



USAID | **SPEED**
FROM THE AMERICAN PEOPLE | For a Better Business Environment

SPEED PROJECT QUARTERLY REPORT #6

APRIL – JUNE 2012

JULY 2012

This publication was produced for review by the United States Agency for International Development. It was prepared by DAI.

SPEED PROJECT QUARTERLY REPORT #6

APRIL – JUNE 2012

Program Title:	Support Program for Economic and Enterprise Development (SPEED)
Sponsoring USAID Office:	USAID/Mozambique
Contract Number:	EDH-I-00-05-00004-00/13
Contractor:	DAI and Nathan Associates
Date of Publication:	July 2012

The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

EXECUTIVE SUMMARY	i
BACKGROUND	1
<i>This Document</i>	1
TECHNICAL ACTIVITIES	1
<i>Business Environment, Trade and Investment</i>	1
Impact of the exchange rate on the economy	3
Support to Ministry of Finance	3
Streamlining the construction license process in Maputo	4
Diagnosis of construction license process in Quelimane	5
Doing Business data validation	6
Nacala terminal recommendations	6
Quality of service for mobile operators	7
Partnership for Trade Facilitation	8
Institutional support to CTA	8
Business Environment Annual Strategy – PAMAN	9
Support to Tiri Pamodzi	10
CACM Grant to introduce informal arbitration	10
US/Mozambique Business Conference	10
MIC Commodity Exchange retreat	11
Support for Mozambique’s AGOA participation	11
Access Africa Forum in Portugal	12
<i>Tourism and Biodiversity</i>	12
Arco Norte Tourism Development Corporation	12
Position paper on Tourism Decree	14
Open Skies initiative	14
Concessions on protected lands	15
Biofund Mozambique	15
<i>Agriculture</i>	16
Recommendations on taxes in agriculture	16
Development of agriculture investment plan	17
Grow Africa / New Alliance for Food Security in Africa	17

US-Africa Agriculture Forum	18
London Roundtable	19
Support to World Bank Development Policy Operation	19
Updated land manual	19
<i>Democracy and Governance</i>	20
Support to EITI-Mozambique	20
Corporate Code of Ethics	21
Quelimane Municipal Audit	21
Formalizing public participation in the policy process	22
MANAGEMENT AND ADMINISTRATION	22
COP transition and strategy retreat	22
IPEME local currency funds	23
Website upgrade	23
ANNEX: CAPACITY-BUILDING ACTIVITIES AND OUTREACH	24

SPEED Project Quarterly Report #6

April – June 2012

EXECUTIVE SUMMARY

SPEED is a USAID-funded project 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 that builds the capacity of business associations and corresponding government institutions and catalyzes trade and investment in Mozambique. SPEED also operates a grants fund to complement the training and technical assistance activities with associations and Government.

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.

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.

Business environment, trade and investment. The bulk of SPEED's efforts go toward 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's work on Mozambique's **exchange rate** has helped stakeholders to better understand the implications of overvaluation on the country's 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, concrete recommendations and reforms at the municipal level in Maputo promise to save businesses hundreds of days to obtain their construction permits.

SPEED also works to strengthen the key **institutions** required for a strong business environment. Examples include work with the Treasury and the Ministry of Finance to improve their budget reporting and planning capacity, and support to the INCM to improve their ability to set and monitor quality of service standards. In addition, SPEED has invested strongly in 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 both the

Executive Director and Senior Advisor to CTA, and many projects are implemented together with the organization.

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**. Examples of legal and regulatory work include an examination of competition in aviation (Open Skies initiative) and a review of the standard-setting law for tourism facilities. In addition to these policy-related activities, SPEED actively promotes innovative **public-private partnerships** to address key constraints to tourism development. The Arco Norte Tourism Development Corporation project presents an example.

Agriculture. With ¾ 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 direct support to the Ministry of Agriculture's **Senior Economic Advisor** to the Minister, whose primary responsibility is to develop 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 such important initiatives as 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 on the sector.

Democracy and Governance. SPEED's work on democracy and governance this quarter has focused on improving transparency around such issues as increasing the voice of the private sector in policy, corporate ethics and the extractives industry. Specifically, this quarter SPEED helped develop a legal framework that would formalize public participation in the policy process and support the Mozambique Institute of Directors (IOD) to develop a corporate code of ethics. Going forward, SPEED will step up its work supporting the government to manage the flow of funds from the **extractives industry**. Another area of focus going forward is **transparency**, including continued work with such organizations as EITI and the IOD.

Capacity building. SPEED supported six **capacity-building events** in support of its technical programs, with a total of around 540 participants, including around 60 women (see Annex).

Management and administration. This quarter witnessed a shift in **SPEED management**, with Brigit Helms taking the COP reins from Scott Simons, who retired in April. Other highlights included a full team (USAID/SPEED) **strategy retreat** to take stock and determine priorities moving forward; the launching of work under the **IPEME grant**; and substantive efforts toward revamping the **SPEED website**.

BACKGROUND

SPEED is a USAID-funded project 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.

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. SPEED also operates a grant fund to complement the training and technical assistance activities with associations and Government.

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 September 2010. Funding obligations for the project totaled \$ 5.1 million as of June 2012.

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 project PMP make specific reference to the PMP stage of reform for ease of cross-referencing between this Quarterly Report and the PMP report.

TECHNICAL ACTIVITIES

Business Environment, Trade and Investment

The bulk of SPEED's efforts go toward 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's work on Mozambique's exchange rate has helped stakeholders to better understand the implications of overvaluation on the country's competitiveness and economic growth. SPEED also works at the more tactical level to support the GOM's efforts to improve the country's ranking in the IFC/ World Bank's *Doing Business* report. For example, concrete recommendations and reforms at the municipal level in Maputo promise to save businesses hundreds of days to obtain their construction permits.

SPEED also works to strengthen the key **institutions** required for a strong business environment. Examples include work with the Treasury and the Ministry of Finance to improve their budget reporting and planning capacity, and support to the INCM to improve their ability to set and monitor quality of service standards. In addition, SPEED has invested strongly in 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 both the Executive Director and Senior Advisor to CTA, and many projects are implemented together with the organization.

Current quarter results based on previous work. Three initiatives worked on by SPEED in previous quarters have borne fruit this quarter, AMCHAM Certification, and Capacity Building in Human Resources with both TPM and INAE.

AMCHAM certification

In late 2011, SPEED worked with the American embassy and the American-Mozambique Chamber of Commerce (CCMUSA) to prepare CCMUSA’s accreditation application to the American Chamber of Commerce. In June CCMUSA recognized as the ninth officially recognized American Chamber of Commerce (Amcham) affiliate in sub-Saharan Africa.

TPM – Human resource capacity building

In early 2012, SPEED developed the human resources management system for the Maputo public transport system as a follow up of the analytical work conducted, in 2011 on government policy measures (which included a subsidy on transport for workers, students and the elderly). The work developed a modern human resource model for TPM including career planning and staff development, salary policy, etc. This quarter the final report, submit by the board of TPM to the City Council of Maputo, was approved and began implementation.

INAE – Capacity Building in Human Resources

In 2009, the GOM created the National Inspectorate for Economic Activities (INAE), which consolidated nine different inspectorates into a single, overarching agency. To enable INAE to effectively start up its activities and ensure coordinated and transparent inspections to private sector, SPEED developed a comprehensive human resources management system for INAE which began implementation this quarter.

