

# CMIREPORT

## Micro and Small-scale Industry Development in Cabo Delgado Province in Mozambique

Jan Isaksen  
Carlos Rafa Mate

**R 2005: 10**



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## Abbreviations

ADIPSA	Agência de Apoio de Desenvolvimento de Iniciativas do Sector Agrário
Aga-Khan	The Aga Khan Foundation
AMODER	Mozambican Association for Rural Development
BAU	Balcão de Atendimento Único
CADI	Centro de Aconselhamento para o Desenvolvimento Industrial
CATE	Centro de Aconselhamento Técnico Empresarial
CPI	Centre for Investment Promotion
CTA	Confederation of Mozambican Business Associations
DAP	Departamento de Acção Pedagógica
DPADR	Direcção Provincial de Agricultura e Desenvolvimento Rural
DPC	Department of Planning and Cooperation
DPE	Direcção Provincial de Educação
DPECD	Direcção Provincial de Educação de Cabo Delgado
DPIC	Direcção Provincial da Indústria e Comércio
DPPF	Direcção Provincial do Plano e Finanças
DPT	Direcção de Promoção Turística
EIC	Escolas Industrial e Comercial
ESG	Ensino Secundária Geral
FARE	Fundo de Apoio à Reabilitação da Economia
FIAS	Foreign Investment Advisory Services
GERIR	Gestão Empresarial Réntavel para Industria Rural
GOM	Government of Mozambique
Helvetas	Swiss Association for International Cooperation
IAF	Inquérito aos Agregados Familiares sobre Orçamento Familiar. (Household Income and Expenditure Survey)
IFC	International Finance Corporation
IIDP	Integrated Industrial Development Programme to Facilitate Private Sector Development in Mozambique
IDIL	Institute for Light Industry Development
ILO	International Labour Organization
INAS	Instituto Nacional de Acção Social
INDE	Instituto Nacional de Desenvolvimento da Educação
INE	Instituto Nacional de Estatística
KUPUNA	Associação de Conselheiros e Treinamento de Negócios
LdN	Loja de Negócios
MIC	Ministerio da Indústria e Comércio
MOZAL II	Mozambique Aluminium Smelter II. Doubling capacity of MOZAL I
NORAD	Norwegian Agency for International Development
OECD	Organisation for Economic Cooperation and Development
PARPA	Plano de Acção Para a Redução da Pobreza Absoluta
PODE	Projecto para o Desenvolvimento Empresarial
Progresso	Local NGO
SASOL	South African Coal Oil and Gas Corporation
SME	Small and Micro Enterprise
TCC	Training and Coordination Centre
TOR	Terms of Reference
UFUNDA	Private sector association
UNIDO	United Nations Industrial Development Organisation

## Executive Summary

This report sets out the background, analyses, conclusions and recommendations from a review of a project on Micro and Small-scale Industry Development in Cabo Delgado Province in Mozambique (*UNIDO Project number TF/MOZ/01/001*). The objective of the Project is to “improve institutional capacities for small-scale industry development in Cabo Delgado Province at the Provincial and District Authorities, and in the private sector”

Under an agreement signed in early 2002 the Project will be implemented by UNIDO and financed by the Norwegian Government. The key project partners are the Cabo Delgado Provincial Government and the Mozambican Ministry of Industry and Trade.

The field work for the report took place in and around Pemba (the provincial capital of Cabo Delgado) around the middle of October 2004. The team included a representative of the Ministry of Industry and Trade, Mozambique, a representative from the Norwegian Embassy in Maputo and an independent consultant. Field support was given by UNIDO.

The Project consists of three main components, each focussing on Small and Micro Enterprises: (i) business training and consultancy (CATE), (ii) a one-stop approach for reducing bureaucratic obstacles for small entrepreneurs (BAU), and (iii) HIV/AIDS prevention. Whereas the **concepts** applied within each of the components were basically sound and well suited to tackling some of the problems of Cabo Delgado, the different character of the components posed the question of whether it would be more efficient to run them as individual projects.

The **implementation** of the Project *overall* was characterised by a slow start. At the time of the field visit it became apparent that the Project had not been under implementation long enough to expect clear impacts but that one should rather look at project outputs. Project management is good, reasonably well connected locally and is conducting the Project in a flexible way, helping out where necessary.

A negative attitude from “big business” towards **the BAU** appears misguided. Elements dealing with monitoring and functions that should push the reform and efficiency agenda at provincial and national levels seem to be lacking.

Generally, and with regard to the **BAU** in particular, there is a question of whether or not costs are high when compared to any potential impact. The BAU facilities and staffing seemed to be more expensive than necessary. The BAU office appears to be run in a bureaucratic manner and one-stop centres, if not handled correctly, may become plagued by bureaucratic games and politicking. The costs for both *setting up* the office and for Provincial Government to *run* the operation in the longer term would appear extremely high compared to the number of services delivered and potential investment achieved so far. Initial costs could be reduced and the training of nationals could be enhanced by using more Mozambican staff, who would probably be less than half the cost of the present international (UNIDO) staff. In the event of the expansion of BAUs to other provinces, UNIDO’s international experts might play the role of overseers, utilising national staff for setting up operations.

The TCC component has been moved from the originally planned local organisation UFUNDA to KUPUNA, with good reason, and appears to be running well, although the course activities appear to have slackened lately. CATE’s consultancy work appears promising, perhaps because it is “the only show in town”. Future competition from bigger, well established consultancy companies,

which are likely to be attracted to Cabo Delgado, means that it will be important for the CATE consultancy to find its niche and consider whether to improve the educational level of its staff.

The role of the Project as an **observer of constraints and an advocate for small entrepreneurs at provincial level** appears not to have been emphasised so far. All evaluations undertaken until now have been conducted by the implementing agency itself. A proper, independent, full-scale evaluation of the BAUs in Mozambique (Tete, Zambezia and Cabo Delgado) has never taken place.

The piloting of a **curriculum for commerce and industrial education** has been added to the Project and is a valuable component, but it seems to have been started without much consideration of budgetary effects or reference to the main source of funding.

The report **recommends** that the Project should run its course for a three-year period, and outlines a few recommendations for improvement. If the institutions set up are not sustainable after this time, "more Project" will not help.

In terms of **CATE**, project management should look into the decline of participants in CATE courses to turn it around. In addition, it should be considered whether CATE should not attempt to attract one or two staff with academic qualifications and thus increase its operational strength.

The Project should closely follow the further development of the BAU and advocate vis-a-vis Provincial and National Governments the **important role of removing barriers to business**. If the BAU and / or the Project do not take up this challenge, there is a possibility that the BAU will turn into a palliative which prevents real reform and becomes a mere expansion of the licensing bureaucracy.

The team, albeit on the basis of incomplete information, was concerned about the **cost involved in setting up and running the BAU** and felt that costs could be reduced by using more Mozambican staff in the initial setting-up stage. The amounts budgeted for the **operational** costs of the BAU appeared extremely high compared to the number of clients dealt with and may be cut by reducing the number of staff from the present 9 to 2-3 technical staff and a (working) director.

The **financial arrangements for the BAU**, whereby another proper government office handles funds allocated by the Provincial Government to it, has caused delays and problems and the Project should assist the BAU in achieving an arrangement that can temporarily smooth the running of the office. One way of doing this is to formalise BAU, e.g. make it part of the Provincial government.

Implementation of BAUs elsewhere in Mozambique should build on the maximum amount of **insight into the workings of present BAUs** as well as international experience. To this end, the monitoring of the Cabo Delgado BAU must be implemented by (a) *demanding* that UNIDO produces, as soon as possible, the baseline report referred to in the Project Document as Output 1.1, (b) producing regular reports of monitoring and consultations with small entrepreneurs stipulated in the Project Document, and (c) assisting in arranging consultations between Provincial and National authorities. An overall independent evaluation (d) of the Tete and Zambézia BAU Projects and the Loja de Negócios in Inhambane could possibly be conducted.

The cost of the new Project element on piloting a new **business management curriculum** for three or four technical and secondary schools in the Province should be assessed by Project management to ensure that it does not involve significant cost increases requiring an unexpected expansion of the Project budget.

The Project management should consider stepping up its activities on **HIV/AIDS** prevention and treatment, using its good contacts and confidence with small businesses more actively.



# 1. Background

Cabo Delgado is the northernmost province of Mozambique. The level of poverty is high compared to the overall national level, the Province scores low on social indicators, and there is a lack of institutional capacity. However, the natural resource base of the region and potential for growth in the Province are promising. The poverty situation and the development potential were important reasons why, in February 2002, Norway signed an agreement with the United Nations Industrial Development Organisation (UNIDO) to fund a Project on “*Micro and Small-scale Industry Development in Cabo Delgado Province*” (Project number TF/MOZ/01/001). Before this, Norway had, for a number of years, given support to the Province in several sectors.

The Project forms part of an “Integrated Industrial Development Programme to Facilitate Private Sector Development in Mozambique” (IIDP), developed during 1999 by UNIDO. Early contacts between UNIDO and Norway took place soon afterwards and a draft of the Project was forwarded to the Maputo Embassy in November 2000. During 2001 there was further consideration of the Project at the Embassy and more Project drafts from UNIDO. The appropriation document is dated 15 November 2001.

Norway, while recognising the main elements of the Project philosophy, had a number of concerns. They stressed the need for the presence of ability and will on the part of the Provincial government to implement and “own” the Project, keeping UNIDO as a technical counterpart, without taking over management. In their opinion, this had been the case during the earlier IDIL<sup>1</sup> Project. In addition, it would be important for the Project to work harmoniously with local and national organisations, such as associations of entrepreneurs, PODE and Enterprise Mozambique. Integration into the Cabo Delgado Project of the experience from a similar project in the Zambézia Province was held to be important. The Embassy also stressed that realistic indicators of success would have to be defined.

UNIDO got in touch with the Provincial Government of Cabo Delgado early on and it appeared to support the Project wholeheartedly. The Provincial Directorate for Industry and Commerce (DPIC) acted promptly in supplying office facilities. Central Government, Ministério da Indústria e Comércio (MIC), was, however, less enthusiastic, probably partly because of an unfavourable evaluation of IIDP’s progress up to 2002, which was prepared by a well reputed local company, ACE Consultadores. Some of the less favourable points from this evaluation were also reflected in an evaluation by UNIDO itself the same year (UNIDO, 2002a). That report was concerned about an overly complex institutional setting up of the IIDP Project, deviations from the project design, lack of transparency in fund management and a varying degree of participation and ownership. In March 2002, however, UNIDO reported that the Project in Cabo Delgado had started with the purchase of equipment and the setting up of offices. A UNIDO Project manager was in place by the end of April that year.

