 10/2013 was published, approving the new legal framework for competition in Mozambique. The competition law entered into force on July 10, 2013 and the competition regulations and statutes of the new Authority should have been approved by the Council of Ministers by the end of 2013. The new competition law creates a Competition Regulatory Authority of Mozambique, which shall operate as an independent administrative authority. SPEED was asked by the Ministry of Industry and Commerce to (MIC) support the design of the regulatory framework for the competition law.

This quarter. SPEED worked with the Minister’s office to select Zakumi Legal Consultants to draft the required regulations. Over the quarter, technical meetings with the MIC Technical Council helped refine the first phase of the assignment to draft three regulations to help set up the Competition Authority (CA): organic statute of CA, regulation for execution of CA and internal regulations of CA.

Results. Drafts of three legal instruments were submitted for approval as part of the implementation of the competition law.

SITT #	SITT Name	Legal Instrument	Stages Achieved this quarter FY2013 Q3
9	Competition law	Policy	5. Implementation begun

Next steps. The consultant will support MIC to train authorities on competition and promote public discussion of the new regulations.

Industrial policy review

Context. Mozambique is currently in the process of updating its industrial policy. Several initiatives involving MIC, UNIDO and AIMO are under way to discuss content for a policy. At the same time the GoM is in the process of approving its National Development Strategy (ENDE) which also includes a focus on industrialization. Globally, industrial policies are becoming increasingly popular but their success in many places remains a question. Historically Mozambique's attempts to implement industrial policies focusing on sectors from textiles to tourism have achieved little success.

The proposed industrial policy and discussions around its implementation tie in to work on competitiveness, agriculture and overall business environment reform.

This quarter. SPEED prepared a discussion document entitled "An Industrial Policy for Mozambique" which describes global trends in industrial policy development, highlights successes and failures in other jurisdictions and in Mozambique, and provides several recommendations for consideration in the discussions around Mozambique's development of a new industrial policy.

Results. A discussion document is available for dissemination

Next steps. Next quarter will see dissemination of the discussion document, accompanied by blogs and awareness-raising among key stakeholders. Potential for inclusion of the topic in CTA Business Breakfasts and to assist the private sector in engaging with the development of an industrial policy, if such policy is felt by business to be necessary and beneficial.

Institutional support to CTA

Context. CTA is the primary private sector counterpart that advocates for policy change with Government. It has received institutional capacity building support from USAID over the past decade and is a key SPEED partner. To strengthen the quality of services provided to its membership, SPEED is providing capacity support to CTA in the form of a Policy Analyst. With this additional staff, CTA is more effective in engaging the government in policy dialogue on behalf of the private sector.

This quarter.

Following the study on Local Content and its recommendations the CTA's Natural Resources Working Group have organized two follow up workshops aiming to understand what the companies involved on this business are doing to improve the local content on their final products. At this time Anadarko and Vale de Moçambique have shared its experience. As agreed with the CTA board, SPEED has secured a bridging grant to support the Executive Director

position until CTA secures additional funding for the position. With the support of the Policy Analyst, CTA designed the TOR's and secured funding for several studies and analytical studies including: (i) review and update of the Industrial Policy and Strategy for Mozambique for the next 5 years, (ii) analysis of the Maritime Cabotage in Mozambique, (iii) analysis of the possibility of introducing a new Tax Levy to support private sector efforts to improve the skills of the manpower in the sector and global advertising of Mozambique as a tourism destination. Also, as a result of the beverage sector pressure CTA is undertaking an analysis of the impact of a new controversial law regulating the production, packaging and distribution of alcohol drinks in Mozambique. The CTA's Policy Analysis Unit has also secured the funding for an analysis of the "Private Sector main sources of funding including credit and its costs in Mozambique compared with the Sub Saharan Africa".

Results. Under the new Executive Director, CTA has been showing better institutional capacity to undertake the public-private sector dialogue including support to the working committees and reporting at the bi-annual meetings with the Prime-Minister. The last CTA report on the status of the public & private sector dialogue was well received by the private sector, due to its quality, resulting on massive media coverage of its content.

Next steps. The Natural Resources Working Group will continue its follow up workshops on Local Content in Tete, Nacala and Pemba inviting different companies to share its experience. The studies and analysis which TOR's and funding were approved this quarter, as mentioned above, will be undertaken and workshops to validate their results will be held in Maputo and some provinces, mainly Beira, Tete, Nampula, Nacala and Pemba. Additionally, CTA's Policy Analysis Unit, with SPEED support, will work on other business environment related issues such as

- (i) **Dias de tolerancia:** an arbitrary announcement of extra holidays in addition to the ones already approved by the parliament, causing increasing concern from the private sector related to the costs of such holidays and who should cover them. A study on this issue would be used by CTA on its negotiation with the Government and Trade Unions;
- (ii) **Agriculture, food security and nutrition law:** CTA is concerned about a new law on Agriculture, Food Security and Nutrition, which is being prepared without involvement of the private sector, the impact of which is not evaluated yet. As such, there is a need to roll out two short term consultancies, a legal review of the law and a high-level economic review to assess the impact of such law;
- (iii) **Public sector participation in business:** between ENG Logistics, the tuna boats, the rice mills, etc., many in the private sector are becoming increasingly concerned that the government is encroaching into business in increasingly inappropriate ways. There is a growing concern among the business community about the impact of Government involvement on competitiveness;

- (iv) **Multistakeholder Dialogue Platform:** following CTA’s work on the extractive industries, this platform will be established and a study on the competitiveness of the agriculture sector and labor will be conducted.

Support to New Faces, New Voices

Context. Although African women comprise 52 percent of the African population, they only own 1 percent of Africa’s assets and only 22 percent of them have bank accounts. Yet, there is empirical evidence that shows that empowering women and girls accelerates economic growth. It is with this in mind that New Faces, New Voices (NFNV) Mozambique, in partnership with different public, private and donor institutions aims to tackle these discrepancies through the advancement of Mozambican women’s financial inclusion. New Faces, New Voices is a pan-African organization founded by Graca Machel dedicated to increasing access to financial services to women across Africa. The Mozambican chapter was asked by Ms. Machel and the Governor of the *Banco de Moçambique* (Central Bank) to co-host a one-day conference on “Women’s Financial Inclusion in Mozambique” on 6 December 2013. NFNV requested both technical and organizational support from USAID/SPEED.

