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Improving Institutional Management and Sustainability of the Confederation of Mozambican Business Associations (CTA)

Executive Summary

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Executive Summary

The Confederation of Mozambican Business Associations (CTA) was formally created in 1999 from a working group of business associations in Mozambique. Its main purpose is to spearhead the private sector's push for an improved economic and business environment. Over time, its role has grown to meet the changing demands of the private sector, the government and the international community. The principal interlocutor between the private sector and government, demands on CTA have grown exponentially over the years as a result of its demonstrated success in representing private sector concerns before government. Unfortunately, CTAs internal institutional organizational structure and staffing plan has not kept pace with CTAs rapid growth. The portfolio of private sector issues CTA must now address, and the workload that accompanies that important portfolio, is vast and place overwhelming demands on management and technical advisers. CTAs increasing importance to economic reform in Mozambique can cause CTA to become a victim of its own success – unless it focuses internally and addresses some of the institutional, financial and organizational issues that need to be addressed to ensure CTAs continued growth and success.

CTA is at a critical juncture in its development as an organization. CTA is growing and needs to ensure its internal structure, management, staff and internal regulations keep pace with its growth. CTAs recognition of these challenges led it to request a study from the USAID Trade and Investment Project that provided recommendations on how to address some of these organizational, institutional and sustainability issues. The team consisted of four consultants: Beryl York and Sergio Chitara as well as Fernando Mattos and Claudio Gastal of the Brazilian Competitiveness Movement.

The following is a summary of the main points and recommendations raised by the consultants. Detailed analysis and recommendations are provided in the full report. The report is divided into three main parts: Part 1 provides analysis and recommendation on how to improve CTAs organizational management; Part 2 provides analysis and recommendations on how to ensure CTAs financial sustainability; and Part 3 provides analysis and recommendations on the establishment of a unit for the analysis of economic and public policy.

PART 1 – IMPROVEMENT OF CTA’S ORGANIZATIONAL MANAGEMENT

Part 1 of the report provides a focused examination of CTAs current institutional and management capabilities and provides recommendations on easily implementable changes that can help CTA to achieve organization sustainability in the short run. The report does not recommend any major overhaul of the CTA institutional and management system – just some relatively simple improvements that we believe can assist CTA in functioning better as an organization, achieving its mandate, representing its constituency well and influencing meaningful change to the economic and business environment in Mozambique. The report also contains a lot of specific examples from anonymous interviewees – representatives of the public and private sectors, current and former staff at CTA, donors, etc. – of ways in which CTA might improve. What follows is a short summary of some of the main recommendations contained in Part 1:

1. ***Update Overall Goals and Objectives of CTA***– The Consultative Mechanism initiative is evolving and has produced some real success. However, other areas, particularly those concerned with developing the capacity of its members and the institutional development of CTA have lagged behind. In addition to technical goals and objectives outlined in CTAs Strategic Plan for 2004-2009, CTA might want to consider adding some additional management and institutional reform goals and objectives, including those related to developing capacity of its members. To start this process, CTA should define clear objectives and targets for those technical goals and objectives outlined in its Strategic Plan. That process should be continued through annual formal planning processes at which an annual plan is developed which links directly into the long term strategic plan. Without such alignment, a multiplicity of agendas, conflicts in identifying priorities, confusion among staff and fewer achieved results will likely continue.
2. ***Update Structure and Function of CTA*** – Although the current internal management structure works relatively well, adding a few new functions can help function better as an organization. The report provides a detailed proposal for a new organizational structure – which includes the creation of a Steering Committee; changing the *Member Services* Unit to an *Institutional Relationships* Unit (few new functions have been added to take into account the need for capacity building for members as well as providing member services); reinforcing the Policy Unit (see Part 3 of the report); and adding new units under finance and Administration (Human Resources; Support Staff and Information Technology). The report contains detailed descriptions and recommendation on specific functions for each of CTAs internal units.
3. ***Add Additional Staff*** – Adding new Units at CTA will require additional staff. For instance, it is recommended that the jobs of the Technical staff of Consultative Mechanism Unit be reorganized into two different positions – a *Technical Advisor* who actually provides technical assistance in the area of policy position creation and a *Work Group Coordinator* who will provide all the logistical support needed for the various work groups. If sectoral pelouros are streamlined (see report for recommendations), this may not require additional staff but would require a redeployment of existing staff into these two types of positions. If the logistics were removed from the Technical Advisor’s job and the pelouros regrouped in a

more streamlined way, then there could be two to three Technical Advisors for all the pelouros and one to two coordinators handling the logistics for all the pelouros. In addition, the report recommends adding a Relationship Advisor to the Institutional Relationships; adding up to 3 economists, 1 lawyer and 1 business management specialist to the Policy Unit (see Part 3 of the report); and adding a Human Resources Manager, Support Staff and Information Technology Specialist to the Finance and Administration Unit. Detailed job descriptions for each new staff member as well as recommended reporting relationships are presented in the report.