PMP #	PMP Name	Legal Instrument	Stage Achieved this quarter
16	INAE Human Resources System	Admin Procedures	5. Implementation Begun

Impact of the exchange rate on the economy

Context. In late 2011, a SPEED-commissioned [study](#) confirmed that the real exchange rate in Mozambique has been appreciating since 1995. That study highlighted the key transmission mechanisms of the impact of exchange rate shifts, as well as possible economic impacts of a real appreciation. In early November 2011, a [SPEED Note](#) outlined the challenges of real appreciation of the metical as a developmental challenge in Mozambique. The Note stressed that an appreciating real exchange rate—as a result of enormous influx of foreign exchange from mineral resources revenues—will place great strains on the tradables sector, competitiveness and long-term economic development. It advanced a few policy proposals to deal with currency appreciation, in particular, the establishment of a sovereign wealth fund. A second [SPEED Note](#), also from November 2011, examined sovereign wealth funds in other countries as an instrument widely used to decelerate real appreciation, cope with constraints on domestic absorptive capacity, create space for structural changes and allow for inclusive development and poverty reduction.

This quarter. SPEED embarked on a new study to investigate whether Dutch Disease and other signs of the resource curse already exist in Mozambique. This study will include policy recommendations and further work on sovereign wealth funds as a management instrument. This study is near completion. A workshop to present the draft report is scheduled for mid-August, while the final report should be published in September.

Results. SPEED’s exchange rate work has helped place currency appreciation on the agenda as a major policy issue in Mozambique. This work is expected to deepen understanding across stakeholders about the dangers of real appreciation of the exchange rate. Ultimately, if successful the work should spur policymakers to implement a sovereign wealth fund, augmented with a stabilization fund to protect against volatility in the commodities markets.

PMP #	PMP Name	Legal Instrument	Stage Achieved this quarter
27	Exchange rate policy	Policy	1. Analyzed

Next steps. This work will form the foundation of a larger agenda SPEED plans to pursue around the impact of extractive industries on the Mozambican economy. Specific next steps include presenting and discussing the findings and recommendations of the current study on the existence of Dutch Disease signals in the economy; and expanding outreach and discussion on sovereign wealth funds to cement the understanding that they represent a superior instrument to alternatives. SPEED will also advance more specific proposals on sovereign and stability funds by analyzing the costs and benefits of various sovereign wealth and stabilization fund structures. SPEED will also work with other international partners that are active in this field.

Support to Ministry of Finance

Context. In the past, SPEED support to the Ministry of Finance (MoF) has concentrated on enabling the ministry to produce quarterly budget reports. SPEED initially assisted the Ministry and the Treasury to produce and aggregate comprehensive quarterly reports. These reports have been produced on a regular basis since April 2011. The MoF’s individual departments (budget, accounting, information systems, procurement, etc.) often have skilled staff who possess in-depth knowledge about their own departments’ activities and procedures. The public financial management information system is good and produces most of the data needed for the Ministry’s quarterly reports. These reports are compiled by individual departments, but no consolidated

overall budget exists – a gap SPEED has been asked to help fill. There is also a need for monthly reporting so that the government can monitor inflows and outflows more rigorously. Enhanced reporting will also help the Treasury formulate more accurate and responsive budgets over the long term.

This quarter. Two major outputs were achieved this quarter. The first was to assist the preparation of the 2011 annual budget report and the first quarter 2012 budget report. The second output was two-fold. First, the GOM asked SPEED to train a group of staff based in Treasury, including staff from Treasury and officials from budget accounting, public debt, and budget. This team will take charge of preparing regular budget reporting, monitoring and analysis (findings and recommendations on problematic areas of budget execution). After this training has been completed, the Ministry of Finance will initiate monthly budget report preparation. This major shift will vastly improve reporting and planning for both the MoF and the Treasury.

SPEED is now waiting for the ministry to appoint the budget reporting team to initiate the training program and assist with the launch of monthly budget reports.

Results. SPEED assisted in preparing a consolidated 2011 annual budget report and a 1st quarter 2012 budget report. The MoF will also initiate monthly budget reporting and establish it as a working-routine.

Next steps. The next phase of support, in addition to the quarterly budget reporting required by law, is to train a small group of 4-5 specialists in budget monitoring and reporting, with emphasis on monthly reporting. Assistance will also focus on analytical performance of the budget and recommendations on policy issues if needed.

Streamlining the construction license process in Maputo

Context. The process for issuing construction permits has been identified by the private sector as an important obstacle impeding the easing of doing of business in Mozambique. [According to the *Doing Business* report](#), it currently takes the average business person 380 days to obtain a construction permit. Currently, Mozambique ranks 126th in obtaining a construction permit among 183 economies. There is evidence that relatively simple improvements in streamlining construction permits processes could improve the country's ranking to the 72nd position.

SPEED began working with the Municipality of Maputo (CMM) on simplifying the process of obtaining construction permits in October, 2011. This earlier work identified a series of recommendations divided into two categories: short-term (low-hanging fruit) and long-term.

This quarter. In the second phase of the project, SPEED is supporting the CMM to implement the reforms recommended in the earlier report. First, building on the short-term recommendations, a set of detailed proposals for how to re-design the process for obtaining a construction permit were discussed with and approved by the Municipal Assembly. Following this approval, SPEED helped CMM staff to develop technical [justification documents](#) (*justificativa tecnica*) that form basis for actual implementation, which has now begun. Full implementation awaits only formal approval by the Mayor of Maputo. In tandem with the administrative procedures outlined in the *justificativa tecnica* documents, SPEED is supporting a review of relevant ordinances and decrees to ensure consistency between proposed changes and the legal framework. SPEED also organized two conferences with fifteen representatives of the private sector on the simplified permit procedures, as well as a presentation to the donor community at the Private Sector Working Group.

SPEED, in conjunction with the CMM, has also created a private sector group of business people in the building, construction, and housing sectors to guide the Municipality on how to implement its long-term recommendations. SPEED supports the group by helping to facilitate meetings and providing them with key information required to fully understand the reform agenda.

Results. Several administrative procedures were submitted for approval and have begun implementation (while waiting for formal approval). These improved procedures are expected to result in more than 70 days savings in the time it takes to obtain a construction permit. Once the full suite of reforms (both long- and short-term), the expected time savings equals around 112 days. Even more time and cost savings can be expected with further automation of processes.

The formation of the private sector group is a real milestone in the project. This group is highly motivated and self- sustaining. They appreciate the opportunity to participate in the policy process and one of the leaders told SPEED: “This is the first time we have been asked to the table, and we had better jump on it! We cannot just sit around and complain; this is our opportunity to help make change happen.”

PMP #	PMP Name	Legal Instrument	Stage Achieved this quarter
10	Construction Licenses Procedures	Admin Procedures	4. Legislation passed

Next steps. On the short-term actions, once the *justificativa tecnica* documents are formally approved by the Mayor of Maputo, SPEED will provide IT equipment required to fully implement the changes. In addition, SPEED will help draft legislation for long-term reforms that will be presented to the municipal assembly over the next quarter.

Diagnosis of construction license process in Quelimane

Context. Following on SPEED’s success with the Municipality of Maputo, the Municipality of Quelimane requested that SPEED conduct a preliminary assessment of its construction permits process. The Quelimane mayor wants to improve the delivery of this service to the local community and its entrepreneurial base.