This quarter. The conference was co-hosted by the *Banco de Moçambique* and NFNV, supported by Making Finance Work for Africa (MFW4A), GIZ, DFID and USAID/SPEED. This meeting was attended by approximately 130 participants from the Central Bank, financial sector, donor organizations, women’s business associations, business women and other stakeholders. The conference enabled stakeholders to reflect on three key issues facing women’s financial inclusion: (i) the importance of gender-disaggregated data in promoting women’s financial inclusion; (ii) the importance of financial education and consumer protection in stimulating women’s demand for financial services; and (iii) the role of mobile banking in promoting access to financial services by women.

Results. Action plans were developed by the stakeholders for each of the three key topics, hence increasing their ownership in the implementation of the identified concrete actions. In addition, the conference provided NFNV Mozambique with great visibility and the attraction of strategic partners and drivers of change.

Next steps. NFNV Mozambique in partnership with *Banco de Moçambique* and DFID Mozambique as strategic partners will continue pushing forward the agenda on women’s financial inclusion in Mozambique. NFNV is in a process of registering the association and developing its 2014 action plan in line with the action plans developed during the conference to start implementing the identified actions. NFNV will likely approach USAID/SPEED for further support in developing and implementing their strategic plan.

AWEP strategic plan

Context/this quarter. The African Women's Entrepreneurship Program (AWEP) is an outreach, education, and engagement initiative that targets African women entrepreneurs to promote business growth, increase trade both regionally and to U.S. markets through the African Growth and Opportunity Act (AGOA), create better business environments, and empower African women entrepreneurs to become voices of change in their communities. AWEP was launched by then-Secretary of State Hilary Clinton, and seeks to dismantle the obstacles to business opportunities and economic participation that African women face.

The Mozambique chapter of AWEP is made up of three women entrepreneurs who have participated in a US study tour and their friends and colleagues. The chapter is still in its infancy and has struggled to gel. AWEP sought support from USAID / SPEED to facilitate a team building and strategic planning workshop in November 2014.

Results / Next steps. The workshop resulted in a clear vision statement and three-pillar strategy for AWEP. The vision is to expand sustainable market opportunities for Mozambican businesswomen. The three strategic pillars are: promote leadership among women entrepreneurs, forge market linkages, and increase access to finance.

AWEP will follow up with more detailed work-planning around these three pillars, with further support from SPEED expected to sharpen the strategy and plan. At that point they will approach different partners and funders for support.

CACM Grant to introduce informal arbitration

Context. In recent years, the number of conflicts between companies has increased, as have the time and expenses associated with resolving business disputes and enforcing commercial contracts. These trends represent a major barrier to development, sustainability and competitiveness in business. The Center for Arbitration, Conciliation and Mediation (CACM) is a nonprofit institution under the aegis of the CTA, formed to encourage and provide access to alternative and appropriate mechanisms for resolving disputes. Dispute resolution systems provide a better solution to businesspeople since they are rapid, economical and fair. SPEED agreed to provide a grant to CACM to implement the following activities:

- Resolution of conflicts
- Prevention of conflicts
- Training of mediators and arbitrators
- Providing public information on alternative mechanisms for conflict resolution
- Expanding the culture of arbitration to other geographic areas and activities
- Connecting with other regional and international forums of mediation and arbitration.

This quarter. No activity this quarter, although technically this is still an active grant.

Results. No reported results this quarter, although across the country, alternative methods of conflict resolution in areas such as employment negotiations were made available for the first time.

Next steps. The CACM grant is ending and no additional funds will likely be granted for this activity. SPEED will continue helping CACM to find viable alternatives to make the organization financially sustainable.

MIC Coordination Council

Context/This quarter. The XI Coordinating Council (CC) of the Ministry of Industry and Trade (MIC) was held from 24th to 26th May 2013, in Pemba, Cabo Delgado Province, under the motto “Achievements and Challenges of the Industry and Trade.”

The XI Coordinating Council was headed by His Excellency Armando Inroga, Minister of Industry and Trade, and participants included His Excellency Kenneth Travel Marizane, Deputy Minister of Industry and Trade, including the Permanent Secretary, the Inspector General, National Directors, officers and subordinate institutions tutored, Commercial Directors, Advisors, Deputy National Directors, Heads of Departments, Provincial Directors and permanent guests, the Executive Directors of the BAU's, Provincial Delegates of the National Inspection Activities and other senior MIC staff at central and provincial levels. Also a number of members of the Coordinating Council participated as invited representatives of the public sector: the Presidency, the Ministries of Mineral Resources, Energy, Fisheries and Agriculture, as well as the private sector, namely, CTA - Confederation of Economic Associations and development partners, i.e. USAID. The agenda is summarized below:

- Public Probity Law;
- Economic and Social Plan 2012 and Prospects;
- Swing through the Government's Five Year Program 2010-2014 and Prospects;
- Operational Matrices of Coordinating Councils from 2010 to 2012 and Prospects;
- Report on the areas of Administration, Finance and Public Sector Reform 2012 and 1st quarter of 2013;
- Proposed Natural Gas Master Plan and;
- Information about the current status of Food Fortification.

Results/next steps. From the presentations and discussion around the different topics, the biggest challenges identified include: the implementation of the Competition Law, local financing for SMEs, to formalize informal trade; implement and consolidate the SADC Free Trade Area; Reduce tariffs, review of the rules of origin for international trade and remove non-

tariff barriers; and the implementation of the Mozambican Commodity Exchange/Market (Bolsa de Mercadorias de Mocambique) among others.