4. **Add a Deputy Director** – The growth and importance of CTA has put immense pressure on the Executive Director to respond to a plethora of requests from various institutions. This leaves the Executive Director with minimal time to focus on the day-to-day management of the organization. A Deputy Director can assist in the internal management of the organization (a detailed description of the capabilities of an ideal Deputy Director is included in the report). An interim short-term (6-8 months) independent-minded Deputy Director with strong organizational management skills should be hired in the near future to assist with putting in place systems and structure to help CTA function better. That position would turn into a permanent Deputy Director position after the initial consultant has completed their restructuring work.
5. **Clarify Roles** – A clear definition of roles, and acceptance of those definitions, can help CTA function more efficiently and effectively as an organization. The report provides concrete recommendations and guidelines for roles of the Executive Director, a Deputy Director, the Board and the Steering Committee.
 - *The Executive Director* would provide overall leadership and management of CTA – managing internal and external constituents of CTA to work together to generate policy that can influence government policy reforms; would provide oversight of financial management and fundraising activities – including assisting with donor relations and developing fundraising strategies; would focus on technology and communication issues – including maximizing the role and uses of technology in the accomplishment of CTAs goals; and would focus on policy and legislation issues – including representing CTAs interest on key policy issues before the government..
 - *The Board* on the other hand, as defined in the Articles of Association, would focus on strategic, advisory and diplomatic roles. It would work closely with the Executive Director and empower him to run the internal organization. It would set policies and strategies and advise on issues concerning the business environment. And it represents CTA to Government, the business community, donors, international community, etc.
 - *The Steering Committee* – Since the Board is made up of volunteers who have major business commitments as well as a deep commitment to diverse Board activities, it is suggested that an Ad Hoc Steering Committee be created. It would not be staffed by specific individuals but will be staffed by a cadre of volunteer on-call individuals from business, consultancies, etc. who step in to provide particular advice or expertise on

issues that are under current consideration. This could ease the burden of the Board and allow them to better balance their time between Board activities and the demands of their private business commitments.

6. ***Add Planning and Human Resources Systems*** – CTA has to formalize planning mechanisms. Some plans do exist but they do not provide an integrated approach to meeting targets and achieving results. The report provides recommendations on operational planning activities and suggestions on the party responsible for ensuring the activity is completed. For instance, the report recommends: revisiting and revitalizing the current strategy plan by ensuring the plan has performance indicators to measure progress and that it prioritizes goals and has timelines; Developing an Annual Work Plan; Developing Unit Work Plans; and Integrating and Communicating Work Plans among staff. The report also recommends strengthening Human Resource systems, including: developing transparently recruiting systems to ensure the right people are in the right positions; developing rules of conduct and communicating those rules to create a “Culture of CTA”; ensuring full and accurate employee records are kept, including establishing a database on all staff to use for manpower planning; create learning opportunities for staff to provide knowledge and skill training; and establish clear standards of performance for staff and hold staff accountable for performance.

7. ***Create Clear Communication Channels*** – Organizations communicate in two directions: internally to staff and externally to “customers” – members, business community, civil society, government, donors, media, and the international community. Faulty internal communications lead to mistakes, confusion, and discouraged staff. Poor external communications can jeopardize image and hurt the lobbying/ advocacy efforts of CTA. Any overall management strategy therefore must include effective communication plans, methods, and means in order to succeed. It was revealed to the consultants during interviews that some communication issues- goals and objectives are not clearly understood and/or aligned, members are not being communicated with effectively, few things are put in writing so that there is a lack of consistency in many decisions. Good methods of communication won’t solve all problems but they will help. The report provides a communication matrix that elaborates the best channels of communication with CTA stakeholders. They identify the key stakeholders, list possible communication methods, and then indicate the best means for communicating with specific audiences. The matrices should help in choosing the best channel for communicating needed information. That does not mean that the quality of the communication is guaranteed. But it does help select the best means.

