



USAID
FROM THE AMERICAN PEOPLE

SPEED
For a Better Business
Environment

COMMUNICATIONS FOR POLICY CHANGE

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The SPEED Program

- SPEED is a USAID supported 4 year business reform program that aims to improve the business environment through better trade and investment policies
- SPEED focuses on reforming trade and investment procedures and the policy implementation process
- SPEED highly flexible, result oriented approach: No rigid program design, acts fast where there is a need/demand
- SPEED has supported over last 2 years various activities in four priority areas: I)Business environment, trade and investment; II)Agriculture, III)Tourism and biodiversity, and (IV) Democracy and governance.
- SPEED realizes that no cohesive approach has been applied around communications and wishes to develop and implement a communications strategy



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Communications for Policy Change (C4PC)

A 20-day consultancy has been commissioned to further develop the C4PC Strategy:

- Phase 1: Literature Review and Orientation (interviews SPEED staff, SPEED Literature review and inception plan)
- Phase 2: Interviews with key stakeholders (selected stakeholders with knowledge of business reform landscape)
- Phase 3: Strategic Communication Scan/Best Practices (media scan of relevant media in Moz)
- Phase 4: Structuring Communication Framework and Strategy
- Phase 5: Validation and Presentation



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Environment

What?
Objective

Improve Business Environment

How?
Key Activities

Provide TA to
improve
regulatory
framework

Capacity
Building

Awareness
and Advocacy

Where?
Focus areas/
Sectors

Doing
Business

Access
to
Finance

Agricul-
ture

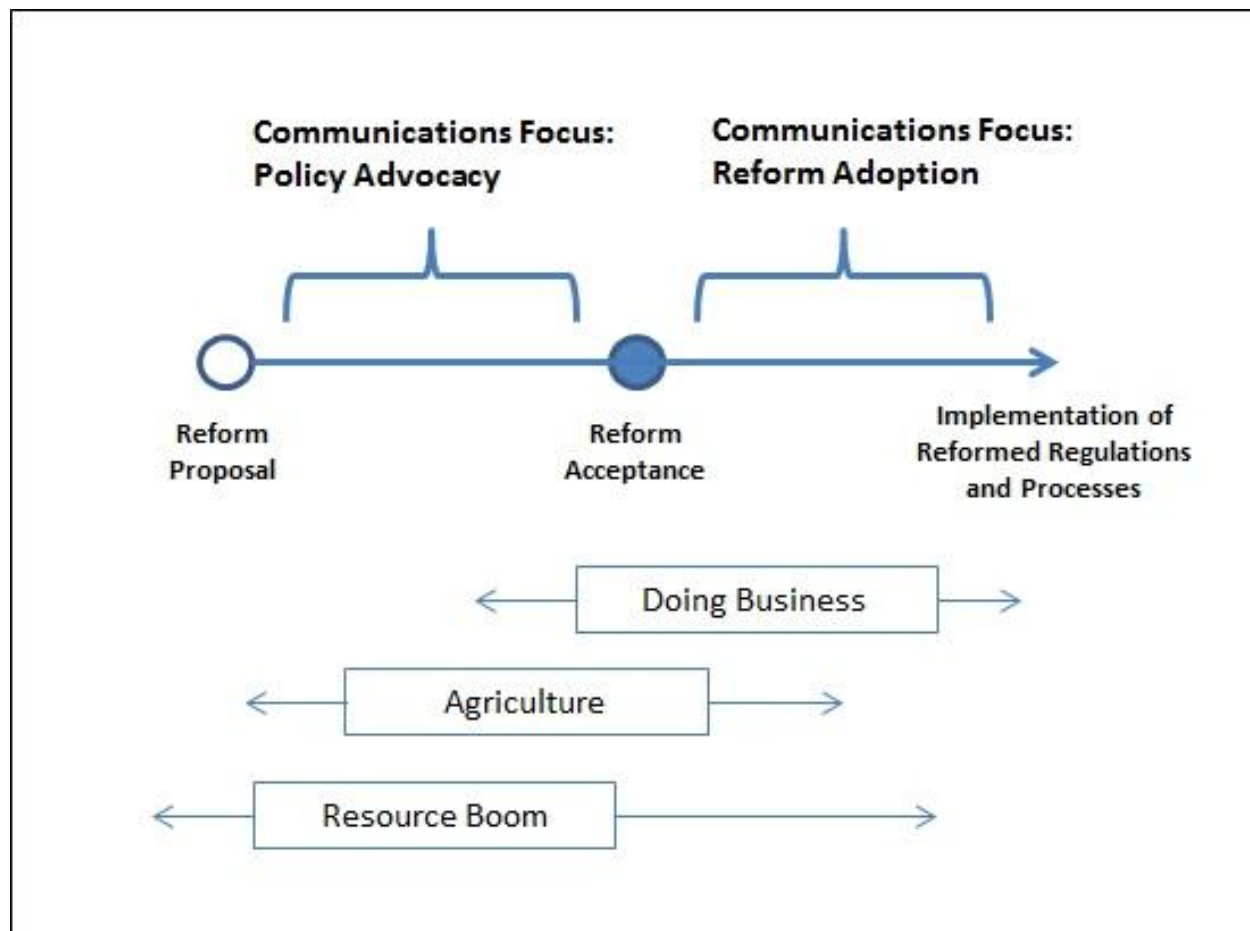
Tourism

Resource
Boom

Governance
and
Democracy

Reform Communications Stages

Position 'focus areas' in reform communication process:



C4PC: Business Environment

‘Mozambique’s business environment is among worst in the world. Government recognizes change is needed but pace of reform is slow and actual performance has stagnated.’

- **Mozambique’s business enabling environment is weak:** Doing Business (at #146 out of 185), Global Competitiveness Index (at #138 out of 144) and Transparency International Corruption Index (at #123 out of 174)
- **Over 80% of targets of the 2008-2012 EMAN (GoM’s Business Environment Reform Strategy) where realized**, but unfortunately this has so far not translated in measurable improvements.
- Local Business Confidence Index (KPMG) stagnating with i) Corruption, ii) Crime Rates, iii) HIV/AIDS, Malaria and other diseases and iv) Organized Crime seen as the most negative factors.