Agriculture

With three-quarters of the population dependent on agriculture for their livelihoods, there is a consensus both globally and within the country that the private sector needs to play a leading role in developing agriculture. SPEED's activities to support the competitiveness of agriculture in Mozambique center upon providing a **Senior Economic Advisor** to the Minister of Agriculture, whose primary responsibility is to develop and implement the Agriculture Investment Plan. The Senior Economic Advisor is also a key player in raising Mozambique's profile, together with the Minister of Agriculture, in important initiatives including the **G8 New Alliance for Food Security in Africa**. In addition, SPEED supports a number of **targeted activities** that have been specifically identified by the private sector in agriculture. An example is the work on the impact of various taxes and non-fiscal barriers on the sector. The Mozambican Tax Authority has agreed to alter the VAT tax regime for agriculture on the basis of SPEED recommendations.

Illegal fees Campaign

Context. The SPEED study on [Non-Fiscal Barriers](#) (NFB) to Agriculture in Mozambique (August 2013) commissioned by CTA provides an overview of the structure and dynamics of the NFB to Agriculture, negatively impacting the agriculture industry's competitiveness. These distortions range from inappropriate application of customs procedures, access to diesel subsidies, deficit in access to finance, to proliferation of transit check-points and commodities transit permits within local markets.

To address one of the key issues raised, the study recommended a national communication campaign against the illegal and informal taxes, permits or fees, and called for their abolition. It is in this context that CTA, in collaboration with SPEED, plans to engage professional marketing services to assist with designing and implementing a communication campaign against the illegal taxes in the agricultural industry. The campaign will target audiences dealing with agricultural transport and marketing and specific geographical areas where these fees have become particularly problematic. This campaign is a pilot for SPEED's broader communication for policy change initiative (C4PC).

This quarter. In collaboration with CTA, SPEED launched the procurement process for a marketing firm to design and implement the communication campaign. Golo, a top Mozambican marketing company was selected to undertake the assignment. SPEED in collaboration with CTA and other relevant stakeholders (Ministry of Agriculture (MOA), Ministry of Industry and Trade (MIC), Revenue Authority AT, etc) have been working with Golo to refine the

communication campaign proposal. These stakeholders are spearheading the initiative. The communication campaign will run for a period of three months and its renewal will be subject to its success and impact.

Results. None so far. However, the initiative is expected to result in the reduction and/or total elimination of illegal taxes on agriculture supply chain participants. In the long-term it is expected that the elimination of these illegal taxes will contribute to improve agriculture competitiveness and reduction of transaction costs.

SITT #	SITT Name	Legal Instrument	Stages Achieved this quarter FY2013 Q3
58	NTB - Illegal taxes campaign	Admin Procedures	1. Analyzed

Next steps. Continue with approval and procurement process and launch the campaign.

Rural land legal framework capacity building

Context. The Land Law recognizes the right to land use, known by the Portuguese acronym, DUAT (Direito de Uso e Aproveitamento de Terras). DUATs can be held individually or collectively. Reports on land conflicts between local communities and large-scale investors have been on the rise. These conflicts are partly explained by the increasing pressure and high demand for land associated with limited administrative capacity to issue DUATs both at central and local levels. Furthermore, gaining access to land with emerging mineral, gas and coal industries is compounding the challenge, raising tensions amongst community, government and extractive industry. The challenges potentially increase opportunities for social instability, corruption and other inappropriate practices in land administration and management. It is therefore critical to strengthen processes and procedures of obtaining land rights, respecting the legal procedures as well as understanding the macro, institutional and business environment framework underpinning the process of acquisition of rural land. This will help with conflict prevention and facilitate business in a community ‘friendly’ environment.

In 2012, ACIS requested SPEED’s support to produce the third edition of "The Legal Framework for Recognizing and Acquiring Rights to Land in Mozambique in Rural Areas - a Guide to Legalization and Occupation," known as the Land Manual. The [Manual](#) was prepared by Sal & Caldeira in collaboration with the National Directorate of Land and Forests (DNTF). The Manual aims to support the institutions responsible for the administration and management of land, investors, activists and other stakeholders dealing with the processes and procedures related to land access in rural Mozambique.

At the same time, under the New Alliance for Food Security and Nutrition, the GOM has committed to specific policy reforms related to obtaining and trading rural land rights. One of these commitments is to streamline the process for obtaining rural land.

This Quarter. SPEED completed the project procurement process for a project to further disseminate the land manual and streamline the processes for obtaining land rights. Sal & Caldeira and DELCAM are the selected firms to undertake the assignment. They will deliver training of trainers on local land administration and management services, as well as prepare the assessment on underlying reasons for land conflicts and constraints associated with the processing of DUATs.

Results. None yet. In addition to more than 100 well trained practitioners in land administration and management, in the medium to long term, the project is expected to contribute to improved capacity of land management and allocation, increased transparency of land access procedures and reduced processing time and cost for obtaining rural land use rights (DUATs). The project is expected to contribute to meeting the Governments' commitment under the Cooperation Framework to Support the New Alliance for Food Security & Nutrition in Mozambique through:

- Provision of preliminary identification of constraints affecting processes and procedures for acquiring DUATs.
- Preparing a base line indicating current number of DUATs granted and the average time required to issue a DUAT in rural areas.

Next steps. Both the TOT and local trainings will take place next quarter. SPEED will support the implementation of project activities and monitor progress. A base line indicating current number of DUATs granted and the average time required to issue a DUAT in rural areas will be developed in collaboration with the DNTF to allow measuring the success of the project six months after training, by September 2014. The preliminary identification of constraints affecting processes and procedures for acquiring DUATs may lead to a reform initiative towards streamline land administration and management.

Agriculture investment plan

Context. In May 2011 the GOM approved the Strategic Policy for Agriculture Sector Development (PEDSA) as the key national CAADP implantation instrument in Mozambique. Subsequently, in December 2011 the government and the development partners, signed the CAADP Compact. To operationalize the above strategic planning instruments, in January 2012 the GOM launched the preparation of the Agriculture Sector National Investment Plan (PNISA). USAID was asked for assistance and SPEED provided a Senior Economic Advisor to coordinate

the process. The Investment Plan was approved in December 2012 and submitted for review to the NEPAD Secretariat.