The Project has been reported on a number of times, mostly by UNIDO. The first report by UNIDO was on the initial Project period from August to December 2002. This was followed by a 12 month Interim Status report of June 2003 (UNIDO, 2003). In February that year a brief report was produced by a Norwegian consultant on the basis of an examination of available documents and two days of interviews in Pemba (S. Jørgensen, 2003).

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<sup>1</sup> Institute for Light Industry Development.

A report on preliminary results (UNIDO, 2004b), was prepared by UNIDO with involvement of the DPIC but without the participation of MIC and Norway. A project review meeting of all parties to consider that report was seriously delayed for a variety of reasons. The present Project review was prepared by a team comprising a representative from the Norwegian Embassy and MIC and an independent consultant to “assist the members of the Project Review by providing independent views on the subject” (see full TOR, Annex 2). UNIDO staff were involved in the fieldwork and commented extensively on the first draft of the report.

The present report sets out and analyses the findings from inquiries in Maputo (11 and 18 to 20 October) and in and around Pemba (12 to 17 October 2004). The team’s programme in Pemba and all its appointments were arranged by the UNIDO Project director, who, together with the professional Project staff and the manager of the UNIDO office in Maputo, participated in all the meetings in Pemba. Whereas there was no indication that the programme was set up to emphasise the successful aspects of the Project and the evaluator was fully free to carry out the mandate, a number of interviews and investigations that one would have liked to do became unachievable because of the time constraint.

This report first (section 2) briefly sketches some socioeconomic and institutional factors relevant to the Project. It then (section 3) examines the Project document and considers the overall concept of the Project as well as the conceptual backgrounds for each of the Project components. Section 4 contains an account of the Project’s implementation and sections 5 and 6 set out conclusions and recommendations.

## 2. Socio-economic and Institutional Setting

### 2.1 Economy

The Mozambican economy still has features that were created during colonial times and during the years of attempts to build a command economy. Structural characteristics include the colonial transport system, which focused on the transportation of raw materials from the interior to export ports. The tight weave of rules of law, licensing and formalities regulating the economy still pose challenges beside the more recent ones of globalisation and the opening of markets. These forces often combine to provide an environment which favours trade more than it favours the building of a local manufacturing industry.

Good progress has, however, been made over the last decade. The general trend has been to free up the economy from unnecessary regulations and to bring Government and the private sector together in an effort to build the economy and to create economic activities that can benefit all Mozambicans. Examples of these efforts at various levels are the industrial policy and strategy of 1997, the biannual Government / Private Sector conferences that started in 1999 and most recently the new industrial licensing act.

Peace and changes in economic governance have been important factors leading to considerable economic growth. Over the past 15 years, real GDP in Mozambique has grown by 7 percent a year, which together with Government's policies as expressed in the PARPA<sup>2</sup> is likely to have been an important factor behind the reduction of poverty. The proportion of the population living under the poverty line declined from 70 percent in 1997 to 54 percent in 2002. The recently published IMF / Government macroeconomic framework expects strong growth to continue with over 7 percent in 2003, over 8 percent in 2004 and 6.5 to 7 percent in 2005-6 (Government of Mozambique, 2004). The seemingly robust growth in the past has, however, to a great extent been based on foreign investment in mega-projects and this is also expected to be the case in the future (e.g. the coming on stream of MOZAL II and SASOL). The 2004-6 IMF/ Government of Mozambique (GOM) programme holds that:

... the linkages of these mega Projects with the domestic economy need to be enhanced and the performance of the agriculture-based family sector strengthened in order to further reduce poverty. Broadening and sustaining growth requires the implementation of deeper structural reforms to increase productivity and encourage private investment and employment creation in sectors with high growth potential, such as agriculture, light manufacturing, tourism, transport, and mining.

To make growth benefit the poorest is likely to be a key issue in future. Despite rapid growth Mozambique is still one of the poorest countries in the world.

Although 63.2 percent of Cabo Delgado's population of 1.6 million are below the poverty line (the national average is 54 percent under the poverty line) the Province is not the poorest in Mozambique in average terms<sup>3</sup>. Still, according to the 2003 Household Income and Expenditure

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<sup>2</sup> Plano de Acção Para a Redução da Pobreza Absoluta

<sup>3</sup> According to the 1996/97 IAF it had an average household expenditure per person ranking 5<sup>th</sup> highest of the provinces, after Maputo (province and city), Gaza and Manica. In addition, household expenditure in constant

Survey (IAF) (Instituto Nacional de Estatística, 2004) most social indicators in the Province score lower than national averages and in most cases lowest of all the provinces. This would suggest that income distribution in the Province is particularly skewed and / or that key public services are weak. As an example: people in Cabo Delgado are highly dissatisfied with their health services, more so than in any other province; the Province has the highest percentage of people over 15 not having completed any education and the highest degree of illiteracy.

The structure of the economy in Cabo Delgado relative to other provinces is also indicated by a number of observations from the 2002/03 IAF:

- Only 6.6 percent of the economically active work for wages outside the family farms; the national average is 11.5 percent and only Zambézia has a lower proportion of formal sector employees;
- Judging by the number of workers in manufacturing or extractive industry, Cabo Delgado is the least industrialised province of all and only Zambézia and Niassa have fewer people working in the private sector;
- Nationally, about 61 percent of the economically inactive go to school, whereas for Cabo Delgado 39.9 percent do. The proportion of students in relation to economically inactive persons is the lowest of all provinces.

The economy of the Province is small and not well developed, but rich agricultural resources, although vulnerable to flooding, give scope for growth. The long coastline and favourable climate and soils give a basis for fisheries and a wide range of agricultural activities. Hardwood logging for export is clearly a growth industry, despite strong Government regulations on the export of logs. Gold, marble and semi-precious minerals are or have been mined. In Namuno, there has been prospecting for petroleum. Last, but not least, there appears to be great potential for tourism along the coast and in the wildlife reserves in the interior.

Industry is not extensive and comprises only a few major enterprises and some 333 licensed small scale industries in the entire Province. About half of them are located in Pemba and Montepuez. Unregistered enterprises are important for nearly all the inhabitants but seem to be more or less ignored by the authorities.

An important factor in the ongoing upswing has been the recent upgrading of transport networks. In addition, the irregular supply of power is said to be about to be dealt with, whereas the water supply is still a problem. The present Provincial Governor is, according to all comments, a dynamic person with ambitions for the Province and has pushed business, particularly through attracting a major South African hotel chain to establish a five star hotel, "The Pemba Beach" in Pemba. It has given a lift to the local economy and its success (there are now plans for doubling its capacity) has attracted other tourism investors and has also led to a surge in small businesses, such as traditional boats which take tourists out to sea to visit the string of islands along the coast, sales of locally made jewellery etc. In this situation, with business opportunities opening up, it is clear that a Project which lowers the entry barriers to small businesspeople and supplies training and coaching is of utmost importance to enable people at lower income levels to benefit from economic activities.

## 2.2 Institutions

The local government system in Mozambique has its roots back in colonial times. A new version of the system has been set up relatively recently and is still under development. The Provincial

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prices grew faster than in most provinces from 1996/97 to 2003, moving the province up to 4<sup>th</sup> rank according to the 2003 IAF

Governments (10) form the second government tier and are basically the representatives of Central Government in each province. It is particularly at the third tier level, consisting of municipalities (33) and districts (224), that implementation of the new system still goes on. At this level, there are also a number of questions about mechanisms for collaboration and co-ordination with customary authorities and other de facto community leaders. With the introduction of law 15/2000, some community leaders are recognised and their authority is formalised with corresponding rights and duties. The timetable is not clear but it is likely to take several years before the details of the system are decided upon and the necessary corps of appropriately trained personnel are built up. In the meantime, governance at the third tier is likely to vary considerably from place to place and over time, depending on how the authorities in place interpret the rules and regulations.

At the third tier, the 33 **municipalities** have a considerable degree of autonomy. They have a municipal assembly composed of directly elected members, a president (mayor), also directly elected, and a team of town councillors nominated by him of whom at least half must come from the municipal assembly. The municipalities must establish budgets, and can impose and collect local taxes and fees. Their mandates comprise economic and social development, environment, sanitation and quality of life, health, education, culture, leisure and sport, municipal police, urbanisation, construction and housing. Most of the **districts** which have not been formed into municipalities still remain as under the previous local government arrangement. Districts are purely administrative units with some judicial powers (district courts). Their administrators are nominated/appointed by the Central Government, and are under the strict guidance of provincial government by delegation from either the Minister of State Administration or the Minister of Planning and Finance, depending on the matter or conflict that may arise.

### The Provincial Governments

The Provincial Administrations function as the representatives of Central Government in the province and are headed by the Provincial Governors. They have judicial, but not legislative powers. The Provincial Governor, appointed by the President of the Republic, heads the province. Provincial Directorates with Directors appointed by the respective Ministries represent and are supervised by Central Government Ministries in what is a dual subordination system. The Provincial Government exercises varying degrees of power over the various types of function.

The Province exercises different types of influence in different sectors. For instance, secondary education and technical and professional education standards are closely watched from the central level. For primary education and nursery schools, the Provincial Governments have a greater say. Municipalities may also manage primary and nursery schools. In areas where activities have mainly provincial scope, provincial entities take care of project identification as well as the planning and implementation of, for example, boreholes, dams, the propagation of a specific seed and support to artisanal fisheries.

Since the Provincial Government comprises provincial directors that report to and are supervised by their respective ministries, they will tend to focus on the functions undertaken by their Central Government ministry and perhaps pay less attention to other development tasks. There are few, if any, mechanisms whereby local populations may have an influence on activities and decision-making at the provincial level.

### Cabo Delgado

Cabo Delgado has 16 Districts subdivided into 56 administrative posts with 128 localities. Pemba, Montepuez and Mocimboa da Praia are administratively autonomous municipalities. In Cabo Delgado the Health and Education ministries have respectively 16 and 54 percent of the roughly 7000 Provincial civil servants. Ministries of Finance/Planning, Trade, Industry and Tourism have

representatives in most provincial Governments. District administrations have the same structures as central /provincial Governments.

The scarcity of appropriately trained people is a problem at all levels of the administration. The Provincial Government, in its plan for 2001-2005 (Provincia de Cabo Delgado República de Moçambique, 2001), is concerned that most civil servants have very little education. Only 1.2 percent of staff are graduates and 13.6 percent have middle level education. Performance is also affected by the minimal financial and material resources available to them. The administrative infrastructure is said to be in a bad state.

Financially, the Province is dependent on Central Government for over 80 percent of its recurrent budget. For the planned 2001-2005 investment, 80 percent will have to be covered by external funding (Central Government or other).

There is some doubt as to the co-ordination of the fiscal systems. Provinces as well as districts merely collect tax for the Central Government. Districts may levy a “development” head tax and may retain 10% of the national taxes collected by the district. Box 1 shows the numerous types of licence fee that the districts will collect once the act on state local organs (Local law 8/2003) has become law. The Municipal assemblies have fairly wide powers of taxation.