- **The poor business environment affects mostly small and medium sized enterprises:** SME’s desperately needed with 360,000 people entering the labour market on a yearly basis and only about 15,000 new jobs created

C4PC: Business Environment

Mozambique's performance in Doing Business has been thoroughly analyzed and a series of well defined 'quick wins' have been identified:

- **Starting a Business:** Create e-systems, Integrate platforms and procedures to obtain registration numbers and licenses for companies (NUIT, company registration, operating license) and individuals (NUIT, INSS, work permits).
- **Registering Property:** Create electronic property registers, integrate registration systems at municipality level and central cadastre, integrate payments and taxes in same systems.
- **Getting Credit:** Pass and implement Insolvency Law and regulations for Credit Information Bureaux. Both instruments have been drafted and are awaiting formal approval by GoM.
- **Paying Taxes:** Introduce e-tax systems and synchronize systems to pay various taxes.
- **Trading Across borders:** Streamline 'Janela Unica' for import and export. Improve functioning of the ports. Simplify pre-shipment inspections.
- **Resolving insolvency:** Law and regulations have been drafted.
- **Dealing with construction permits:** Already significant achievements realized (reduction # of days, permits, supported by SPEED). Monitorization of implementation of new framework is now required.

Targeting Mozambique at #100 in Doing Business 2015

Business Environment: Communication Framework

Perceptions around 'Doing Business':

- **Government Central:** Methodology critiqued for not measuring right things, 'foreign' instrument that lacks understanding of 'uniqueness' of Mozambique's BE, not enough recognition of improvements. Failure (or denial?) to understand the relationship between poverty and related factors such as crime, poor health etc. and poor business environment.
- **Local Government:** Poor internal communication. Often new/approved procedures do not 'reach' provincial offices. Common complains about contradictory/conflicting information provided by different ministries/provinces on the same topics.
- **SMEs:** No broad understanding what DB means, but all worried about Business Environment, specifically time and money spend on bureaucracy. Area of greatest concern for SMEs is access to finance.
- **Large corporates/investors:** Low DB ranking does impact investment decisions. Trade/agriculture/manufacturing more affected then natural resources and very large investments as 'deals can be negotiated'.
- **Civil Society:** Little understanding of relationships broad development challenges Mozambique is facing and business environment (such as relationship between lack of jobs/poverty/crime rates)

Consensus that Business Environment needs improvement . 'Doing Business' as THE instrument to measure BE not uniformly accepted.

