

List of Abbreviations / Acronyms

| Abbreviation / Acronym | Description |
|-------------------------------|--|
| AR | Assembly of the Republic |
| AT | Tax Authority |
| BM | Bank of Mozambique |
| CM | Council of Ministers |
| CMAN | Commission for the Monitoring of the Business Environment |
| DASP | Directorate for Private Sector Support |
| DB | Doing Business |
| DGA | General Customs Directorate |
| DPP | Public-Private Dialogue |
| EGR | Reform Management Team |
| EMAN | Strategy for the Improvement of the Business Environment |
| IMF | International Monetary Fund |
| GIP | Provincial Inter-sectoral Group |
| GIRBI | Interministerial Group for the Removal of Barriers to Investment |
| GM | Government of Mozambique |
| ICE | Specific Consumption Tax |
| INE | National Statistics Institute |
| IRPC | Corporate Income Tax |
| IRPS | Individual Income Tax |
| ISPC | Simplified Tax for Small Contributors |
| IVA | Value Added Tax |
| (JUE) | Sole Electronic Window |
| MASA | Ministry of Agriculture and Food Security |

| | |
|--------|--|
| MEF | Ministry of the Economy and Finance |
| MIC | Ministry of Industry and Trade |
| MIREME | Ministry of Mineral Resources and Energy |
| MISAU | Ministry of Health |
| MJACR | Ministry of Justice and Constitutional and Religious Affairs |
| MMAIP | Ministry of the Sea, Interior Waters and Fisheries |
| MOPHRH | Ministry of Public Works, Housing and Water Resources |
| MSME | Micro-, Small and Medium-sized Businesses |
| MTESS | Ministry of Labour, Employment and Social Security |
| PAMAN | Action Plan for Improving the Business Environment |
| PEI | Industrial Policy and Strategy |
| PES | Economic and Social Plan |
| PET | Polyethylene Terephthalate |
| PIB | Gross National Product |
| PM | Prime Minister |
| PQG | Government's Five-Year Plan |
| PSWG | Private Sector Working Group |
| SADC | Southern African Development Community |
| UIR | Unit for the Implementation of Reforms |
| WB | World Bank |

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Introductory Comments of His Excellency the Minister of Industry and Trade

The development of societies is a dynamic and fundamentally dialectic process.

Ongoing interaction between various internal and external players allows for the acceleration of economic and social transformation processes.

The improvement of the business environment is a priority in this governance cycle, despite the fact that we are operating at a difficult juncture.

The end of EMAN II, in 2017, created an unprecedented opportunity to explore new approaches. Inspiration has been drawn from initiatives undertaken by other economies, with a view to developing a flexible, unifying instrument which is a national, representative project, with a measurable and tangible impact on the improvement of the national business environment.

The Action Plan for the Improvement of the Business Environment (PAMAN) is the result of extensive consultation with the private sector and civil society, and is based on the 3 chief instruments used to improve the business environment in the country - the strategy (EMAN), the matrix of priorities (DPP), and the Doing Business matrix - and brings with it a new way of dealing with those necessary reforms and interventions which will facilitate doing business in Mozambique.

PAMAN, with a shorter duration of 3 years (2019-2021), has taken these various policies into consideration, as well as their alignment with the private sector's perceptions of which reforms are needed. Its structure includes a series of innovations which will allow for greater speed in the process of implementing reforms, and a higher level of participation by stakeholders,

both in the private sector, and in the public sector, academia, and civil society.

Special focus has been placed on reforms relating to the attraction of investment, both national and foreign, the transfer of technologies which are suited to business development, and the creation of solid and realistic bases on which to access to capital under sustainable conditions, which will permit the catalysation of the national economy.

The flexibility which is characteristic of this instrument will allow it to be aligned with the Government's Five-Year Plan (2020-2025) at a later stage, as well as with those reforms which may be opportune and key, but which are not envisaged at this time. As such, PAMAN is a unique instrument, and a unifier of actions aimed at improving the business environment in Mozambique. We wish to thank public sector institutions, private sector entities, civil society, academic and international cooperation partners, and especially GIZ, which has assisted us with the drafting of this PAMAN, both technically and financially.

The Minister of Industry and Trade
Ragendra Berta de Sousa

1. INTRODUCTION

Improving the business environment, so as to make the country more attractive for investment, and ensuring sustainable economic growth, based on business activity, are ongoing concerns of the Government of Mozambique.

When the Strategy for the Improvement of the Business Environment (*Estratégia para a Melhoria do Ambiente de Negócios*, or EMAN II) came to an end, in 2017, the Government of Mozambique decided to adopt a new approach, so as to create pragmatic conditions for the improvement of the business environment, and so to allow for better appropriation of those opportunities which had been created for the use of energy resources, and the economy's diversity.

It is in this context that the Action Plan for Improving the Business Environment (*Plano de Acção para a Melhoria do Ambiente de Negócio*, or PAMAN) 2019-2021 has been developed, drawing inspiration from those initiatives undertaken and approaches employed by other economies, with which success has been achieved, as is the case in Rwanda, Mauritius, Serbia, Vietnam and elsewhere.

PAMAN 2019-2021 combines the characteristics of strategy and initiative, conferring flexibility, speed and accountability, via the creation of an implementation structure which is dedicated to the management and implementation of the entire reform process.

It is also intended, via this new concept, that PAMAN will allow for the merger of the 3 main instruments which currently work towards improving the business environment in Mozambique (the Strategy Matrix - EMAN II, the World Bank's Doing Business Matrix, and the Matrix of Reform Priorities resulting from public-private dialogue), which have divided attention and resources, and have resulted in the dispersion of efforts towards improving the business environment.

So as to ensure that scheduled reforms have momentum, and are up to date, PAMAN will have a 3 year period of duration (2019-2021).

By responding to the dictates indicated above, PAMAN will be a national project, binding together and unifying all of the instruments aimed at improving the country's business environment.

However, this fact also gives rise to challenges, specifically:

- The restructuring and strengthening of implementation mechanisms;
- The revising of the model for public-private dialogue;
- The revision of the monitoring and evaluation system.

The process of identifying priorities, and of drafting PAMAN, has depended on broad, intense and ongoing involvement by the private sector, the public sector, academia and civil society, so as to ensure that all stakeholders are involved in, and commit themselves to PAMAN.

Given the transversal nature of PAMAN, various policies, plans and strategies, and their alignment with the private sector's perception of needed reforms, have been taken into account. Special attention has been given to relevant reforms aimed at attracting investment, both domestic and foreign, the transfer of technologies which are suitable for business development, and the creation of a solid and realistic basis for access to capital, under sustainable conditions.

The flexibility that characterizes PAMAN will allow its subsequent alignment with the Government's Five-Year Plan (2020-2025), as well as with timely, key reforms which are not envisaged at the moment.

2. RATIONALE

The business environment is transversal, and is sensitive to peace, and to political and economic stability, which are key to building trust among various players in society. The predictability of the behaviour of macroeconomic variables and of government policies is also central to investment decisions.

Over the last ten years, the Government has been working to develop and implement strategies (EMAN I, 2008-2012 and EMAN II, 2013-2017) with which to create a favourable environment, with a view to facilitating business in Mozambique, improving the country's rankings in assessments of various international business environment indicators, and, as a consequence, attracting more investment to the country. This exercise has resulted, among other initiatives, in the drafting, implementation and monitoring of strategies for the improvement of the business environment.

In independent evaluations of the above-mentioned strategies, the following major constraints have been highlighted: the challenge of implementing reforms; communication, which still requires improvement, when implementing and effecting the planned reforms; dispersion in the allocation of necessary resources, and a low level of fluidity in inter-sectoral coordination. Many of the issues raised suggest the need for more dedicated management and high level interventions via multi-sectoral actions, which characterize most of the planned actions conducive to improving the business environment.

At the end of the EMAN II period of implementation, it became opportune and necessary to carry out a thorough analysis of the effectiveness of the instruments for the improvement of the business environment which were in use in the country, which culminated in the Meeting for Reflection on the Business Environment in Mozambique, on 3 November 2017, led by His Excellency, Filipe Jacinto Nyusi, President of the Republic of Mozambique.

Further to recommendations from the Meeting for Reflection, and to the decisions of the 39th Session of the Council of Ministers, wide-ranging national consultation was conducted of the private sector, the public sector, civil society and cooperating partners, with a view to identifying the real constraints to the effectiveness of the instruments adopted to date, as well as to creating an inventory of intervention priorities, for the drawing up of the post-EMAN II plan.

The following reasons were identified as having hampered the effectiveness of prior strategies:

- Reform actions were incorporated into pluriennial plans, which focused on objectives, and not into annual plans, with specific goals;
- The existence of parallel and competing reform matrices (placing pressure on implementation structures and monitoring mechanisms, because of a lack of focus and a low level of appropriation of synergies);
- The budget allocated to reforms for the improvement of the business environment was diluted in the Economic and Social Plans of the overseeing entities, making its management and speed of implementation difficult;
- Mechanisms for coordination, implementation and monitoring encountered difficulties in monitoring the three matrices, as well as in ensuring speed of implementation. This constraint was aggravated by difficulties in coordinating inter-sectoral fluidity;
- The mandate of the focal points of institutions and entities responsible for the execution of reforms for the improvement of the business environment was not clear or specific;
- The system for reporting, accountability and the publicising of information regarding the execution of reforms was underdeveloped.