#### **Box 1: Receipts by the state at the District level**

- Occupation and utilisation of public space and public goods
- Applications for use of areas included in urbanisation plans and which have public services not run by municipal organs
- Implementation of building and construction?
- Sale of public infrastructure and equipment
- Occupation of public roads for building and construction or other use of edifices?
- Exercise of commerce and business under temporary title
- Occupation and use of localities reserved for trade fairs and markets
- Authorisation of itinerant vendors on public roads and enclosures
- Calibration and control of apparatus for weights and measures
- Authorisation of means of publication for commercial advertising purposes
- Licences for artisanal fishing in the sea or in inland waters
- Tourist licences based on specific licensing regulations
- Licensing for arrangement of public events
- Parking of vehicles in parking spaces or elsewhere destined for other purposes
- Use of any installation for public comfort, convenience or recreation
- Licenses and rates for motorised or non-motorised bicycles
- Performance of burials, concessions for ground for graves, ossuary and other installations in graveyards
- Sanitary licensing of installations
- Licenses to collect, transport, deposit or treatment of solid residues, particularly those coming from hospitals or other toxins.
- Licenses and concessions for production and distribution of electric energy within the responsibility of the district.

Source: LOLE 8/2003 Article 188

Despite a lack of public infrastructure and qualified personnel, the presence of government is widely felt by individual citizens and companies. Although the rules are being reformed, there is still a layer of regulations, licences, taxes and fees that are often felt as serious barriers to both foreign and local investors. J Morisset and O.L. Neso (2002) argue that among the 32 countries included in their study Mozambique had the *most* serious barriers to foreign investment and the

*fourth most* serious barriers for local investors. (see Annex table 2). Interviews with officials and entrepreneurs corroborated the above indication. The attitude of the administration to formal registered businesses appears to be to control them and to extract all legal licenses and fees possible. DPIC's approach to informal business is "to formalise it".

### 3. Project Components and Concepts

This section examines the Project Document and focuses on the components and concepts on which the Project was to be built. The following section then looks at how the Project is being implemented.

#### 3.1 Project objectives and setup

According to the Project Document TF/MOZ/01/001 entitled “Micro and Small Scale Industry Development in Cabo Delgado Province” the Project is executed by UNIDO for the Republic of Mozambique. The duration is three years and total cost is planned at USD 872 021, including the programme support cost.

The national counterpart is the Ministry of Industry and Commerce (MIC). There are two counterpart agencies: the Cabo Delgado Provincial Department of Industry and Commerce (DPIC) and Association UFUNDA. The Development Objective of the Project is

to reduce the regional imbalance of industry through the development of adequate institutional support services for micro- and small-scale industries, with a focus on agro-based industries.

The Immediate objective is to

improve institutional capacities for small-scale industry development in Cabo Delgado Province at the Provincial and District Authorities, and in the private sector.

The two outputs, according to the Project document are (1) to improve the capacity of provincial and district authorities to properly implement regulations to create a business environment that encourages micro and small scale entrepreneurs and investors, including the establishment of a Balcão de Atendimento Único (BAU) (one-stop-shop), and (2) to develop the capacity of the association UFUNDA, a private sector association, to operate a Training and Coordination Centre (TCC)<sup>4</sup> in Pemba for all entrepreneurs with services in accounting, entrepreneurial training, production process management and business advice. Services would be offered at a cost recovery fee and the TCC would also serve as a contact and reference point for domestic and foreign investors, complementary to the Centre for Investment Promotion (CPI) run by DPIC. In addition, under this output, an HIV/AIDS awareness raising programme would be carried out.

#### 3.2 Overall Design

The Project appears a bit as a “cocktail”, its elements belonging to diverse sectors. Output 1 was, through the BAU, essentially meant to deal with capacity building in the public sector and public sector efficiency / good governance. Co-operation with UFUNDA would give support to civil society or the private sector. The plan for the TCC deals with business training or education, including production process management, and would even act as a contact and reference point for foreign investors. The HIV/AIDS component essentially deals with disease prevention problems. Although the common strand is small-scale industry development and micro business, the areas in

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<sup>4</sup> Changed later to KUPUNA, a somewhat similar institution. KUPUNA also set up CATE, which fills the role of the TCC.



which the Project management and personnel need to have some expertise stretches from good governance over investment promotion to AIDS prevention. One may ask whether Project efficiency may be furthered by having to deal with all these areas of expertise and whether UNIDO would be the obvious institution to run the Project.

### 3.3 Output 2: TCC and UFUNDA

Looking at the various components one by one, it appears quite clear that they are relevant and could be efficient in different Project settings.

Given the low level of education and business experience in the Province, the composition of the components within the TCC concept seems well conceived:

- The *business advice* component is designed to link up with the industrial schools in Montepuez and Pemba, thus trying to turn theoretical knowledge into practical business and increase the number of students that take up a career as independent business persons.
- Further *entrepreneurial training* would follow up the former students but in particular be available for people already in business and those who had not yet benefited from business education.
- *Accounting services* (called “collective accounting services” in this Project) are standard components of practically all small business programmes in developing countries, based on the assumption that low levels of education are barriers to handling accounts and thereby understanding and managing business.
- Training in *production process management* seems perhaps less relevant for small and micro scale businesses, but is certainly a useful component, not usually included in typical small business programmes.
- For the TCC to act as a contact and reference point for *domestic* investors appears appropriate. It is, however, doubtful whether the Project proposal’s idea that TCC be a reference point for *foreign* investors from Asia, Europe and other African countries would contribute strongly to the main Project objective. In practice, the emphasis on foreign investment would be useful if the provincial Centre for Investment Promotion (within DPIC) were under-resourced or did not work well for other reasons.
- In itself, the Project component of *HIV/AIDS awareness* would also be appropriate and could perhaps reach the small business managers more effectively than a general HIV/AIDS awareness programme by adapting the preventive approaches to the needs of the SME sector. An example would be appealing to an owner/manager’s interest in keeping their businesses running despite the difficulties caused by the pandemic.

### 3.4 Output 1: Balcão de Atendimento Único (BAÚ)

#### 3.4.1 One Stop Centres: Concept and International Experience

The BAU takes direction from the concept of and experience with what in English is usually called a “One-Stop-Centre” or a “Business Advisory Centre”. The idea is that the “centre” will deliver a number of public services, permits and licenses, focus on a particular kind of client and operate from one and the same location (physically and/or on the internet). The client will then receive the services in one place and not have to travel to several different locations receiving the services one by one. The concept has long been used in a variety of sectors such as health, education, the labour market and so on. Box 2 sets out some relevant experience from the OECD.

**Box 2: One stops and similar support for SMEs (OECD experience)**

The emphasis on SME in many developing countries has led to the creation of different types of institution focused on *small and micro businesses*.

The most intensive SME support is a “*business incubator*” giving technical, commercial, financial or any other support needed during a fairly long period (two to three years) at the start of the business. One incubator therefore deals with a small number of businesses.

A “*business advisory centre*” delivers support in a number of areas in a less intensive way than the incubator but is more geared to information, advice and training as and when the business needs it, whether the business is in its start phase or not.

A “*one stop centre*” may involve several of the services mentioned above, but is often limited to dealing with application and licensing, thus reducing time use and costs and lowering the entrance ticket for small businesses.

One stops and “business advisory centres” or “enterprise services counters” have been used since the mid eighties by OECD countries to “cut red tape”. Experience and case studies are cited in an OECD publication (OECD, 2003). The so-called *enterprise services counters* have tended to supply a somewhat broader range of services whereas the earliest and the most common type, the business licensing service, identifies relevant licences and provides forms and contact details. In few if any cases, however, would it deal with the actual work of securing the licences for businesses, although there is a trend towards giving the centres the ability to approve, authorise and register a business entity.

The “one stops” are operated by government units, municipalities and private sector organisations. Their most frequent activities deal with licences for setting up businesses, exporting and importing goods and registering trademarks. The evidence, as interpreted by the OECD, indicates that the basic idea has been successful in reducing administrative burdens on business through a reduction in time and cost invested in seeking information about licences and permits. It is also concluded that policy makers gain the benefit of having areas of overlap and/or duplication highlighted and redundancies pointed out. They thus acquire a basis for rationalising licence and permit arrangements.

OECD also highlights a number of possible difficulties and drawbacks. In some cases the one stop approach may merely shift the burdens of registration and licensing from the private sector to government rather than eliminating them. Where several one stop centres are set up, questions arise as to the scope of services offered by the individual shop and how the various operations interact and compete with each other. Another question to be decided upon is that of funding, and in particular whether the government will pay for the operation or the centre charge customers all or part of the cost of running the centre.

An administrative question arises over coordination between one stop shops and the “back offices” (regulatory authorities) which used to allocate licences and which may still carry at least part of the authority and responsibility. The more decisive powers the one stop centres have, the more important it is that there is a good connection and mutual understanding between them and the “back offices”. Otherwise the “mother” ministries of the regulatory authorities may be reluctant to cede the necessary decision making powers.

Although one stop centres have existed for nearly two decades and it appears clear that they are advantageous for their customers, the OECD points out that there is still a need to accumulate empirical evidence to guide policy makers on the overall cost efficiency of one stop shops. It is important to gauge the full impact, not only on customers but on businesses generally, governments and taxpayers. It is surmised that when long term operational costs are taken into consideration, priorities for when and how to introduce one stop shops may change.

The initial idea for the one stop shop in Cabo Delgado came from frustrations over the gap between the proclaimed government position on cumbersome registration and licensing and the perceptions of the private sector. This was UNIDO’s initial concern, and was followed up by their co-operation with IFC/FIAS in their preparation of a study “Mozambique: Continuing to remove administrative barriers to investment (FIAS 2001)”. The “first best” solution would be an overhaul of the system.

However, the more realistic “second best” solution is to improve the system of implementing existing laws properly, while waiting for the necessary changes in the administrative system.

There is scant guidance and experience in the literature that deals with engagement by donors in one stop type institutions in poorer countries. The following important facets of experience are based on an ILO study (M Sievers et al., 2003).

- **Institutionally**, one-stop centres may be set up as public / private partnerships by NGOs, private firms or various institutions. A centre may also be run by an NGO or a private business contracted by a donor agency. There appears to be some variance in effectiveness between the different setups. Contracting – as used by Swissaid, for example – has apparently worked reasonably well as long as the donor is involved. Among the cases considered, the public / private partnerships did not produce a good performance.
- **Staff selection** appears very important. In particular, centre staff as well as boards of directors ought to have “a commitment to create their own business out of the centre” and display “dynamic and entrepreneurial behaviour”. This is not only important for the working of the centre itself and its orientation to the actual market for services. It may also serve to make the input of “expensive international expertise” of shorter duration and more effective and thus lessen total funding requirements for setting up the organisation.
- The existence of strong **political support** is stressed by FIAS (which, however, focuses more on the larger and foreign investment centres than on small domestic investment). It is argued that a mail box type centre which is still dependent on the back offices to extract the various licences will often amount not to a “one stop centre” but to an “additional stop centre”.
- Worries over a loss of **authority** by licence granting departments are likely to appear if centres are given decision-making powers. Higher political authority is necessary to deal with bureaucratic bickering and logjams.