PART 2 – FINANCIAL SUSTAINABILITY¹

Sustainability is a major challenge for a private, non-profit organization like CTA. By improving CTAs internal organizational management structure (Part 1 of the report), CTA can contribute to its sustainability. By providing excellent analysis of economic and business environment issues

¹ Part 2 of the report was written by the Brazilian Competitiveness Movement and content and recommendations are the sole responsibility of MBC. As MBC formed part of the study team, main recommendations from MBC are included in this Executive Summary as are some additional recommendations and extrapolations of content included in MBCs report. MBCs main report to CTA is also included as Part 2 of the report.

and effectively lobbying for reform (Part 3 of the report), CTA can also contribute to its sustainability. Part 2 of the report focuses the financial aspects of CTA and its ability to raise funds². It uses a model developed by the University of Wisconsin that asks fundamental questions that, when answered, can help managers of nongovernmental organizations diagnosis problems and develop strategies and practices to effective management and oversight of the organization.

8. ***Focus on Establishing Strong Financial Management and Oversight*** – Effective and responsible financial management and oversight is critical in CTAs effort to become sustainable. Responsibly and transparently managing its operational budget and resources can help bring the confidence necessary for associations, government, donors and other potential financing sources to support CTAs efforts to improve the business environment. The report provides detailed overview of perceptions derived from interviewees and recommendations on improving financial management and oversight. For example, some key financial management and oversight recommendations include:

- *Conduct Independent Audits* – implementation of regular annual independent audits can help strengthen the accuracy and reliability of CTAs financial records – and can be an essential tool to obtaining additional funding.
- *Produce Periodic Financial Statements* – producing periodic financial statements can help bring visibility to the origin of resources and show how resources are being spent – and can also help improve transparency of CTAs activities.
- *Implement an Annual Budget Process* – Although there is a planning process that creates and approves the annual plan and budget, there is a gap in the management of the plan and in its follow-up. It is important for CTA to systematize follow-up of the annual plan and budget and to implement professional financial administration.
- *Create a Financial Control Policy* – CTA should consider revising and strengthening its financial control policy, including policies for cash flow, approval of expenses and approval and use of non-predicted expenses. Criteria should be established that specify by whom and the procedures necessary for authorizing expenses.
- *Create a Reserve Fund* – CTA should work with current financial partners to establish a reserve fund that can ensure the temporary sustainability of CTA in the unlikely event that operational funds dry up.

9. ***Heterogeneity of Funding Sources*** – CTA needs to increase funding sources and shift ratios of donors to other funding sources. Currently, CTA receives almost three-quarters of its

² Part 2 of the report also provides some detailed analysis and recommendations on areas covered in other areas of the report, such as vision/mission of CTA, the structure and governance of CTA and the social dimensions related to CTAs sustainability – particularly in defining roles and communication with counterparts.

funding from donors. The remaining financing comes from the Government of Mozambique and a very small amount from dues from associations.

- *Associations* – As CTA is a representation of the private sector through their trade associations, the percentage should be reversed – a majority of its operational budget should come from association dues. At this stage of Mozambique’s economic development, it is unlikely and unrealistic to expect that CTA can obtain a majority of its operational budget from association dues. As the economy grows, CTA should expect to increase dues and be financially sustainable from contributes from member associations. However, CTA must ensure it continues to represent the interests of the private sector well to the government and improve the business environment. At the same time, CTA should consider offering additional services to its membership that will demonstrate a tangible value of monthly membership dues.
- *Donors* – One donor, USAID, provides a majority of funding for CTAs operational budget. The Swiss, through ASDI, provide a substantial amount of funding for additional technical areas. CTA should be aware that reliance on a 1-2 donors for a period of more than 5 years is highly risky as donors typically will not provide operational support for associations like CTA for longer than 5 years – except in exceptional circumstances. Donors like to assist associations like CTA become self-sustainable. This is not to say that other donors are not available to take over financial support of CTA – they are – and CTA should be courting other donors by showing its proven track record of success in improving the business environment in Mozambique. At the same time, CTA should look to reduce its reliability on donor resources and look instead to offering services to its members and the private sector.
- *Government* – The Government of Mozambique recently, and for the first time, made a significantly large contribution to CTA. Unfortunately, this contribution was not mandated by law and can be withdrawn in the future. Funding from Government can be useful and is done in other countries – however CTA must ensure its independence from Government and ensure it retains the ability to critique economic policies of the government without threat of funding being withdrawn. In Brazil, for instance, funding for private sector confederations are mandated by law with a very small percentage of tax revenue going directly to the confederations. This support continues even when political parties change, ensuring a steady and reliable source of funding for the confederation. CTA should consider the possibility of lobbying government to pass a law that a small share of tax revenue go directly to CTA to support operational expenses.