In the process of collecting subsidies for the design, implementation, monitoring and evaluation of PAMAN, more than eighteen (18) meetings for hearing and discussion were conducted, in which more than nine hundred and ten (910) business people participated, from all of the country's provinces, as well as fifty three (53) representatives of the public sector, particularly of economic sectors, representatives of civil society, academics and cooperating partners.

On the basis of the results of the hearings and evaluation reports from EMAN I and II, associated with the analysis of international experiences of countries similar to Mozambique, such as Rwanda, Mauritius and Vietnam, with initiatives involving structuring reforms, having relevant impact on the improvement of the business environment, in particular, Vision 2020, Maurice Ille Durable, DOI MOI, respectively, the conclusion has been reached that it is necessary to have a single plan, which draws together all reforms, and is implemented as a national project, based on a concept which permits: (i) flexibility with which to respond to emerging needs for intervention in the business environment and (ii) more practicality in the response to positive and measurable impacts.

PAMAN has been designed on the basis of a model which is a mixture of strategy (which includes lessons learned from preceding processes) and initiative (characterised by flexibility, ad hoc management and capacity to respond quickly to any needs for the incorporation of reform action which arise during the implementation process), and it is intended that it will be:

- **A National Project:** in which all stakeholders are involved;
- **A single and unifying guide:** which permits the merger of the three (3) instruments currently in use, for the improvement of the business environment; and
- **Flexible:** which permits adaptability and rapid response in emerging interventions.

With the characteristics mentioned above, PAMAN should respond to the current challenges in the national economy, namely:

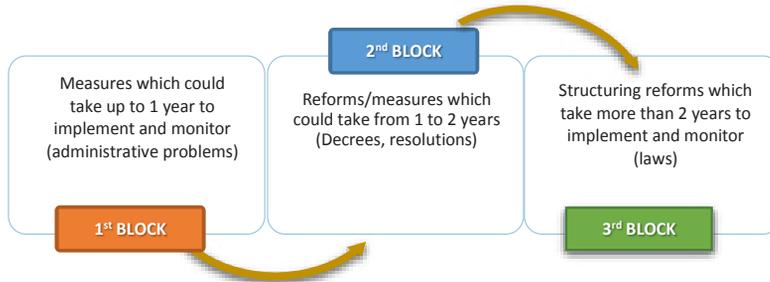
- The high cost of accessing financing;
- The tax burden ,and tax complexity;
- The growing weight of the informal sector;
- Excessive bureaucracy;
- Challenging levels of corruption;
- A low level of productivity;
- Difficulties in accessing markets.

The country's outlooks include a significant number of opportunities to exploit the value chain for natural resources, with a view to the development of the country, by permitting the capitalisation of the economy, so that the greatest number of sustainable benefits can be extracted. For this purpose, the Government of Mozambique, via PAMAN and other governance instruments, is prepared to intervene and capture income which will serve as the basis for the growth and development of the country, by creating real opportunities for business, production and productivity, with quality parameters, facilitating investment and propitiating the transfer of more suitable technologies.

As such, PAMAN is rooted in the creation of a facilitating environment which is conducive to the attraction of National Direct Investment (NDI) and Foreign Direct Investment (FDI), within a framework which promotes the transfer of technology, and of technical and management capacities, to businesses, and national labour, with a view to stimulating and accelerating the implementation of reforms.

2.1. Duration

PAMAN consists of 55 reforms and interventions, grouped under two headings, namely, **(1) Mozambique More Attractive for Investment and (2) More Competitive Businesses**. These reforms and interventions will be implemented in 3 chronological blocks, as illustrated hereafter:



- **1st Block:** will consist of short-term reforms and interventions which can be resolved within a period of up to one year, on the basis of sectorally autonomous, ministerial, operational or administrative instruments
- **2nd Block:** will consist of reforms which require a decision of the Council of Ministers, or inter-ministerial action.
- **3rd Block:** will consist of more complex reforms, the implementation of which will depend on in-depth studies, as well as on an analysis of regulatory impact (RIA: Regulatory Impact Assessment).

A “reform” means a proposed or projected changing of a specific issue, with the objective of improving the running of businesses, and which is presented in the form of a Law, Decree, Decree-Law, Ministerial Diploma or Resolution.

Interventions influence certain specific situations, such that they change an expected result. They emanate in the form of an implementation, revision or legal commencement, of physical or electronic infrastructure, or as a service order, circular or other type of administrative measure.

The details involved in the implementation of the proposed reforms and interventions, which are set out in Annexures 1 and 2, will be the responsibility of Units for the Implementation of Reforms (UIRs).

3. CONTEXTUAL ANALYSIS

3.1. The Business Environment in Mozambique in the Global Context

The economy of Mozambique exists in a highly competitive regional and global context, which demands ongoing and continuous improvement of the country's business environment, so as to ensure that businesses and the economy are adequately competitive. The country's natural resource potential, its strategic geographical location, its vast tracts of arable land, its enormous tourism potential, and its exuberant fauna and flora, both on land and at sea, make Mozambique the Pearl of the Indian Ocean, with a wide spectrum of riches, and very diverse possibilities.

However, given this potential, the Government of Mozambique has been making an effort to adopt and implement bolder economic policies aimed at improving the business environment, so as to achieve higher levels of socio-economic development. However, notwithstanding these efforts, the country faces enormous challenges, in relation to speedy and flexible implementation of those reforms which will allow it to improve its positioning in international rankings relating to the evaluation of the business environment.

Proof of the urgent need for accelerated and flexible reforms aimed at improving the business environment, are the unfavourable rankings in which the country figures, in the chief international instruments, namely:

3.1.1. The Index of Economic Freedom, of the Economic Freedom Institute

This is an evaluation which measures the economic freedom and opportunity which individuals have over the course of a lifetime. It is published every two years, by the Heritage Foundation, for 186 countries.

The index has four major pillars:

1. State of Law (Property Rights, Governmental Integrity and Legal Efficiency);
2. Size of Government (Public Expenditure, Fiscal Pressure and Fiscal Health);

3. Regulatory Efficiency (Commercial Freedom, Trade Union Freedom and Monetary Freedom);

4. Market Openness (Free Trade, Investment Freedom and Financial Freedom).

Mozambique's economic freedom is evaluated at 46.3, in 170th position (2017/2018), which is 3.6 points lower than the previous period, essentially owing to fiscal health and monetary freedom indicators, with a modest improvement in judicial efficacy and in public expenditure. In the Sub-Saharan African region, the country is at 42nd place, out of 47 countries.

3.1.2. The Global Competitiveness Report, of the World Economic Forum Instituted in 2004, it evaluates, annually, 12 pillars of competitiveness, with a view to verifying how a set of institutions and policies determines the level of productivity of a country. From 2014 to 2018, Mozambique remained in Stage 1 of development, holding position 22 out of 37 economies evaluated in this stage (2014-2015), 23 out of 35 economies (2015-2016), 23 out of 35 economies (2016-2017) and 24 out of 37 economies evaluated (2017-2018).

Challenges remain for the country in relation to the availability of basic social conditions, such as the creation of infrastructure, health, primary education, technical-professional education, with focus on "know-how", and macro-economic stability.

The set of the most concerning factors which have influenced the classification of Mozambique in the Global Competitiveness Index, is set out in the table here following:

| Global Competitiveness Report | Evaluation (Scale of 0-20) | Most problematic factors |
|-------------------------------|----------------------------|---------------------------|
| 2014 - 2015 | 19.0 | Access to financing |
| | 15.5 | Corruption |
| | 12.5 | Inadequate infrastructure |
| 2015 - 2016 | 16.7 | Access to financing |
| | 14.9 | Excessive bureaucracy |
| | 14.8 | Corruption |
| 2016 - 2017 | 15.5 | Corruption |
| | 12.3 | Political instability |
| | 12.2 | Access to financing |
| 2017 - 2018 | 18.2 | Access to financing |
| | 14.7 | Corruption |
| | 11.5 | Excessive bureaucracy |

Source: Compiled by FIRSTMETICAL, 2018

The analysis of the data in the above table permits verification of the weight of the responses submitted by various national authorities, organisations, agencies and the private sector, during interviews and hearings conducted by evaluation teams. In these interviews / hearings, a trend towards responses i involving the 3 most problematic factors was noted: access to financing, corruption and excessive bureaucracy.

3.1.3. The World Bank's Doing Business Report

An annual evaluation is conducted by the World Bank, which compares 190 economies worldwide, on the basis of 11 indicators, in relation to the ease of doing business. (Mozambique has, to date, been evaluated only on the basis of 10 indicators, the recent indicator relating to the regulation of the labour market being excluded).

In the 2019 report, Mozambique was classified in the 135th position, in general, in 16th position out of 48 economies in Sub-Saharan Africa, and in 10th position of the 15 SADC economies. The classification attributed to

Mozambique was 55,53 points out of 100, the country having improved by 1.53 points relation to the previous year.

From an analysis of the historical record for the last 10 years (2009-2019), in relation to the position occupied by Mozambique, it can be seen that the country has not changed its position very much. However, in the last 4 years, Mozambique's position has fallen by 11 points, from position 127 (2015) to 138 (2018), although there has been a slight recovery, to position 135 (2019), which permits the conclusion that, despite the fact that the country has instituted reforms aimed at improving the business environment, it has not done so as quickly as the other countries which have been evaluated, and thus remains at a disadvantage, as an investment destination.