Seen in an overall reform context, it is suggested that the removal of administrative bottlenecks may not be the most important function of a “one stop centre”. A more important role may be to identify shortcomings in the implementation of a country’s investment policy and to remove these bottlenecks.

### 3.4.2 The Cabo Delgado BAU

To what extent does the Project Document reflect that relevant experience in the CD BAU concept?

The BAU project component is the major part of Output 1 according to the Project Document, and is perhaps the most visible of the components. It is important, however, to consider how this component is supposed to work together with those mentioned above. The BAU would largely focus on improving the administrative environment, dealing particularly with licensing and information functions, whereas the TCC and other components would deal with human resource development, comprising business training such as accounting and general business advisory centre functions as well as reducing the spread of HIV/AIDS.

**Institutionally**, the BAU, as set out in the Project Document, is created by the Provincial Authority<sup>5</sup> and should have a BAU Advisory Council with representatives for the private sector and Provincial Government line directorates. A Council Director would be appointed by the Provincial Governor. An (in-house) executive council comprising the business assistance centre manager, a legal officer, an economist and a secretary would be involved in day to day management. In addition, according to the Project document, the BAU would be entirely funded from the provincial budget and fees charged to clients, i.e. not funded by the donor.

There is no indication of the BAU's terms of reference (TOR) in the Project Document. The Project's role is seen as that of advising and assisting the Provincial Government in elaborating and implementing the TOR of the BAU. The Provincial Government later decided that the role of the UNIDO project would be to train the staff and develop the system for intersectoral mechanisms within the public institutions. The Project design shows no plan for expatriate **staff** in the BAU. The role of the project personnel, whether international or national, is to carry out capacity building within the BAU by training staff and by assisting the provincial policy makers, as well as BAU staff, to develop their institution, BAU, using, as a matter of principle, their own resources. UNIDO's experience indicates that financing the staff of a counterpart institution and gradually reducing the funding has generally not worked. The number of staff or professional requirements for BAU staff is only sketchily mentioned in the Project document, which lists "a legal officer, an economist, a secretary and a business assistance centre manager".

The design of the Project deals with **political support** by giving the Provincial Governor a strong position in the BAU. This backing and perhaps the Project document's clear assumption that the BAU will be a "mailbox operation" and not usurp any powers from regulatory authorities makes it easier for these authorities to work harmoniously with the BAU. As pointed out above, however, the mailbox arrangement tends to transfer the work of granting licences back to the normal regulative organs and in effect just adds another bureaucratic step to the procedure. To avoid an "additional stop centre" scenario, it is important that identification of barriers and policy-relevant work are emphasised.

The Project Document clearly aims at giving the Project the important function of identifying shortcomings in administrative policies and regulations by stipulating that the Project will

- Prepare a review of regulatory requirements, analyse practice in applying regulations and follow this up by periodic rapid surveys
- Conduct workshops where entrepreneurs and public authorities review research findings and propose measures to reduce regulatory burdens
- Prepare action plans to further improve the regulatory business environment
- Assist provincial authorities in identifying issues to be put before appropriate national authorities to further improve regulatory conditions at the provincial level
- Contribute to development of a system of regular consultations between provincial and national levels on local problems and shortcomings and give input to the ongoing processes by utilising existing official mechanisms
- Assist regulatory officials and particularly those assigned to the BAU to implement regulations in such a way that investors are not discouraged
- Assist Provincial Authorities in monitoring implementation of regulations and identify issues for decision making on regulatory practice

However, it is not clear from the Project Document whether or how the BAU will be involved in this. On the one hand, it might be useful to have a permanent institution like the BAU involved in

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<sup>5</sup> The central government legislation for provincial authorities, however, does not include national legislation or guidelines for such organisations as the BAU.

continuous monitoring, analysis and report back in order to lessen the regulatory burden. On the other hand, it might be argued that it would be better to give the role of advocacy and reform to an outside institution, rather than to the institution involved in running the system.

A reasonable interpretation of the document would include the role of assisting provincial authorities to raise awareness of the impact of rules and procedures on the Project. In addition, training officials and small scale entrepreneurs, as well as provincial and district authorities, in the implementation of regulations, would be a project responsibility. In the latter field, special mention is made of the introduction of value added tax.

Overall, the Project Document's description of the BAU sets it out as a fairly typical licensing one stop centre where the purpose is to "provide entrepreneurs with... all the information, advisory and accompanying assistance that are necessary *until the enterprises can clear all the regulatory requirements*". Elsewhere in the Project Document, however, it is said that the BAU will "assist entrepreneurs in starting up, operate and grow their business legally and as easily as possible". The reference to "operating and growing" indicates that the role of the one stop shop might have been considered to be wider than the removal of regulatory barriers and to include business advisory centre activities.

Whereas the BAU CD project concept deviates from some aspects of the experience with similar projects, overall agreement in the literature appears to be that the one stop concept is good and has positive effects in making bureaucracy more efficient, lowering entry barriers for enterprises and fighting corruption. In particular, given the heavy weight of regulatory barriers in Mozambique and the need as well as the scope in Cabo Delgado to get small business going, the BAU would be highly relevant, and not only in easing regulatory burdens and laying the groundwork for further administrative reform. There is, however, some doubt as to whether the latter aspect is being taken seriously enough.

The BAU approach would also seem to have potential advantages in reducing corruption, an issue which the Project proposal as well as most of the literature is relatively silent about. We then turn to the question of project implementation.

## 4. Project Implementation

### 4.1 General

#### Start of implementation

There is some uncertainty about the actual initiation of implementation. On the one hand, the signing of the funding agreement took place in February 2002 and by March UNIDO had reported that the Project had started. On the other hand, a Project report of 3 June 2004 (UNIDO, 2004b) reported that the BAU had been inaugurated on 12 May 2004, which is more than two years after the signing of the agreement. What is clear from the files of the Norwegian Embassy is that although UNIDO would have liked to start the project earlier, the Norwegian authorities had to hold back because clearance had not been received from the Government of Mozambique (GOM), which was reluctant, presumably for the reasons mentioned under section 1 above. Even though it is clear that the BAU had started operations somewhat earlier than May 2004, the time lag between the Project start in March 2002 to the opening in 2004 appears on the high side, particularly since there is no reason to believe that the Provincial Government, being enthusiastic and providing support from the highest level, would delay the process.

#### **Box 3: UNIDO Presentation of Chronology**

The initial plan was to assign Mr Hayashi as the main international staff member and as the MSE Expert. At that time, UNIDO was expecting to start up a project in Sofala, and he was winding up the preparatory work in Zambézia and to some extent in Sofala provinces. Meanwhile, he was visiting Pemba to prepare for the logistics for the Cabo Delgado project. Mr Hayashi started the work in August 2002. However, he accepted another assignment and left the project in May 2003. Mr Hayashi's report, covering August 2002 – May 2003, was given to NORAD in Maputo and a debriefing meeting was held. We had to reassign Mr Pino (the present manager of the CD project) from a project in Zambézia, and he had to wind up his work for the project there before moving to Pemba in August 2003. The progress reports of the project have presented the state of consultations with local authorities. The provincial authorities supported the project activities. The process of creating a consensus between different parts of the provincial government structure, however, required patient consultation, one issue at a time, to advance to the next step, with the detailed analysis of various interest groups and individuals taking time to process. Due to the lack of some capacity in human resources in Cabo Delgado province, the period required to attain consensus among the various parties was rather long. However, with the time invested during the initial phase to create the base, the project picked up pace towards the end of 2003.

At the time of the mission to Cabo Delgado, the Project manager's presentation, as well as field investigations, convinced us that most Project components were completed, running or were about to be started. (See below for assessment by activity.) This would indicate that late 2003 and early 2004 had been a very productive time for the Project. After about a year under implementation it would be reasonable to expect that a project review could register considerable output, but it would be too early to expect clear indications of impact. At this time, there is therefore little point in trying to undertake an impact assessment.

Looking back on Project implementation from October 2004, there appear to be a few divergences from the Project proposal in addition to the time lag. Whereas it is normal that significant deviations from plans are reported to all the parties involved, UNIDO's comments indicate that the Project Document was seen as standard for similar projects and that it would be adapted as it became clear how the conditions in Cabo Delgado differed from "standard" conditions. Whereas this sounds

reasonable, it tends to create difficulties in a situation where the project has attracted funding on the basis of a Project Document and the funding agency might not have been fully aware that the Project Document was to be considered a “standard” only.

### Implementing Institution

Under output 2, “development of the capacity of UFUNDA”, the private sector local counterpart agency is now called Associação de Conselheiros e Treinamento de Negócios - KUPUNA. The organisation is a provincial one, with its head office in Pemba, and is run on a non-profit basis. Its objective is to support small and micro businesses with technical assistance and training, work with vocational institutions, help educate young people with an interest in business management, promote courses and render the experience possessed by its own members, mainly Pemba business people. Under the powers vested in the Provincial Governor, the organisation has been a legal person under article 1.5 of Law nº 8/91 since 17 June 2004.

The reason for the change to KUPUNA was that by the time Project implementation started, UFUNDA management had been changed and the new administration did not understand the concept of a self-sustaining TCC. Apart from the change of institution, the new local partner appears to have taken on a slightly different and in the view of UNIDO more practical, role than that foreseen in the Project document. Whereas UFUNDA was to have covered all the outputs within one and the same organisation, KUPUNA would act as a co-operation partner and overseer for Centro de Aconselhamento Técnico Empresarial (CATE), an autonomous implementing organisation set up by KUPUNA. CATE would deal directly with the activities of the service centre, training, and technical assistance. The preparation of a training curriculum and “training of trainers” is taking place in cooperation with the Escolas Industrial e Comercial (EIC) in Pemba and Montepuez. According to the Project management’s analysis of business management courses (UNIDO, 2004b, p 17) 47 pupils from EIC participated in business management courses. The HIV/AIDS component and outreach activities are run in cooperation with the Mozambique Red Cross as a partner, a theatre group and a number of business persons, as well as members of KUPUNA. The MSE expert, assisted by the project secretary, is carrying out a campaign among the business community to increase the number of enterprises participating in the movement “Business Against HIV/AIDS”.

