



**QUALITY SERVICE WITHIN THE CONTEXT OF MOZAMBIQUE'S DEVELOPMENTAL
OBJECTIVES AND PUBLIC SERVICE REFORM**

by

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DECLARATION

I, Mario Manuel Sebastiao, declare that the contents of this research represent my own unaided work, and that the thesis has not previously been submitted for academic examination towards any qualification. Furthermore, it represents my own opinions and not necessarily those of the Cape Peninsula University of Technology.

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ABSTRACT

Investment Promotion Agencies act as economic development conduits which seek not only just to undertake promotion, but also to improve the wider environment for investors by liaising and initiating change. As a result, worldwide governments have set up Investment Promotion Agencies (IPAs) to advance investment goals and by extension economic development in the context of a dynamic and competitive environment. Yet, little empirical research is done, especially in the developing world with a view to enhance the working practices of IPAs.

This study investigated the effectiveness and quality of services provided by Mozambique's Centre for the Promotion of Investment (CPI) from the perspective of both local and foreign investors.

A quantitative approach by way of an online questionnaire was employed in the study. The data generated was analysed with the assistance of a registered statistician.

The study found that most of the participants (local and foreign investors in Mozambique) do not make use of the services which the CPI is mandated to offer such as company registration; registration with the Fiscal Department and the publishing of company constitution in the government gazette, to name but a few. Furthermore, investors who have accessed the above services indicated a lack of service quality by the CPI.

In the wider environment, the study found areas of concern such as an inadequate accounting system and a lack of proper coordination among the stakeholders involved in the process of setting up a business in Mozambique.

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DEDICATION

This thesis is dedicated to my mother, Engrácia Francisco Bandola, who instilled in me the hunger for learning what she could not.

CLARIFICATION OF BASIC TERMS

De-bureaucratisation: A process of removing all unnecessary procedures in the rendering of a public service (República de Moçambique, 2010:120).

Development: Stewart (1997:1) defines development as positive social, economic and political change in a community or country. Its success is measured by the results seen in society.

Foreign direct investment: Any form of foreign capital contribution valuable in monetary terms which constitutes own equity capital or resources at own account and risk of the foreign investor, brought from external sources and to be used in an investment project for carrying out economic activity, through a company registered in Mozambique and operating from Mozambican territory (República de Moçambique, 1993:3).

Foreign investor: Individual or corporate person bringing to Mozambique from abroad capital and resources belonging to or at the own account and risk of the said person, with the view of carrying out direct foreign investment (República de Moçambique, 1993:3).

Government: The Oxford Dictionary (1995:589) defines a government as the act or the manner of governing; the system by which a state or a community is governed.

Incentive: Factors that motivate and influence the behaviour of households and businesses (Samuelson & Nordhaus, 1995:14). For example, the government may charge companies less tax for investing in a particular area as a form of an incentive.

Large business: A business with at least a hundred employees (República de Moçambique, 2010).

Local/National investor: Individual or corporate person who makes available capital and resources belonging to or at the own risk of said person, with the aim of carrying out direct national investment (República de Moçambique, 1993:3).

Medium business: A business with between ten and hundred employees (República de Moçambique, 2010).

Partnership: A combination of local and foreign investors who jointly make available resources at own account and risk with a view to investing in Mozambique (República de Moçambique, 1993:3).

Reform: The removal of faults or abuses, especially of a moral or political or social kind (COD, 1995:1154).

Small business: A business with between one and ten employees (Moçambique, 2010).

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CHAPTER ONE: CONTEXTUALISATION OF THE STUDY

1.1 INTRODUCTION AND BACKGROUND

The Republic of Mozambique is situated on the south-eastern coast of Africa. It borders on Tanzania to the north, Zambia, Malawi and Zimbabwe to the west and South Africa and Swaziland to the south. It has ten provinces namely: Cabo Delgado, Niassa, Nampula, Tete, Zambezia, Manica, Sofala, Inhambane, Gaza and Maputo (Marques, 2007:37).

The country is engaged in the task of bringing about economic development through which poverty and its related problems can be dramatically reduced. This is exemplified by the Poverty Reduction and Growth Strategy or *Plano de Acção para a Redução da Pobreza Absoluta* (PARPA II) for 2006-2009, which was aimed at maintaining macro-economic stability, promoting diversified and strong economic growth and reducing poverty (International Monetary Fund, 2009:26). This strategy, it seems, has yielded positive results according to Castle–Branco (2009:10), who argues that poverty in Mozambique has decreased from 69% to 54%.