Business Environment: Communication Framework

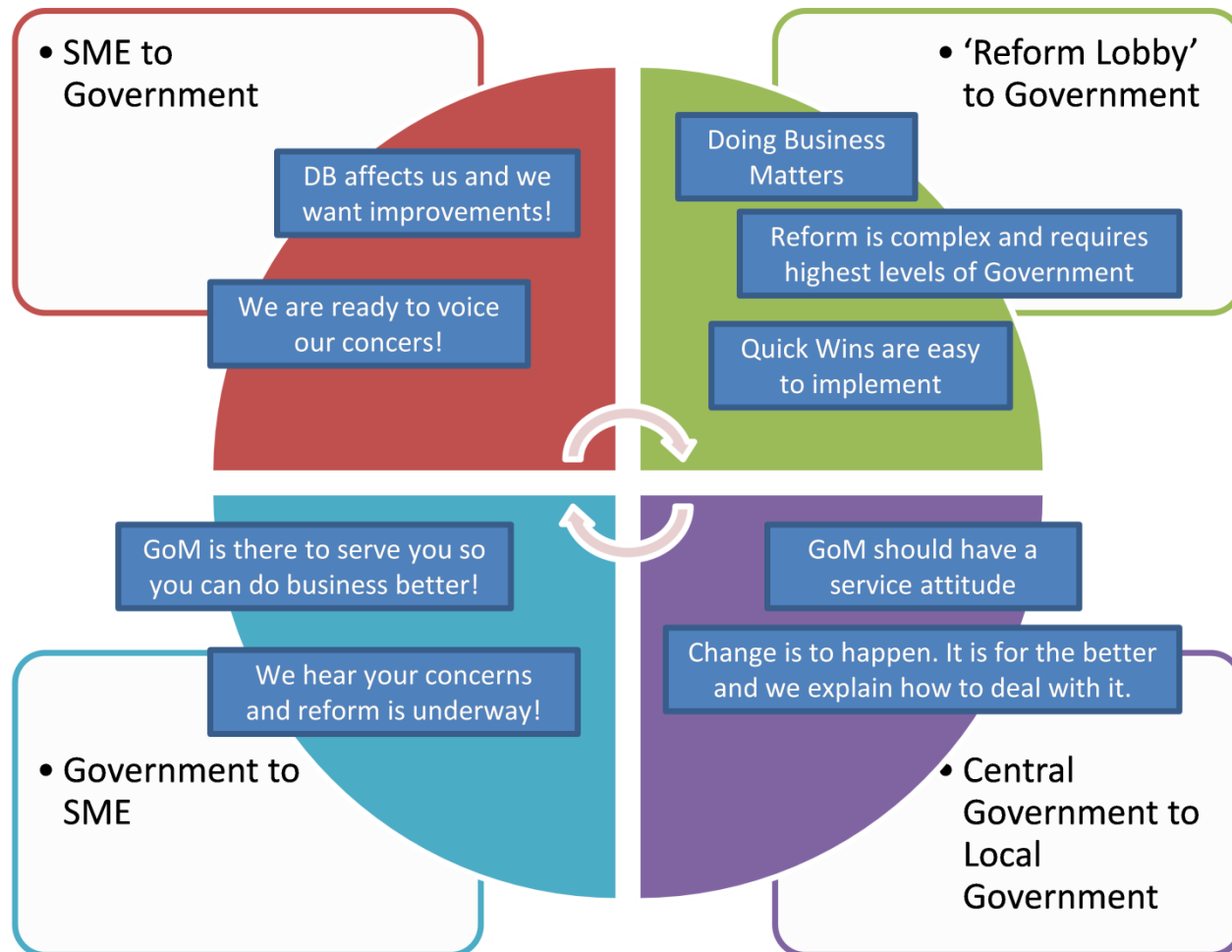
Key audience	Communication Objectives:
Government Central	<ul style="list-style-type: none"> - Educate about relevance of Doing Business. It does measure actual performance of Mozambique, indicators are relevant, not only for 'international analysts' but also for local SMEs and it does effect image of Mozambique as destination for trade and investment. - Advocate that 'Business Environment' is perhaps not best placed in the Ministry of Industry and Commerce, as many required reforms have impacts/depend on other ministries such as finance and planning and require very strong leadership at the highest government level
Government Provincial/Local	<ul style="list-style-type: none"> - Increase understanding of reforms/new procedures. Often new procedures are not properly rolled-out. GoM must focus much more on internal communications of new and improved procedures. This is also an area donors might increasingly look into for support. - Build culture of 'service provision': Various Government agencies at national and local level must understand that they also have a role to play and a responsibility towards Mozambican businesses to effectively implement policy and deliver a service.
SMEs	<ul style="list-style-type: none"> - Educate what Doing Business is and how it affects SMEs, a low ranking and 'poor' Business Environment effects day-to-day functioning of SMEs. - Mobilize 'champions of change', individual SME's/key individuals to support key messages for reform (e.g. to advocate for the changes proposed for Doing Business indicators)
Academics/Consultants	<ul style="list-style-type: none"> - Motivate local research to 'localize' international indexes such as DB
Civil Society	<ul style="list-style-type: none"> - Educate about relationship poor business environment and poverty. Objective is broader understanding and greater pressure on GoM to reform.