The Project, according to its development objective, should focus on agro-based industries. Such a focus does not appear to be much in evidence so far, either in the courses run by CATE or in the composition of the BAU clients. This should not be a great cause for concern. There is a positive development in business in the Province, and the Project should be sensitive to market trends which point to tourism and related areas. It is wise to apply the old adage, “where it moves, push”!

### Premises, Management and Staff

Project premises are situated in central Pemba, where the institutions relevant to the project are concentrated. The BAU office is located nearby, in the same street. The project office is located within the DPIC building, next to the office of the Director of DPIC, in order to facilitate close communication. The CATE and KUPUNA offices are located in an annex building to the DPIC house. The short distances between the main partners may promote co-ordination and co-operation. Relations between the various groups of people were, as far as one could establish, friendly and relaxed.

The project is headed by the MSE Expert. He plays the role of “project manager” and provides technical assistance. The present incumbent has some 14 years of experience in Mozambique and formerly directed a similar Project in Zambézia. In addition, the staff comprises a professional with an engineering background, two secretarial level staff and a driver, all Mozambican. One of the

secretarial level staff also participates in the supervision of the HIV/AIDS component. The Project appears to be well managed, with the office functions being run in an efficient way. The manager and professional staff are reasonably well connected locally and conduct the Project in a flexible way, helping out where necessary, as long as it is thought to be within the overall TOR of the Project. The team was told, for instance, that the Project had greatly helped with Cabo Delgado's participation in a recent national trade fair and generally heard evidence indicating a genuinely helpful attitude from Project staff.

#### Differing views of the Project

The Project is clearly recognised as valuable by the Governor and the Provincial Administration and is supported by them. The Provincial headquarters clearly feel that it will be necessary to keep the Project and the UNIDO staff for some time. There was evidence of a few problems that had arisen with regard to the BAU that the Governor had stepped in and solved.

The relation to "big" business may not be consistently good. Our interview with a few, among them the "big wheel" in Pemba, indicated that they either saw Project BAU as irrelevant to them or as a waste of money. One of the interviewees suggested that the UNIDO Project manager should play a direct role in lobbying for and smoothing the way for "big" foreign and local investment to the area and felt that without such an arm the Project was a complete waste of money. These negative views are likely to result from inadequate knowledge of the project and its objectives.

#### Project costs

Overall, the question should be asked whether the Project is not too expensive. On the one hand, seen as a contribution to bringing dynamic small business growth into a previously very stale and "big shot" dominated business environment at a time when a boom is imminent, it is very important and hardly measurable in money. On the other hand, seen in a cost benefit way, there is not yet much tangible evidence of the benefit (impact) side, and international experience is not uniformly on the side of the Project. If Government aims at replicating such projects on the basis of local funding, the financial shortage in itself will present an obstacle even if the economic benefit is greater than the cost.

We feel fairly sure that if a locally funded project is going to be a viable option, the costs of the early setting-up phase would have to be looked at critically. One obvious place to look is the cost of expatriate technical assistance. It would be possible to reduce costs by emphasising the use of local professionals, who, even if paid very highly in Mozambican terms, probably would cost less than half of an expatriate. In a replication context one may, for example, think of having an international specialist supervise a number of projects with Mozambican managers. It would be important in such a strategy to take into account the effect on the labour market. The shortage of administrative talent and the fact that donors pay high prices for local talent may cause damage by drawing scarce Mozambican personnel away from important posts in Government and the private sector.

## 4.2 Project Components

### 4.2.1 CATE

CATE, which was set up by KUPUNA with the assistance of the Project, as stipulated by the Project Document, comprises a group of 11 young technical Mozambican staff trained by the UNIDO Project and rendering services in management training for small businesses, counselling, preparation of business plans, studies and consultancies, as well as community development. CATE has a Management committee which, apart from KUPUNA, has received inputs from DPIC, CTA,



FARE, ADIPSA, Catholic University and other private sector organisations. As set out in the Project document, the UNIDO entrepreneurial training programme (GERIR), which is also in use in Zambézia, has been adapted for use in Cabo Delgado (UNIDO, 2002) and forms a basis for CATE's courses.

The group is equipped with computers and has (somewhat crowded) offices in the KUPUNA annex building to the DPIC/Project building in Pemba. Their vision is to become a business consultancy cum clinic for businesses in the Province.

The action plan for 2004 involves the legalisation of CATE, public relations activities and contact with possible clients, 7-8 courses for various types of small business, assistance to business people and a further build-up of the CATE organisational and physical infrastructure (CATE Centro de Aconselhamento Técnico Empresarial, 2004a).

While the team was not able to check the implementation of the plan, our impression of CATE's performance was positive. The team interviewed two of the small entrepreneurs that had been helped with business plans and received two of the consultant reports prepared by CATE (CATE Centro de Aconselhamento Técnico Empresarial, 2004b; CATE Centro de Aconselhamento Técnico Empresarial 2004).

An analysis of the seven courses held by CATE is presented in UNIDO's Project report of 3 June 2004. 109 persons (30 of them women) participated, the majority of them under 25 years of age. In line with the method (GERIR) used, the participants prepare a business plan for a real or imaginary enterprise during the course. Forty such plans were produced (10 by women) of which 14 were actually started (3 by women). Most of the projects were in trade and services, 10 of them being new projects and four being expansions of existing businesses. The total funding requirement for the 14 was about 1.7 billion Mt or some USD 85 000. Of this, the aggregate business plans indicated available own capital of roughly 40%, meaning that 60% would have to be borrowed. However, only one of the projects had so far benefited from credit lines available in the Province. The Project report says that a flexible line of credit would lead to a great surge of new businesses but this will clearly depend on the realism of the business plans of the projects drawn up.

The business courses started on a very promising note. The first course had 27 participants, but unfortunately the numbers attending declined, so that there were only 4-5 attending the last couple of courses. The course fee had been increased, presumably in order to attain the goal of financial self-sufficiency for CATE, and might indicate that the market for business lessons is still thin.

CATE's consultancy work appears particularly promising but this may be because it is the "only show in town" for the time being. This situation will perhaps not last for long, as development in Pemba and the rest of the Province is accelerating and the major consultancy companies are likely to find it worthwhile setting up local offices or exploiting business opportunities in other ways. It will be important for CATE Consultancies to find its niche, which is clearly that of catering to small businesses and NGOs which deal with local development and less formalised levels on the enterprise scale. It may also be opportune to attempt to upgrade staff, by employing a few university graduates if possible or perhaps through upgrading suitable present staff, for example. Presently, none of the CATE staff has more than pre-university education.

Financial sustainability may be difficult to attain with a higher level of staff qualification and infrastructure than at present. It is unlikely that many small entrepreneurs will be able to pay for all the services, although the team was told that the business plans done by CATE have been paid for by entrepreneurs, at least after an introductory analysis of their business had been given to them free of charge. The formal rates for the preparation of a business plan are 1.5% of the value of the

investment with an additional charge for computer work / typing and printing of 30 000 Mt per page. The present strategy is clearly to link up with locally operating NGOs and other organisations that may pay for the courses and consultancies. The CATE 2004 plan matrix (CATE Centro de Aconselhamento Técnico Empresarial, 2004a) contains a column for possible partner (“Possível Parceiro”), comprising organisations like UNIDO, Aga-Khan, FARE, Progresso, Helvetas, ADIPSA, INAS, Comissão Nacional de Reinserção Social, AMODER, DPIC, Governo Provincial, DPC, DPPF, DPADR, PODE and CADI.

#### 4.2.2 HIV/AIDS

A local subgroup of the national organisation “Empresas Contre a SIDA” has been set up and a campaign to recruit enterprise members, particularly at the larger scale, has been mounted. A small information brochure has been produced. Information is also spread through pamphlets, cassettes and videos and includes various methods for prevention, contact points and information on where to seek treatment for those infected.

Contacts have been made with Red Cross-linked local theatre groups which have set up plays that are ready to roll in the near future. Theatre plays are normally suitable for reaching uneducated audiences and should be particularly relevant in Cabo Delgado. An additional activity has been CATE’s consultancy for ADIPSA on the level of information about HIV/AIDS in certain localities of Cabo Delgado. This will be used as a basis for further activities in prevention information.

Overall, even though one may say that all the planned activities within HIV/AIDS had started, it was uncertain whether the urgency with which this issue had been handled corresponded to its enormous importance. The resources available for action might be used more robustly to move the prevention campaign and treatment information for the infected forward into the enterprises through the contact, knowledge and confidence that the Project has vis-a-vis small business circles. The fight against the spread of AIDS in a province with a relatively low HIV/AIDS incidence appears particularly important, as the economy is likely to grow fast and cause an increase in transport and tourism activities as well as the beginning of major construction work.

#### 4.2.3 Commerce Education Piloting

Whereas the Project Document includes training as well as the preparation of manuals and modules for training on the regulatory environment, curriculum development and piloting did not figure as an individual component. During the field work it nevertheless became clear that the Project had facilitated the development of a curriculum which would be tested by the educational authorities in Cabo Delgado in three or four schools in the Province.

In the Project documentation assembled by the team, the earliest information about plans for curriculum development and testing could be discerned from the Project report of 3 June 2004. This followed a letter from the Ministry of Education to UNIDO in April 2004. The letter expressed great interest in introducing in the secondary school Ensino Secundária Geral (ESG) a business development curriculum similar to the one that GOM representatives had seen implemented in Uganda with the help of UNIDO in late 2003. The Project plan says that the curriculum for training in business management would be introduced as a pilot in technical colleges and ESG starting in October 2004. A meeting with the Direcção Provincial de Educação de Cabo Delgado (DPECD), Departamento de Acção Pedagógica (DAP), held in late September 2004, suggested that the piloting be co-ordinated with Instituto Nacional de Desenvolvimento da Educação (INDE) and further decided that the testing would take place in two secondary schools and two technical schools. A detailed time schedule was set up, including a study tour to Uganda, leading up to the training of identified teachers early in 2005.

At the time of the mission, an interview with the head of the Provincial Department of Education showed a very positive attitude to the planned piloting, which would also be of some national interest. Despite the impression given to the Project manager, who had earlier visited the Central Ministry of Education and had been told that a go-ahead was given, the Provincial Department was still waiting for confirmation, after which the piloting would proceed. The head of the Department indicated, however, that financing of all or part of the piloting was still a problem.

Even though the Project in an overall sense is geared to the training and coaching of small new businesses and young people, curriculum piloting within the Government schooling system was not part of the Project and should in principle not just be tagged on without further notice. However, the fact that this component lies near to the overall emphasis on entrepreneurial training and has been included on the back of positive interest and requests from both central and provincial Government is reassuring. It is still not clear how and to what extent this new element will involve additional Project expenditure. It would be reasonable that Project management should inform the donor about any budgetary implications, particularly in the light of indications from the Provincial Education Director that there may be financial difficulties.