This quarter. SPEED conducted a review of the Quelimane municipality’s construction permit process. SPEED began by financing a workshop for twenty-five municipal staff and private sector representatives in Quelimane to disseminate the proposed Maputo reforms, as well as discuss the relevance of the recommendations for all municipalities. At the end of a 10 day analysis, SPEED presented a preliminary report to the mayor of Quelimane regarding the reforms and recommendations.

Results. The mayor has expressed his interest and intent to implement proposed changes over the next quarter.

PMP #	PMP Name	Legal Instrument	Stage Achieved this quarter
28	Construction permits procedures in Quelimane	Admin Procedures	1. Analyzed

Next steps. The next step is to finalize the report and then support the Quelimane municipality to implement the recommended reforms by contracting the relevant consultant and coordinating timelines and activities with the Quelimane Municipality.

Doing Business data validation

Context. Very often Government representatives raise concerns about Doing Business (DB) data, pointing to some discrepancies between these data and reality on the ground. Senior government officials raised these concerns again during the retreat funded by SPEED in December 2011, aimed at drafting the government's business environment action plan. The Ministry of Industry and Commerce, on behalf of the inter-ministerial group for the removal of investment barriers (GIRBI) requested that SPEED conduct a survey to assess the validity of these concerns.

This quarter. SPEED carried out an [independent survey](#) focusing on five out of the ten DB indicators. SPEED's independent consultant studied the following time and motion indicators: starting a business, getting electricity, international trade and paying taxes. In addition, the study included Mozambique's worst-ranking legal indicator: getting credit. The country's ranking and the potential for changes were the criteria used for selecting the indicators. The survey examined the description of the procedures reported by the 2012 DB report; time, cost, and documents requested to complete a procedure; the data behind the indexes; and the legal framework.

The study confirmed the government's concerns about the DB data on three indicators:

- Getting credit: the depth of legal rights index is 100% higher than the one reported by DB while the number of companies and people registered in the public credit bureau is 22% and 30% higher, respectively;
- Getting electricity: the number of procedures and days for getting electricity are 2 and 4 times lower than the DB data;
- Paying taxes: the time reported by DB is 2 times higher than the reality in the ground.

If these findings had been taken into account in the 2012 DB report, the country's ranking would be at least 30 positions above the current one.

Results. In order to ensure that the next DB report takes these changes into account, MIC submitted a memo to the DB team in Washington in late June. The memo includes reforms implemented over the past twelve months, ongoing reforms, and recommendation from the data review analysis conducted by SPEED.

Next steps. Make sure that the results are taken into account by the DB team; conduct a similar study on a sample of 5 indicators, after the 2013 DB report is released.

Nacala terminal recommendations

Context: In February 2010, the Government of Mozambique approved the creation of a new Port Terminal in Nacala (TEEN), which was later concessioned to a private company (NCL & Africa Import and Export Ltd) to operate. The purpose of the project is to unblock the Maritime international terminal which is completely overloaded. The two terminals operated simultaneously, providing the same services to exporters and importers until January 18, 2012, when the customs authority announced the mandatory use of the new terminal by exporters. Against this background, ACIANA (Commercial and Industrial Association of Nampula), representing the business community in the north of the country in general and exporters in

particular, began a dialogue with the Provincial Government of Nampula discuss the mandatory use of TEEN, the absence of adequate working conditions required for an export port terminal, and the cost and time lapses associated with using it.

This quarter: To assess these concerns, SPEED visited the terminal, met with key stakeholders (Tax Authority, terminal operator, exporters, the private sector association based in Nampula) and drafted a [note](#). The note points out that demand for port terminal services will increase continuously in the coming years, mainly due to the expected growth of natural resource exports. The Nacala Port could be the main port used to export coal and other minerals from the center and north of the country. Also, in theory the new terminal could reduce the volume of cargo cleared in the old terminal and introduce efficiencies as it concentrates all relevant government services in one place. However, in reality, the impact on the ground deviates significantly from the theoretical assumptions, since the new terminal made the export process even more time consuming and expensive, thus reducing the competitiveness of national exports. If these increases in time and costs were taken into account in the DB 2012 exercise, the country's ranking could drop 15 positions. To address these problems, SPEED recommends a review of the legal framework to ensure competition among terminal operators.

Results. None yet. However, implementation of the recommendations would lead to a reduction in fees charged to exporters and improved efficiency of terminal operators.

PMP #	PMP Name	Legal Instrument	Stage Achieved this quarter
24	Port terminal regulation	Regulation	1. Analyzed

Next steps. Next quarter will see dissemination of the results of this work, including a seminar in Nacala/Nampula with the business community, tax authority and port terminal operator. SPEED might also work on the changes in the legal framework based on international best practices.

Quality of service for mobile operators

Context. Mozambique suffers from uneven and often poor quality service among mobile operators. The failure of voice calls and SMS inter-networking and intra-networks create inconvenience to business users and more acute difficulties in places with low population density. The National Telecommunication Institute of Mozambique (INCM) is responsible for regulating, supervising, and representing the communications sector. The INCM contacted SPEED to help them improve the business environment and encourage innovation (for instance, mobile money), as well as create jobs and incomes for business users.

This quarter. SPEED and INCM jointly identified a study to validate and test existing quality of service standards and determine the best methodology to monitor adherence to those quality standards. The study will be based on a review of decree n.6/2006, which deals with Quality of Services as it applies to the Telecom and Information and Communications Technologies. SPEED has begun coordination with the World Bank and INCM to agree on the terms of reference for the assignment and identify appropriate consultants for the job.

Results. None yet. This work is expected to greatly enhance the quality of service throughout the country, thus increasing user confidence in the cellular network and spurring access to key value added services like mobile money and mobile education/health.

Next Steps. SPEED plans to launch the work by August 2012.

Partnership for Trade Facilitation

Context: SPEED worked with Mozambique's Customs Service to develop a proposal for funding from USAID's Partnership for Trade Facilitation. The proposal focuses on three areas: internet publication of customs regulations and documents; pre-arrival processing of import documentation; and pre-shipment inspections for exports. High-level activities, indicators and budgets were developed for each area in the proposal.

This quarter: The \$ 500,000 in PTF funds were made available and SPEED worked with Tax Authority and CTA colleagues to begin fleshing out more detailed terms of reference for the three sub-projects under the PTF program.

Results. None yet.

Next steps: Finalize the scopes of work; meet with tax authorities and private sector stakeholders to approve the specific scopes of work and identify relevant consultants; build a joint task force to oversee implementation of the sub-projects. Activities should ramp up in August 2012.

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 recruiting two staff members for the organization – the Executive Director and a Policy Analyst. With this additional staff, CTA will be more effective in engaging the government in policy dialogue on behalf of the private sector.

This quarter. The Executive Director, Gabriel Machado, began working with CTA in June 2012, when he began working on assessing the overall internal organization of CTA's Executive Directorate in preparation for the Extended Consultation Council (CAC) with the Prime Minister and the General Assembly of the CTA, as well as the daily management of the institution.

Hipolito Hamela, Senior Advisor, wrote the CTA 2011 Annual report for the June General Assembly; helped identify the 27 priorities for the CTA Policy Matrix, including a number of priorities for the Agriculture working group that drew from the Senior Advisor's previous work; created a joint committee between CTA and the Tax Authority to implement recommendations from the [VAT in Agriculture study](#); and designed the scope of work for a study on tax payments in Mozambique.