Schoeman (2004:12) argues that modern thought on economic development clearly distinguishes between “economic growth and “economic development”. In the latter case, the importance of gross national product (GNP) growth has been scaled down in favour of focusing on such issues as poverty, the level of income equality, skills levels and unemployment. Furthermore, Schoeman (2004:20) argues that development should be understood as the continual elevation of a social system towards a better or more humane life, where core values such as the right to basic sustenance, self-esteem and freedom are appreciated and respected. This presupposes a coordinated approach from key development drivers.

The Centre for Promotion of Investment in Mozambique is an example of a development driver as it plays a crucial role in economic development. This is illustrated by the fact that in an attempt to bring about economic development more and more countries are engaging in pro-active policies to attract foreign direct investment (FDI) through the establishment of Investment Promotion Agencies (Mwilima, 2003:7). Investment Promotion Agencies (IPAs) usually fulfil a dual role:

- Acting as a one-stop shop for investors to deal with regulatory and administrative requirements ; and

- Changing or modifying investor perception of the country by participating and organising investor fairs and by distributing investment material. Investment promotion covers a wide range of activities such as investment generation, investment facilitation, aftercare services and policy advocacy to enhance the competitiveness and by extension the development prospects of the country (Mwilima, 2003:7).

In view of this dual role of IPAs, an investigation of their effectiveness and quality of services is necessary especially from the point of view of investors in Mozambique.

Furthermore, in its 2010-2014 Strategic Development Plan the government of Mozambique has set some of the following objectives as far as public service reform is concerned:

- a) To consolidate Public Administration that is result-oriented as well as client-oriented, making sure that the services being rendered are of quality”;
- b) Professionalising the Public Service, equipping it with qualified personnel, who are motivated, experienced and with a serving spirit;
- c) Promote administrative transparency... increasing personal accountability of public servants in relation to quality service delivery;
- d) Strengthen and expand the array of services rendered to the citizens and the private sector through the use of information technology and communication;
- e) Consolidate the quality of services rendered to the public and private sector through processes of de-bureaucratization and simplification of procedures in service provision and;
- f) Create mechanisms to allow the public at large to evaluate the quality of service delivery (Republic of Mozambique, 2010:15).

This study was aimed at determining the effectiveness of the quality of services of CPI, an institution, which has been established by the government of Mozambique to promote the state’s developmental goals.

1.2 PRELIMINARY LITERATURE REVIEW

IPAs come in different forms. Some are called Industrial Development Agencies as in Ireland and South Africa; some are called Economic Development Boards and Centres for Promotion of Investment as is the case in Mozambique. Wells and Wint (2000:4) define IPAs as those institutions which perform “activities that disseminate information about, or attempt to create an image of the investment site and provide investment services to prospective investors”. Furthermore, IPAs are tasked with the coordination of most activities aimed at

improving the business environment in the host country. This could include providing assistance to potential and existing investors in their daily problems to lobbying for key policy and legal reforms (Wells and Wint, 2000:6). Morisset and Andrew-Johnson (2004:4) concur with the above by saying that the definition captures the two most important justifications for investment promotion centres. The first is the role of communicating and disseminating information. Promotion campaigns, they argue, provide an important mechanism for communicating all features that make the country attractive to investors, including existing policies and recent initiatives. Morisset and Andrew-Johnson (2004:9) make an important point that, when governments set up IPAs to promote economic development, they need to evaluate if they get “the bang for their buck. Yet, very little research on this subject exists”.

Morisset and Andrew-Johnson (2004:2), point out that the standard most cited for best practice in IPAs is based largely on the experiences of a few countries, mostly from industrialised countries with Ireland’s Industrial Development Agency and Singapore’s Economic Development Board topping the list as models. Again, they stress that there is still much to be learned about “current practices in developing countries and whether their IPAs have been able to fulfil the expectations of policymakers”. This has profound relevance to any country such as Mozambique.