#### 4.2.4 BAU

What is below called the BAU or the “BAU component” of the Project comprises what the Project document calls Output 1, which deals with the setting up of the organisation and capacity building until the BAU office can take care of the functions allotted to it.

At the time of the team’s visit in October 2004 the BAU office facilities were in place. The office is fairly centrally located in Pemba, the business floor space seemed adequate and there was in addition a large conference room and a very well set up office for the Executive Director. Equipment consisted of a vehicle, five computers, four printers, a photocopier and a scanner. The office had a telephone line and a tele/fax line.

Staff were in place, although on the day of the mission visit they were said to be in the field running a public relations campaign in various places in the Province. Apart from the Executive Director there were seven technical staff, one driver, one guard and one servant/cleaner.

Activities (since the start) as listed by the Executive Director were as follows (Head of the CD BAU, Raul Messo, 2004):

- Office premises identified and rehabilitated
- Focal points established, described as contact persons for BAU officers within offices of regulating authorities at provincial and central level
- General brochures produced introducing the BAU and explaining proceedings and requisites for the process of licensing
- Technical staff contracted (seconded and paid by provincial directorates) and given training in procedural rules and matters
- Badges designed and produced for all staff for easy identification of the BAU staff by clients

The Executive Director informed the team that a total of 78 clients had approached the office. A database listing shows the nature of the requests and the response of the BAU office for each of 71 of the cases by month from January to September 2004. It appears that although officially opened in May 2004, the office has been in actual operation since January. During this period, about 9 months of operation, 11 applications had been submitted, meaning that the 67 other clients had merely

asked for information which had not led to an application for a licence. The listing appears to include absolutely all approaches to the office, even one or two visits by people inquiring about the function of the BAU. So far, two licensing applications had been completed. Upon inspection of the database, which contains indications about the planned amount of investment, it was found that so far only one person had put down an amount equivalent to USD 625 for his / her investment.

A list of application processes by institutions, showing the time limits for departmental reaction as set down in the laws as against the actual time taken, indicated that most institutions had kept to their legal limits. However, three institutions, the Departments for Tourism, Mineral Resources and Energy as well as the Office of the Provincial Governor have exceeded their deadlines considerably. In the case of the Governor's Office, a process that should take three days had so far taken 26. These delays may seem dramatic but are still moderate compared to what used to obtain, when waiting times by many accounts could amount to years rather than days. In his presentation at the BAU offices, the Executive Director included such delays in the list of important constraints but felt that they were *communication* problems rather than delays in the licence granting departments. This seems doubtful in the case of the Provincial Government, which is situated within comfortable walking distance of the BAU offices.

Among other constraints pointed out by the BAU Executive Director was slowness ("morosidade") in the allocation of funds for current expenditure. In this connection it was explained that, although a budget line in the Provincial budget contained sufficient cover for BAU's recurrent expenditure, it would not be automatically callable for the BAU since the organisation was formally not a part of Government. For example, payment of BAU's telephone bill had to be undertaken by the Provincial Government. Since payment had been considerably delayed, the phone had been disconnected, leaving the office without phone or fax connection. A letter about the matter had, however, been sent to the Governor's office and the BAU Executive Director had been told that a solution (for the phone bill) was around the corner.

Time did not allow the team to get a clear impression of how the office was run. Circumstantial evidence, however, indicated a very orderly but highly bureaucratic approach. The bureaucratic style was exemplified by a number of problems in office conduct, of which two are described below.

The professional staff had been given areas of responsibility corresponding to the mandates of the various Government departments. Our understanding was that a particular BAU staff member would not work with clients whose line of business belonged under other departments than the one allotted to him/her. This clearly was related to the fact that staff were seconded and funded by provincial departments. Since there appears to be little difference between the various lines of business in terms of procedures used for their licensing and permits, such arrangements do not bode well for the flexibility and efficiency of the office.

Entering the office, clients are received by having to fill in a small form with personal data, indicating why they are visiting the BAU and their (potential) line of business. The office manager will then decide which of the professional staff they would have to see. On the desks were neat little signs saying what type of business was dealt with by each of the staff. Whereas the arrangement appears useful and orderly enough, the fact remains that the office over the last nine months has had on average a client only every second day and a real applicant (11) every three weeks, which makes such arrangements look like definite bureaucratic overkill.

Furthermore, the reaction to the disconnection of the phone - writing a letter to higher authority and then waiting - definitely does not indicate that the office is the sort of advocate and the "mover and

shaker” that it ought to be. The role of the BAU as an observer and critic of business constraints and an advocate for small entrepreneurs was not strikingly clear.

The team was not able to collect any evidence from clients of the BAU. On asking various interviewees in Pemba about the office, it appeared that there was some knowledge of the existence of the BAU. The two small entrepreneurs interviewed had not used it, however. From the perspective of medium and larger businesses it appears that the office is either irrelevant or is seen to be doing things of little interest. A representative of the local CTA felt that the BAU was “...not needed, we can take care of it ourselves”.

Some representatives of the national CTA offices in Maputo, visiting Pemba at the time, characterized the BAU as “band-aid against cancer” and felt that there was a danger that it might become a palliative and obstacle to a real solution to the more serious underlying problem. They felt that the best solution would be **cutting** the overload of regulations and red tape rather than making the licence-granting machinery more efficient. In their opinion it was likely that the office would be plagued by bureaucratic games and politicking, since the participating departments did not have a real interest in ceding any of their powers to the office.

Even though this danger has been avoided by closely involving the licence-granting Departments and the system of seconding officers to the BAU, there may be other reasons for putting spokes in the wheels of the organisation. There is anecdotal evidence that the transparency about fee payments brought in by the BAU, although in principle excellent, would prevent Provincial Departments from continuing the practice (strictly not allowed) of retaining licence fees collected locally rather than ceding the amounts to the Central Government Treasury. The provincial Departments habitually use these sums to “stretch” the amounts received from Central Government at times of financial squeeze. However, the BAU system would make available information of fees paid and thus enable the Treasury to claim money for the central fiscus. This would be unpopular and lead to more “financial crises” in Provincial departments. Whether this is a real problem or not is uncertain. The Tete and Zambezia BAUs have existed for some time seemingly with out such difficulties and there were no reports about difficulties of that nature when the BAU in Cabo Delgado was conceived and initiated.

Interviews at the Provincial Government offices made it evident that the BAU has strong support from the Office of the Governor of the Province. The establishment of the BAU office had been supported by the Province in terms of staff, premises and running costs. The delays in dealing with the phone bill and the procedural delays in the Governor’s Office as mentioned above would most likely be due to administrative slowness. What could appear as an initial difference in opinion about the Project between the Province and the MIC has hopefully been overcome. It would otherwise hamper the continuation of the Project.

According to UNIDO personnel, the continuation of the BAU would benefit greatly from having the office transformed into a regular Government office. This would mean that the office would have more clout over the licence granting departments than at present. Importantly, it would also mean that the BAU would be able to handle its own finances and, for example, pay its phone bills on time. While the Provincial Government will apparently accept this, it requires a change in the national regulations that apply to all provinces. The process may at best take considerable time, therefore.

Central Government appears to be interested in considering whether BAUs should become a regular feature in all provinces. During the mission, UTRESP contacted UNIDO and requested them to arrange a workshop in Maputo to examine the experience with BAUs in Mozambique so far. The

workshop would be attended by the four Directors of the BAUs in operation<sup>6</sup> and UTRESP personnel, including the UTRESP Director.

As setting up and running the BAU is sponsored by a number of institutions, within and outside Government, the team was not able to get the overall picture of the BAU expenditure.

For the initial set-up period, which is usually relatively heavy in expensive expatriate inputs, the mission feels that costs may be reduced by using more Mozambican staff, which would probably cost less than half of the present international (UNIDO) staff. This means that efforts should be made to give suitable Mozambican staff the chance of “learning by doing” in setting up operations such as that in Cabo Delgado. In the event of an expansion of BAUs to other provinces, the more costly UNIDO international staff might then play a role in overseeing the process, while national staff would be utilised in the implementation itself.

Personnel costs and other recurrent costs when a BAU has reached the “steady state” level should also be watched so as to make it possible for public budgets to absorb costs in the longer run. The amounts budgeted for the operational costs of the BAU appeared extremely high compared to the number of clients dealt with and potential investment promises so far. The team’s impression is that costs may be reduced by reducing the number of staff. Two to three technical staff and a (working) director would probably suffice.

Assessment of costs, modes of operation and benefits of the Cabo Delgado BAU will be particularly important in view of the interest in one stop centres like BAU displayed by the Central Government. Before a “National BAU” project is launched it is important to have sufficient information to avoid mistakes and a waste of scarce Government funds. The Tete and Zambézia Projects have both been reported on in various ways (UNIDO, 2002b, 2004a, UNIDO and Balcão de Atendimento Único Republica de Moçambique Governo da Província Tete, 2004) but without enough data and analysis to provide a sound basis for national level decisions. The fact that all analyses have been undertaken by the implementing organisation (UNIDO) makes it difficult to accept these reports as regular evaluations.

The Project has delivered particular support in the setting up period of the BAU, including the office and design, PR, databank setup and the training of technicians in the use of IT and the marketing of services. The Project has also undertaken to train DPIC personnel.

Progress on a number of planned outputs, particularly in connection with the review and monitoring of the effect of regulation and attempts to improve the regulatory conditions at both provincial and national levels have been lagging. Some of these tasks do, however, figure in the Project’s activity programme, ending in December 2005.

- The status review report described under output 1.1 in the Project document was not obtainable from the Project. This baseline report on actual practice in applying regulations would contain information on time requirements from the beginning to the end of the application processes, as well as costs of compliance, overlaps in instructions rules and procedures, reporting requirements from business, the selection and operation of businesses and the costs of enforcement by the authorities. The report would be an important baseline against which subsequent monitoring would take place and be indispensable for an evaluation of the *impact* of the BAU and other Project activities. UNIDO indicated that the report had been produced but has until the time of writing failed to present it to the team.

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<sup>6</sup> This would refer to the Directors of BAUs in Cabo Delgado, Zambézia and Tete, and, in addition, a similar institution in Inhambane Province, called Loja de Negocios.

- Output 1.7 of the Project document stipulated periodic rapid surveys that would monitor the status of implementing administrative regulations and the taxation system. The reports were to be reviewed at workshops with public authorities and entrepreneurs in order to propose measures to reduce regulatory burdens. (Output 1.8, 1.9) The team found little evidence of such activities.
- In addition, the Project (Outputs 1.10 and 1.12) was supposed to identify issues to be brought to national authorities in order to improve regulatory conditions at the Provincial level as well as contribute to the development of a system of regular consultation between provincial and national authorities. There appears to have been little emphasis on these activities as yet. The Project management was clearly of the opinion that, in particular, the proposal for setting up a provincial / national consultation system would be “impossible” to implement because of the character of the relations between the Central Government and the Project / Province.

