Improving the Business Environment

The ProEcon Programme: Improving the Framework Conditions for a Competitive Private and Financial Sector in Mozambique

In Mozambique, around 300,000 young people enter the workforce each year. A growth of formal employment by 10% would be required to absorb this additional labour. However, the majority of investments in the economy create few jobs. For example, investment in the Benga coal mine constitutes 13.6% of GDP, yet only creates 150 direct and 4,500 indirect jobs.

As a consequence, the Mozambican government seeks to stimulate growth of micro, small and medium enterprises in order to generate new employment opportunities and reduce the level of absolute poverty in the country.

With this mind, the Mozambican Government approved the Strategy for the Improvement of the Business Environment in Mozambique 2013-2017 (EMAN II). This strategy advocates 12 objectives that encompass tax, financial and legal aspects, as well as good governance and infrastructure. The implementation of these reforms is being undertaken by 8 Ministries and the Mozambican Central Bank, which requires constant coordination between various actors to ensure the implementation is carried out successfully. The timely implementation and coordination of the strategy among different stakeholders at the provincial and national level is the responsibility of the Ministry of Industry and Trade.

The German Federal Ministry for Economic Cooperation and Development (BMZ) is supporting the Ministry of Industry and Trade in this reform process through the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.

<table>
<thead>
<tr>
<th>On behalf of</th>
<th>The German Federal Ministry for Economic Cooperation and Development (BMZ)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programme region</td>
<td>Mozambique – Provinces of Sofala, Manica and Inhambane</td>
</tr>
<tr>
<td>Target group</td>
<td>Micro, small and medium-sized enterprises (MSMEs), national and international entrepreneurs and investors</td>
</tr>
<tr>
<td>Objective</td>
<td>Improving the Business Environment in Mozambique</td>
</tr>
<tr>
<td>Partners &amp; cooperation</td>
<td>Ministry of Industry and Trade (MIC), several Ministries involved in the implementation of the Strategy for the Improvement of the Business Environment (EMAN I and EMAN II), and the Mozambican Confederation of Business Associations (CTA)</td>
</tr>
</tbody>
</table>

The German Federal Ministry for Economic Cooperation and Development (BMZ) is supporting the Ministry of Industry and Trade in this reform process through the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.
A priority is placed upon public-private dialogue, conducted institutionally for over 10 years. The private-public dialogue aims to ensure that the concerns of the private sector are effectively considered when designing economic legislation. To this end, several discussion platforms were established, including the Interministerial Group for Removing Barriers to Investment (GIRBI), several provincial forums, and the Annual Private Sector Conference (CASP), chaired by the President of the Republic of Mozambique.

**Achieved Results**

By way of an example, the 2012 monitoring report showed that 84% of the objectives outlined in the strategy had already been performed, where 27 of the proposed reforms have been completely implemented. These reforms include a simplified licensing process and the elimination of a minimal capital threshold to open a business. Furthermore, the programme led to the creation of the National Inspectorate of Economic Activities (INAE) and the improvement of taxation for small taxpayers.

**The Contribution of ProEcon**

The ProEcon programme provides technical assistance to improve the mechanisms for public-private dialogue, along with base studies and evaluations. In parallel, the implementation of the EMAN is being closely tracked in regular monitoring meetings, which allow the identification of solutions to overcome the various obstacles that arise. The ultimate goal is to simplify the bureaucracy still faced by the private sector in Mozambique.

---

**Published by**
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

**In cooperation with**
Mozambican Ministry of Industry and Trade

**On behalf of**
German Federal Ministry for Economic Cooperation and Development (BMZ)

**Address of the BMZ offices**
BMZ Bonn
Dahlmannstraße 4
53113 Bonn, Germany
T+ 49 228 99535-0
F+ 49 228 99535-3500
E poststelle@bmz.bund.de
I www.bmz.de

**Authors**
Shaida Seni and Susana Herrera Flores

**Layout**
Elena Panizza

**As at**
March 2014

GIZ is responsible for the content of this publication.