Authors such as Lowendahl (2001:36) point out that there are still many directions that deserve further research in investment promotion since the field of investment promotion has various empirical gaps that need to be filled. Morisset and Andrews-Johnson (2004:20) are of the view that individual case studies and regional comparisons are some of the ways to fill the gaps in investment promotion knowledge and practice. Most of the research on investment promotion agencies is usually done for practical purposes to enhance the working practices of these agencies (Trnik, 2007:3). However, in the case of Mozambique, there is a gap as far as this kind of research is concerned.

The literature review suggests that no empirical study has been carried out on the Centre for the Promotion of Investment in Mozambique. This empirical gap reinforces the view expressed by Morisset and Andrew-Johnson (2004:2) that “no broad empirical study of investment promotion agencies and their effectiveness in attracting investment or FDI has been done to date” and that this empirical gap means that the debate on the effectiveness of IPAs is still very open”. According to the United Nations Conference on Trade and Development, UNCTAD, (2000:80) there is a growing attention being paid by countries to FDI. This is reflected by the increased attention being given by governments to the establishment of IPAs. The number of IPAs worldwide has increased substantially since the

1990s and there are presently 164 national IPAs and well over 250 sub-national ones. They operate in a dynamic and competitive environment and expect to see changes in the nature of their work (UNCTAD, 2001:12). This phenomenon in the growth of IPAs can be explained by the realisation that good micro-economic and macro-economic indicators coupled with economic liberalisation alone are not strong enough pull factors for FDI (Trnik, 2007:8).

Trnik (2007:8) poses the following questions for a better understanding of the concept of investment promotion and therefore, IPAs: “Why promote a country and how to do it? Why is it that getting institutional, micro and macro-economic fundamentals right does not necessarily do the trick in attracting investment?” He argues that these questions are at the heart of the investment promotion debate since the late 1980s when many countries decided to join the globalised economic order. What can be deduced from the discussion is that investment promotion has become complex and akin to an art. In other words, governments have to apply unique approaches beyond the traditional ones, to which Trnik refers above, to achieve results. For example, the geographical location of Mozambique can be a draw-card for investment promotion compared to its neighbours such as Zimbabwe and Malawi both of which are landlocked countries, while Mozambique has an extensive coastal area with beautiful beaches. This geographical advantage could be used in the promotion of tourism related investment.

1.3 STATEMENT OF THE PROBLEM

According to the United Nations Industrial Development Report (2003:14), many African countries have established national IPAs to increase the flow of investment resources into their economies. The report adds that, with the advance of globalisation, some of those IPAs have found themselves confronted with the challenges of complex international marketing and intense competition. Also, financial difficulties and lack of capacity and skilled staff, have contributed to the many challenges these organisations face (UNIDR, 2003:14-16).

Rodriguez (2010:280) supports this view by arguing that Mozambique’s poor business environment poses serious difficulties for investors. This view is reinforced by the Global Competitive Report of the World Bank (Wide, 2010:32), which states that Mozambique on average ranks poorly compared to other Sub-Saharan countries on key variables such as customs and Internet access. Also, the Global Investment Promotion Best Practices established in 2006 under the auspices of the World Bank, states in its 2012 report that Sub-Saharan Africa has been the weakest region in terms of overall investment facilitation, with almost three quarters of its 46 IPAs “offering a very poor service to investors”(GIPB, 2012:15). The report states that these IPAs tend to focus on administrative facilitation, but

lack the required staff skills and knowledge. As a result, the effectiveness of these IPAs has been called into question.

In reference to Mozambique, the International Finance Corporation Report (2013:34) indicated that notwithstanding the advances made by Mozambique since 2005 to improve the business environment, its global ranking slipped from 139th to 146th position in 2013. The areas of concern indicated by the report are: property registration; getting a business licence, cross-border trade and honouring of contracts.

On the basis of the above and bearing in mind the role of CPI in enabling a conducive business environment and promoting investment in Mozambique as per its mandate (CPI, 2007:1), the researcher saw the need for an investigation into the effectiveness of the role and quality of services provided by this institution from the point of view of local and foreign investors.

1.4 AIM OF THE STUDY

The aim of the study was to determine CPI's effectiveness within the context of Mozambique's developmental goals and public service reform and gain insights from other countries' Investment Promotion Agencies in terms of service quality.