Results. Over the quarter, CTA achieved the following:

- An agreement with MIC about a model for public-private sector dialogue, which awaits the approval of the Council of Ministers;
- Improvements in internal organization of the Executive Steering Committee, for instance (i) quarterly, monthly and weekly plans for different work units, and (ii) weekly meetings of the management team and the different work units;
- Approval of 27 reform priorities that were presented to the Prime Minister at the CAC, which establishes a clear agenda for 2012-2013 with a policy matrix approved by both

Government and CTA. This process established an improved climate for further dialogue; and

- Approval of the 2011 Annual Report and Accounts as well as the 2012 Workplan by the CTA General Assembly.

Next steps. CTA management intends to implement the following initiatives over the next quarter: a) conduct an in-depth evaluation of the internal organization and external relations through the realization of team building and executive retreats with the executive team, the Board and the provincial teams, with a view to reorganization and strengthening of organizational/ institutional capacity; b) strengthen the process of dialogue between the CTA and Government to ensure concrete results before the next CAC and the Annual Conference of the Private Sector (scheduled for October and November respectively); and c) realize visits to provinces and organize the electoral process for the Business Provincial Councils (CEP’s).

On the program side, CTA proposes to complete SOWs and undertake the following initiatives in collaboration with SPEED: Electricity Law study, non- fiscal barriers to agriculture study, and assessment of the Credit Bureau Regulation proposed by the Central Bank. Also, the Senior Advisor will identify other priorities within the CTA policy matrix that require further analysis and support.

Business Environment Annual Strategy – PAMAN

Context. SPEED, in collaboration with the Ministry of Industry and Commerce (MIC), Confederation of Business Associations (CTA) and International Finance Corporation (IFC), drafted the Business Environment Action Plan (PAMAN) in December 2011. It comprises a list of the key policy reforms to be implemented in 2012 by the GOM. The plan was submitted to and approved by the Council of Ministers in February 2012.

This quarter/results. Implementation of the plan began in March/April 2012. SPEED agreed to support the implementation of five policy reforms with direct impact on the DB ranking: obtaining construction permits, paying taxes, getting electricity, trading across borders and resolving insolvency. Comprehensive work toward streamlining the process of getting construction permits has been ongoing (see “Streamlining the construction license process in Maputo” above). SPEED has finalized the scopes of work and started the process of hiring consultants for implementing PAMAN activities on paying taxes and trade across borders. All work on resolving insolvency has been put on hold waiting for approval of the legal package submitted to the parliament. On the other hand, SPEED conducted a study aimed at reviewing: (i) the description of the procedures reported by the 2012 DB report, (ii) the time, cost, and documents requested to complete a procedure, (iii) the data behind the indexes; (iv) the legal framework (see “Doing Business data validation” above).

PMP #	PMP Name	Legal Instrument	Stage Achieved this quarter
11	Business environment annual strategy (PAMAN)	Policy	5. Implementation Begun

Next steps. Implement the projects on paying taxes, getting electricity, and trading across borders. Follow up the debate on the insolvency law and support its implementation once approved.

Support to Tiri Pamodzi

Context. Tiri Pamodzi is a new foundation targeting private sector development, women's empowerment in business, youth entrepreneurship and the impact of HIV/AIDS on business. SPEED support to Tiri Pamodzi has two components. The first component entails technical assistance aimed at helping Tiri Pamodzi prepare its business plan and accompanying resource mobilization plan. The second component comprises a SPEED grant to acquire basic office equipment, thus enabling the foundation to implement its business plan and objectives.

This quarter. A SPEED consultant presented the Strategic Plan and implementation of the program which was approved by the client. SPEED also delivered \$26,720 worth of equipment to Tiri Pamodzi this quarter.

Results. Tiri Pamodzi's improved business plan should enable it to intensify its impact and better fulfill its mission.

Next steps. SPEED will conduct a final review of the business plan and close out this project.

CACM Grant to introduce informal arbitration

Context. In recent years, the number of conflicts between companies has increased, as have the time and expense to resolve business disputes and enforcement of 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. SPEED's grant was disbursed during the quarter in the amount of \$29,913.

Results. Across the country, alternative methods of conflict resolution in areas such as employment negotiations were made available for the first time. The number of reported cases increased, and two new processes with applications for arbitration ended with agreements between the parties. These included a screening process for arbitrators, and a screening process for the two parties as well.

Next steps. Continue to support the CACM in its activities and to help find viable alternatives to make the organization financially sustainable.

US/Mozambique Business Conference

Context: SPEED supported the U.S. Embassy in Mozambique in organizing the U.S./Mozambique Business Conference held in April 2012. The conference brought together 318

participants, including American companies, as well as companies in the region, to learn about investment opportunities in Mozambique. The more than 150 companies represented were able to meet with local firms and government officials; more than 900 business-to-business “speed networking” meetings were arranged. Media coverage was extensive and complimentary with coverage on networks such as CNBC Africa.

This quarter: SPEED helped organize the conference and handled finances and website updates.

Results. Anecdotal evidence suggests that some companies finalized their decisions to invest in Mozambique based partly or primarily on their participation in the US/Mozambique “Let’s Do Business” conference. For instance, Cargill accelerated plans to invest more in Mozambique after this event and the Agriculture Forum that followed (see “Grow Africa / New Alliance for Food Security in Africa” below). Other companies such as Mithol Michoma, Flour, GE, ADM, and AGCO have made return visits to Mozambique, with the help of the U.S. Embassy. Along the same lines, The Business Year, an economic news service, decided to establish a presence in Mozambique based on the excitement and potential gleaned from the conference.

MIC Commodity Exchange retreat

Context. Commodity Exchanges have recently become a major focus of attention as an institutional innovation with great potential to improve the dependability, efficiency and transparency in the traditional marketing sector in Africa. Over the past five years a number of Commodity Exchanges were launched in Nigeria, Uganda, Ethiopia, Malawi and Zambia, and Mozambique has followed suit with efforts to establish a Commodity Exchange as well.

This quarter. SPEED funded a staff retreat involving 11 senior staff from different institutions, which produced a draft report to be presented to the Counsel of Ministers.

Results. The conference reflected a high degree of consensus among participants on aspects of the name, concept, approach, process and project for the Commodity Exchange. A Concept Paper for the Commodity Exchange entered its second draft phase, and the legal instrument was proposed. The project also finalized a plan for the harmonization and communication with other institutions within both the Government and the private sector.

Next steps. In coming months, SPEED intends to help edit the Concept Paper and Proposal for a Legal Instrument of the Commodity Exchange. The project will also prepare a draft plan for integration with other institutions in the public and private sectors, and a draft to the Council of Ministers will be finalized.

Support for Mozambique’s AGOA participation

Context/this quarter. The annual AGOA forum “Enhancing Africa’s Infrastructure for Trade” was held in June 2012 in Washington, D.C. The forum included high-level US Government officials and the opportunity also afforded African governments to meet with President Obama to hear about his special initiative for Sub-Saharan Africa to strengthen democratic institutions, increase economic growth, trade and investment, peace and security; and promote development opportunities. SPEED supported the participation of two MIC representatives.

Results. A number of policy proposals were extended to improve trade and investment between the US and African countries, with specific actions recommended for USAID, OPIC, EXIM-

Bank, and others. At the same time, the African governments were urged to invest in infrastructure, transportation (especially aviation), public-private dialogue, and better and more electronic health services, among other initiatives. The Mozambican delegation felt that their presence was critical for improving their knowledge and eventual negotiating position *vis a vis* AGOA, and also enabled them to conduct several bilateral meetings to help attract investment to Mozambique and strengthen cooperation.