Business Environment: Communication Framework

From:	To:	Key Messages:
'Reform Lobby'	Government	<p>Doing Business Matters</p> <p>Quick wins have been identified and are easy to implement</p> <p>Reform is complex and requires leadership from highest levels of Government</p> <p>Effective reform requires a service mentality (top-down)</p> <p>Effective reform requires solid mechanisms for dissemination (internal and external), training and M&E mechanisms (merely 'passing' of new legislations doesn't mean it is implemented!)</p>
SMEs	Government	<p>Doing Business also affects us! We want GoM to simplify the Business Environment so we can do more business easier, create more jobs and contribute to Government tax income and more economic growth.</p>
		<p>We do want GoM to enforce legislation/registration obligations so we are less affected by 'illegal' competition from informal market.</p>
Government	SMEs, others	<p>Celebrate successes (reforms have happened, let the world know)</p> <p>GoM is there to support SMEs and is improving its tools and processes to do this better.</p> <p>GoM is passing reforms that do improve business environment specifically for Mozambican SMEs; making it easier for them to do more business.</p> <p>GoM understands need for SMEs to be better integrated in supply-chains of large corporates and to benefit from 'resource boom' and is playing its bit to ensure policy climate is adequate.</p>
'Reform Lobby'	SMEs	<p>Doing Business effects your day-to-day business</p> <p>You must voice your concerns to be heard and to affect change.</p>

Business Environment: Communication Framework

Message platform for 'Doing Business':



Business Environment: Communication Framework

A Detailed Analysis/Recommendations for the Indicator: Starting a Business

- **What needs to be reformed:** Doing Business ranking 2013 (DB13), opening a business in Mozambique requires 9 procedures, takes 13 days and costs 19.7% of income per capita. Recent assessment (Sal and Caldeira) proposes integration of various processes and procedures.
- **Who are critical in passing the reform:** Ministerio de Justica. Others: MIC, MOF, MITUR, Gabinete do PM
- **Why is reform not happening:** Lack of leadership, coordination, awareness, sense of urgency. Poor coordination between various related ministries. No evidence found of strong opposition, fear for loss of jobs or loss of income opportunities ('petty' corruption)
- **Status of reform:** Report presented to inter-ministerial group. Consultant (Sal and Caldeira) to present updated version with comments, then upto MIC/DASP to present final version to Council of Ministers and go ahead.

Mozambique ranks for 'Starting a Business' at #96, proposed improvements will move to #44 - #71 and will reduce # of procedures from 9 to 3 and #of days from 13 to 3.

C4PC: Agriculture

‘Agricultural competitiveness has not improved for decades, productivity is low and market access is weak. Taxes in agriculture revealed serious disincentives for buyers to source from smallholders.

- **Effective support to agriculture is weak.**
- **High costs of doing business also affect the agriculture industry.** Doing business in Mozambique is costly and negatively impacts investments in the agriculture sector.
- **Taxes impact negatively** on agriculture trade and smallholder welfare.
- **Diversity and information asymmetry on tax regimes applied to the agriculture** sector hampers small holder farmers’ production and trade.
- **Agriculture future growth requires action now!** Poor rural infrastructure (roads and irrigation), disconnected and isolated markets and weak institutions are constraining agricultural growth and productivity.

C4PC: Agriculture

The C4PC proposes to eliminate biasness against non-tax registered smallholder farmers, thus augment agriculture trade and income through supporting implementation of simple reforms:

- **Buyer-issued receipt:** Introduce buyer-issued receipts, which would allow buyers to account for agriculture produce purchased from smallholder farmers and obtain “documented expenses” for income tax purposes.
- **Eliminate the simplified VAT regime:** Replacing it with the current ISPC (Simplified Tax for Small Taxpayers).