1.5 RESEARCH OBJECTIVES

In light of the foregoing aim, the following research objectives were set:

- To provide a theoretical framework on service quality in order to assess the quality of services which are provided by Mozambique's CPI;
- To provide an overview of the evolution of IPA/CPI globally and in Mozambique in order to get insights into the best practices of IPAs;
- To provide a theoretical framework on economic development globally and in Mozambique in order to understand how it relates to Investment Promotion Agencies;
- To provide a theoretical framework on public service reform globally to understand the value of a well-functioning public service to the success of IPAs and by extension economic development; and
- To conduct an empirical study on the effectiveness of the role and quality of services which are provided by Mozambique's CPI from the perspective of investors in order to determine any shortcomings which would form the basis for recommendations of this study.

1.6 SIGNIFICANCE OF THE STUDY

Government institutions such as Mozambique's CPI are set up to achieve particular goals within the context of limited resources. It is important to assess their effectiveness as informed by their customers' perceptions of the quality of service they provide. The results of this study and the recommendations thereof can be used to improve the working practices of Mozambique's CPI in terms of how it provides legally-mandated services to investors and how it may better initiate changes in the Mozambican public service in general.

1.7 RESEARCH METHODOLOGY

Van Der Waldt (2002:419) is of the view that research methodology "is to do with the logic of collecting data, interpreting results and analysing findings". Similarly, Welman, Kruger and Mitchell (2005:2) state that research methodology "considers and explains the logic behind research methods and techniques". Two research methodologies are generally used in research and will now be discussed briefly.

1.7.1 Quantitative research approach

Mouton (2001) as cited in Brynard and Hanekom (2006:37), states that quantitative research methodology is analytical in nature and aims to arrive at universal statements. On the other hand, Miller (2007:123) states that the quantitative research approach involves assigning numbers to the units measured and performing statistical analysis on the numbers. It emphasises representativity, generalisation and causal explanation.

1.7.2 Qualitative research approach

The qualitative research approach focuses on understanding rather than explaining, given that the researcher sees through the eyes of the participants (De Vos, Strydom, Fouche and Delport, 2002:79; Bryman, 1984:78). It produces descriptive data, the discovery of unexpected findings and possible change of research design (Brynard and Hanekom 2006:37).

Based on the aim of the study, the Servqual method – an adaptable standard questionnaire for determining service quality developed by Zeithaml, Parasuraman and Berry (1990) was used. The Servqual method is normally used with the quantitative research methodology. Therefore, the quantitative research methodology was used in this study.

1.8 DATA COLLECTION METHOD

Data collection activity involves collecting data to "broaden one's understanding, explain the unknown or add new knowledge to existing knowledge" (Brynard and Hanekom, 2006:35).

Holliday (2007:89) defines data collection as a process in which the researcher sees or hears and records data for subsequent analysis. The process is discussed below.

1.8.1 Questionnaire

Van der Waldt (2002:423) defines a questionnaire as a list of questions compiled by the researcher to obtain information on a specific issue. Questionnaires should be compiled in line with certain basic principles to ensure quality results. This is a function of the quality of information obtained. Therefore ambiguous and vague questions should be avoided at all costs (Van der Waldt, 2002:424). Two types of questionnaires can be used depending on the purpose of the study. These will now be discussed as well as the appropriate type which was chosen for this study.

1.8.1.1 Open-ended questionnaire

This type of questionnaire allows greater freedom for the participants to express their views. The degree to which the above happens varies from participant to participant as each will have different ideas or information to give. Reinharz (1992) as cited in Hesse-Biber and Leavy (2006:126) is of the view that data accrued from open-ended questionnaires are non-standard. This is because each participant plays a prominent role in the answer to the question posed.

1.8.1.2 Closed-ended questionnaire

A closed-ended questionnaire makes the process of data collection easier and faster while also allowing for standardisation and ensuring a greater accuracy to the respondents' views (Van der Waldt, 2002: 420). Clark, Riley, Wilkie and Wood (2007:95) add to the above by saying that closed-ended questions restrict the answers to a small set of responses and require the questionnaire designer to have a fair knowledge of the range of options the subjects might have in this area. For the purpose of this study the closed-ended option was appropriate because each question had a pre-determined number of possible answers. This ensured standardisation of answers and corresponded with the quantitative approach which this study adopted. The likert-type scale was used in the questionnaire with the following options: strongly agree; agree; neutral; disagree; strongly disagree as well as acceptable; good; neutral; poor; and very poor.