Access Africa Forum in Portugal

Context/this quarter. The Access Africa Forum was developed by the U.S. Embassy in Portugal in partnership with the American Chamber of Commerce in Portugal and the Luso-American Foundation (FLAD). The first conference took place in June 2010. This second conference focused on linking U.S. and Portuguese investors with Mozambique. Approximately 200 participants attended the forum. SPEED supported the participation of Henk Son, President of CCMUSA (AmCham Mozambique) in the conference (see box above for CCMUSA news).

Results. The Mozambican delegation conducted numerous networking sessions, strengthening business relations between the participating Portuguese and American companies and pinpointing business and investment opportunities in Mozambique.

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**. Examples of legal and regulatory work include an examination of competition in aviation (Open Skies initiative) and a review of the standard-setting law for tourism facilities. In addition to these policy-related activities, SPEED actively promotes innovative **public-private partnerships** to address key constraints to tourism development. The Arco Norte Tourism Development Corporation project presents an example.

Arco Norte Tourism Development Corporation

Context. From 2006-2010 USAID provided funding and technical assistance to the Government of Mozambique for the implementation of its [Projecto Arco Norte](#), which was designed to develop and position Northern Mozambique as an emerging world class tourism destination. To assure project sustainability beyond donor assistance, two key elements were put in place. First, a Masterplan was created that sets out the framework for a planned, integrated and sustainable approach to creating a top notch tourism industry in Northern Mozambique. The second element was the incorporation of a Special Purpose, for-profit Tourism Development Company within the framework of a public/private partnership to oversee the implementation of the masterplan-- i.e. the Arco Norte Tourism Development Company (ANTDC). At this stage, the technical assistance is focused on working with key public sector institutions with non-performing land assets in the ZIT (tourism investment zones) to create and transfer their assets into a single Asset Holding Company that can joint venture with private sector to create the ANTDC.

The ANTDC project represents a major paradigm shift in Government policy and strategy. For the first time in Mozambique, the project establishes a framework for public/private partnership in which private sector, not the government, plays the lead role in financing tourism infrastructure and facilities development. It allows substantial non-performing landed assets of public sector entities in key tourism destinations to be leveraged for productive investment purposes. By creating and managing large expanses of contiguous land, the ANTDC eliminates fragmentation, creates land banks and provides easy access to developable land for investors. The ANTDC is also critical for providing the focused leadership required for coordinating the complex processes of attracting investments, negotiating with developers, concessioning and leasing land and commercial space, and developing and maintaining infrastructure, in Special Tourism Development Zones (Zonas de Interesse Turístico) declared by Government. Overall, this activity will immensely improve the business environment in Pemba; it will lead to investments, jobs and improved incomes; the attainment of strategic goals of Projecto Arco Norte including natural resource conservation and historic preservation that protects and reduces pressure on key national assets i.e. ecosystems, historic and cultural sites.

This quarter. Meetings at both provincial and national levels helped educate and build consensus on the new PPP approach and the need for a public sector Asset Holding Company to hold public lands in the ZIT. They involved key public sector institutions including the Instituto Nacional do Turismo, Ministry of Culture, Ministry of Defence, Ministry of Education, Municipal Council of Pemba, Portos e Caminhos de Ferros de Moçambique, Radio Moçambique and Telecomunicações de Moçambique, all of who own lands in the Pemba ZIT (Promoter Group). A similar meeting was also held with the Chairman and Directors of Instituto de Gestão das Participações do Estado. Also, a Chartered Valuer carried out a rapid assessment and valuation of public assets in the Pemba ZIT. Data from the valuation will provide the basis for the shareholding structure and business plan of the Asset Holding Company, as well as Government’s contribution and participation on the ANTDC.

Results. The consensus achieved on the concept of the Asset Holding Company, and the approval and support provided by the various public sector institutions for the valuation of their respective assets in the Pemba ZIT, mark major milestones in the project. These agreements are key for evolving and implementing administrative procedures that give full effect to enforcement of Council of Ministers Decree No. 77/2009 of 15 December 2009, approving the framework for the declaration of Special Tourism Development Zones across the country; and Decree No. 72/2010 of December 31st 2010, which formally declared parts of the City of Pemba and nearby areas as Special Tourism Development Zones.

PMP #	PMP Name	Legal Instrument	Stage Achieved this quarter
29	Tourism Development Policy	Policy	1: Analyzed 2: Presented for Consultation

Next steps. Key next steps include (i) completing and presenting the valuation reports to respective public sector institutions; (ii) developing and presenting the financial, corporate structure, business plan and statutes for the Asset Holding Company to the Promoter Group for approval. On the basis of their approval, (iii) incorporating the Asset Holding Company.

Position paper on Tourism Decree

Context. In August 2011, the government presented a draft Tourism Decree (18/2007), and asked for a private sector opinion of the paper. Among other things, the Decree outlines the standards for rating hotels and other tourism facilities (e.g., three stars, four stars, etc.). Femotur, the Federation of Tourism Companies, asked for help from SPEED to facilitate the collection and aggregation of opinions from the private sector about the decree. With the findings of this report, Femotur will present the Ministry of Tourism with a comprehensive position paper that incorporates global and local trends. SPEED has contracted a consultant to collect and present the private sector's views on the Decree.

This quarter. The consultant held consultative meetings – both individual and in groups – with 120 private sector representatives from major tourist destinations (Gaza, Inhambane, Ponta do Ouro, Nampula, Pemba, Beira and Maputo City/Province). These tourism operators were often organized by local tourism associations, and participants were generally surprised and pleased to be consulted on such important regulations. For many, this exercise was the first time in many years they had an opportunity to express their views. Concerns ranged from the practicality of hygiene and comfort standards in rural areas to the need to harmonize with SADC standards.

Results. A comprehensive position paper reflecting the needs and concerns of the private sector is nearly formalized. The Inhambane tourism association (AHTPI) attracted 8 new members by virtue of their participation in this initiative.

PMP #	PMP Name	Legal Instrument	Stage Achieved this quarter
26	Tourism decree	Regulation	1. Analyzed

Next steps. The draft decree will be re-worked based on feedback from Femotur. Femotur will then submit the draft consultation document to MITUR for approval.

Open Skies initiative

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

This quarter. SPEED has prepared a draft scope of work (SOW) to identify specific recommendations for liberalization. The main objective is to engage relevant stakeholders in the arguments in favor of liberalization and prepare a policy paper on the need for opening competition and fair open trade in the air transport sector in Mozambique. The ultimate objective is to improve services and quality at cheaper and more competitive rates.

Results. None yet.

Next steps. A highly consultative process should result in a policy paper on air transport liberalization by the end of October for discussions between CTA and the President scheduled for November 2012. After that, next steps may include issuing or amending legislation, training of staff and capacity building activities, among others still to be determined.

Concessions on protected lands

Context. Almost 15% of Mozambique's land area is comprised of State owned National Parks and Reserves. Sustainable tourism concession models offer a major opportunity for private sector job creation in and around Mozambique's key protected areas. However, the elaboration of clear guidelines to develop sustainable tourism concessions is still in its initial phase. In March 2012, Mozambique hosted a conference on Innovative Concessions Partnerships for Tourism in Protected Areas by the IUCN World Commission on Protected Areas, which attracted 66 Mozambican and international participants. SPEED contracted two consultants to prepare for that conference, stocktaking of current practices in Mozambique and comparing that to best practices in other countries in the region such as South Africa, Namibia, and Botswana.