This quarter. The implementation of the Investment Plan requires development of a monitoring and evaluation plan, and setting up an implementation coordinating structure. With the support of Michigan State university, SARKS and IFPRI, the MOA developed the terms of reference and held several meetings for discussion with the relevant stakeholders. The second meeting for policy dialogue with development partners was held in December 2013. The meeting briefed participants on progress made in the agriculture sector during 2012/13 crop season, steps for effective implementation of the Investment Plan and the TOR for the Joint Sector Review, which were adopted. Following the approval of the TOR, an agreement to support the policy analysis within MINAG was signed between the Directorate of Economics (DE) and SARKS. The Economic Advisor will work closely with the SARKS supporting unit to be located at DE. With the view to make the Investment Plan available in Portuguese and English, SPEED provided translation services and the Economic Advisor reviewed the translated version of the Investment Plan. It is expected that bilingual brochures will be available during the next quarter.

Results. Under the investment plan, Mozambique expects to mobilize around \$3 billion over the next five years. At the Business Meeting, development partners reaffirmed their support to Mozambique's economic and social development, particularly to the agriculture sector and they pledged an initial amount of \$800,000. With this amount the Investment Plan started to be implemented in 2013. For the first year of full implementation the government budget for the agriculture sector is expected to increase by more than 12% and the total budget will represent 50% of the financial needs for PNISA in 2014.

Next steps. Following the recommendations from the review report a technical working team was established and tasked with incorporating the recommendations, developing a monitoring and evaluation plan, and preparing detailed Terms of Reference for the Agriculture Sector Coordinating Committee set forth in the Investment Plan as the governing structure. In addition, the technical working group will develop the Terms of Reference for the coordination of implementation of the Investment Plan along the six agriculture development corridors. This will remain the focus in the next year.

Additionally, development partners have expressed concerns regarding the capacity of the MINAG to manage large amounts of funds and are pressing for the development of a common disbursement mechanism. This will be another key area of focus in the next quarter in the implementation of the Investment Plan.

As a member of the technical working group, the SPEED-funded Economic Advisor will continue supporting this important phase of the implementation of the investment Plan, as well as to support the Director of Economics in setting up an internal coordinating structure. The

Directorate of Economics is the central unit in the MOA to make sure that the Investment Plan remains the main reference document for budgeting activities in the agriculture sector and to coordinate agriculture-related activities of all government Ministries.

The development of a funds disbursement and management mechanism is part of the major priorities of MINAG and the Economic Advisor is expected to support this process.

Grow Africa / New Alliance for Food Security in Africa

Context. To boost the implementation of the CAADP Compacts, in 2010 the African Union, NEPAD and the World Economic Forum launched the “New Vision for Agriculture” focusing on agriculture transformation in developing countries. “Grow Africa” is the specific initiative aimed at increasing private investment to develop and transform African agriculture and fight against food insecurity and poverty on the continent. The G8 also launched the New Alliance for Food Security and Nutrition in Africa in May 2012.

Mozambique and seven other African countries are pilot countries to be supported under Grow Africa. Beneficiary countries prepared and presented concrete business and investment opportunities that were showcased at the Grow Africa investment conference in Addis Ababa, Ethiopia in May 2012. Beneficiary countries are also required to set up a follow up mechanism with companies that have shown interest in investing in these countries.

With regard to the G8 New Alliance for Food Security and Nutrition, Mozambique and six other African countries are considered “vanguard countries” to benefit from this initiative. Senegal has been added as the 7th country on list last October.

This initiative requires countries to commit themselves to improving the business environment for agriculture through implementation of an agreed set of policy reforms (including some SPEED-promoted reforms). The G8 countries undertake to provide financial support and to mobilize international private investment. The private sector is expected to make investment commitments in the agriculture sector in partner African countries. USAID and JICA are the coordinating partners for Mozambique in this process.

The framework cooperation agreement for Mozambique under the New Alliance was signed in New York in September 2012, and the SPEED Senior Advisor is focal point for Mozambique, together with the heads of CEPAGRI and Zambezi Valley Development Authority.

The New Alliance Initiative was formally launched in Maputo, Mozambique in April 2013 at a two day international conference chaired by the Minister of Agriculture and attended by international delegations from the G8 member countries, FAO, NEPAD, World Economic Forum, AGRA and national stakeholders representing public and private sectors and farmer organizations.

This quarter. Under the implementation of its policy commitments the government approved the law for the establishment of private credit bureaus in Mozambique. The law is now to be presented to the Parliament for final approval. On the G8 side, the World Bank concluded the pre-appraisal of the Agriculture Risk Assessment study in Mozambique as part of its commitments to implement enabling actions under the New Alliance. The report has been presented to MINAG and the Economic Advisor is facilitating its dissemination in collaboration of the World Bank country office in Maputo.

SPEED has provided support to the implementation of the policy matrix in many ways. With regards to the land related reforms SPEED's work with DNFT on training on land procedures (see above) is critical. In addition, the Economic Advisor worked with DNFT to push for the approval of regulation allowing for land sublease for community owned land up to 10ha. This matter was considered at last Land Consultative Forum held in Niassa in December 2014, and it was agreed to move forward with a comprehensive measure on land sublease. The goal is to have draft legislation be considered at the next Land Consultative Forum.

Results: Although some reforms have been completed and many are works in progress, overall compliance with the New Alliance commitments has been slow to materialize.

In terms of foreign private investment, Mozambique has not been able to attract as many companies as originally expected. Only one multinational company signatory of a LOI has established a commercial presence in Mozambique and is already operational in the field. The same company has invested \$100 million in support of education programs in the north of Mozambique. Another company is in advanced stage of identifying land to establish service center in Mozambique.

One company has presented an investment proposal in the field of fertilizer production using the recently discovered natural gas resources in the North of Mozambique. The company is considering establishing a commercial presence in Mozambique and start implementing pilot program in the area of corporate social responsibility.

The Grow Africa office in Geneva conducted a research to assess the performance of the Grow Africa and New Alliance platforms in facilitating investment and concluded that there is a need for better coordination between the national investment promotion offices and the one in Geneva. The office visited Mozambique last November to discuss ways to improve its relationship with MINAG in promoting private investment and to present the concept of special delivery entity concept as way to link smallholder farmers and private national and international investors.