1.9 POPULATION

The population is the object of the study and it can be made up of groups, organisations, human products, events and conditions to which the population is to be exposed. The population represents the total collection of all units of analysis about which the researcher wishes to make specific conclusions (Welman *et al*, 2005:52). For this study the total

population size was made up of 1066 investors, both local and foreign operating in Mozambique.

1.9.1 Stratified sampling

Clark *et al* (2007:79) are of the view that stratified sampling ensures that the sample drawn from the population under study is as representative as possible in terms of characteristics of the population. In this study to ensure that local investors did not outnumber foreign investors and in order to ensure balance in terms of ratio the stratified sampling technique was used. The sample was made up of equal proportion of local and foreign investors.

1.10 DATA ANALYSIS

Mouton (2001:108) states that in analysing data the aim is to understand the constituent parts of the data which have been captured and identify any patterns which may exist. Holliday (2007:108) defines data analysis as “a process of making sense of the data and discovering what it has to say”. Once the data is collected it is processed. The 2007 Statistical Package for Social Sciences (SPSS) software was used to analyse the quantitative data with the help of a registered statistician at the Cape Peninsula University of Technology.

1.11 ETHICAL CONSIDERATIONS

Brynard and Hanekom (2006:87) point out that as far as ethical considerations are concerned, the researcher is responsible for the wellbeing of the subjects and should be prepared to defend his research actions on those grounds. Participants were briefed about the aim of the research and were assured that their identity would remain confidential and that the information sought was purely for academic purpose. Furthermore, participants were free to choose whether or not to participate in the study.

1.12 LIMITATION OF THE STUDY

This study focussed on Mozambique’s Centre for the Promotion of Investment. It was aimed at determining the effectiveness of the role and quality of services provided by Mozambique’s CPI. The source for the selection of the sample population was the database available at the researcher’s workplace – Mozambique Consulate in Cape Town. The database did not have the full universe of all investors in Mozambique. The targeted respondents were all based in Maputo, which was a limitation in terms of geographical scope. Only 39% of all targeted respondents took part in the study. This low response rate affected the extent to which the findings could be generalised.

1.13 CHAPTER OUTLINE

Chapter one introduces the background; statement of the problem; aims of the study; research objectives; significance of the study; research methodology; data collection techniques; population; data analysis; ethical considerations and limitation of the study.

Chapter two discusses the concept of service quality and the dimensions used to assess service quality. It also discusses Investment Promotion Agencies (IPAs); economic development and public service reform theories.

Chapter three describes in greater detail the qualitative and quantitative research methodologies discussed in chapter one and provides a justification for the use of the quantitative methodology in this study.

Chapter four analyses the data in relation to the literature review in chapter two.

Chapter five provides conclusions and recommendations.

1.14 SUMMARY

Chapter one presented the argument for the study as well as the methodological approach chosen for it. In the next chapter two, the argument will be developed further in the literature review.

CHAPTER TWO: LITERATURE REVIEW

2.1 INTRODUCTION

On the one hand Murphy (1998:96) argues that investment promotion agencies, of which Mozambique's IPA is one, act as economic development agencies which seek not just to enhance promotion, but also to improve the wider environment for investors by liaising and instigating change with relevant authorities. They are supposed to be innovative in seeking investment in new and emerging sectors. In other words, IPAs are essential to national economic development.

On the other hand Trnik (2007:9) states that the concept of investment promotion, which is a fundamental function of Mozambique's IPA, originates from the literature dealing with the subject of government interventions into the political economy. Accordingly, economic development and related issues in the public service will be discussed in this study as integral parts of the wider environment of IPAs. Firstly, the chapter begins by examining the theoretical framework on service quality. Secondly, it discusses investment promotion agencies globally and in particular Mozambique's IPA. Lastly, it discusses public service.

2.2 THEORETICAL FRAMEWORK ON SERVICE QUALITY

It is important to have a theoretical framework to evaluate service quality of an organisation such as an IPA in terms of what it has to offer. Therefore, as a point of departure a definition of service quality is provided.