This quarter. SPEED's team contributed two major resources to tourism concession capacity building this quarter. First, building on inputs from the IUCN conference last quarter, a comprehensive [manual](#) was published in April 2012, which outlined the process for obtaining and operating a tourism concession in Mozambique National Parks and Reserves. Topics included a survey of key stakeholders in the sector, a review of the legal framework in Mozambique, and step-by-step processes for obtaining and implementing a tourism concession. The manual then outlines environmental, economic, and social/cultural best practices for utilizing these concessions. The consultants also completed a [study](#) reviewing the state of tourism concessions in Mozambique and other countries in the region and advocating several specific policy reforms.

Results. None yet. If recommendations are followed, however, the GOM should improve its capacity to negotiate with businesses, standardized processes should be put in place, and clearer, more transparent concessions contracts should be drafted.

Next steps. INATUR will likely ask for follow up support to a) translate the private sector manual into Portuguese; b) develop a companion manual for government officials; and c) support dissemination and capacity-building activities to ensure uptake of the manuals. A new Protected Areas system and legal regime for conservation areas is also anticipated, and SPEED expects that it will provide technical support based on these changes.

Biofund Mozambique

Context/this quarter. WWF is supporting the development of a Biofund in Mozambique that will invest in biodiversity-related projects. They requested SPEED to sit on the review committee for pre-screening of potential fund managers. SPEED helped them to identify the top three firms, which were subsequently asked to submit formal proposals. SPEED also provided advice on the scoring matrix for the final proposals.

Results. The Biofund is one step closer to implementation.

Next steps. SPEED will sit on the review committee for the three final proposals received by the Biofund to help choose a fund manager.

Agriculture

Agriculture. With ¾ 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 direct support to the Ministry of Agriculture’s **Senior Economic Advisor** to the Minister, whose primary responsibility is to develop 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 such important initiatives as 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 on the sector.

Recommendations on taxes in agriculture

Context. The agriculture sector benefits from tax exemptions and zero-tax in VAT. However, discussions with 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. At the request of CTA, SPEED embarked on producing analytical work to identify how and when VAT exemptions and zero-tax were being applied. SPEED further examined the implications for production and the business environment. A first paper, published by SPEED in March 2012 found that implementation of VAT policy prevented companies to recover VAT payments on their inputs and, consequently, these VAT payments add to costs. For the vast majority of agriculture companies and products, VAT is operating as a regular sales tax and not as a tax on the final consumer as it should be by definition.

This quarter. Building on this earlier work, SPEED commissioned a new study to:
(i) investigate if VAT application stimulates or thwarts locally-produced agricultural goods,
(ii) determine if discrimination or impediments to VAT operation exist, (iii) develop a survey of similar countries’ experiences with respect to VAT application and best practices, and
(iv) propose recommendations on policies that will improve the efficiency of VAT in agriculture in terms of stimulating domestically-produced goods and the overall objective of tax revenue mobilization. A draft has been produced and is [published on the SPEED website](#).

Results. The current research finds that not only does the VAT regime need changes, but also the government will likely need to re-think its policy on universal taxation via such instruments as the ISPC (Simplified Tax for Small Taxpayers). The report recommends a number of tactical administrative procedure reforms and more fundamental regulatory / policy reforms. Once the findings of the current draft are fully disseminated and agreed, it is expected that authorities will put in place corrective measures to simplify VAT and other tax collection procedures in agriculture. Some taxes may also need to be eliminated while VAT thresholds might need to be increased.

PMP #	PMP Name	Legal Instrument	Stage Achieved this quarter
22	Tax Regulation in Agriculture	Policy	1. Analyzed 2. Presented for Consultation
23	Administrative procedures for tax registration and VAT code	Admin Procedures	1. Analyzed 2. Presented for Consultation

Next steps. The results of the current study on VAT issues will be disseminated and articulated to both the Tax Authority and partners such as the IMF. A workshop will also be conducted with main stakeholders, and comments from the workshop will be incorporated in the study. Meetings will also take place with the Tax Authority, other public agencies, CTA, companies, and development partners and the IMF to collect inputs that will improve the quality of the current Draft. The final study should be published during the next quarter, July-September 2012.

Development of agriculture investment plan

Context. In May 2011 the GOM approved the Strategic Policy for Agriculture Sector Development (PEDSA). Subsequently, in December 2011 the government, with development partners, signed the CAADP Compact. To operationalize the above initiatives, 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. Under the senior economic advisor’s coordination and with FAO’s methodological guidance a technical team started working in February 2012.

This quarter. The team prepared sectoral investment proposals which are now being put together by a senior national consultant hired by Michigan State University (MSU). The technical team was responsible for drafting the ToR and conducting the consultant’s selection process.

Results. Under the investment plan, Mozambique expects to mobilize around two billion US-dollars for a period of five years. The investment plan is an important instrument that will set priorities and guide public and private investments over the next five years. Development partners are conditioning their sector support to agriculture on the conclusion of this instrument.

PMP #	PMP Name	Legal Instrument	Stage Achieved this quarter
25	Agriculture Investment Plan	Policy	1. Analyzed

Next steps. The next steps will be: a) to finalize the first draft of PNISA and submit to stakeholders for comments; b) to submit the PNISA final draft for approval by the Council of Ministers; c) to submit the PNISA to NEPAD and African Union (AU) for the independent technical review; and d) to organize a business meeting for resource mobilization.

Grow Africa / New Alliance for Food Security in Africa

Context. Following on the CAADP Compact’s efforts, in 2010 the African Union, NEPAD and the World Economic Forum launched the “New Vision for African Agriculture” – also known as “Grow Africa” – aimed at boosting private investment to develop and transform African agriculture and fight against food insecurity and poverty on the continent. The group of the world’s eight most industrialized countries (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.

This initiative requires countries to commit themselves to improving the business environment through implementation of an agreed set of policy 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.

This quarter. SPEED organized an Agriculture Forum as part of the preparation for the Grow Africa event. Through the senior economic advisor, SPEED provided the necessary support to the Minister of Agriculture, including working with a specialized company to prepare the Mozambique delegation for participation in the Grow Africa event, which turned out to be a very successful economic diplomacy exercise. 155 participants attended the Agriculture Forum, including members of the international and Mozambican private sector, government, and donor community.

The senior economic advisor was also appointed the focal point for the New Alliance for Food Security, together with the heads of CEPAGRI and Zambezi Valley Development Authority. His responsibilities include negotiating the policy matrix and facilitating dialogue between the Ministry and G8 partners for the development of the Framework Cooperation Agreement to be signed in September 2012.

Results. Mozambique expects to mobilize over one billion dollars for the agriculture sector from the New Alliance for Food Security initiative. The private sector is contributing significantly. So far seven companies have issued letters of intent and four have registered as legal entities in Mozambique with investment and corporate social responsibility initiatives in the agriculture sector. For example, Cargill has opened a representation office in Mozambique and has named a Country Operations Director. Along with this decision, the company has allocated \$1.35 million budget for corporate social responsibility projects to support smallholder farmers. In addition, Rio Tinto pledged to sign a Memorandum of Understanding with international partners and the GOM to support agricultural development in the Tete Province and surrounding areas, and to promote procurement of locally produced agricultural products for the mining companies. An initial budget of GBP 250,000 has been pledged.