10. ***Develop a Fundraising Strategy*** – In order to help increase funds and increase the heterogeneity of funding sources, CTA should work on developing a fundraising strategy. The strategy should define potential funding sources and detail steps necessary to obtain funding from that source. For instance, if CTA would like to receive additional funds from Government, it should work on a strategy to lobby government for a share of tax revenue to support operational expenses. Should CTA wish to increase funds from donors, they should be aware of the budget planning cycles of donors as well as the numerous other requirements

necessary to receive funds from donors. Many donors, for instance, require historical financial statements, capability statements and track records of success. CTAs fundraising strategy should also incorporate raising funds from the private sector. This process should link closely with the annual strategic planning process, as products produced by and results achieved by CTA can contribute to success in raising funds.

11. ***Develop Promotional Material*** – Promotional material can help in providing an overview of the mission and objectives of CTA; conveying the achieved results of an organization; providing a historic record of activities; and present a professional image of CTA – all useful for new funding sources
12. ***Create Linkages with Business Confederations Overseas*** – linkages with similar organizations overseas, through memorandums of understanding or cooperative agreements, can help CTA tap into potentially other sources of resources – financial or technical.

PART 3 – ESTABLISHMENT OF A UNIT FOR THE ANALYSIS OF ECONOMIC AND PUBLIC POLICY (SEAE)

Part 3 of the report presents rationale for formalizing and strengthening a unit for the analysis of public policy. The core of CTAs work is centered on analysis of economic and public policies the effect its constituency. It is therefore imperative that CTA has internal capacity to adequately analyze, disseminate the analysis to its membership and dialogue with the government on outcomes of its analysis. The report draws heavily on the current process for economic and public policy analysis at CTA. The report attempts to formalize a process at CTA that is not yet formalized by providing detailed recommendations and concrete steps necessary CTA can consider as it moves to formalize and strengthen such unit. The report includes proposed vision and mission statement, strategic objectives as well as recommendations on proposed staffing and optimal qualifications for the proposed position. Below are a few main considerations included in the report:

13. ***Reinforce the Study Services and Economic Analysis (SEAE) Unit*** – The consultants considered the possibility of the creation of an independent and autonomous research unit or “think tank” at CTA but believed in the end that the more advantageous route for CTA would be to instead formalize and strengthen its current Study Services and Economic Analysis (SEAE) unit. Distancing analytic economic analysis on key business environment constraints to economic development from the lobbying and public-private sector dialogue process may not be advantageous for CTA at this stage. The consultants recommended that the Unit have a simple structure, be flexible and have a strong analytic capacity. SEAE should also have the ability to:
 - Work closely with donors to bring in additional analytic capacity when necessary;
 - Articulate problems faced by the private sector;
 - Identify (with assistance from Pelouros) specific issues that require analysis;