2.2.1 Service quality defined

Service quality as a concept is defined as the discrepancy between customers' expectations and their perceptions of a service received (Zeithaml, Parasuraman and Berry, 1990:20). As can be deduced the customer is at the centre of the concept. As a consequence, Zeithaml *et al* (1990:2) state that the customer provides the best criteria to evaluate service quality. This is what this study aims to do by evaluating the quality of service provided by Mozambique's IPA within the context of Mozambique's developmental goals and public service reform.

The discrepancy between expectation and perception indicated in the definition of service quality gave birth to the Gap model developed by Zeithaml, Parasuraman and Berry in the early 1990s. The model revolves around closing the gap between expectations and perceptions of customers (Zeithaml, Parasuraman and Berry, 1990:23). Urban (2009:13) is of the view that expectations are influenced by communication, personal needs and past experience. For example, from an IPA perspective the type of information provided via print media about the array of services will influence the expectations of the intended customers.

Arguably, from the nature of an organisation, the customer is inclined to believe that a given level of service will be offered, failing which the discrepancy, Zeithaml and his co-authors refer to, arises. Lovelock and Wirtz (2007:418) argue that different wants and needs of customers are at the core of the discrepancy, while Gronroos (2007:201) and Chang (2008:101) indicate that different values and the manner in which the service is delivered (functional quality) play an important role in service quality. At its core, the Gap model proposes how the notion of service quality should be understood and how it emerges in an organisation (Zeithaml *et al*, 1990:35). It is made up of five constituent parts which are discussed below.

2.2.1.1 Gap 1: Customer expectations (expected service) versus Management perception of customer expectations.

According to Zeithaml *et al* (1990:40) Management's correct perceptions of customers' expectations are vital, but not sufficient for a superior service quality, as the challenge is to translate such perceptions into service quality specifications or standards, which in turn should be followed. Another challenge stems from the assumptions that customers' expectations are inherently variable and therefore, service standards become difficult to design. This assumption indicates that what a customer expects from a service provider is subjective in nature.

As a way to overcome the above challenges, Kaspers, Helsdingen and Gabott (2006:30) and Gronroos (2007:11) point out that more time should be devoted to gaining first-hand knowledge of customers; appropriate layers of management, accurate information and demand analysis. For example, certain organisations have introduced customer service evaluation register, in which a service can be evaluated immediately after it is rendered. This kind of feedback is useful for improving service quality if acted upon.

2.2.1.2 Gap 2: Service quality specifications versus Management perceptions of customers' expectations.

Zeithaml *et al* (1990:42) are of the view that the quality of service delivered by a representative of an organisation is critically influenced by the standards against which the representative is evaluated or compensated. When service standards are absent or when they do not reflect customers' expectations, quality service as perceived by customers will suffer. Gronroos (1990:25) gives more prominence to commitment to service quality than too-rigid goal setting in order to close this gap. Kasper *et al* (2006: 35) not only argue that commitment to service quality is important but also goal-setting in closing the gap. The lack of commitment to service quality can be located either at the counter level or management level. Therefore, to address this gap a holistic approach is required. From an IPA perspective

it would require the commitment of all stakeholders involved in the registration process of a private business.

2.2.1.3 Gap 3: Service delivery versus Service quality specifications

Zeithaml *et al* (1990:48) state that to be effective, service standards must not only reflect customers' expectations, but also be backed up by adequate resources (people, systems and technology). These aspects will be discussed in more detail later. This gap is a function of the inability or unwillingness of representatives of the organisation to meet service standards. This could be due to capacity problems, poorly qualified employees and inadequate internal systems. It is also influenced by cooperation, perceived control, conflict and ambiguity of roles (Chenet, Tynan and Money, 2000:8).

2.2.1.4 Gap 4: Service delivery versus External communication

External communication is a key determinant in how customers expect a particular service. The discrepancy between promised service and the actual service has an adverse effect on the way customers perceive service quality (Zeithaml *et al*, 1990:51). Urban (2009: 11) states that a service provider's promises about a service shape in many ways customers' expectations and the discrepancy between service delivery and external communication often arises due to a lack of integration and coordination. This is of paramount importance for an IPA which by design has to work in coordination with other public institutions in its service to investors. Figure 2.1 shows the model in question as developed by Zeithaml *et al* (1990).