Apparently, the new seed regulation did not resolve the issue of fast tracking the registration of seeds in Mozambique using the regional protocol on seeds. Companies are still required to conduct experiments before their seeds can be accepted in Mozambique. An analysis of the seed

regulation seems to be necessary to make sure that measure has provided substantial change to the seed value chain.

Next Steps: 2014 is the year of African Agriculture. The African Union and NEPAD will promote activities to stress the importance of this sector in the African Continent. The Grow Africa Office in Geneva is planning the launch of its second annual report. CEPAGRI is expected to deliver the country input into the report. The Economic Advisor and the SPEED seconded expert to CEPAGRI will assist CEPAGRI in the preparation of the annual report on Grow Africa and New Alliance.

The Economic Advisor and the expert seconded to CEPAGRI will draft a tracking mechanism to follow up on commitments of domestic investors that are signatories to LOIs.

Support to CEPAGRI on New Alliance Investments

Context. In early 2013, 17 companies signed agreements under the New Alliance for Food Security in Mozambique, committing to contribute to sustainable agricultural development through investments in numerous commodities and value chains. Because CEPAGRI has limited capacity to dedicate the time required to assisting the investors, SPEED hired a consultant to engage as an investment facilitator activities to support CEPAGRI in this endeavor. The investor facilitation activities expanded from assisting New Alliance companies, to all the companies that are in need of investor assistance or basic agribusiness information.

This quarter. The facilitation team has assisted the signing of one more Letter of Intent with the Dutch Agricultural Trade and Development Company (DADTCO), participated in a Trade Facilitation Workshop organized by the Ministry of Industry and Commerce, continued the follow-up on New Alliance companies and initiated updates to some databases that are currently in use within the institution. The team met an additional 13 companies whose interest ranged from gauging Mozambique's agricultural potential to providing financing solutions for agricultural projects.

The facilitation team was structured so that each team member tracks all the activities of a specific company, and copies the other team member on the correspondence exchanged with the investor. CEPAGRI is currently conducting follow-ups with all the companies that interacted with them during the last six months, and have begun the elaboration of a final report.

Results. Although the months of November and December proved to be quite slow, in comparison to the previous months, it is worth mentioning that an international firm has signed an MOU with the Mozambican Cotton Institute – an activity greatly assisted by the facilitation team.

Next steps. During the coming months, the implementation investment facilitation activities will continue, to include the elaboration of a final report, with a general analysis and recommendations on improvements that could be made and the next steps.

MOA capacity-building (Senior Advisor)

Context. The Ministry of Agriculture experienced a very high rotation in its leadership in last few years, which reflects the elevated expectations – mostly unfulfilled – about its contribution to poverty reduction and the fight against hunger in Mozambique. In fact, agriculture is one of the sectors accorded the highest priority in the Poverty Reduction Strategy. The newly appointed Minister, an agriculture expert, asked USAID to second a senior economist to serve as his advisor as a way to strengthen the capacity of MoA. SPEED was asked to provide one of its professionals to MoA in 2011.

This quarter/results. The main contribution of the SPEED-sponsored Senior Economic Advisor to the Minister of Agriculture has been the participation in the discussion of the TOR for the Agriculture Sector Joint Review process and for the Agriculture Sector Coordination Committee. He reviewed the translation of the Investment Plan and participated in the policy dialogue with the development partners. His major inputs to this process were the preparation of the technical documents presented at the meeting as well as the opening and closing remarks by the Minister.

He facilitated the visit to Mozambique by the senior officials from the Grow Africa Office in Geneva.

The Economic Advisor spent two weeks in China exploring opportunities to expand Chinese investment in the agriculture sector and understanding the Chinese vision for African agriculture processing and export. One important outcome from this visit included laying down the foundations for the negotiation of a sanitary and phytosanitary bilateral agreement to sign during the Mozambican Minister of Agriculture's visit to China. The agreement has been a missing piece to allow agriculture fresh products to be exported to China.

The Advisor continued to facilitate the constructive dialogue between the MoA and the development partners and a true assistant to the Minister in the field of diplomacy and economic cooperation. Additionally, the Economic Advisor has been pivotal in the promotion of technical cooperation between the Ministry of Agriculture and research and educational institutions both national and international, including United States based universities.

Next steps. As the implementation of the Investment plan has started it will be crucial to maintain the level of commitment and engagement both of the Ministry of Agriculture and

development partners as well as of the investors. This is critical to success of the implementation of the agriculture development strategy and its investment plan.

The Economic Advisor will continue providing support to the Minister and to the Ministry in the implementation of the dialogue mechanism with the development partners and all the national stakeholders. One important task will be the development of funds disbursement mechanism to be used in the implementation of the Investment Plan.

The Economic Advisor will facilitate the dissemination of the Mozambique Agriculture Sector Risk Assessment report as well as the launch of an Agriculture Expenditure Review with the main focus on the cost benefits analysis to be carried out by NEPAD this year. He will continue supporting the Minister in various programs and projects, including giving advice on strategic documents submitted to Cabinet for approval.

The Economic Advisor will continue providing support to the Minister and to the Ministry in the implementation of the dialogue mechanism with the development partners and all the national stakeholders. One important task will be the development of funds disbursement mechanism to be used in the implementation of the Investment Plan .

The Economic Advisor will also facilitate the dissemination of the Mozambique Agriculture Sector Risk Assessment report as well as the launch of an Agriculture Expenditure Review with the main focus on the cost benefits analysis to be carried out by NEPAD this year.

Tourism and Biodiversity

SPEED's work in tourism and biodiversity focuses on helping Mozambique to realize its potential competitiveness in the sector. Tourism is widely seen as one of the most effective ways of preserving biodiversity, as market forces all pull in the same direction – consumers and providers all have an interest in preserving the natural environment and ensuring sustainable use of natural resources. In addition, tourism tends to be labor-intensive, thus providing opportunities for broad-based economic growth as well as biodiversity. The majority of SPEED's effort helps ensure a private-sector friendly **legal and regulatory regime**. An example of legal and regulatory work includes an examination of competition in aviation (Open Skies initiative).

