

# Mozambique Reform Program

## ***USAID Workshop: Promoting Economic Growth in a New Era***

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# Introduction

- Every country has constraints that negatively impact the private sector.
- The challenge is to reduce these constraints in order to facilitate the growth and competitiveness of the private sector.
- Mozambique understands that the growth of the private sector, trade and exports is imperative for the growth of our economy and the reduction of poverty.
- Mozambique has embarked on an ambitious reform program to improve the business environment.



## Introduction (continued)

- Today I will describe Mozambique Business Environment Reform Program.
- Our business environment is far from perfect.
- The reform process should be simple, but it is really difficult.
- Bureaucracy and a non-authoritarian ethic slow reforms.
- But we are making progress.



# Background

- The concept of the private sector in Mozambique is something relatively new.
- During the Portuguese Colonial period, the private sector was owned by foreigners that left the country.
- After independence, the development model Mozambique adopted favored strong State involvement in the economy with little focus or support for entrepreneurs.



# Privatization

- Between 1987 and 1993 over 1,000 mostly small enterprises were privatized to Mozambican proto-entrepreneurs.
- Many of the former state enterprises were shut down soon after privatization because they could not remain competitive.
- All banks were also privatized and the financial system liberalized in early 1990s.



# Public - Private Sector Dialogue

- In 1996, a FIAS Red Tape Study revealed very serious microeconomic constraints to business and investment. This surprised government and led in 1997 to:
  1. The creation of an Inter-Ministerial group, which would analyze the problems and change legislation; and
  2. The creation of the Working Group of Business Associations (CTA) to serve as the principal intermediary between the private and public sectors on business environment issues.



## Public - Private Sector Dialogue (continued)

- The government and CTA defined a set of “first-generation” reforms, some of which were successfully implemented up to 1999:
- Simplified tariff structure, privatization of customs management, and accession to SADC FTA;
- Elimination of price controls, 25-line paper, some notary requirements, etc..
- The “First Generation Reforms” lasted until the 5<sup>th</sup> Private Sector Conference which took place in September 1999, but reforms were slow.



## Public - Private Sector Dialogue (continued)

- In 2000, nine work commissions were created dealing with specific business environment related topics, such as the labor law, taxes, business registration, etc.
- These new working commissions met monthly and re-invigorated the work program for the reform of the business environment.
- Some of the principal economic instruments, such as the Labor Law, the Commercial Code, and Business Licensing and Commercial Registration, are now undergoing revision. (The “current” commercial code is dated from 1886).



# Results

- Complete change in Government's attitude to private sector – policy, laws regs to CTA for comment.
- Much greater awareness of how these constraints undermine private sector competitiveness.
- Land acquisition time reduced from years to 90 days; visas issued at border; high tariff level reduced from 35% to 25%; import times to less than two weeks from over a month; it takes less than 90 days (from 176 days in 1998) to register a business.
- The private sector takes part in commissions responsible for tax, legal, customs, land and labor reform.



# Conclusion

- Common vision between private and public sectors critical to reform.
- Parallel civil service reform program also critical.
- CTA and the MIC now conducting survey to establish benchmarks for several procedures (VAT reimbursement, import time; work permits, etc..)
- A committed donor able to provide assistance to private sector as well as government important – USAID played this role.