3.1.4. Transparency International's Corruption Perceptions Index

On the basis of the opinion of specialists throughout the world, this evaluation measures the levels of the perception of corruption in the public sector, on a scale from 0 (highly corrupt) to 100 (very clean) in 183 economies. More than two thirds of the countries evaluated obtained fewer than 50 points, although the global average is 43 points.

In the 2018 evaluation, Mozambique was placed 157th, 2 points lower than in the previous year. In two years, the country lost 45 points. According to this evaluation, in Mozambique, the police and business sectors are considered to be the most corrupt, with indexes of 47 and 42% respectively, followed by public employees (38%) and tax authorities (37%). Notwithstanding the fact that this position is not very prestigious in the global context, in relation to southern African countries, Mozambique is placed above countries such as Madagascar, Zimbabwe, the Democratic Republic of the Congo and Angola.

The following table sets out the position of Mozambique in indexes for business environment evaluation conducted via the chief international instruments.

| Instrument | Description | No. of Countries Evaluated | Position of Mozambique (2018) | Frequency |
|-------------------------------|--|----------------------------|--|-----------|
| Index of Economic Freedom | This is an evaluation which measures the economic freedom and opportunity which individuals have over the course of their lifetimes. | 186 | A avaliação média da liberdade económica de Moçambique é de 46.3 pontos, tornando a sua economia a 170ª mais livre no mundo, (2017/2018). O país está classificado em 42º lugar entre 47 países na região da África Subsaariana. | 2 anos |
| Global Competitiveness Report | Its objective is to identify factors which determine economic growth and development, and its challenge is to offer an explanation of the reasons which lead to some countries being more successful than others in improving their population's income level. | 37 | Mozambique remained in the "1st stage of development", obtaining ranking 22 out of 37 evaluated economies in this stage (2014-2015), ranking 23 out of 35 economies (2015-2016), ranking 23 out of 35 economies (2016-2017) and ranking 24 out of 37 evaluated economies (2017-2018). Scale (0 best - 20 worst) | Anual |
| Doing Business Report | Focused on regulations which are relevant to the lifecycle of SMEs and business activities | 190 | 18.2 Access to financing 14.7 Corruption 11.5 Excessive bureaucracy Mozambique is in the 135th position overall, and in position 16 of a total of 48 economies in Sub-Saharan Africa (DB2019). | Anual |
| Corruption Perceptions Index | Perception of level of corruption in the public sector | 180 | On a scale from 0 (highly corrupt) to 100 (very clean), in the last 4 years, the global average for Sub-Saharan Africa (32.2) and Mozambique (28.5 points). | Anual |

On the basis of the results of the international evaluations described above, it is noted that Mozambique, in a general sense, is in an unfavourable position when compared with other economies of an equal or inferior size, which does not make it an attractive destination for NDI and FDI.

However, notwithstanding the 7,4% deceleration in the growth of the economy, in 2014, to an average of 4.4% between 2015 and 2018, the country has continued to demonstrate considerable economic resilience, considering that, in the period in question, the macroeconomic policy was implemented in a context of restrictions on access to external financing, fundamentally the result of the suspension of direct support for the State Budget by Cooperating Partners, and of a reduction in FDI.

3.2. The Business Environment in Mozambique

The improvement of the business environment is strictly related to actions which are aimed at simplifying procedures and reducing the time and costs involved in doing business, and are dependent on positive expectations, trust and the foreseeability of the course of the economy. In this process, the behaviour of the Government is of extreme importance, in its capacity as regulator, so as to ensure favourable conditions for entrepreneurialism.

As confirmation of the importance of the role of the Government, in the Government's Five-Year Plan (2015-2019), improving the business environment was strategic objective II of Pillar I - Consolidating the Democratic State of Law, Good Governance and Decentralisation - under which priority actions to be implemented are listed, namely:

1. Pursuit of the simplification of procedures and the improvement of competitiveness, so as to render the business environment more attractive for investments that permit Mozambique to obtain a position of reference in regional and worldwide rankings;
2. Elimination of barriers to the entry of new operators into the market, and the creation of conditions for the attraction of new investments, the growth of employment and the diversification of the economy; and
3. Strengthening and improving mechanisms for dialogue and articulation between the Government and the private sector, by prioritising the empowerment of the Mozambican businessperson.

As already stated, the Mozambican economy has, in the last few years,

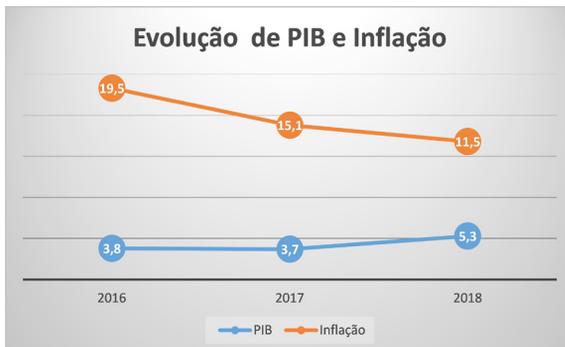
decelerated, as a result of limitations on access to external financing. In conjunction with these external factors, the political and military tension between 2015 and 2016, the drought in the southern region, and floods in the central and northern regions have also affected economic growth, by reducing agricultural production.

However, the economic climate for businesses, as measured by the Business Confidence Index, increased in the last 3 quarters of 2017 and the first semester of 2018, owing to favourable demand outlooks (for the fifth consecutive quarter), which continued to supersede the negative employment forecasts in the same period in reference (Source: INE).

Notwithstanding the unfavourable internal and external scenarios which have dictated the implementation of restrictive monetary and fiscal policies, in the last 4 years (2015 to 2018), Mozambique has been among the 4 economies in SADC which have shown the most growth in the region.

From 2006 to 2014, the country experienced a “golden period” of GDP growth, which was at an average of 7.2%, above the average for countries in Sub-Saharan Africa, which is at 5%, and which permitted it to attract large foreign and national investors. In the same period, average inflation was in the single digits. The behaviour of these economic indicators in the last 2 years, and the projection for 2019, is presented in the graphic below:

Graphic 1: Evolution of the GDP v Inflation



Source: MEF (2018) and INE (2019)

As can be seen from the above graphic, as from 2016, GDP growth began to decelerate, to 3.85% and to 3.3% in 2018. In 2016, inflation reached 19.9%, influenced by the behaviour of certain food products which make up the basic food basket, non-alcoholic beverages, furniture, decorative articles, domestic equipment, and clothing, shoes and transport. The products in question contributed to inverse movement as from 2017, causing inflation to reduce to 3.91% in 2018.

The trade balance for Mozambique in 2017 had a negative result, despite having decreased by 1.020 million dollars, resulting from a 42% growth in exports, and stood at 4.725,3 million dollars. Imports reached around 5.745,4 million dollars in the same period. Growth (without taking mega-projects into account) was 13.6% for exports and 10.5% for imports, contributing to a coverage rate of 30.1%, which indicates the great relevance of mega-projects for exports.

The Mozambican business fabric is mostly made up of micro, small and medium-sized businesses (MSMEs), which concentrate chiefly on the trade and supply of goods and services, and have a high mortality rate – in other words, the speed with which they are created is the same as that at which they are wound up. Although MSMEs make up more than 90% of Mozambican businesses, their contribution to the GDP is still very low.

The transfer of suitable technologies, and good business practices, may make MSMEs more competitive, provided that they are accompanied by enabling policies, whether these relate to tax, inspections or sectoral incentives. In this context, it is the State's responsibility to create an evolving regulatory environment, in which MSMEs can perform their activities by focusing on improving production and productivity.

During consultation forums, the incidence of the following problems, which place constraints on the emergence, growth and development of the private sector and of investment in the country, were noted:

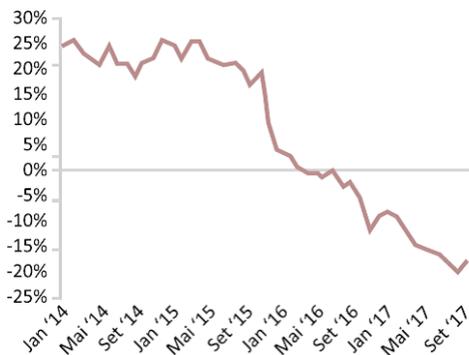
3.2.1. High Cost of Accessing Financing

Access to financing is a recurrent constraint mentioned by the private sector as being of major impact, and determinative of the quality and volume of

investment into the economy. The problems which affect access to financing relate both to demand, and to offer, because the greater part of businesses, particularly MSMEs, do not meet the conditions and requirements demanded, and demandable, for accessing credit, and also because the offering does not include products which are suitable for and accessible by the national market, owing to interest rates which remain high.

Figura 19: A política monetária restritiva diminuiu a procura de crédito...

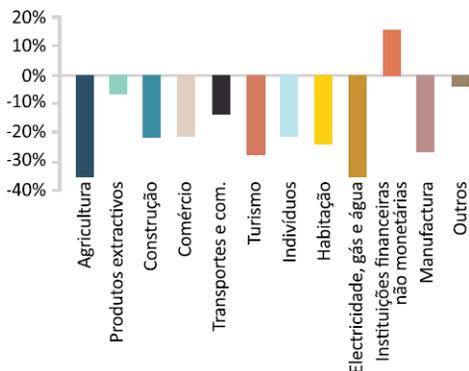
Crescimento real do crédito, 2014 - 17
(variação percentual a 12 meses)



Fonte: BdM

Figura 20: ... em quase todos os sectores da economia.