Open Skies initiative

Context. There is a worldwide trend for countries to reduce government interference and regulation in commercial air services and open the sector to competition. Mozambique is moving towards liberalizing this market, but progress has been slow. CTA wishes to better understand

the impediments that may be causing this slow liberalization. Although a few attempts exist to look into the impact of liberalization on the air-transport market and synergies for development of tourism and other sectors, these studies remain too “high-level” and difficult to implement. CTA seeks concrete, specific recommendations to accelerate liberalization, highlighting the potential impact for growth in other sectors. Last year, aviation economist Rafael Enriquez, was recruited by SPEED. During this visit, the consultant and SPEED were able to gather significant data and information from the airports of Mozambique and LAM, Mozambique’s national-flag airline.

This quarter. The consultant completed the [report](#), which was posted on the SPEED website. CTA conducted a series of consultations with the Tourism and Transportation Working Groups, LAM, Instituto de Aviação Civil de Moçambique (IACM), Aeroportos de Moçambique (ADM) and its members in general to obtain feedback in anticipation of a follow-up visit from the consultant and a series of workshops on the topic.

Results. None yet. However, the report indicates that a series of policy reforms could result in the tripling of the impact of travel and tourism on Mozambique’s economy within 15 years.

Next steps. The SPEED consultant will return to Mozambique to meet with the various stakeholders and conduct an open workshop on this important topic. The Ministry of Tourism, among others, has shown a great interest in true liberalization of Mozambique’s airspace.

A follow up to this work could include assistance to prepare or amend legislation towards a liberalized market as per the recommendations of the report – these next steps still have to be determined jointly with CTA and civil aviation authorities.

Democracy and Governance

SPEED’s work on democracy and governance aims to improve **transparency** around issues such as the impending resource boom, the increased visibility of the private sector in policy, and the improvement of corporate ethics. Specifically, SPEED continues to raise the quality and level of dialogue around the country’s **resource boom**, including the newly proposed fiscal regime for extractives and local content regulations. This issue will continue to grow in importance from the democracy and governance perspective. Another key area of work includes the development of a legal framework to formalize public participation in the policy process. There is now a solid consortium of actors from the private sector and civil society that are committed to drive this new legislation forward.

Analysis of extractive industries tax laws

Context. Last year the government introduced draft tax laws for both mining and petroleum / gas. As this is a highly specialized area of expertise, CTA asked for SPEED's support to prepare comments on the laws. These laws could be among the most important to be passed in Mozambique for the next generation, and the Tax Authority (AT) has listened to many different perspectives. SPEED mobilized a top expert, Professor Richard Westin, to prepare detailed comments to both drafts as well as outline practices in similar countries. The main objective of these comparisons was to inform Mozambique's government and civil society about the most important vehicles used to maximize revenues from non-renewable sectors in a transparent and fair manner. The comments to both draft tax laws were submitted to the government by CTA using the reports prepared by Prof Westin for SPEED. Prof Westin visited Mozambique and held intensive discussions with the Tax Authority, the Ministry of Mineral Resources, the National Institute of Petroleum, the National Institute of Mining, and extractive industry companies. He also gave a public workshop with over 90 participants.

This quarter. SPEED continued discussions with AT, who incorporated Professor Westin's comments into the new draft that was considered by Parliament. As soon as the law is passed, AT has indicated that they would like further support from SPEED to help develop appropriate regulations to implement them.

Results. The Tax Authority incorporated several of SPEED's comments into the next draft.

Next steps. Now that the draft mining and petroleum tax laws will be soon approved by Parliament, it is critical that the respective regulations are prepared, especially given all the problems that will likely persist in the final law. SPEED has recruited Prof Richard Westin to assist the Tax Authority and CTA in the preparation of these regulations. A problematic law places the burden on the regulations to clarify and resolve flaws in the law itself. Once the regulations are prepared and passed by the Cabinet, the next steps could entail capacity building and systems development at the Tax Authority to ensure it can duly take the enormous task of properly implement these two tax laws.

Local content policy

Context. Extractive industries are becoming increasingly important for the Mozambican economy as new natural resources are being discovered in the country. In addition to taxes and royalties, extractive industries can potentially stimulate development opportunities and unleash country's wealth and prosperity. Mozambique should aspire to an extractive industry that is well integrated into the economy through policies and incentives that foster country's development and competitive businesses.

The current trend offers opportunities for large investments in infrastructure and services supporting the extractive sector with potential to open up new markets for Mozambican

businesses. The critical question is how Mozambican businesses can best participate in the new economy and how best to stimulate the development of the private sector to take maximum advantage of the resource boom. How can Mozambique best combine new opportunities from its extractive industry with initiatives that facilitate business growth and produce broad based national and community development?

In 2012 SPEED initiated work to inform stakeholders and particularly government about opportunities and risks associated with this new development. A [review](#) of experiences from a range of countries, including Mozambique, on SME linkages to extractive industries indicated that policy choices supporting the business environment are critical to best leverage the economic opportunities in extractive industry. In addition to business linkages, the issue of local content, understanding the implications of local content policy and strategy choices is of critical importance.

In 2013 SPEED supported an assessment of [Policy Options to Strengthen Local Content in Mozambique](#). The review is intended to help the Government of Mozambique make the best-informed decisions for shaping country's local content policy. It is built off an understanding of Mozambique and international experience with local content laws, policies, regulations and practice as well as close consultation with the private sector and government in Mozambique. It has been a timely assessment, offering insights regarding the pros and cons of different local content policy and strategies. The assessment brought to the fore the importance of active involvement of Mozambican economy in the oil and gas industry through competitive and sustainable local content and local participation as an opportunity to lift the Mozambican economic frontier and as a major policy issue.