Agriculture: Communication Framework

Perceptions around proposed 'Buyer issued receipt':

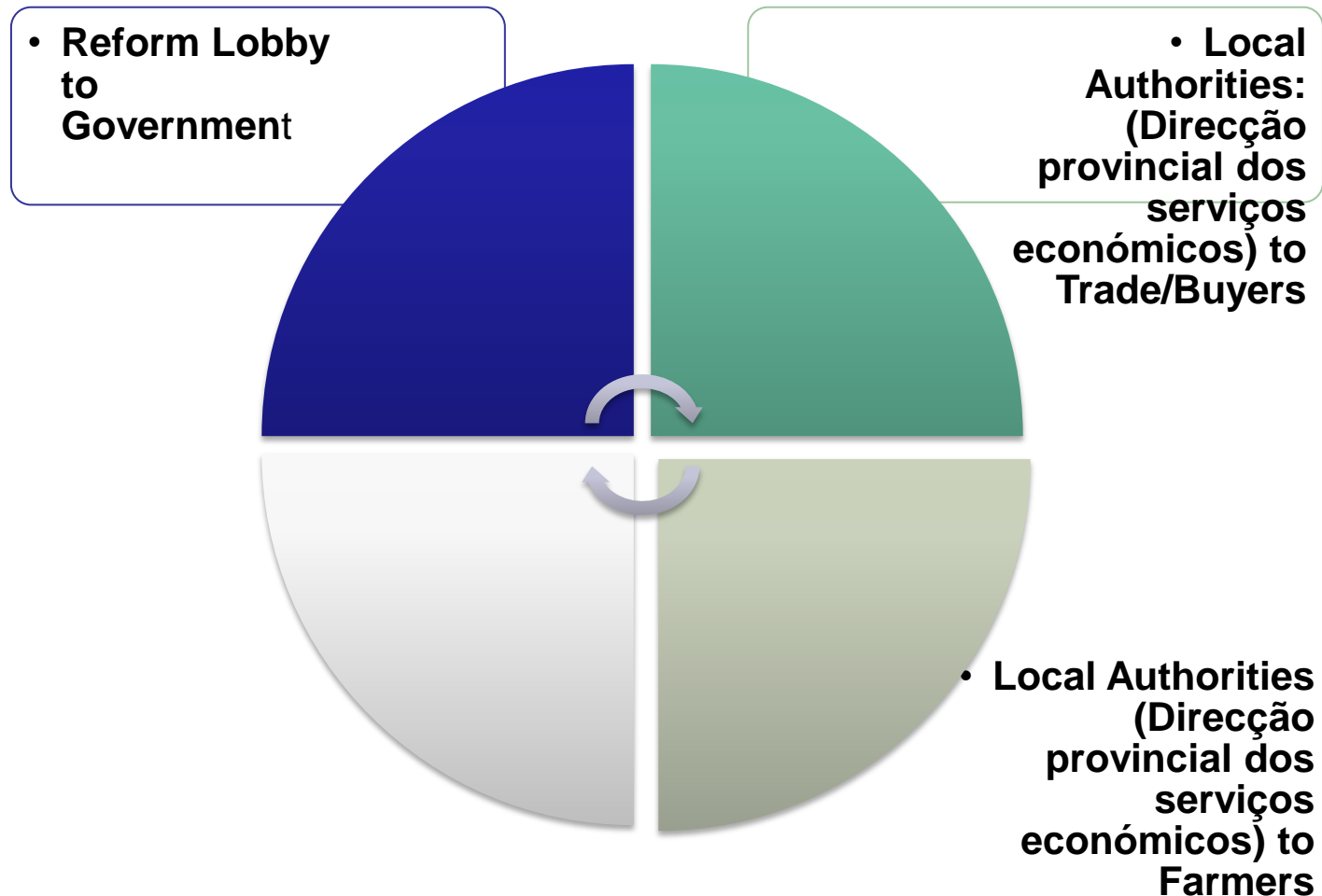
- **Government Central: Support. Reforms in process. Concerns about implementation and disclosure.** The review of VAT legislation already includes formalizing the **Buyer-issued receipt**. The VAT review and amendment is in a fairly advanced stage and it is expected to be approved this year. However, there is a strong need to monitor the application of the **Buyer-issued receipt** to minimize 'wrong' practices.
- **Large Corporate/investors:** Formalizing buyer-issued receipt is a welcome initiative. The requirement of documented expenses which limits buyers to purchase agriculture produce from unregistered farmers is well-known and it applies mainly to food-crops. Traders are applying ad-hoc solutions to minimize the impact of the problem.
- **Farmers Associations: strong need to support farmer's organizations to raise their voice and increase smallholder farmers bargaining power.** Some concerns that only large buyers will benefit from this reform. Disconnect between the political "discourse" and the practice regarding support to smallholder agriculture. Long term solution is to allocate NUT to small farmers, but this is a long process.
- **Who is prohibiting these reforms:** Indeed no one. The reform is in process of formalization. Perceived "delays" may be due to both the need to be cautious regarding the likely negative impacts that may arise, particularly the incidence of buyers "wrong doing/mal practice. Both government and private sector support the immediate implementation of Buyer-issued receipt.