Crescimento real do crédito sectorial, Outubro de 2017
(variação percentual a 12 meses)



Fonte: BdM

The possibility of using alternatives to banking financing, such as factoring, risk capital companies, mutual guarantees, investment funds, business angels, deposit certificates and venture capital, inter alia, could be a short-term solution to a very complex problem.

The impact of Ministerial Diploma 23/2018, of 2 February, which approved the Rules for the Management of the State's Bank Accounts, at Article 9 (9.6), which prohibits central and local State organs and institutions from opening bank accounts for fixed-term deposits, already gives an indication of the attention which the Government has been paying to this matter.

The existence of a non-commercial bank of reference, for deposits from public institutions (including public companies) may constitute a critical monetary mass for the financing of the productive private sector and the economy, making the creation of new and more suitable financial products possible.

3.2.2. Tax Burden and Complexity

There is an ever-increasing number of taxes and fees (already 37 per year), as well as emoluments required from economic agents, both at the stage of incorporation, registration and licensing as well as in the operation and insolvency phase, which constitute barriers to their inclusion and evolution, as well as well as to the formalization of the economy.

Complexity in the payment of taxes and the understanding / interpretation of tax legislation results in many MSMEs becoming the target of fines, and, which aggravates this scenario, as an increase in fees, which results in their decapitalisation and/or prevents their formalisation.

Together with the high number of taxes and fees, it would be opportune and relevant to revise their complexity, and the tax burden, failing which many MSMEs will not be in a position to pay them.

It is recommend that Simplified Tax for Small Contributors (*Imposto Simplificado para Pequenos Contribuintes*) be adopted on a more comprehensive scale, and that the possibility of establishing more suitable parameters be considered - for example, 3% for micro-businesses (turnover of up to MZN 2.500.000,00) and 5% for small businesses (turnover of up to MZN10.000.000,00), thus permitting more businesses to be able to formalise, given the simplification of procedures which this tax regime could offer.

Another tax considered to be high, is specific consumption tax (excise duty) for goods produced from local raw materials, and other products considered non-superfluous, leading to the closure of local production units, since it renders them unsustainable when added to the cost of stamping (seals), and the prohibition on the use of PET packaging.

3.2.3. Accelerated Growth of the Informal Sector

The national economy includes the formal and the informal sectors. As such, the informal sector should be taken into consideration in strategies for economic growth and the improvement of the business environment. Although there are few studies which present actual statistical data, with significance and impact, in relation to the informal sector of the national economy, it is estimated that

more than 70% of economic agents are in the informal sector, or operate in both (the informal and formal sectors), rendering the economy very rudimentary and unstructured. This fact makes it difficult to define policies on sectoral promotion and incentives, improving market access competitiveness, or business growth.

In the last few years, there has been accelerated growth in the informal sector, principally in major urban centres in the country, creating unfair competition for the formal sector of the economy, in some cases. However, this sector dynamic should be seen as an opportunity for the Government to intervene, and transform it into a formal sector, because it is a generator of employment for many young people who do not have opportunities in the formal sector.

The informal sector is often viewed as unfair competition for the formal sector, because of the perception that informal traders do not have the documentation and conditions required by law for the conducting of commercial activities, and do not contribute to the country's economy via the payment of taxes.

Despite the aspects indicated above, the informal sector constitutes a significant potential for the enlargement of the tax base, rendering the business environment more fair, and solid, permitting greater collection of public income.

It has been noted that there is a trend towards migration from the formal sector to the informal, notwithstanding the efforts of the Government to implement initiatives to formalise the economy. The permanence of the informal sector is often justified by the intense pressure on public entities, for example: i) costs of procedures for the opening of a business, ii) the quantity of requirements which must be presented, and iii) endless inspections (labour-related, health-related, tax-related and municipal) which almost always lead to fines, if no illegal payments are made, and limit the concentration of economic agents in productive activities, since inspections are often individual, and uncoordinated.

3.2.4. Bureaucracy

There is still a significant weight of bureaucracy and an excess of procedures in public services. The bureaucratic complexity in the public sector makes acts of appropriation and corruption permissible in investment operations, as well as in other business processes and operating procedures.

Rudimentary inter-institutional coordination is an aggravating factor, since sometimes, sectoral reforms are implemented without due analysis of their impact on other sectors.

As a result of this lack of coordination, there are legal conflicts (conflicts of interest between sectors), in some cases reversing reform successes which have already been achieved, and inversely impacting the improvement of the business environment, which underlines the importance and relevance of conducting regulatory impact analyses (RIA*) prior to undertaking structuring reforms, and reforms with transversal impact.

On the other hand, according to the private sector, there is a need to continue to refine current mechanisms for the determination and resolution of the constraints faced by it, and from this perspective, there is a need for the creation of a functional entity or body to which business persons may report, and where they may find timely solutions to differences in interpretations and understandings of legislation and regulations, as well as to cases of arbitrariness resulting in prejudice for the private sector, on the part of State employees. As such, the institutionalisation of a “Business Person’s/ Investor’s Ombudsman” would be a suitable option to consider.

3.2.5. Corruption

Corruption cannot be dealt with on its own, because it predominates throughout the system, and it would be difficult to circumscribe its impact. As such, it would be prudent to improve access to relevant information on business (reduction of time, costs and procedures) and reforms so as to reduce the possibility of unlawful appropriations which could give rise to acts of corruption, making it easier to do business, and making the cost and time of each process more foreseeable.

The publicising and interpretation of legislation has been a constraint to public-private relationships, as doubtful interpretations have given rise to delays in processes, and have propitiated acts of corruption, and a loss of time in which to run the business. Public servants need to be upskilled and sensitised as regards their roles, so as to confer a new dynamic, an orientation towards results, and transparency in the provision of investment support services.

3.2.6. Level of Productivity

The productivity and competitiveness of national businesses is very much below the desired level, as a result of various factors, including: 1) the use of inadequate production technologies, and 2) technical and professional training and upskilling programmes which do not respond desirably to the needs of large, specialist businesses.

According to the report recently published by the World Bank's Let's Work project (*jobs series issue 13, 2018*) – *JOBS diagnostics Mozambique*, the national economy receives around 500.000 new entries into the labour market, and this is not compatible with the low level of annual investment, business creation and employment in the country. This fact could have a positive effect on the economy, since it indicates that the level of the population which is active in the economy is growing, which means a growing capacity for the production of wealth, but it could also have a negative impact, by placing greater pressure on the growing need for the creation of employment with which to absorb this productive capacity.

The surge and growth of MSMEs could be the solution to this situation, and their technical upskilling should be supported – both in terms of management, and as regards productive processes, so as to ensure the quality of their products and services, and access to national and international markets.

The non-availability of sufficient qualified national labour with which to meet the needs of challenges arising from the emergence of the industry for the exploitation of natural resources, as well as its low level of productive capacity, results from the weakness of policies in the Sector for Education and Technical-Professional Training (which should place greater focus on “know-how” capacities), and makes it imperative for young people to be reoriented towards technical training specialities, and to obtaining suitable productive and management competencies, and behavioural attitudes.

As such, there is an urgent need for the promotion of the transfer of technologies and technical capacity, from science and technology institutes, and from technical and professional training institutes in the country, by promoting investment into research and the development of knowledge, and into partnerships with similar international institutions, and with businesses, for professional traineeships.

The simplification of procedures for the hiring of foreign labour could be a factor which stimulates the economy, given the potential and opportunity for the transfer of technical and technological capacities, and an increase of demand in specific sectors and markets (tourism, the hotel industry, restaurants, travel agencies, real estate, education, logistics, inter alia). The formulation of suitable and concrete policies is of capital importance, so as to ensure that for each foreigner employed in the national economy, young nationals strengthen their capacities in a specific area of need in the national economy, so that, in the short or medium term (5 or 10 years), there will be national personnel with capacities and quality of an international level, to occupy such positions.

The opening up of economies, and the globalization of markets, leads to substantial gains in the process of transferring technologies, experiences and knowledge to the local workforce, and this process may take place via the hiring of foreign labour by national businesses or multinationals which operate in the country. As such, it is necessary to simplify the process for the entry of foreign labour, although the position of the Government should always be rooted in the development of the technical competencies of Mozambicans, via technical and professional education, so as to respond to new dynamics in the economy and the labour market brought about by projects for the exploitation of natural resources in the country.

3.2.7. Access to Markets

In addition to being very expensive for national businesses, quality certification also needs a high level of investment, so as for compliance to be achieved, in relation to processes, requirements and parameters. The quality factor is a precondition for market access by national businesses and products, whether internationally (regionally and intercontinentally), or for the supply of large projects in the extractive industry, in the national context.

Many national MSMEs do not meet the minimum conditions with which to achieve these certifications at present. As a result, conditions should be created for the exploration of local markets by national MSMEs, so that they can grow, and reach stages which permit them to invest, so as to meet certification conditions, and to explore more profitable markets.

Any survey or application of sectoral or product protection measures should be preceded by comprehensive studies of their impact on that industry, correlated sectors and employment, among other aspects of the economy, since they may have a direct or indirect impact on consumer prices and on a high cost of raw material for the subsidiary industry (construction, food, catering, etc.), thus limiting its growth.