### 4.3 Assumptions

The assumptions / risks foreseen have not so far had a serious effect on the Project. The remaining period of implementation will have to concentrate on avoiding the dependency syndrome. At the present time, the withdrawal of UNIDO Project staff would most likely be fatal for the project.

## 5. Conclusions

The Project consists of a number of elements widely spread among sectors and development activities, such as public sector reform, good governance, education, business training, HIV/AIDS, domestic and foreign investment promotion. One may ask whether it is logical to keep these in one project and to select an organisation such as UNIDO to run it. However, the underlying concepts of the individual components appear sound and well suited to the present socio-economic and institutional setting in Cabo Delgado. The BAU appears to be a major part of the Project but other components run under CATE are as important. The negative attitude to the BAU from “big business”, CTA and others appears to build on the assumption that the BAU will be a palliative and reduce the chances for real progress in “cutting red tape”. This will not be the case if the Project is run along the lines stipulated in the Project proposal.

The implementation of the Project started slowly but has moved forward during the last 6-9 months. The relatively short time period since Project output started to materialise means that it is too early to draw solid conclusions about the **impact** of any of the components. Some elements dealing with the monitoring and functions that should push the reform and efficiency agenda at provincial and national levels seem to be lagging. Project management is good, reasonably well connected locally and conducts the Project in a flexible way, helping out where necessary, but there is a question as to whether or not costs are high when compared to any potential impact.

The TCC component has been moved from the originally planned local organisation UFUNDA to KUPUNA, for good reasons, and appears to be running well, although the course activities appear to have slackened lately. The CATE’s Consultancy work appears promising, perhaps because it is “the only show in town”. Future competition from bigger, established consultancy companies which are likely to be attracted to Cabo Delgado means that it is important for the CATE consultancy to find its niche and consider how to improve the educational level of its staff.

With regard to the BAU component, the office has been set up but appears, perhaps, in terms of facilities and staffing, to be larger and more expensive than might be required. The office appears to be run in a bureaucratic manner and may become plagued by bureaucratic games and politicking. The costs for both donors and the Province for *setting up* the office and for the Provincial (or Central) Government to *run* the operation in the longer term would appear extremely high compared to services delivered and potential investment so far.

The role of the Project as an observer of constraints and an advocate for small entrepreneurs at Provincial level appears so far not to have been emphasised but needs to be pushed for the Project to play a role in the process of deregulation. In view of current consideration by Government of making BAU a national project, it will also be important to monitor the costs, outputs and impacts of the Cabo Delgado BAU closely. A proper, independent, full scale evaluation of the BAUs in Mozambique (Tete, Zambezia and Cabo Delgado) has never taken place but should be arranged, given the probability that GOM will want to make use of the BAU concept in all the provinces.

Initial costs may be reduced and the training of nationals may be enhanced by using Mozambican staff, who would probably cost less than half the present international (UNIDO) staff. In the event of an expansion of BAUs to other provinces, UNIDO’s international experts might play the role of overseer, utilising national staff for setting up operations.



The HIV/AIDS component has started functioning and is important, particularly in the economic boom which appears to obtain in Cabo Delgado at the time. It could perhaps be run more intensively and make better use of its good connections and confidence in the small business community.

Piloting of a curriculum for commerce and industrial education has been added to the Project and is a valuable component, but seems to have started without much consideration to budgetary effects or reference to the main source of funding.

## 6. Recommendations

- The Project budget has room for another 1.5 – 2 years of Project activity. As this is needed to make the CATE and the BAU sustainable the Project should run its course for such a period of time, taking into consideration the recommendations below. If the institutions set up are not sustainable after this time “more Project” will not help.
- Project management should be requested to look into the decline of participants in CATE courses and assist the organisation, if feasible, to take measures that can halt or turn around the decline.
- To maintain and further the success of the consultancy activities by CATE the Project should consider finding and exploiting suitable niches. It would also be important to consider whether CATE should attempt to attract one or two staff with academic qualifications and thus increase its operational strength.
- Project management should consider stepping up its activities on HIV/AIDS prevention and treatment, using its good contacts and confidence with small businesses more actively.
- The cost of the new Project element on piloting a new business management curriculum for three or four technical and secondary schools in the Province should be assessed by Project management to prevent it from incurring significant cost increases requiring an unexpected expansion of the Project budget.
- The Project should closely follow the further development of the BAU and advocate vis-a-vis Provincial and National Governments the important role of *removing* barriers to business. If the BAU and / or the Project do not take up this challenge, the possibility is that the BAU may turn into a palliative which prevents real reform and become a mere expansion of the licensing bureaucracy.
- The financial arrangement for the BAU, where a Government office rather than the BAU will have to effect the payment of expenditure for the BAU operations, will in all likelihood lead to more delays and problems than the recent case of non-payment of the phone bill and disconnection. The Project should assist the BAU in achieving a temporary arrangement that can smooth the running of the office until the BAU is perhaps converted to a section of the Provincial Government or otherwise gains independent financial authority.
- The team, albeit on the basis of incomplete information, was concerned about the cost involved in setting up and running the BAU:
  - If a national BAU Project is launched the team feels that costs could be reduced by using more Mozambican staff in the initial setting-up stage. Suitable Mozambican staff should be given the chance to “learn by doing” in Cabo Delgado and then manage the setting up of other projects, leaving more costly UNIDO international staff as overseers for several projects.
  - The amounts budgeted for the operational costs of the BAU appeared extremely high compared to the number of clients dealt with and potential investment promises so far. The team’s impression is that costs may be cut by reducing the number of staff. Two to three technical staff and a (working) director would probably suffice.
- At Project and Province levels it is argued that the BAU must be formalised, i.e. be made part of the Provincial government. The Project should advise the Provincial Government of how problems caused by the present status of the BAU may be alleviated in a preliminary way.
- Implementation of BAUs elsewhere in Mozambique should build on the maximum amount of insight in the workings of present BAUs as well as international experience. If the

Government of Mozambique decides to set up BAUs in all the Provinces, and possibly expands BAU's scope to other services than those included at present, prior experience must be utilised. In that connection:

- The monitoring of the Cabo Delgado BAU must be implemented by the Project by producing, as soon as possible, the baseline report referred to in the Project Document as Output 1.1. The Norwegian Embassy ought to *demand* that the report be produced and presented to the Embassy for its information.
- In addition, the Project must produce regular reports of monitoring and consultations with small entrepreneurs as stipulated in the Project Document.
- Further progress must be made in arranging consultations between Provincial and National authorities.
- An overall independent evaluation of the Tete and Zambezia BAU Projects and the Loja de Negócios in Inhambane could possibly be undertaken.

## Annex 1: Review Team and people seen

### **Review Team**

#### **Ministry of Industry, Mozambique**

Dr. José Joaquim Meque

#### **Norwegian Embassy, Maputo**

Carlos Rafa Mate

#### **Independent Consultant, CMI**

Jan Isaksen

### **People seen**

#### **In Maputo**

##### **Norwegian Embassy**

L. Eckman, 1<sup>st</sup> Secretary

M. Masst, Minister Council

##### **Ministry of Industry and Commerce (MIC)**

Hon. Carlos Morgado, Minister

A. Macamo, Directorate of Industrial Planning,

A.F. Siteo, National Director, Directorate of Industry

Ms Olga Gomes, Deputy Director

##### **UNIDO, Maputo**

S. Dils, Industrial Development Assistant

J. Balonkita, Consultant

JPO Jessica V. Bosso

##### **Cabo Delgado Province (Pemba)**

###### **Unido Project Staff**

O. Pino, Project Manager

A. Novais, Project Officer

Lucia Fulane, Project Secretary in Charge of AIDS

###### **Balcao Unico Staff**

Raul Messo, Executive Director

Ms. Zaquia

###### **CATE**

Jorge Nhanchesto, President Kupuna

Ms. Elsa Mateus, Vice-President of Cate

Ms. Judit, Cate Technician

Mr. Omar, Cate Technician

Mr. Entebe, Cate Technician

Ms. Olga, Cate Technician

###### **ADIPSA**

Ms. Telma Venichand, Director, Officer

Ronni Groenborg, Adviser

###### **Cabo Delgado Governor's Office**

Dr. Loureiro, Economic Adviser to Provincial Governor

**HIV/SIDA theatre staff**

Mr. Ibraimo

Mr Abdul

**Departmental Directors of Provincial Government**

J. A Gero - Director Provincial DPIC

Mr. Simba - Director DPE

Mr. Patricio Cornelio - Director DPT

**Enterprises Assisted by CATE**

Hotel Manager

Aspiring Bar Manager

**Others (informal longer or shorter conversations)**

Osman Yacoob (Commercial Association and “Big Business”)

Eduardo Pereira, Pemba Beach Management

Mr. Jurgens , Director and owner, Cabo Caju

Mr. Iahaia, Director Salt Works

Marco van Wallenberg, Gestor do Programa MOZ/01/C01 Planificação e Finanças Distritais

## Annex 2: Terms of reference for an independent technical expert for project review 2004

<b>PROJECT</b>	
<b>Country:</b>	Mozambique
<b>Project title:</b>	Micro and Small-Scale Industry Development in Cabo Delgado Province
<b>Project number:</b>	TF/MOZ/01/001
<b>Executing agency:</b>	UNIDO
<b>Funding source:</b>	The Government of Norway
<b>National counterpart:</b>	Ministry of Industry and Commerce
<b>Direct counterpart institutions:</b>	<ul style="list-style-type: none"> <li>• Provincial Directorate of Industry and Commerce, Cabo Delgado province</li> <li>• Association UFUNDA</li> </ul>
<b>Trus fund agreement date:</b>	22 February 2002
<b>Start date:</b>	September 2002 (Including start up preparation)
<b>Total budget:</b>	Not exceeding NOK 8.100.000 (Including Programme Support Costs)

### 1. OBJECTIVE

This assignment aims at assisting the members of the Project Review exercise by providing independent views on the subject Project.

### 2. SCOPE

The consultant shall review the Project as a whole including its cost-effectiveness.

Specifically the consultant shall advise the team whether the Project budget is compatible with the Project goal, objectives and outputs. Special attention should be paid to the achievements so far.

The consultant shall systematically and objectively review the relevance, efficiency, effectiveness, impact and sustainability of the outputs of the Project. The review will assess the achievements of the Project against its objectives, including a re-examination of the relevance of the objectives and of the Project/programme design. It will also assess to what degree the assumptions/risks as identified in the Project document held true/occurred and identify other factors that have facilitated or impeded the achievements of the objectives.

Relevance of the Project, in view of other similar initiatives, adequacy of the model to local conditions.

Lessons learned from other similar or related initiatives should be taken into account.

While a review of the past is in itself very important, this exercise is expected to focus on recommendations and lessons learned for the future.