Agriculture: Communication Framework

Key audience	Communication Objectives:
Smallholder farmers and buyers	<ul style="list-style-type: none">- Accelerate adoption by engaging, informing/advertising the advantages of buyer-issued receipt across smallholder farmers and buyers.
Government Provincial/Local	<ul style="list-style-type: none">- Enhancing understanding of buyer-issued receipt impacts on broad economy and in particular on agriculture and smallholder farmers' livelihoods.- Educate about the potential impact of facilitating trade with smallholder farmers through approval of invoices/receipts that may be issued by purchasing companies on behalf of smallholder farmers (suppliers) who are not registered taxpayers.- Play critical role in monitoring and enhancing accountability of implementation of buyer-issued receipt by buyers, to minimize incorrect practices.

Agriculture: Communication Framework

Message platform for 'Agriculture':



C4PC: Resource Boom

‘Mozambique holds exceptional quantities of recently discovered natural resources. How this is handled today will define Mozambique’s economy in the next 50 years. Natural resources do not automatically translate into national wealth.’

- **Mozambique boasts exceptional quantities of recently discovered natural resources:** 4th largest reserve for natural gas, one of the world’s largest coal deposits. IMF expects that natural resources will account for approx. 50% of national GDP in 2020.
- **Few countries have managed to transform rapid finite wealth (natural resources) into broad economic growth and social development**
- **Good economic and social performance is highly correlated to a country’s institutional capacities:** The stronger capacity, the higher the likelihood that captured revenue (from taxes and transactions in natural resources) is transformed in investment, jobs, economic diversification
- **Weak institutional capacities in countries with rapidly amassed finite resources are associated with poor economic performance and poverty:** poverty persistency, loss of competitiveness in non-extractive tradable sectors, accelerated inflation and explosive corruption (eg Nigeria, Angola)
- These combined effects – **often referred to as ‘resource curse’** – cause countries to end-up with stagnant individual incomes, dubious economic and social prospects and often **political instability**

C4PC: Resource Boom

Main challenges for 'Resource Boom'

Exchange rate management and competitiveness

Appreciating exchange rate will condemn tradable sectors: 1. Smallholders struggling to sell as imports become cheaper, 2. Industrialization can only happen through capital intensive investments, 3. Job creation shrinks

Competitiveness effected (specifically in agriculture): 1. Poor Business Environment, 2. Lack of skills, 3. Appreciating exchange rate

Poor competitiveness will result in: Poor supply linkages with extractive industries, Poor industrialization, poor export potential, translating again in few job opportunities and investment

Institutional capacities

Worldbank Governance Indicator (scale of -2.5 (weak) to +2.5 (strong)). Mozambique (-0.55) is poor and deteriorated 40% over last 15 years. This shows that **increased budget caused absorption capacity to decrease, turning Government less effective**. Solution is not to increase budget only but to increase absorption capacity and government effectiveness (=stronger institutions and simplified bureaucratic procedures)

How to build strong, efficient and effective institutions: 1. **Human capital development:** Broad education and health services build on the longer term human capital and affect economic and social change, 2. **Simplification and modernization of bureaucratic processes:** creating better services, often increased pay and career paths for civil service to focus on policy, 3. **Transparency and accountability of civil service:** impacts on good governance and institutional performance, 4. **Political will.**

Transparency and Corruption

Mozambique scores bad on 'corruption', both in Worldbank Governance Indicator and in 'Corruption Perception Index' (#120 out of 182). Transparency pivotal for success.

High degrees of transparency impose pressure on institutions to perform (accountability, responsiveness) and make business environment more conducive for private sector development

Lack of transparency, combined with lack of political will and weak institutional systems fuel corruption

C4PC: Resource Boom

Solutions:

- Simplify Business Environment (Doing Business)
- Diversify economy: Agriculture and Tourism
- Develop linkages to extractive industries
- Build institutional capacities
- **Build EITI (Extractive Industries Transparency Initiative)**
- **Create Sovereign Wealth Fund**