Allied to these interventions is the extreme relevance of ensuring that the Competition Authority is fully operational - something which could play a relevant role in stimulating business relationships and economic dynamics in the country.

The high cost of fuel, electrical energy and water, associated with the low quality of its supply, and frequent power cuts, is one of the constraints affecting the operation of national businesses at desirable competitive levels.

The degradation of principal access routes contributes to the high cost of transport and reduces the capacity for access to the flow of national products, particularly raw materials, from production zones to principal centres of consumption and processing.

The country's energy potential (as a producer and exporter of electricity, par excellence), could render it a regional and global energy powerhouse. However, this resource is not yet a factor in the creation of comparative advantages for national businesses, since electricity tariffs are extremely high, as a production factor, and there are constraints arising from the quality and regularity of supply, a fact which creates difficulties in the productive processes of businesses. Moreover, challenges remain, in relation to improving the quality of the network for the transporting and distribution of electricity to productive businesses.

Megaprojects constitute a factor of attractiveness for investments to the country, and consequently generate business opportunities for national and foreign businesses. However, eligibility requirements for the supply of goods and services to these megaprojects constitute a challenge to be overcome. However, for national businesses to be able to ensure the quality of their products and services, there is a need for the refining of technical and management

competencies, via training and upskilling actions, including processes for the certification of the business, its staff, its products and its services.

In this context, the Government, via State institutions dedicated to such purpose, should promote campaigns encouraging companies to embark on certification processes.

PAMAN is aligned with and is complementary to various sectoral instruments and strategies which, when applied jointly, will permit the country to experience other levels of development, particularly: i) the National Development Strategy, which identifies two main instruments: 1) the development of the private sector, with emphasis on the mobilisation of resources for investment into the development of MSMEs, and 2) a mechanism for the financing of public investment, because of the need to reinforce efforts to increase internal income, and to manage tax incentives rigorously; ii) the Industrial Policy and Strategy (Política e Estratégia Industrial, or PEI, 2016 - 2025), the strategic pillars of which envisage improving the business environment, in the context of: 1) Basic Infrastructure for the Development of the National Industry; 2) Upskilling of Business Persons and Protection of the National Industry; 3) Access to Adequate Financing; and 4) Innovation, Access to Technology, Research and Development; iii) the Strategic Plan for the Development of Tourism in Mozambique (2015-2024): 1) Achieving an exclusive market position; and 2) Attacking the principal barriers to growth; and iv) the Employment Policy, the objective of which is to promote the creation of employment, employability and the sustainability of employment, by contributing to the economic and social development of the country and the well-being of Mozambicans.

4. Action Plan for Improving the Business Environment 2019-2021

4.1. General Vision

This plan constitutes the vision of the Government of Mozambique for the imprinting of a new dynamic, so as to strengthen its economy in a sustainable and long-lasting manner. The said dynamic must be connected to the development of the private sector, and particularly of MSMEs, so that the country may achieve better positions in regional and global rankings, in relation to the attraction of investment and the competitiveness of the business sector.

In this context, and as a result of hearings (public consultations, round tables, interviews and enquiries) and an analysis of the current dynamics of the business environment, the following critical aspects have been identified as being those which have a negative impact on the business environment:

- The high cost involved in accessing financing;
- Financial products which do not suit the market;
- The tax burden, and tax complexity, which lead to the decapitalisation of businesses;
- Unfair competition by the informal sector;
- A high level of bureaucracy;
- High production costs;
- Inadequate infrastructure for transport and logistics;
- The difficulty of accessing the market;
- A low level of publicity, and a deficient interpretation, of legislation;
- Disjointed and numerous business inspections;
- Difficulties in accessing production technology and technical upskilling;
- A lack of certification of businesses, for the purpose of responding to global market requirements;
- Deficient inter-institutional coordination;
- Ensuring the inclusion of national businesses, when supplying mega-projects;
- Difficulties in hiring foreign labour;
- A high level of complexity and costs involved in the opening of businesses, and;
- The need to protect national produce.

Actions with which to respond to, or resolve, the challenge of making the business environment more attractive and competitive, are, in this Plan, framed under two principal pillars, and described in the following manner:

1. Mozambique more Attractive for Investment

This pillar includes interventions which contribute significantly to:

- **The simplification of procedures for the opening of businesses** – with a view to the simplification and facilitation of procedures and requirements, and the reduction of time in the opening of businesses, which is the first step, and motivating factor, for the investor. It envisages the intensive use of TICs in the provision of all public services to citizens, namely:
 - * Unification of licensings;
 - * Reduction of costs and;
 - * Adoption of a single payment point.
- **A suitable tax regime** – to turn the tax office into a promoter of growth and development in the private sector, with an educational and facilitating role:
 - * Revision of the rate of specific consumption tax on products deemed non-superfluous.
 - * Simplification and reduction of the tax burden;
 - * Introduction of a special regime for MSMEs (ISPC from 3% to 5%) and;
- **Incentivising the conducting of joint inspections of economic activities:** an economic agent's time is precious, in relation to production and business management, and as such, inspections should be conducted, at the place of business, in a coordinated manner, and take an educational approach, so as to promote the growth and development of businesses:
 - * Ensuring the coordination of all inspections of economic activities and;
 - * Introducing educational inspections.
- **Improving the availability of information on the business environment:** the general perception is that relevant information regarding how to do business in Mozambique is disjointed and stand-alone, and that it is difficult to obtain legal provisions and procedures, or information on their updating and effectiveness, or standardised

interpretations of legal provisions. As such, so as to address this situation, the Plan envisages:

- * Implementation of platforms relating to the business environment and legislation in force.
- **Investment facilitated:** in an economy such as that of Mozambique, it is necessary to guarantee transparency and ease of doing business, so as to incentivise national and foreign investment:
 - * Simplify processes and procedures;
 - * Revise the Investment Law;
 - * Simplify the movement of capital (entry and exit of foreign exchange for investment);
 - * Promote the opening up of the market to free competition, and;
 - * Create an investor support mechanism.

2. More Competitive Businesses

It is of capital importance that local businesses be assisted to gain vigour, and to be capable of competing in the free market.

- **Financing costs reduced:** without financing capacity, the economy is not renewed, and does not grow, never mind develop. Given the complexity of influence on the constraints existing in the banking sector, the focus of actions resides in alternatives to bank credit, as well as on the limitation of factors which could increase the cost of money in the market, such as:
 - * Updating the legal framework, and passing regulations on alternatives to bank credit;
 - * Creating financial products which are more suited to the market, and;
 - * Reducing the risk and cost of bank financing.
- **Market access facilitated:** the availability of, and access to, information on procurement processes, either of the government, or of megaprojects, constitutes a critical and transparent factor for the creation of conditions for entry to potential markets, by local businesses.
 - * Implement an official webpage for the publicising of public tenders;
 - * Implement the Trade Facilitation Agreement and;
 - * Reduce the administrative cost of external trade operations.
- **Production and productivity improved:** so as to be competitive in the market, businesses need suitable technology and qualified labour.

- * Promote greater productivity in agriculture and fisheries.
- **Costs of production reduced:** another aspect which is relevant to competitiveness, is the reduction of production costs.
 - * Promote the adoption of technologies which are more suited to production;
 - * Reduce the cost of fuels;
 - * Reduce the cost of electricity and water for production.

For a better illustration of actions, as well as of their chronological distribution during the 3 year period, see the General Matrix of Reform Actions for the Improvement of the Business Environment in Mozambique, in Annexure 1.

5. Implementation and Monitoring Plan

5.1. Implementation Structure

As such, on the basis of the implementation structures of previous instruments (EMAN I and II, DPP and DB) as well as the analysis of the structures of similar processes, taking into account good international practices, as inspiration, the implementation and monitoring structure which is set out and described below, has been developed.

The suggested structure is divided into 3 levels of functionality, permitting clear inter-connection:

- **Decision-making and Evaluation:** this represents the highest point in the structure, and is responsible for the taking of decisions and the approving of reforms, as well as for evaluating the performance of the entire structure, its constituent parts, and its impact on the effective improvement of the business environment. It is also able to decide on its restructuring.
- **Coordination, Supervision, Monitoring:** intermediate level, with a right of veto in respect of processes which are underway. At this level, there is capacity to monitor reform processes and to
 - Impose pressure, so as to ensure speed, and the quality of reform proposals to be submitted for approval.
- **Execution and Implementation:** this is the technical level at which reforms are discussed and drafted, within parameters, and in accordance with the objectives which are sought after, in the spirit of contributing to improving the business environment.

Further details regarding the operation of the entire monitoring process, as well as the implementation structure, are set out in a specific document, Annexure 3.