- Understand implications of the issues and problems raised as well as any proposed solutions;
 - Prepare terms of reference for in-depth studies, work with consultants on the studies and present report recommendations to CTA and its Pelouros;
 - Prepare discussion papers, position papers as well as other relevant documentation necessary for advancing issues of importance to CTA.
14. ***CTAs Proposed Internal Regulations Already Provide a Foundation for the Unit*** – The proposed Internal Regulations for CTA make reference to a unit that provides “study services and economic analysis” (“Serviços de Estudos e Análise Económica (SEAE)). The Internal Regulations go on to clearly specify the goals and objectives of SEAE, including: identifying areas for analysis; elaborating discussion papers; preparation of terms of reference for in-depth studies; participating in the study teams; disseminating results of the studies; monitoring and evaluating the implementation of agreed upon report recommendations; and organizing capacity building activities centered around economic and human development in Mozambique.
15. ***Current Processes for Research and Analysis Work Well, but Need to be Formalized*** – The consultants believe the current process works well, but needs to be formalized and implemented systematically. The report outlines specific recommendations CTA might consider for this process, including flow charts and diagrams. Basically, the recommendation center on the following process: when Pelouros identify a problem, SEAE should prepare a discussion paper and distribute the paper for analysis and discussion by the Pelouros. If further research is needed, either SEAE can internally undertake the analysis or when additional capacity is required, an in-depth study can be requested, terms of reference for the study is drafted and SEAE then works with the consultants commissioned for the study. Once the study is completed, the report recommendations are assessed internally and a CTA position paper is drafted. The position paper is then used as the basis for discussion with the government.
16. ***Ensure that SEAE Undertakes Independent Research and Analysis*** – The consultants note that it is imperative that the SEAE be transparent and independent when undertaking research. They note that the research undertaken should be done using methodology and principals universally accepted. SEAE should be able to conduct analysis independently and give an independent opinion on issues studied and recommendations that will benefit the economy and ultimately the private sector. Potential vested interests in CTAs constituency should refrain from impacting the outcome of any analysis – the outcome of an analysis could very well positively impact a different part of CTAs constituency. Analysis completed by SEAE should inform CTA of the advantages and disadvantages and the cost and benefits of adopting or not adopting a particular policy or supporting a particular issue. Only when the analysis is completed should CTA and its Pelouros digest the information, decide on its final position and draft any necessary position papers.

17. ***Work Closely with Pelouros and Associations*** – The consultants note that if the SEAE is to work as planned, their staff needs to coordinate regularly with Pelouros. CTA should ensure that SEAE staff regularly participates in meetings of Pelouros. At the same time, Pelouro Focal Points responsibilities should be increased to work directly with SEAE staff on: identification of problems/issues to be studied; preparation of discussion documents; elaboration of terms of reference; analysis and discussion of studies; and in the preparation of discussion documents. Working closely with Associations can help in the identification of important issues to analyze as well as in the dissemination of ideas and tools that can help Members contribute to the improvement of the business environment.
18. ***Collaborate with other Research Institutions*** – The consultants noted that various institutions in Mozambique undertake studies of issues of interest to the private sector. They recommend that SEAE work to establish a permanent mechanism to interact and collaborate with other institutions on economic and public policy issues. These partnerships can help to increase capacity in undertaking analysis of key issues, help to develop common positions and help to build capacity when disseminating information and recommendations on any given issue.
19. ***Publicly Disseminate Research*** – The consultants note that the research be disseminated publically, clearly stating that the views expressed in the report are not necessarily those of CTA or its membership. Results of the research can be used by government, civil society, academia, donors as well as a host of other actors in the commonly-shared goal of improving the business environment and embracing market-led reforms.
20. ***Create Concise Position Papers*** – Once issues have been analyzed and discussed within CTA, it will be important for CTA to clearly communicate these positions on various policy issues to Government. By writing clear and concise position papers of 1-2 pages, publishing on the CTA website and sending to relevant Government Ministries, CTA ensure that their messages on policy reform are available when necessary. This can also serve as a good base for discussion with Government on various policy issues during the Private Sector Conference.
21. ***Identify Fewer Issues for Analysis*** – The consultants note that the CTA agenda for improving the business environment is too broad and this impacts the ability of CTA to adequately focus on and follow-up on issues of importance – and especially impacts the ability of SEAE to undertake necessary research and analysis on any given issue. They recommend that a major focus should be on the establishment of objective criteria to select agenda priorities and that only 1-2 main issues per Pelouro (24 issues in total) be selected for further analysis by SEAE at any given time.
22. ***Monitoring and Evaluation*** – It will be important for SEAE to routinely monitor how the studies, discussion and position papers it produces are used in order to identify any additional support or analysis required to improve economic and public policy and improve the business environment. At the same time, SEAE will need to periodically evaluate its processes (e.g., identification of issues, working with Pelouros, etc.), efforts (e.g., undertaking research,

analyzing issues, etc.) and tools (discussion and position papers, etc.) used in conducting and disseminating research.

23. ***Hire New Staff*** – The consultants recommend that if SEAE is to work as intended, 5 additional staff should be hired – 1 Senior Economist, 2 junior economists, 1 lawyer and 1 business management specialist. The additional staff can be either Mozambican and/or international – so long as qualifications are met. The report give detailed recommendation on ideal qualifications for each proposed candidate.