This Quarter. Consultations around local content issues and experiences continued with CTA and other stakeholders. The SPEED consultant delivered a business breakfast hosted by CTA and delivered the keynote address to ACIS' annual BizLink event. VALE and Anadarko shared their experiences and LC plans and processes in line with their public information policies. SPEED participated in these meetings, further expanding the Local Content collaboration network. SPEED and CTA agreed to further broaden the discussions on Local Content.

In addition, work towards establishment of a Task Force was initiated with SPEED supporting in the draft of LC Task Force terms of reference. The Task Force is expected to lead and coordinate initiatives around Local Content processes, which may include development of a LC policy, improve access to Local Content information (particularly on procurement) and training and other capacity development initiatives to strengthen local SMEs.

Results. Beyond the dissemination activities and awareness raising, none yet. It is expected that a sustainable platform for stakeholder discussions to build consensus and agree upon Mozambique's way forward on strengthening local content will be established. This platform

will intend to inform and influence Government's choices and decisions on local content policy process and strategies moving forward. It is expected to contribute to addressing identified market and institutional failures (i.e., non-competitive markets, information asymmetry, absorptive capacity, inadequate local SME's capacity, etc.) which block local content development. Ideally, the work will stave off more restrictive and protectionist policies that will distort markets and undermine competitiveness.

Next steps. Next quarter, validation and dissemination seminars on findings and recommendations of Policy Options for Strengthening Local Content in Mozambique will take place in Tete and Pemba. The seminars are planned for mid-February. SPEED will continue to support Government and private sector initiatives towards strengthening local content in Mozambique through dissemination and informative workshops and supporting the establishment of a Local Content Task Force.

Competitiveness in light of the resource boom

Context. SPEED's earlier analytical work highlighted the potential for Dutch Disease and other aspects of the resource curse as Mozambique begins to benefit from large inflows of investment and tax revenues from the extractives sector. Of particular concern is the potential for tradable sectors, including agriculture, to buckle under the pressure of an appreciating metical. In response, CTA asked SPEED to undertake some preliminary work to define the issues related to competitiveness of Mozambique's non-extractive tradable sectors. SPEED contracted a senior consultant to visit Mozambique and prepare a report that identifies the main competitiveness bottlenecks and produces policy recommendations in four focus areas: agriculture, tourism, manufacturing, and labor (costs, productivity, training and education).

This quarter: In October 2013, the consultant's completed his [overview report](#). The paper is available on the SPEED web site in English and Portuguese.

During the course of this activity the consultant prepared a series of terms of reference for follow-up consultancies looking at the impact of the resource boom on competitiveness in key sectors. Two of these follow-up consultancies have been selected for further work, those related to agriculture and labor. These were selected based on their joint relevance to the democracy and government and agriculture pillars of SPEED's activities. The studies will focus on analysis of current operators in the two sectors, scenarios related to economic changes arising from the resource boom and the potential impact of these scenarios on the operators.

Results. None yet.

Next steps. Work on the two studies (agriculture and labor) will begin over the next quarter. For each sector, the work will entail analysis of 2-3 key value chains, benchmarking against

comparator countries, assessing the impact of macroeconomic shifts expected from the resource boom on those sectors; and suggest ways to improve competitiveness based on international experience adapted to the Mozambican reality.

Formalizing public participation in the policy process

Context. Public participation in policy making is enshrined in the Constitution of Mozambique which requires submission to the public of draft regulations for collecting suggestions before approval. However, the current process for incorporating the public's view in the policymaking process is largely ad hoc and unsatisfactory for the private sector and civil society. In collaboration with CTA, SPEED commissioned the law firm SAL & Caldeira to draft the bill that will guide public participation in the legislative process in Mozambique. The draft bill aims to create a more transparent and participatory system for policy development and improve the formulation of laws and regulations affecting the business environment (and the public at large). The draft bill was completed in October 2012, and will be subject to a wide consultation process with the private sector and civil society.

This Quarter. SPEED worked with a broad base of stakeholders to develop a project that will improve policy making process through strengthening the level of engagement, participation and influence of the private sector and civil society in the development, approval and implementation of laws in Mozambique. Continued efforts to engage both private sector and civil society to support the initiative have been relatively successful with these organizations (CTA, CIP, FAN, Forum Mulher, ACIS and Camara do Comércio) ready to partner with initiative. Project implementation will occur in February 2014.

Results. Once approved, this legislation will greatly enhance the civil society and private sector's ability to influence public policy and transparency in public policy making.

Next steps. Broaden the process of consultation across private sector and civil society; submit the draft Bill to the Government or Parliament for consideration and approval, and wider dissemination of the Act (if the proposed bill is approved).

MANAGEMENT AND ADMINISTRATION

Staff movements

SPEED bid farewell to Senior Economist Antonio Franco over the quarter. Antonio made several important contributions to SPEED's agenda. In the early SPEED days he conducted analyses on the GOM's proposal to implement the "cesta basica" policies that would guarantee low-priced foodstuffs and basic goods to citizens. More recently, he served as the anchor on analytical work

on the impact of the resource boom on the economy. Antonio will remain an informal advisor to SPEED, and during the next quarter, two new Senior Advisors will begin working with SPEED. Also during the quarter, Carrie Davies, ex Executive Director of ACIS, joined the SPEED team as a short-term consultant.

SPEED Impact Framework

Context/this quarter. SPEED is required to report on impact of project activities to USAID. Under USAID's results framework, each year SPEED is required to report on SPEED-support activities that result in: (1) a cost savings to the private sector and (2) jobs created. These are particularly challenging indicators to track for a policy project. SPEED developed a paper that describes four draft frameworks and logic chains for estimating the monetary benefits for the following selected business environment reforms supported by the project: reduced time to pay taxes; reduced fees at the Nacala Dry Port; elimination of illegal payments; and issuance of VAT receipts in the agriculture sector. The draft framework incorporates and builds on previous work done by SPEED (Bolnick and Roberts, 2011; Garcia, 2008) and attempts to set out the frameworks for conducting the analysis.

Results/Next steps. A clearer framework now exists, but the key reforms have not yet been implemented by the GOM. Once a verifiable change has taken place for each of the activities with support from SPEED, data will need to be collected and inserted into the framework so the analysis can be applied.