ANNEXURE 1

GENERAL MATRIX

| Expected Results | Actions | Ref | Reforms/interventions for the year of implementation | | Responsible Entity |
|---|------------------------------------|-----|--|--|---|
| | | | 2019 | 2020 2021 | |
| MOZAMBIQUE MORE ATTRACTIVE FOR INVESTMENT | | | | | |
| Procedures for the opening of businesses simplified | Unify licensings | DB | Approve legislation on the unification of licensings | Simplify procedures for the creation of commercial companies and related aspects | MIC MUACR |
| | | | Implement the simplification and unification of licensings | Ratify the Hague Convention Abolishing the Requirement of Foreign Public Documents | |
| | | | Reduce Costs | Define a fixed fee for licensings | Reduce the fee for environmental licensing |
| Tax regime revised | Adopt a Single Payment Point | DB | Convert all fees into a single payment | | MEF MITADER |
| | Simplify and reduce the tax burden | DB | Revise the rate of specific consumption tax (excise duty) for other products deemed non-superfluous. | Operacionalizar o e-tributação em IVA, IRPC, IRPS para sujeito passivo | Operacionalizar o e-tributação para todos os impostos e taxas |
| | | | Implement e-taxation (submission of online declarations). | | |
| | | | Revise the applicability of various fees | | |
| Introduce a special regime for MSMEs (ISPC from 3% to 5%) | | | Revise the MSME Statute (Harmonisation) | | MIC MEF MITESS |
| | | | Revise ISPC (3% up to MZN2.500.000,00 and 5% up to MZN10.000.000,00) | | |

| Expected Results | Actions | Ref | Reforms/interventions for the year of implementation | | Responsible Entity |
|---|--|-----|---|--------------|--------------------|
| | | | 2019 | 2020 2021 | |
| Conducting of joint inspections of economic activities incentivised | Guarantee the coordination of all inspections of economic activities | | Approve a diploma which harmonises inspections | | MIC Others |
| | Introduce educational inspections | | Introduce legal provisions into the inspections framework, whereby a 1st inspection must be educational, and not give rise to fines, except in a case which constitutes a crime. | | MIC Others |
| Availability of information on the business environment improved | Implement platforms on the business environment and legislation in force | DB | Implement the Citizen's Portal, as a platform for information on business, with relevant information. Include information on: 1) opening businesses; 2) business-related legislation in force; 3) guides on various procedures; 4) forms; 5) investment incentive packages; 6) business opportunities | | MIC |

| Expected Results | Actions | Ref | Reforms/interventions for the year of implementation | | Responsible Entity |
|------------------------|-----------------------------------|-----|---|---|--------------------|
| | | | 2019 | 2020 2021 | |
| Investment facilitated | Simplify processes and procedures | | Revise the Labour Law so as to incentivise investment | Develop intensive training programmes for young Mozambicans, in technical competencies, in order for them to know how to respond to the challenges of the natural resource industry. However, the technical training process is a long-term one, and thus it is necessary to simplify procedures for the hiring of foreign labour for specific and strategic sectors of specialisation. | MIC |
| | | | Draw up a policy for incentivising the transfer of capacity to local labour | | MITESS Others |
| | | DB | Revise the Commercial Code, as a whole, so as to simplify procedures for the creation of commercial companies and related aspects | | MIC/MEF/ MITESS |
| | Revise the Law on Investment | | Revise the Law on Investment and respective operating instruments, particularly the Code of Tax Benefits, and incentives. | | MIC Others |

| Expected Results | Actions | Ref | Reforms/interventions for the year of implementation | | Responsible Entity |
|------------------------|---|-----|--|---|---------------------|
| | | | 2019 | 2020 2021 | |
| Investment facilitated | Simplify the movement of capital (entry and exit of foreign currency) | | Introduce improvements in exchange legislation, specifically as regards the movement of capitals from and to the country, and the obtaining of viable bank credit abroad | Revise procedures for the registration of capital with the Bank of Mozambique | BM Others |
| | | | Analyse and introduce or remove protection for selected products and/or sectors | | MIC, MASA MEF/AT |
| | Promote the opening up of the market to free competition | | | Put the Competition Regulator into operation | MIC |
| | | DPP | Revise Law 13/99, on the Supply, Production, processing and exporting of cashews, by regulating the exercise of the preferent right of the national industry | | MASA and MIC |
| | | | | Establish a support platform for investors | MIC |
| | | | | | |

| Expected Results | Actions | Ref | Reforms/interventions for the year of implementation | | Responsible Entity |
|----------------------------------|---|-----|---|---|--------------------|
| | | | 2019 | 2020 | |
| Cost of financing reduced | Adapt the legal framework, and regulate alternatives to bank credit | | Pass regulations on alternative forms of financing (capital venture, factoring, business angels, etc.) | | BM |
| | Create financial products which are most suited to the market | | Adopt legislation which permits the use of non-commercial banking for deposits of public companies, so as to permit the creation of financial products which are suited to the market | Launching of viable financial products, for the financing of productive and investment activities | BM |
| Access to the market facilitated | Reduce the risk and cost of bank financing | DB | Pass regulations on the Securities Law | Implement a register for collaterals | MJACR |
| | Set up an official webpage for the publicising of public tenders. | | Implement a register of information on privately managed credit | | BM |
| | | | Introduce legislation which requires all public tenders from the State, public companies and mega-projects to be published on a webpage developed for this purpose, with requirements, terms and conditions which are clear, and in Portuguese. | | MEF |

| Expected Results | Actions | Ref | Reforms/interventions for the year of implementation | | | Responsible Entity |
|--------------------------------------|---|-----|---|--|--|------------------------------------|
| | | | 2019 | | 2021 | |
| | | | 2020 | | | |
| | Implement the Trade Facilitation Agreement | | | Eliminate pre-shipment inspections | Create a single point of entry for all documents/ requirements for external trade operations (JUE) | |
| | | DB | Revise and simplify documentary requirements for the process of exporting and importing | Strengthen the implementation of a risk-based approach, in relation to non-intrusive inspections | Implement a "one-stop border post" at Ressano Garcia | MEF/AT Others |
| Production and productivity improved | Promote greater productivity in agriculture and fisheries | | Approve the "Simplified Dispatch" for exporting | Create the Machipanda export terminal | | MEF/AT |
| | | | Pass regulations on export terminals (TEE) | | | |
| | | DPP | Draw up a draft Law on Harbours | Pass regulations on the Harbours Act | | MTC |
| | | DB | Adherence to the (JUE) by the MIC, MASA and MISAU | Increase operating hours at borders and ports | | MEF/AT, MIC, MASA, and MISAU |
| | | | Pass regulations on agricultural supply agreements | | | MASA |
| | | | Promote and incentivise the production and commercialisation of fish products | | | MMAIP |

| Expected Results | Actions | Ref | Reforms/interventions for the year of implementation | | Responsible Entity |
|--------------------------|--|-----|---|--|--------------------|
| | | | 2019 | 2020 2021 | |
| Production costs reduced | Promote the adoption of technologies which are best suited to production | | Revise administrative procedures for the importing of equipment and production factors | Rationalise the documentary requirements for the importing process | MEF DGA |
| | Reduce the cost of fuels | | Study the impact on cost reduction of the incorporation of ethanol | | MIREME |
| | Reduce the cost of electricity and water for production | | Promote the supply of natural gas for production Study a 50% reduction in the fee for the industrial use of water for production | Revise the Electricity Law, with a view to reducing costs for operators and consumers, guaranteeing efficiency and sustainability in the supply of electrical energy | MIREME MOPHRH |

ANNEXURE 2

CHRONOLOGICAL BLOCKS

| 1ST BLOCK – 2019 | | DEADLINES | RESPONSIBLE PARTIES |
|------------------|---|-----------|---------------------|
| 1 | Approve legislation on the unification of licensings | | MIC/MJACR |
| 2 | Implement the simplification and unification of licensings | | MEF |
| 3 | Define a fixed fee for licensings | | MEF |
| 4 | Convert all fees into a single payment | | MEF |
| 5 | Revise the specific consumption tax (excise duty) rate for other products deemed non-superfluous. | | MEF |
| 6 | Implement e-taxation (submission of online declarations). | | MEF |
| 7 | Revise the applicability of various fees | | MEF |
| 8 | Revise the MSME Statute (harmonisation) | | MIC/MEF/MITESS |
| 9 | Revise ISPC (3% up to MZN2.500.000,00 and 5% up to MZN10.000.000,00) | | MIC/MEF/MITESS |
| 10 | Approve a diploma which harmonises inspections | | MIC/Multiple |
| 11 | Introduce legal provisions into the inspections framework, whereby a 1st inspection must be educational, and not give rise to fines, except in a case which constitutes a crime. | | MIC/Multiple |
| 12 | Implement the Citizen's Portal, as a platform for information on business, with relevant information. Include information on 1) opening businesses; 2) business-related legislation in force; 3) guides on various procedures; 4) forms; 5) investment incentive packages; 6) business opportunities. | | MIC |
| 13 | Revise the Labour Law so as to incentivise investment | | MITESS/Multiple |
| 14 | Draw up a policy for incentivising the transfer of capacity to local labour | | MITESS/Multiple |
| 15 | Revise the Commercial Code, as a whole, so as to simplify procedures for the creation of commercial companies and related aspects | | MIC/MEF/MITESS |
| 16 | Revise the Law on investment and respective operating instruments, particularly the Code of Tax Benefits, and incentives. | | MIC/Multiple |
| 17 | Introduce improvements in exchange legislation, specifically as regards the movement of capitals from and to the country, and the obtaining of viable bank credit abroad | | BM/Multiple |
| 18 | Analyse and introduce or remove protection for selected products and/or sectors | | MASA/MIC/MEF/ AT |

