

INCLUSIVE GROWTH IN MOZAMBIQUE

- scaling up research and capacity

JULI MANUEL MELEMBE AND KENNY MUTAR

Business environment in Mozambique

INTRODUCTION

This poster summarizes recent developments in Mozambique's business environment, focusing on key findings from the Mozambican manufacturing enterprise survey (IIM 2012-17-22), created under the Inclusive Growth in Mozambique (IGM) programme. It examines four dimensions of the business environment: corruption, access to credit, firm registration and transparency.

POLICY RECCOMENDATIONS

- Make corruption a more easily detectable and punishable offence.
- Make accessing credit easier and create financing options that are more accessible for all firms, particularly small and informal ones.
- Create business support programs to help firms improve their skills.
- Improve government transparency by making information about laws and regulations more accessible to firms and improving the predictability of changes in legislation.

CORRUPTION

Corruption refers to informal payments made by firms to public officials (Barletta et al., 2022). These informal payments are quantified as the percentage of a firm's total sales.

In Mozambique, there has been a notable increase in corruption over time, rising from 3% of sales in 2012 to 19% in 2022. The increase varied: between 2012 and 2017, corruption increased relatively modestly by 4.5 PP, while the period 2017-22 witnessed a more substantial rise, almost 12 PP (See Figure 1).

ACCESS TO CREDIT

Access to credit represents a firm's ability to obtain credit from banks or other financial entities. Credit restriction, as outlined by Barletta et al., 2022, is gauged by the proportion of firms that seek credit but encounter rejection.

Figure 1 shows a significant surge in credit restrictions from 46% in 2017 to 81% in 2022. This notable increase can be attributed to a higher volume of firms seeking credit and subsequently facing rejection.

REGISTRATION

Firms can register with different authorities at various administrative levels. The formality level of a firm is determined by the number of registrations it completes, ranging from complete informality (no registration) to full formality (registration with four authorities).

By 2022, the share of registered firms had dropped below the 2012 level (see Figure 2). This trend indicates that firms may not see registration as advantageous.

TRANSPARENCY

Berkel et al. (2022) analyze firms' subjective views on government transparency and their self-reported compliance with laws over time. Transparency includes firms' involvement in policy-making, government's request for feedback from firms, consistency of laws, and availability of information. Firms that perceive higher transparency are more inclined to comply with the law, as depicted in Figure 3.

FIGURE 1.
Credit-restricted firms and
bribe payments made by firms

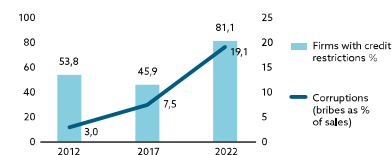


FIGURE 2.
Share of firms having different
types of firm registration

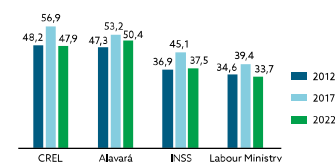
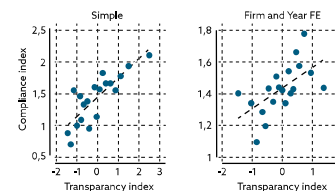


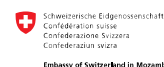
FIGURE 3.
Transparency & compliance



REFERENCES



IMPLEMENTING INSTITUTIONS



Embassy of Switzerland in Mozambique

SUPPORTED BY