### **3. METHODOLOGY**

- Review Project document, progress reports and work plans,
- Review of any documentation that consultant might deem relevant
- Interviews of provincial government authorities,
- Consultations with the representatives and staff of the direct local counterpart and cooperating institutions, programmes and Projects,
- Interviews of Project staff,
- Interviews of target beneficiaries,
- Interviews and consultations with other stakeholders that the consultant might consider relevant

### **4. REVIEW OF STATUS**

The following aspects of the Project status will be reviewed with rating of fully achieved, fair, partly achieved and not achieved, including observations.

#### 4.1. Socio-economic context

The socio-economic setting of the Project at the time it was formulated and approved should be analysed to place the Project in perspective, and include significant developments during the implementation of the Project. The following issues may be considered:

- Relevant national development policy instruments and benchmarks such as PARPA, PES, PAF
- Sectoral (industry and trade) development policies and strategies
- Development strategy of the provincial government
- Development constraints being addressed
- Trend of elements of development

#### 4.2. Institutional framework

- Organizations, institutions and agencies involved in addressing development constraints
- Objectives, programmes, track record and capability of the organizations and institutions
- Consistency of the services provided and the absorptive capacity of the counterparts
- Commitment of the counterparts
- The effectiveness and efficiency of the management structure and distribution of responsibilities of the counterpart institutions and the Project
- Coordination among counterparts, cooperating institutions, programmes and Project
- Integration of the Project with the national and provincial government strategy and programmes

#### 4.3. Efficiency

Considering the activities carried out so far, review whether the Project team, equipment and other inputs would produce the planned outputs.

- Assess the adequacy of the planned and achieved outputs, against recent developments of the socio-economics of the country in general with particular emphasis on those specific to the Cabo Delgado Province.
- Assess their quantity, quality and timeliness, including the cross-cutting aspects, such as gender and HIV awareness and prevention.
- Delivery of the counterpart's inputs, including the gender aspect

#### 4.4. Project activities

Assess whether a work plan or other detailed timetable for the main activities, including milestones, is integrated with the provincial development strategy and programmes. Describe the activities of the Project team, referring to the work plan or Project document, including such issues as the following:

- Status of activities
- Methods of activities
- Extent of teamwork in performing the activities
- Difficulties encountered in performing the activities

- Other parties/organizations involved in the implementation of the activities
- Assess how the direct and indirect counterpart institutions use the services provided by the Project, particularly the use of expertise (the degree of follow up to the advice), training (degree of former trainees using the learned skills) and equipment
- Review whether the concept of capacity-building is understood and reflected in the Project activities

#### 4.5. Synergy, coordination and complementarity

- Coordination and complementarity of activities with other Projects of UNIDO
- Coordination and complementarity with programmes and Projects of other institutions
- Assess coordination, synergy and, whenever relevant, enhanced impact through cooperation of the Project with other development cooperation Project/ programmes, including PODE, UNDAF and others.

#### 4.6. Outputs

- Review the relevance and adequacy of the planned outputs in view of the recent socio-economic developments in the province
- Review the current status of outputs comparing with the outputs and effect indicators given in the Project document, and assess the relevance of major differences between planned and actual outputs

#### 4.7. Outcomes

- The extent the changes to the counterpart and critical problem have been achieved as a result of the Project
- What outcomes could not be achieved and why?
- What are the most successful results worthy of being used for replication of experience?
- What planned outcomes if any have become redundant and should not be pursued and why?

#### 4.8. Sustainability of outputs

- To the extent possible assess the impact and the necessity of international technical assistance to the Project, including the likelihood of effective knowledge transfer to Mozambicans.
- Assess the likelihood that the counterpart institutions, which receive capacity building assistance from the Project, would be able to sustain their service activities and further develop their capabilities after the external assistance ends, including such issues as commitment of the counterpart institutions, autonomy in decision making on management, technical and administrative capabilities to sustain and respond to evolving demand of the clients, revenue and budget to support the operational costs.

#### 4.9. Assumptions

- Whether and how any assumptions and other external factors that affect the Project have changed
- Whether the Project management has pragmatically adapted to the changing Project environment within the main framework of the Project

#### 4.10. Project Design

- Compare the approach applied in the Project document to the identified problems, and its suitability with the current conditions, and review whether the design (what is to be produced and how) is appropriate to the situation
- Realistic and observable output and outcome indicators for the objective
- Whether the relations between problems to be addressed, activities, outputs and objective follow the means-end logic
- Assess whether the Project design (objective, outputs, activities, inputs, outcome indicators etc.) requires amendment during implementation

#### 4.11. Achievement of the immediate objective



- Assess how effectively the counterparts utilize the services provided by the Project for their benefit to achieve their objectives, in particular the extent to which the services actually delivered by the counterpart institution are used by the target beneficiaries, how they are assessed by them and whether they have confidence in the capabilities of the organization

#### 4.12. Contribution to the development objective

- Assess the impact of the Project in terms of actual changes in the economy, social conditions etc. Review whether the Project had any undesirable impact. Distinguish between direct and indirect impact created by the Project. By nature, the analysis related to the development objective (Goal), which is a higher order than immediate objective, would be preliminary.
- Assess the adequacy of the level of the BAU staff to maximise the knowledge transfer benefiting from the availability of the international expert.

#### 4.13. Relevance

- Do the Project design and work plan still address the critical problems that constrain the achievement of the provincial development objectives?
- Are the planned outputs still adequate in view of recent developments of the socio-economics of Cabo Delgado Province?

### **5. CONCLUSIONS**

Conclusions will be the summary of the above analysis.

### **6. RECOMMENDATIONS**

Shall the Project go ahead? If yes, how can the project go ahead

Recommendations should be based on the conclusions, and be realistic and practical.

### **7. LESSONS LEARNED**

Identify any experiences that can be applied in other Projects/programmes, e.g. on such aspects as the concept of the Project/programme, approaches used, the way it was implemented and any other notable aspect of the experiences gained from the Project.

Similarly, experiences from other Projects and initiatives that can be applied in this Project should be highlighted

### **8. TIMETABLE AND REPORT**

- The duration of the visit to Pemba, Cabo Delgado province will be five days.
- The technical expert will prepare a report on findings after the field mission.
- The technical expert will consult the parties involved on the draft report.
- The final report will be submitted to the members of the Project Review members.

### **9. PROFILE OF THE CONSULTANT**

- Extensive experience on private Sector Development Initiatives, particularly those targeting SME's.
- Knowledge of Mozambican economic environment
- Working knowledge of Portuguese

## Annex 3: Tables

**Table 1: Social Indicators in Cabo Delgado Compared with National Averages**

<b>General</b>	<b>National</b>	<b>Cabo Delgado</b>
Population – National Institute for Statistics (INE) Projection for 2004	19 million	1,588,740
Children under age 18 (2004)	9,613,470	777,07
% of population that live below poverty line (2003)	54 %	63.2%
<b>Mortality</b>		
Under five mortality rate (2003)	178	241
Infant mortality rate (2003)	124	178
<b>Nutritional status</b>		
Chronic malnutrition among children 0-5 years (stunting) (2003)	41 %	56 %
Acute malnutrition among children 0-5 years (wasting) (2003)	4 %	4.1%
Children underweight between 0-5 years (2003)	23.7%	34.2%
<b>Water and Sanitation</b>		
Access to safe drinking water (2003)	35.7%	41.6%
Access to sanitation (2003)	44.8%	53.1%
<b>HIV/AIDS</b>		
HIV/AIDS Prevalence among 15- 49 year olds (2002)	13.6%	7.5%
<b>Immunisation</b>		
Children 12-23 months fully immunised (DPT/HepB) (2003)	63.3%	57.9%
Children 12-23 months immunised against measles (2003)	76.7%	80.2%
<b>Education and Illiteracy</b>		
Primary net enrolment rate (2003)	61 %	60.6%
Adult illiteracy rate (2003)	53.6%	68.4%
Female illiteracy rate (2003)	68 %	83 %
<b>Maternity care and adolescent fertility</b>		
Births attended by skilled health personnel (2003)	47.7%	31.4%
Births in health institutions (2003)	49 %	29.6%
<b>Communication</b>		
Total % of population with radios (2003)	45.5%	43 %

Source: National Institute for Statistics (INE)

Table 2: Total cost of administrative procedures for investment

FOR LOCAL INVESTORS		FOR FOREIGN INVESTORS	
Madagascar	48	Zambia	417
India	83	Chile	470
Lesotho	85	Burkina Faso	517
Malawi	100	Tunisia	576
South Africa	101	Argentina	639
Tunisia	105	Egypt	727
Burkina Faso	135	Czech	869
Chile	168	India	974
Uganda	196	Mauritania	1221
Senegal	201	Latvia	1229
Egypt	214	Kenya	1318
Czech	243	Armenia	1366
Tanzania	246	Swaziland	1560
Mali	255	Senegal	1784
Ghana	257	Lithuania	1850
Argentina	319	Ghana	1884
Armenia	326	Zimbabwe	2098
Morocco	395	Mali	2172
Zimbabwe	402	Slovenia	2363
Bulgaria	405	Lesotho	2605
Swaziland	443	Morocco	2650
Kenya	444	Malawi	2703
Lithuania	449	Uganda	2733
Mauritania	512	Jordan	2941
Latvia	540	Nigeria	3343
Turkey	832	Madagascar	3452
Mozambique	1070	Tanzania	4756
Nigeria	1365	Bulgaria	6023
Slovenia	1535	Romania	6207
Jordan	1945	Turkey	6480
Romania	2530	Mozambique	6695

Note: a/ Total costs are defined as delays (converted into monetary costs) plus direct costs as associated to administrative procedures in each country. Delays have been converted into monetary costs assuming that opportunity costs for local investors are equal to the number of days multiplied by the daily GDP per capita in the country. b/ For foreign investors, we used the daily average GDP per capital in OECD countries.

Source: J Morisset and OL Neso, 2002

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## SUMMARY

This report sets out the background, analyses, conclusions and recommendations from a review of a project on Micro and Small-scale Industry Development in Cabo Delgado Province in Mozambique (UNIDO Project number TF/MOZ/01/001). The objective of the Project is to “improve institutional capacities for small-scale industry development in Cabo Delgado Province at the Provincial and District Authorities, and in the private sector”

Under an agreement signed in early 2002 the Project will be implemented by UNIDO and financed by the Norwegian Government. The key project partners are the Cabo Delgado Provincial Government and the Mozambican Ministry of Industry and Trade.

The field work for the report took place in and around Pemba (the provincial capital of Cabo Delgado) around the middle of October 2004. The team included a representative of the Ministry of Industry and Trade, Mozambique, a representative from the Norwegian Embassy in Maputo and an independent consultant. Field support was given by UNIDO.

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