Next steps. Several working groups and a steering committee have been put in place, and the SPEED-sponsored senior economic advisor plays an important role as a member of the working groups and the steering committee, ensuring linkages between the Minister, the groups and the steering committee. Over the next few months, the MOA, together with other ministries and stakeholders, will prepare the proposal for the New Alliance for Food Security for the September 2012 meeting.

US-Africa Agriculture Forum

Context/this quarter. The senior economic advisor supported the Deputy Minister of Agriculture in preparation and during his visit to Washington, DC in June 2012 to participate in the Annual US-Africa Agriculture Forum organized by the Partnership to Cut Hunger and Poverty in Africa.

Results. Besides preparing the Deputy Minister's presentation at the Forum, the senior economic advisor also facilitated a bilateral meeting with Mrs. Elizabeth Dunford , USAID Assistant Director for Food Security. At the meeting the parties discussed issues pertaining to the CAADP/PEDSA process in Mozambique and the G8 New Alliance for Food Security in Africa.

London Roundtable

Context/this quarter. SPEED supported the senior economic advisor to assist the Minister of Agriculture in preparing for and participating in the Agriculture and Transport and Communications Infrastructure Business and Investment Roundtable held last June in London.

Results. Attended by more than 20 international companies, the Roundtable was a success. Following the conference, MoA will sign a MoU with Rio Tinto, DFID and BP to implement corporate social responsibility programs in the agriculture sector in July 2012.

Support to World Bank Development Policy Operation

Context. This World Bank operation provides budget support to Mozambique in exchange for improvements in the legal and policy framework in agriculture and fisheries. Under this initiative, the Bank is expected to provide a \$150 million loan over a period of three years starting in 2012.

This quarter. The senior economic advisor has been asked to be part of the MoA negotiating team, ensuring that this initiative is well aligned with the PNISA objectives and investment priorities. In addition, the SPEED team supported the review of the policy matrix more broadly.

Results. This initiative offers USAID/SPEED the opportunity to greatly increase the probability of reform implementation by leveraging the World Bank's resources and negotiating power.

Next steps. Complete inputs on the policy matrix and reach a consensus with the Bank.

Updated land manual

Context. ACIS is a Mozambican association representing over 300 companies throughout the country. The members are from diverse sectors of the Mozambican economy, including mining, hydrocarbons, agriculture, transport and logistics, telecom and forestry. SPEED has been asked to revise the land manual, a tool for companies to understand the legal and regulatory system concerning land purchasing and ownership rights.

This Quarter. SPEED's work with Sal & Caldeira on updating the ACIS legal framework manual on land was completed during the quarter. A revised draft in both Portuguese and English is pending with the National Directorate for Land and Forestry (DNTEF) for final approval and publication, with comments from SPEED and DNTEF incorporated.

Results. Investors will be protected using the land manual to ensure their rights over land and the returns of the private investment may flow back to investors. The manual helps ensure private sector awareness of the law and that the rights over such land are legally obtained.

PMP #	PMP Name	Legal Instrument	Stage Achieved this quarter
30	Land Administrative Procedures	Admin Procedures	5. Implementation Begun

Next steps. SPEED plans to coordinate with ACIS and S&C to conduct a workshop and disseminate the information for the private sector and civil society.

Democracy and Governance

SPEED's work on democracy and governance this quarter has focused on improving transparency around such issues as increasing the voice of the private sector in policy, corporate ethics and the extractives industry. Specifically, this quarter SPEED helped develop a legal framework that would formalize public participation in the policy process and support the Mozambique Institute of Directors (IOD) to develop a corporate code of ethics. Going forward, SPEED will step up its work supporting the government to manage the flow of funds from the **extractives industry**. Another area of focus going forward is **transparency**, including continued work with such organizations as EITI and the IOD.

Support to EITI-Mozambique

Context: Recent discoveries of enormous reserves of coal, gas and petroleum have led to sizeable inflows of investment in the extractive industry. Recognizing the importance of transparency of non-renewable resource mobilization and use, the government embarked on securing Mozambique's membership in the EITI (Extractive Industries Transparency Initiative). An EITI Secretariat was established, and the Ministry of Mineral Resources is leading, in partnership with stakeholders, the process to get Mozambique accepted as a member.

As part of the application process to the initiative, the EITI Secretariat initiated reports for 2008 and 2009 on the mineral sector. While both reports were seen as problematic, the 2009 report, prepared by Ernst & Young and funded by the World Bank Trust Fund, is a vast improvement. Mozambique is therefore seeking a waiver to ensure that membership is obtained in the next 2012 EITI board meeting.

This quarter. SPEED provided assistance to the Mozambique EITI Secretariat to produce a brochure based on the 2009 report and print 8,000 copies in both Portuguese and English. The distribution of the brochures is on-going; most are being distributed through workshops organized by EITI-Mozambique across the country.

Results: Mozambique intends to present itself for membership in EITI at their next board meeting. It is expected that they will be accepted.

PMP #	PMP Name	Legal Instrument	Stage Achieved this quarter
21	EIT Policy	Policy	3: Presented for Legislation

Next steps: Complete remaining payments to the print-shop company of the 8,000 brochures. In addition, SPEED will coordinate with other partners to explore other ways to support EITI in

enhancing transparency, governance and management of non-renewable mineral resources in Mozambique.

Corporate Code of Ethics

Context. SPEED supported the IOD (Institute of Directors) of Mozambique, a non-profit focused on improving Mozambique's corporate governance, by financing the preparation and implementation of a Code of Corporate Governance in Mozambique. The code was passed at end of 2011 in a ceremony with the President of Mozambique. SPEED currently supports the drafting and announcement of its Code of Ethics proposal through a grant. The Code of Ethics is expected to be finalized before the year-end. The South African Institute of Corporate Ethics (EthicsSA) is supporting the drafting; they previously drafted South Africa Code of Ethics and are also assisting many African Countries to prepare corporate code of ethics.

This quarter. This quarter IOD held a few workshops to obtain feedback from key stakeholders about what type of code they expect to have, the main principles that should drive the code, and basic guidelines to use for the code's preparation.

As part of the process of building IOD's capacity to develop the Code of Ethics, SPEED supported a team of three representatives from the Institute of Directors to attend the Second Conference of Ethics in Johannesburg. The purpose of their attendance was to enable IOD Mozambique team members to gain direct experience from the South Africa's more mature and advanced business environment, thus feeding into the process of developing their own Code.

Results. IOD felt that attendance at the Ethics Conference was productive, as it gave them an understanding of how corporate governance can incorporate ethics effectively, as in the South African model. This experience will inform the drafting of the IOD's Code of Ethics, which IOD will launch in December 2012.

Next steps. The first draft of the code should be made available in the quarter July-September 2012 and will be finalized and launched at end of 2012. Beyond completing the Code of Ethics as planned, no new assistance to IOD has been identified at this stage.

Quelimane Municipal Audit

Context. The Mayor of Quelimane City, Manuel de Araujo, requested SPEED's support to carry out an audit of the Municipal accounts. The overall objective is to obtain a professional opinion of an independent auditor on financial and operational reporting, evaluate the internal control system and understand the use of municipal resources, in accordance with the government's rules on public finance management.