Resource Boom: EITI and Sovereign Wealth Fund

- **EITI compliance** means that the country has an effective process for annual disclosure and reconciliation of all revenues from its extractive sector. This allows citizens to see how much their country receives from oil, gas and mining companies. Mozambique is EITI compliant since December 2012.
- **A Sovereign Wealth Fund (SWF)** safeguards revenues coming NOW from the extractive industries for future generations. It keeps money directly received from large extractive companies outside of the economy and uses these funds for investments inside and outside the country. This will safeguard the country from inefficiencies in spending now and keeps investment funds available for when the (finite) resources are not there anymore.
- **Who are critical in passing the reform:** MOF, Ministerio de Recursos Naturais, National Petroleum Institute, Gabinete do PM, President
- **What might prohibit reform (SWF):** Timeframes politicians much shorter than the expected lifetime of the SWF. As little benefits are expected to come out of the SWF within the active periods of current politicians, little attribution of 'success' of an SWF is expected to go towards current politicians. It is more likely that they consider the negative impacts of such a fund on their political careers (eg perceptions that money is shifted away from the needy and poor)
- **What might prohibit reform (EITI):** EITI Mozambique got accredited in late 2012 as EITI compliant. Permanent accreditation depends on an audit scheduled for 2017. So far, no signs yet that Mozambique will lose this accreditation but standards for reporting are high and in the past other African countries have lost their accreditation

Resource Boom: Communication Framework

Key Messages

To Government

There are real dangers of NOT UNDERSTANDING and NOT ACTING

Understand the relationships and dangers of failing to understand/act:

- Importance diversification of the economy
- Dangers of reliance on natural resources only
- Importance specifically NOW for institutional strengthening
- Relationships between diversification of economy on job creation, poverty, unrests (riots!) criminality
- Relationship between health and education on availability of human resources and longer term institutional capacity/SME capacity

Corruption is real. Leadership from highest level required to stop. Zero tolerance policy. Corruption is a major issue in Mozambique and current resource boom makes situation more vulnerable. Zero acceptance attitude required, leadership from the top, understanding how corruption destroys the economy and stimulates poverty.

Time IS a factor. Donor funds are drying up, specifically with increasing resource revenues. NOW is the time to build institutions, educate young people, invest in other sectors of the economy. TOMORROW is TOO late and Mozambique may fall into the resource trap.

There ARE solutions. Government is not 'passively' undergoing the 'Resource Boom'. The resource boom can be positive IF the right mechanisms are implemented. Understand and work on these solutions!

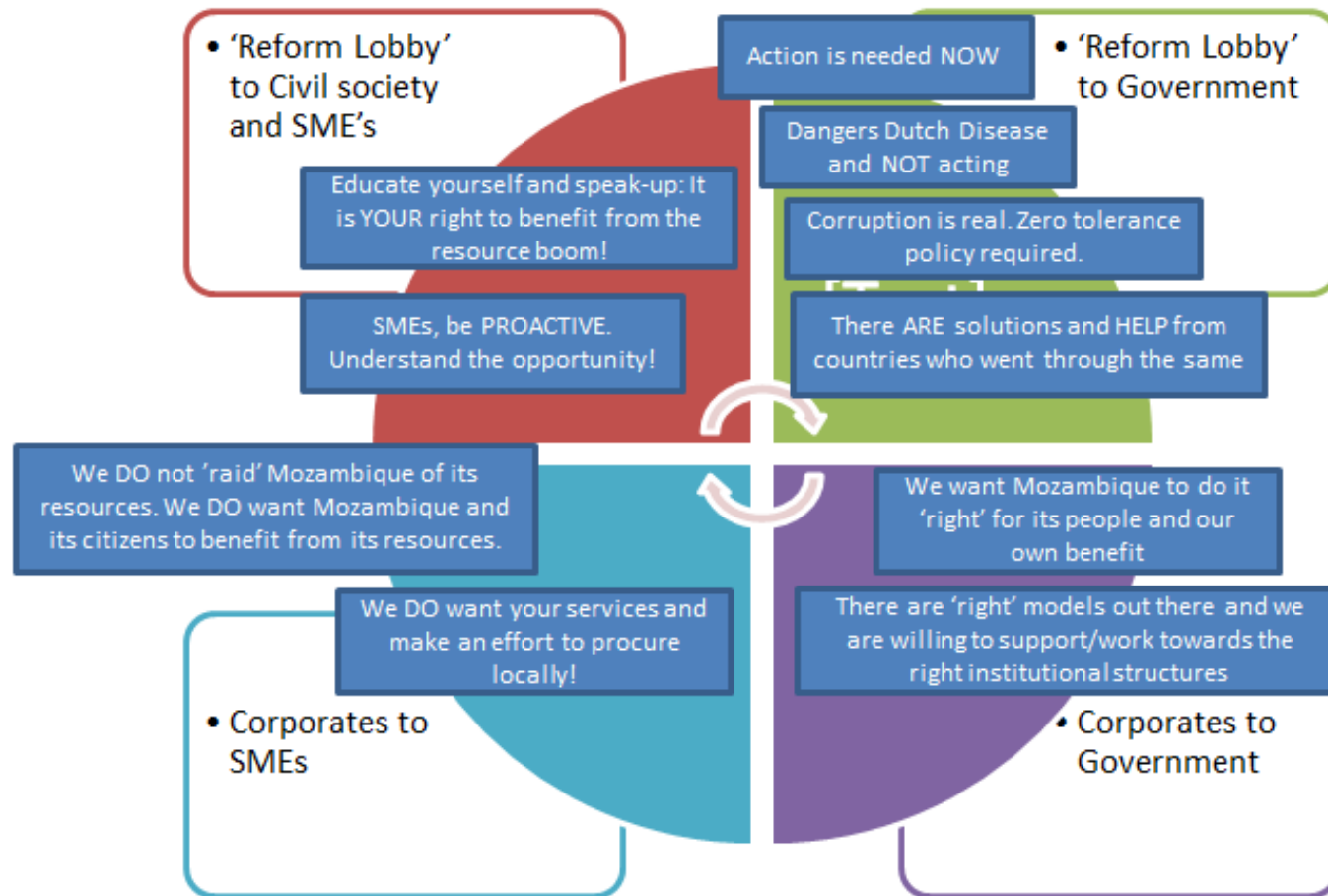
There is help. Many countries have gone through the same thing. Look also at the 'bad' cases and make sure Mozambique is not making the same mistakes. Be open to understand, reach out for help and be recipient for help!