| | | | |
|----|---|--|-----------------------------|
| 19 | Revise Law 13/99, on the Supply, Production, processing and exporting of cashews, by regulating the exercise of the preferent right of the national industry | | MASA and MIC |
| 20 | Establish a support platform for investors | | MIC |
| 21 | Pass regulations on alternative forms of financing (capital venture, factoring, business angels, etc.) | | BM/MEF |
| 22 | Adopt legislation which permits the use of non-commercial banking for deposits of public companies, so as to permit the creation of financial products which are suited to the market | | BM |
| 23 | Pass regulations on the Securities Law | | MJACR |
| 24 | Implement a register of information on privately managed credit | | MJACR |
| 25 | Introduce legislation which requires all public tenders from the State, public companies and mega-projects to be published on a webpage developed for this purpose, with requirements, terms and conditions which are clear, and in Portuguese. | | MEF/MCTESP |
| 26 | Revise and simplify documentary requirements for the process of exporting and importing | | MEF/AT/Multiple |
| 27 | Approve the "Simplified Dispatch" for exporting | | MEF/AT |
| 28 | Pass regulations on export terminals (TEE) | | MEF |
| 29 | Draw up a draft Law on Harbours | | MTC |
| 30 | Adherence to the (JUE) by the MIC, MASA and MISAU | | MEF/AT, MIC, MASA and MISAU |
| 31 | Pass regulations on agricultural supply agreements | | MASA/MEF |
| 32 | Promote and incentivise the production and commercialisation of fish products | | MMAIP |
| 33 | Revise administrative procedures for the importing of equipment and production factors | | MEF/DGA |
| 34 | Study the impact on cost reduction of the incorporation of ethanol | | MEF/DGA |
| 35 | Promote the supply of natural gas for production | | MEF/MIREME |
| 36 | Study a 50% reduction in the fee for the industrial use of water for production | | MOPHRH |

| 2ND BLOCK – 2020 | | DEADLINES | RESPONSIBLE PARTIES |
|------------------|---|-----------|---------------------------|
| 1 | Simplify procedures for the creation of commercial companies and related aspects | | MIC/MJACR |
| 2 | Ratify the Hague Convention Abolishing the Requirement of Legalisation for Foreign Public Documents | | MIC/MJACR |
| 3 | Reduce the fee for environmental licensing | | MEF/MITADER |
| 4 | Implement e-taxation for VAT, IRPC (Corporate Tax) and IRPS (Personal Tax) for taxpayers. | | MEF/AT |
| 5 | Develop intensive training programmes for young Mozambicans, in technical competencies, in order for them to be able to know how to respond to the challenges of the natural resource industry. | | MITESS/Multiple |
| 6 | Revise procedures for the registration of capital with the Bank of Mozambique | | BM/Multiple |
| 7 | Implement the Competition Regulator | | MIC |
| 8 | Launch viable financial products with which to finance productive and investment activities | | BM/Multiple |
| 9 | Implement a central register for collaterals | | MJACR |
| 10 | Eliminate pre-shipment inspections | | MEF-AT/MIC |
| 11 | Strengthen the implementation of a risk-based approach, in relation to non-intrusive inspections | | MEF/AT |
| 12 | Create the Machipanda export terminal | | MEF/AT |
| 13 | Pass regulations on the Harbours Law | | MTC |
| 14 | Extend operating hours at borders and ports | | MEF/AT/MIC/ MASA/MISAU |
| 15 | Rationalise documentary requirements for the importing process | | MEF/DGA |
| 16 | Revise the Electricity Law, with a view to reducing costs for operators and consumers, ensuring efficiency and sustainability in the supply of electrical energy | | MIREME/ MOPHRH |
| 1ST BLOCK – 2021 | | DEADLINES | RESPONSIBLE PARTIES |
| 1 | Implement e-taxation for all taxes and fees | | MEF |
| 2 | Create single entry point for all documents/requirements for external trade operations (JUE) | | MEF/AT/Multiple |
| 3 | Implement a “one-stop border post” at Ressano Garcia | | MEF/AT |

ANNEXURE 3

IMPLEMENTATION STRUCTURE

Implementation Structure

The implementation and monitoring structure is a critical success factor for the achievement of the intended objective of improving the business environment, so as to turn Mozambique into a centre for the attraction of investment, and to render the economy more dynamic and competitive, via this plan.

The implementation and monitoring structure adopted in previous instruments (EMAN I, EMAN II, DPP and DB) had certain constraints, in particular: 1) dispersion of responsibility for the implementation of reforms; 2) a low level of commitment on the part of implementers, aggravated by the rotation of the public employees involved; and 3) the process of making timely decisions by focal points at entities with oversight, and their mentality, was not suitable for the purpose.

So as to overcome this scenario, and to ensure effective improvement of the business environment, and speed in the reform process, the constitution of a team dedicated to the management, implementation and monitoring of the plan, is imperative. This team will be coordinated by the Ministry of Industry and Trade, as the spokesperson for the Government, in articulation with the private sector. Additionally, it should have a privileged articulation and intervention channel, at the level of the Prime Minister's office, which accords with its responsibility for the coordination and control of the reform-related actions of ministers and other government institutions.

One of the major challenges faced in defining this structure was, on the one hand, the integration of DPP structures (which is already with the Prime Minister), and the implementation of reforms (which is still at a technical level, at the GIRBI), and on the other hand, providing answers for the dysfunctions and critical failure factors which undermined the previous structures, as identified in the process of independent evaluation and internal reflection by the team managing the implementation of the reforms from EMAN I, EMAN II, the Doing Business Matrix, and the DPP Matrix.

As such, on the basis of all of the issues described above, an implementation and monitoring structure was developed which is outlined and described below.

The structure is subdivided into 3 levels of functionality, permitting clear interconnection between:

Decision-making and evaluation

This is the highest level, and is responsible for making decisions and approving reforms as well as for evaluating the performance of the entire structure, its constituent parts, and its impact on the effective improvement of the business environment. It may also decide on its restructuring.

At the level of decision-making and evaluation of the plan, and of the process of improving the business environment, are the Prime Minister and the Council of Ministers. At this level, relevant decisions are made about the entire process of improving the business environment, and about the Plan itself. Procedurally, it is the level at which reforms are approved, and the performance of the plan, and of all the elements which form part of it, is evaluated.

Given the merger of the three instruments for improving the business environment and the fact that the Prime Minister leads the DPP model, he will also lead this plan, with the Council of Ministers being in charge of the decision-making position at the highest level. In this way, the MIC, as Government Focal Point, is maintained as coordinator of the reform process, and also as leader of the GIRBI, with the DASP as secretariat.

Coordination, supervision and monitoring

This is an intermediate level, with a capacity to veto processes in progress. At this level there is an ability to follow up on reform processes, and to impose pressure, in order to ensure the speed and quality of reform proposals to be submitted for approval by the higher level.

This level is responsible for the collection, elaboration and ongoing analysis of data and information on the progress of reforms / interventions, with the purpose of controlling management, and of taking corrective measures in cases of deviations from objectives or results, or delays during the process.

The GIRBI will be in charge of coordinating, supervising and monitoring the reforms and the Plan. This process will be conducted quarterly, in the internal forums of each of the members, and the GIRBI-leader of a UIR should present the status of implementation of the said reform to his/her peers, thus allowing the monitoring by the other members of GIRBI of the process, as from its

implementation, in a matrix with a clear indication of tasks and process indicators.

At each 2nd GIRBI monitoring meeting, the CMAN will be prepared and prepared by the DASP, in its capacity as the GIRBI secretariat. The organization and preparation of GIRBI and UIR meetings (where necessary) will be the responsibility of the EGR, as these are operational and process monitoring levels.

At CMAN meetings, the status of implementation of reforms which are underway, will be presented, and discussions will be conducted as to which reforms have become irrelevant and should therefore be withdrawn, as well as regarding which new reforms or actions should be included or accelerated, if they are priorities. This discussion should follow the joint preparatory process in the previous GIRBI.

The provincial sectoral focal points are persons of reference in the public sector, assigned to areas which are relevant to the implementation of reforms at the provincial level, and who can report, on a tripartite basis, on the situation (the GIRBI focal point for the same sectoral area, the EGR and the GIP).

GIPs are provincial inter-sectoral groups led by provincial governors with the function of keeping the provincial-level DPP process functional, and maintaining its links to the process of implementing the Plan's reforms.

Implementation and execution

This is a technical level of discussion and elaboration of reforms, in parameters and in line with the objectives defined in the spirit of contributing to improving the business environment.

The UIRs are responsible for implementing reforms. The technical teams that make up the UIR include: public sector technicians from institutions relevant to the reform being implemented, representatives of the private sector (for example, portfolios), advisors and / or consultants hired to support these teams.

These will work on the implementation of the reform, led by the GIRBI focal point for the entity overseeing the reform being implemented, who should, in turn, provide information on the status quo at GIRBI meetings. More and better

inter-institutional coordination is envisaged, as well as greater responsibility and commitment to the implementation of reforms.

Once the reform has been completed, it will follow the usual procedures within the supervisory body, which include harmonization with other sectors, approvals within the ministry having oversight, and underwriting and approval by the Council of Ministers. If it is approved, it will be published and monitored by the provincial sectoral focal points and the private sector, and reported to the EGR, GIRBI and the online platform. If not approved, it will be returned to the UIR for corrections.