This quarter. SPEED completed a full and transparent bidding process. The process began with advertisements in the top newspapers in the country. Three quotes were received, from KPMG, Smart Vision, and BDO. A selection committee met on July 11th. The committee selected KPMG based on corporate track record, individual qualifications, methodology and cost.

Results. Although the work has not yet begun, the Mayor has sent a strong message to the market and to his constituency that transparency is a key value that he plans to uphold.

Next steps. The immediate next step is to finalize the contractual negotiations between SPEED, Municipality of Quelimane and KPMG. Once the contract is signed, KPMG has two weeks to begin the audit process. A final report is expected by the end of next quarter (September 2012).

Formalizing public participation in the policy process

Context. Currently, the process for incorporating the public’s view in the policymaking process is largely ad hoc and unsatisfactory for the private sector and civil society. SPEED is working with the law firm SAL & Caldeira to create a more transparent and participatory system for policy development and improve the formulation of laws and regulations affecting the business environment. This one-year activity involves forming a stakeholder group, analyzing the policy process, conducting consultations and drafting legislation.

This quarter. The stakeholder group was formed and consists of UTREL, UEM, Radio Moçambique, TVM, CTA and ACIS. S&C completed the preliminary report and presented it to Government, and is awaiting a response.

Results. Once approved, this legislation will greatly enhance the private sector’s ability to influence public policy.

PMP #	PMP Name	Legal Instrument	Stage Achieved this quarter
17	Law for Public Role in Policy	Policy	2: Presented for Consultation

Next steps. S&C will follow up with the government for their response to the proposed way forward, and then continue to implement the plan of activities already approved by SPEED and start consultation on the draft law.

MANAGEMENT AND ADMINISTRATION

COP transition and strategy retreat

In April 2012, Brigit Helms replaced Scott Simons, who retired. The two COPs enjoyed three weeks of overlap during which time they effected a smooth transition. As part of her transition and to build the extended SPEED team (USAID and contractors), Helms facilitated a one-day strategic retreat. The retreat brought together the core SPEED team and USAID colleagues focusing on economic growth, agriculture, tourism/biodiversity, and democracy and governance.

The workshop had three objectives: 1) build the expanded SPEED team; 2) take stock of progress to date; and 3) align on criteria for moving forward. The team elaborated a vision of success that emphasizes an improved business environment, better competitiveness, and transparent and accountable mega-projects as the means to an end: **increased private sector investments that create jobs**. After evaluating SPEED’s strengths and weaknesses and effectiveness of its current initiatives, the team converged on two central criteria for choosing activities going forward:

- 1) Impact:
 - Does it support and complement better business environment, more investment and job creation?
 - Impact on SMEs, can be clearly linked to results for labor-intensive industries (agriculture and tourism)
- 2) Client commitment:

- Committed client, ready and able to take the activity through and implement
- Work through and with private sector constituency that can/will own and advance results sustainably?
- Does it respond to a request from reform champion and build institutional capacity for advocacy?

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 supported the first round of procurement for a paper trade fair. The International Exhibition of Packaging and Printing was also held this quarter, which supported the emergence of techniques and tools that meet the needs of small and medium enterprises to make their products more competitive.

USAID and SPEED met with the new head of IPEME. This meeting underlined the importance of a realistic workplan for the rest of this year and the potential for working with IPEME to advocate for policy change in favor of SMEs.

Results. The International Exhibition of Packaging and Printing was successfully organized. IPEME also submitted a comprehensive workplan for the rest of 2012.

Next steps. SPEED will work with IPEME to refine the current workplan and begin intensive support to improve their procurement processes.

Website upgrade

Context: SPEED's existing [website](#) was originally designed several years ago. It has served the program well but now needs a redesign. The current site is overloaded with content that is not clearly categorized or structured, most of the pages are unnecessarily long, and visitors to the site must scroll extensively to get to the end of the page. Scanning through this volume of content may discourage site visitors. The overall objective of the new website is to restructure a wealth of information in a way that helps quickly guide visitors to the content they seek.

This quarter: SPEED developed the SoW and engaged DAI colleagues to implement the new site. Currently, DAI is creating a functional and visually pleasing new website that will be user-friendly and will allow visitors to easily access content and navigate through the site. On the other side, SPEED is developing the narrative component of the website.

Next steps: The next steps include training, test and launch of the website, scheduled for mid-August.

ANNEX: CAPACITY-BUILDING ACTIVITIES AND OUTREACH

	Date	Activity	Venue	Client		Participants			
				Institution	Category	M	F	Subtotal	
FY 2012 Q1	13-Oct-11	Anti corruption legislation round table	Maputo		PS, CSO	21	8	29	
	25-Oct-11	IPEME Annual Meeting	Bilene	IPEME	Gover. Inst.	15	15	30	
	3-Nov-11	Metical appreciation seminar	Maputo	CTA	PS, CSO	55	15	70	
	No-11	VAT in Agriculture in Quelimane	Quelimane	CTA/Zamb	PS, CSO	22	8	30	
	14-18-Nov-11	Economic training of journalist	Bilene	MISA	PS, CSO	31	4	35	
	19-Nov-12	Manica investors conference in Chimoio	Chimoio	Manica PG	Gover. Inst.	137	27	164	
	7-Dec-11	Challenges to growth seminar	Maputo	AMECON	PS, CSO	52	13	65	
	7-Dec-12	Municipality construction license seminar	Maputo	CMCM	Gover. Inst.	37	8	45	
	12-14-Dec-11	Doing Business Retreat - Bilene	Bilene	GIRBI/MIC	Gover. Inst.	25	8	33	
	15-Dec-11	Journalist - Q & A on challenges to growth	Maputo	MISA	PS, CSO	3	0	3	
			Subtotal			PS, CSO	398	106	504
		Subtotal (cumulative)				398	106	504	
FY 2012 Q2	13-Feb-12	Doing Business - Quelimane	Quelimane	CMCQ	Gover. Inst.	55	5	60	
	7-Mar-12	Business breakfast	Maputo	IOD	PS, CSO	34	12	46	
	7-Mar-12	VAT in Agriculture	Maputo	CTA	PS, CSO	65	19	84	
	7-9-Mar-12	IPEX Annual Meeting	Bilene	IPEX	Gover. Inst.	27	13	40	
	13-Apr-12	VAT in Agriculture in Nampula	Nampula	CTA/AgriFut.	PS, CSO	30	9	39	
	19-22-Mar-12	Concession in Tourism	Maputo	IUCN	PS, CSO	44	22	66	
			Subtotal				255	80	335
			Subtotal (cumulative)				653	186	839
FY 2012 Q3	18-Apr-12	US/Moz Conference	Maputo	US.Emb/GOM	Gover. Inst.	296	22	318	
	19-Apr-12	Agriculture roundtable	Maputo	MINAG	Gover. Inst.	130	25	155	
	15-May-12	SPEED Retreat	Cetembe	SPEED	PS, CSO	10	5	15	
	11-13-Apr-12	Commodities Stock Exchange Retreat	Namaacha	MIC	Gover. Inst.	11	0	11	
	28-May-12	Construction License meeting - Maputo	Maputo	CMCM	Gover. Inst.	13	2	15	
	13-Jun-12	Quelimane Municipality workshop	Quelimane	CMCQ	Gover. Inst.	20	5	25	
			Subtotal				480	59	539
		Subtotal (cumulative)				1133	245	1378	