USAID RIG audit

Context/this quarter. USAID conducts periodic financial and performance audits of its programs and individual projects. These audits are carried out by Regional Inspector Generals' (RIG's) Offices. The Pretoria RIG office launched a performance audit of USAID's Agriculture, Trade and Business office in Mozambique, and selected SPEED as one of three projects to examine as part of that audit. The SPEED team spent considerable time with the team and accompanied auditors to various stakeholder meetings.

Results/next steps. No results yet, but the audit should be useful in improving SPEED's current operations and informing the Mission on key elements to consider in the design on the next business environment project. The RIG audit will complete its work next quarter.

IPEME local currency funds

Context. Mozambique's SME promotion institute, IPEME, received \$1.5 million from USAID in local currency funds generated from various USAID-funded activities in the past. The funds

were disbursed to support a multi-year program of IPEME activities with SMEs. However IPEME's concerns about government management of the funds led them to ask SPEED to manage the funds on their behalf. SPEED drafted and signed an MOU with IPEME to outline objectives, roles and responsibilities, and as completed a parallel contract to receive and manage these funds.

This quarter. SPEED worked with IPEME staff on the procurement process for several activities and also SPEED attended a forum for consultation between IPEME and partners in order to ensure the integration of programs ensuring their alignment and complementarities.

Results. The SME portal was concluded and launched. The draft reports of marketing plan and feasibility of CTCs for Chokwe and Boane were presented to IPEME for comments.

Next steps. SPEED will continue work with IPEME to implement the current workplan assuring timely and quality deliverables.

ANNEX 1: CAPACITY-BUILDING ACTIVITIES AND OUTREACH

Date	Activity	Venue	Client		Participants		
			Institution	Category	M	F	Subtotal
16-Oct-13	Local Content	Hotel Avenida	CTA	PS, CSO	75	21	96
22-Oct-13	PTF Transit within Janela Unica meeting	Customs Office, Maputo	Tax Authority	PS, CSO	23	11	34
23-Oct-13	PTF Transit within Janela Unica meeting	Ressano Garcia, Maputo	Tax Authority	PS, CSO	28	1	29
25-Oct-13	PTF Transit within Janela Unica meeting	Hotel Tivoli, Beira	Tax Authority	PS, CSO	17	3	20
30-Oct-13	PTF Transit within Janela Unica meeting	Cuchamano, Manica	Tax Authority	PS, CSO	22	2	24
31-Oct-13	PTF Transit within Janela Unica meeting	Zobue, Tete	Tax Authority	PS, CSO	35	3	38
1-Nov-13	PTF Transit within Janela Unica meeting	Colomue, Tete	Tax Authority	PS, CSO	29	7	36
4-Nov-13	PTF Transit within Janela Unica meeting	Nacala-Porto, Nampula	Tax Authority	PS, CSO	40	7	47
6-Nov-13	PTF Transit within Janela Unica meeting	Hotel Chiwindi, Lichinga	Tax Authority	PS, CSO	28	4	32
7-Nov-13	PTF Transit within Janela Unica meeting	Cuamba, Niassa	Tax Authority	PS, CSO	27	3	30
22 & 23-Nov-13	National Entrepreneur Fair	Centro C. Joaquim Chissano, Maputo	ANJ	PS, CSO	689	111	800
4-Dec-13	Dissimination of Insolvency Legislation	Raibow Hotel, Beira	MOJ	PS, CSO	20	2	22
6-Dec-13	New Faces New Voices	Centro Cultural do BM	ICC	PS, CSO	50	121	171
5 & 6 -Dec-13	Training of Judges	Raibow Hotel, Beira	MOJ	PS, CSO	15	1	16
11-Dec-13	Dissimination of Insolvency Legislation	Hotel Executivo, Nampula	MOJ	PS, CSO	29	6	35
12 & 13 -Dec-13	Training of Judges	Hotel Executivo, Nampula	MOJ	PS, CSO	10	3	13
17-Dec-13	Dissimination of Insolvency Legislation	Hotel Avenida, Maputo	MOJ	PS, CSO	23	7	30
18 & 19 Dec-13	Training of Judges	Hotel Avenida, maputo	SPEED	PS, CSO	13	3	16
	Subtotal						1,489
	Subtotal (cumulative)				1,173	316	1,489

FY 2014 Q1

ANNEX 2: LIST OF DOCUMENTS PUBLISHED IN Q1 2014

Date of Publication	Title	Author(s)	Portuguese/English
Reports			
2013/24/10	Open Skies: Air Travel Liberalization in Mozambique	Rafael Enriquez	English
2013/28/11	Evolution of the Business Environment in Mozambique 1996 – 2013	CTA & ACIS	Portuguese & English
2013/06/12	Competitiveness in light of Mozambique's Resource boom - Trip Report	J.E. Austin Associates, INC	Portuguese & English
Presentations			
2013/16/10	Policy Options for Strengthening Local Content in Mozambique	Zachary Kaplan	Portuguese & English
2013/10/11	Extractive-Industry-Tax-Contribution-to-Mozambican-Economy	António S. Franco	Portuguese
2013/10/11	Mozambique's economic outlook – Addressing the G19	António S. Franco	Portuguese
Notes			
2013/06/11	Impact Assessment on Construction Permits.	Horácio Morgado	Portuguese
2013/06/11	Estimating-The-Monetary-Benefits-Of-Selected-Speed-Supported-Activities: SPEED Project Guidelines	Ashok Menon	English

ANNEX 3: SUMMARY SITT TABLE

SITT #	SITT Name	Legal Instrument	Stages Achieved this quarter FY2013 Q3
9	Competition law	Policy	5. Implementation begun
22	Tax regulation in agriculture	Policy	3. Presented for legislation
26	Tourism decree	Regulation	4. Passed
44	International trade website	Admin Procedures	4. Passed
57	Insolvency law – Implementation	Admin Procedures	2. Presented for consultation
			5. Implementation begun
58	NTB - Illegal taxes campaign	Admin Procedures	1. Analyzed