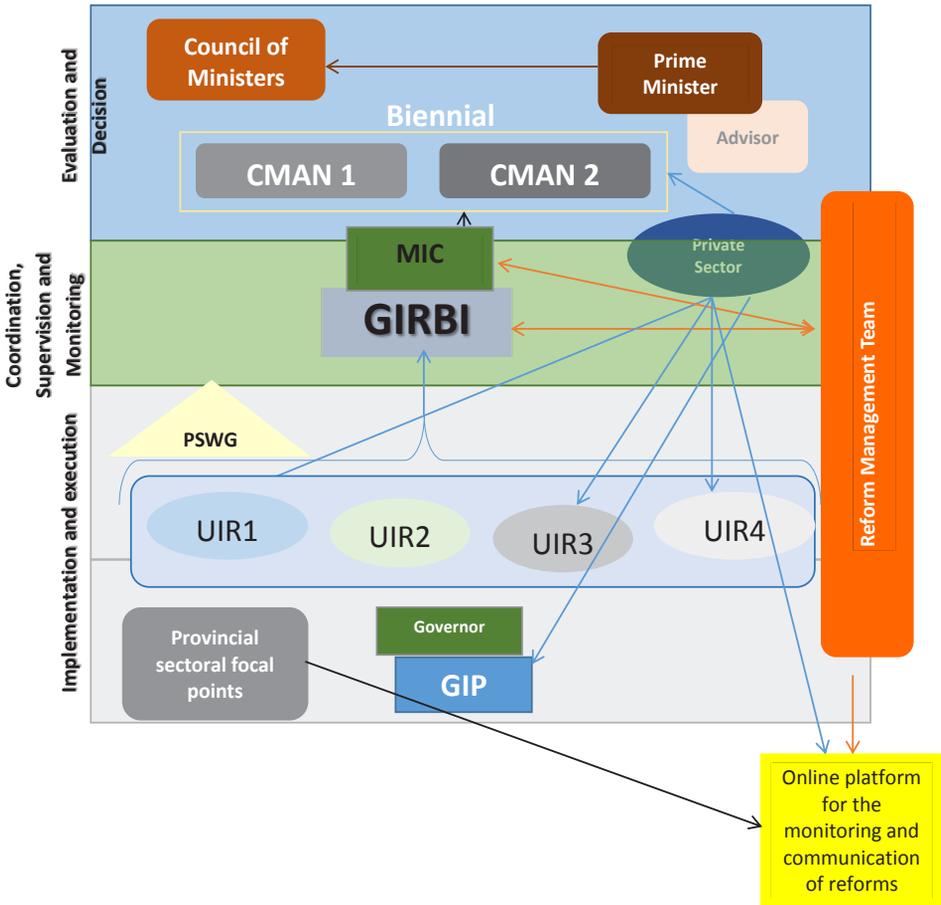
The entire process of reform implementation will be managed by the EGR, which will allow for perfect inter-ministerial articulation as well as articulation with the private sector, cooperating partners, civil society and technical professionals, so as to confer professionalism and speed, and ensure an impact on the improvement of the business environment in the country. This team, in addition to articulating with the various ministries and relevant institutions, will report to the Ministry of Industry and Commerce as coordinator and this, in turn, will report to the Prime Minister as PAMAN leader.

The EGR manages the implementation of the Plan, in its entirety, with principal focus on:

- The implementation of reforms in management and the monitoring of UIRs;
- Globalization of the reform implementation stage;
- Monitoring of the compilation of relevant information, and the preparation of GIRBI meetings, and;
- Contributing to the management of the online platform for communication and the monitoring of reforms.

Below, the implementation structure for PAMAN is illustrated:

**PAMAN
Implementation Structure**

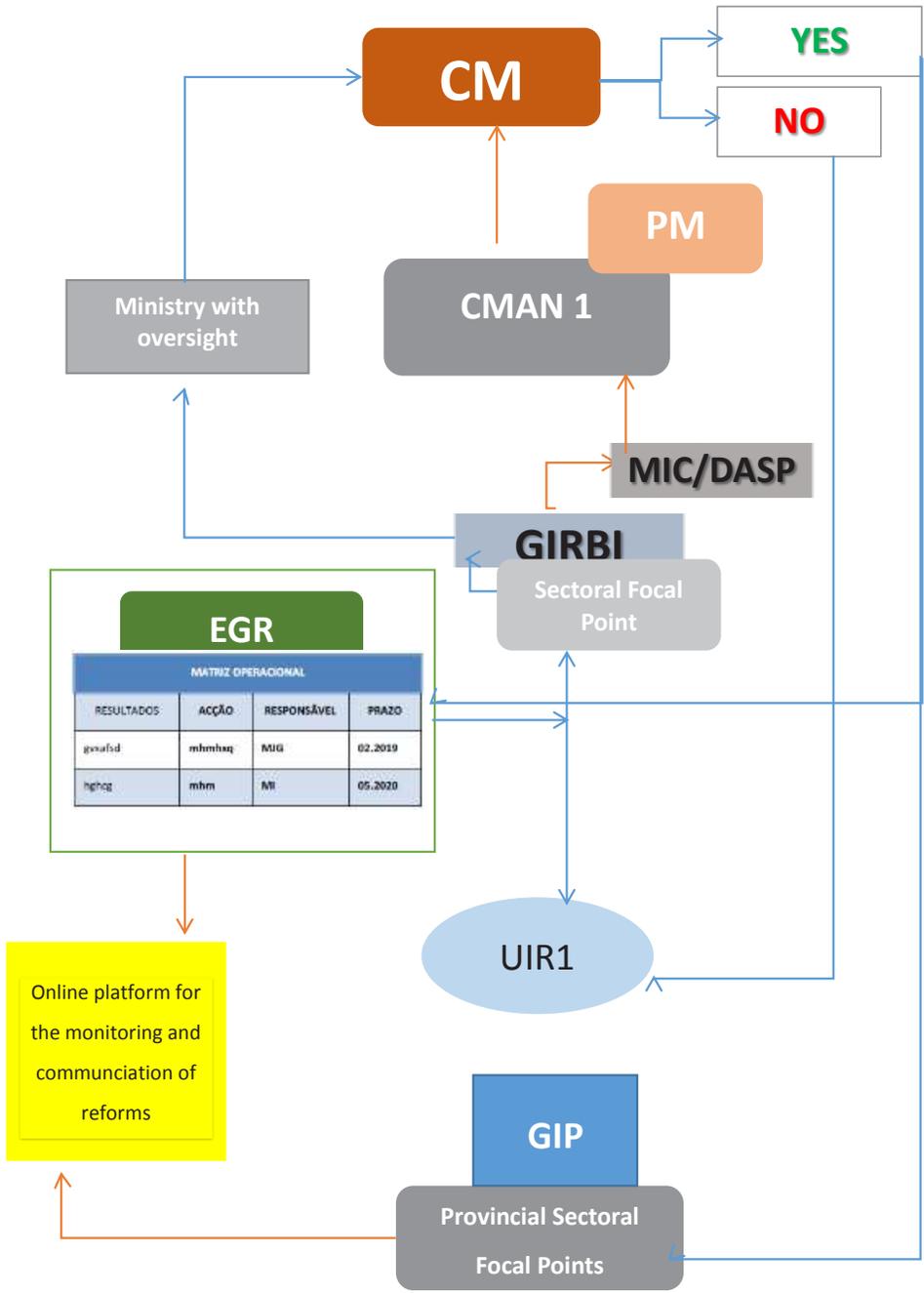


| Legend and Description | | Function |
|----------------------------------|--|---|
| CM | Council of Ministers | Presentation of Biennial Report on the implementation of reforms after CMAN (evaluation) |
| PM | Prime Minister | Plan leadership |
| CMAN | Council for the Monitoring of the Business Environment | Monitoring and evaluation |
| MIC | Ministry of Industry and Trade | Coordinator of the reform process, Government spokesperson regarding the business environment and leader of the GIRBI |
| DASP | National Directorate for Support for the Development of the Private Sector | Secretariat of the GIRBI and the MIC |
| GIRBI | Inter-ministerial Group for the Removal of Barriers to Investment | Manager of reforms and monitoring |
| GIP | Provincial inter-sectoral group | Keep the DPP process functional at provincial level, and maintain its links with the process of implementing plan reforms |
| EGR | Reform management team | Team for the management of the plan, the reform process and its execution |
| UIR | Unit for the implementation of reforms | Implementer |
| Provincial sectoral focal points | Focal point for each sector at provincial level | Monitor the execution of reforms at provincial level; report and recommend reforms to the GIP |
| Private sector | Business associations and private persons | In addition to indicating reforms, its principal role is to ensure the publicising of reforms among associates |
| PSWG | Private Sector Working Group | Partners |

As a result of the merger of the 3 instruments for improving the business environment, and the fact that the Prime Minister will lead the DPP model, he will also come to lead PAMAN, and the taking of decisions at the highest level will fall to the Council of Ministers. In this sense, the MIC will retain its capacity as Government Focal Point, as the coordinator of the reform process, and as the leader of the GIRBI, with the DASP functioning as secretary.

The fact that the implementation structure is an integral part of the plan, means that it will have the same period of duration, and terminate on the termination of the plan itself, permitting renewal and refinement.

Below, the flowchart for the entire structure for the implementation and monitoring and evaluation of PAMAN is set out:



Communication System

So as to ensure more access to information, and full communication regarding the process of implementing reforms, strong criticism received in the process of evaluating instruments which preceded the Plan will constitute an interactive online platform, and the EGR will be responsible for keeping it active, operational and up to date.

This platform will be the communication instrument for the entire plan, par excellence, and will permit the exchange of information as well as the participation of all stakeholders and interested parties in the process of reform for the improvement of the business environment.