Resource Boom: Communication Framework

Key Messages	
To civil society	Educate yourself and speak-up! Now even more important to understand the challenges and dynamics facing the country and that it is NOW time to act. It is right of every citizen to benefit from the country's natural resources and their duty to influence GoM to do the right thing for their citizens!
SMEs	Be Proactive: It is also YOUR responsibility to reach-out and understand the opportunities. Educate yourself, invest, liaise with large corporates. Many DO want to work with local SMEs. Pressure GoM: we DO need reforms, we DO want a less bureaucratic business environment, we do want simplified tax regimes etc. This DOES impact on our performance and our ability to grow and create jobs and pay taxes.
To academics/media/researchers	Repeat and simplify the messages: Once is not enough. Government, SMEs, large corporate do need to hear these facts. These matters are complicated. Make an effort to translate (many press/report require a PhD in economics to make sense of the materials..). Civil society also need to understand these messages.
To large companies in resource sectors	Pressure GoM to do it right, it in your own benefit. If you are here for the long run, be sure things are done the right way. Share, educate along the way and bring best practices. If done right, Mozambique will prosper, bringing you a brighter future free from social unrests, corruption.
Foreign experts, countries who have gone through this	Share! The more Mozambique can learn from best and poor practices the better. We must not only listen to the 'good' (e.g. Norway) but specifically to those countries where things didn't go quite right (e.g. Nigeria).

Resource Boom: Communication Framework

Message platform for 'Resource Boom':



C4PC: Overall Recommendations

- **Increased efforts on working with media/press:** Work with media, detail and repetition essential. Have more structured approach towards press (eg press officer/press releases/interviews etc.).
- **Identify ‘champions of change’:** Identify a few influential figures that could lobby for policy change at most senior levels Support these people with research/access to information sources and media training so they are more confident to speak in public. Key ‘champions of change’ should be found among established business/political leaders but also among SMEs/young upcoming entrepreneurs
- **Make the Business Environment more accessible and introduce some elements of fun:** Competitions, awards for media, entrepreneurs, programs, municipalities, government departments, on-line presence
- **Localize research and bring as many relevant voices in communication:** ‘Localize’ research/reporting on Business Environment, give SMEs a voice
- **Increasing awareness and understanding in Government essential for both policy advocacy and reform adoption phases:** Support campaigns to roll-out policy change in Government, Implement ‘Master Class’ solely focused on Government to promote advocacy and understanding of complex economic themes.
- **Be careful to associate certain reforms with specific donors/programs:** Risk exist that the actual reform message gets ‘painted’ by associations with the donor (positive or negative) that have nothing to do with the actual message

C4PC: Reform Communications

END