

Notes from the Validation Workshop on The State's Engagement in Business in Mozambique

Maputo, 31 July 2014

Introduction

SPEED Program and Mozambique's Business Associations Confederation (CTA) organized a half-day workshop to validate the study on "The State's Engagement in Business in Mozambique" on the 31 July 2014, in Maputo. The workshop had an attendance of more than fifty people representing private sector, donors, public sector and development partners. The study conducted by a team of consultants comprising an international consultant, Dr Elin Cohen, and a team from Mozambique-based consulting company MB Consulting is an initial assessment of the State's engagement in business.

Key points of discussion

The workshop started by an introduction made by CTA's representative, Kekobad Patel, who contextualized the study in the confederation's plan of action. He stressed the fact that the study came about in response to various complains from business community members about the sense that the State seems to be moving too far into the business. He noted that given the country's stage of development no one expects the State to be completely out of the economic sphere. But rather, it is expected that the State's engagement be clear and do not crowd out the development of the private sector.

The presentation of the study was done by two consultants, Elin Cohen and Thomas Selemene, highlighting the fact that the study is a broad analysis with focus on two sectors from which concrete examples have been drawn: the extractive industry and agribusiness. Elin Cohen presented the rationale of the creation of state owned enterprises (SOEs), and gave examples from other countries. Thomas Selemene focused on Mozambique's reality starting from its historical, socio-political and economic background. He also presented the trends of the State's engagement in business using two examples: one from the Institute of Holdings (IGEPE) and another from the National Hydrocarbons Company (ENH). The former is reducing its participation in companies whereas ENH is expanding "endlessly."

Following the presentation, the participants raised a number of questions that guided the discussion. The question were around four main points:

- i. The State's motivation to engage in business activities and whether such does contribute or not to poverty reduction;
- ii. The role of the State and of the private sector in Mozambique;

- iii. The state's capacity to do business in comparison to the private sector;
- iv. Transparency, accountability and public procurement.

These issues were discussed following a joint brainstorming done by the participants through selected questions presented by the consultants.

The questions were five as presented in the table below.

Questions	Answers from participants
<p>Should there be a policy defining what sectors and for what purpose the State could engage in business? If yes, in which way would this be useful?</p>	<ul style="list-style-type: none"> ➤ Yes, but the problem will be in implementation. ➤ Yes, it would assure transparency; ➤ Yes, it would make clearer business opportunities; ➤ Yes, as a regulator in all cases; ➤ Yes, in some strategies of public interest.
<p><i>"It's not clear what the strategy is for the future: what is for the government to do, what is for the private sector? Maybe the government is quite because they don't want to flag that the government is moving in."</i></p> <ul style="list-style-type: none"> • Do you agree or disagree with this statement? • Are there specific sectors where there is more/less clarity? 	<ul style="list-style-type: none"> ➤ I disagree, perhaps for other reasons not mentioned; ➤ I agree, there are sector with less transparency; ➤ I agree, but the private sector must be proactive; ➤ I agree but the private sector is not always responsive.
<p><i>"I'm concerned about the government being the regulator and doing business. They can change the rules."</i></p> <ul style="list-style-type: none"> • Are the state different roles as regulator, policy maker and owner clear or are there instances when these roles are not kept separate? 	<ul style="list-style-type: none"> ➤ The State's role is not clear. ➤ Yes, there are. The role may be clear but the problem is with the people who have to implement them. ➤ There is unfair competition that crowds out the private sector. ➤ Yes. The State's roles are clear. But in practice there are politicians and public servants who do business taking advantage of their political connections.
<p>Does state owned enterprises have a competitive advantage over the private sector? 1) -If yes, in what way? 2) - If yes, in any specific sectors?</p>	<ul style="list-style-type: none"> ➤ Yes, thanks to privileged information; ➤ Not always, it varies from sector to sector; ➤ Yes, as they can influence the regulations;
<p>Are there issues related to transparency in the State's way of engaging in businesses? • If yes, what sort of issues?</p>	<ul style="list-style-type: none"> ➤ Yes, clearly. ➤ Yes, in regulation.