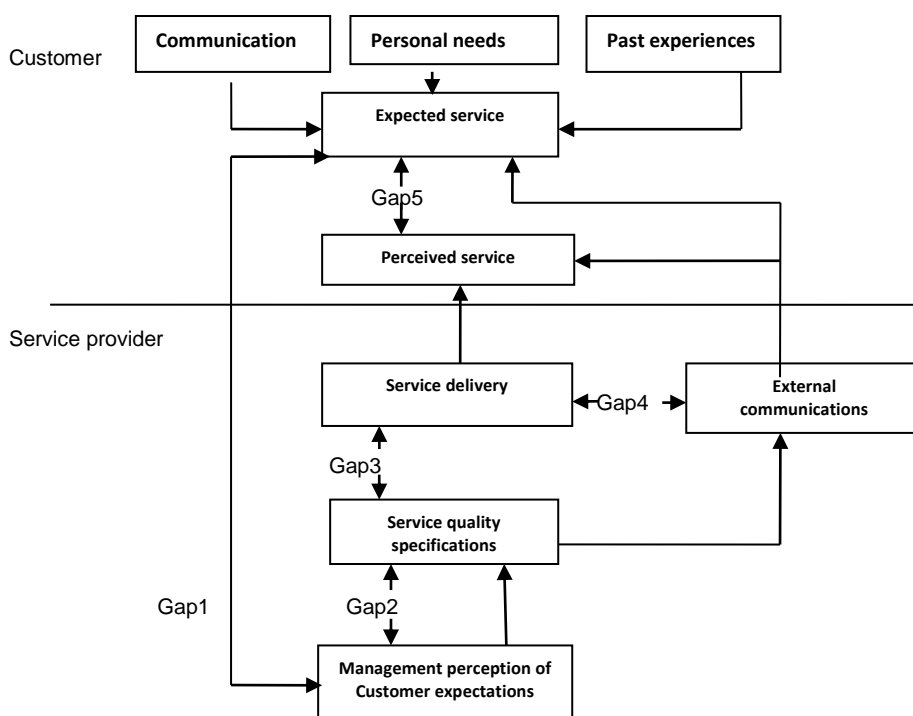


Figure 2.1: Conceptual Gap model of service quality. Source: Zeithaml *et al* (1990)

Zeithaml *et al* (1990:189) point out that Gaps 1 and 2 are managerial gaps in the sense that managers would be the appropriate respondents to determine either of the gaps. Gap 1 stems from managers' lack of understanding of customers' expectations and Gap 2 represents managers' failures to set appropriate service specifications.

By contrast (Zeithaml *et al*, 1990:176), Gaps 3 and 4 pertain to *first-line* service employees as they are the ones whose service-delivery performance may fall short of service expectations (Gap3) or promises made to customers through external communications (Gap 4). However, of critical importance is Gap 5 as it represents the true barometer, in the form of customers, to measure the quality of service provided by any organisation (Chang, 2008:18).

2.2.1.5 Gap 5: Perceived service versus Expected service.

This gap results from the four gaps on the organisation's side of the model as it is clearly shown in Figure 2.1 above. It is a function of the four gaps discussed above (Zeithaml *et al*, 1990:131). The appropriate respondents to determine Gap 5 are customers – the target population of this study. In addition to the model, Zeithaml *et al* (1990) have also identified five dimensions to evaluate service quality as depicted in Table 2.1 below.

Table 2.1 Service quality evaluation dimensions

Dimension	Example of operational questions
Tangibles	How are material and staff viewed by clients?
Reliability	Is the service dependable?
Responsiveness	Is the service prompt?
Assurance _(competence/courtesy/credibility/security)	Is the staff knowledgeable/able to answer queries?
Empathy	Is the staff approachable? Does the staff understand the needs of the client? Is proper information given?

Source Zeithaml *et al* (1990)

Zeithaml *et al* (1990) contend that the above dimensions known as Servqual method of service quality evaluation are exhaustive and appropriate for assessing quality in a broad variety of services. This view is supported by De Moranville and Bienstock (2003:15), who state that the Servqual method has become a standard for measuring service quality. It takes the form of a questionnaire (adaptable to a given service) based on the five dimensions. IPAs provide services to investors. As a result, Murphy (1998:96) argues that IPAs should be

considered service businesses and as such, to assess best practice profile of service provision they need to benchmark their approach against the following characteristics (based on the study by Normann, 1991): service concept; image; market segment and delivery system. These characteristics are supposed to be embedded in the culture philosophy of the organisation.

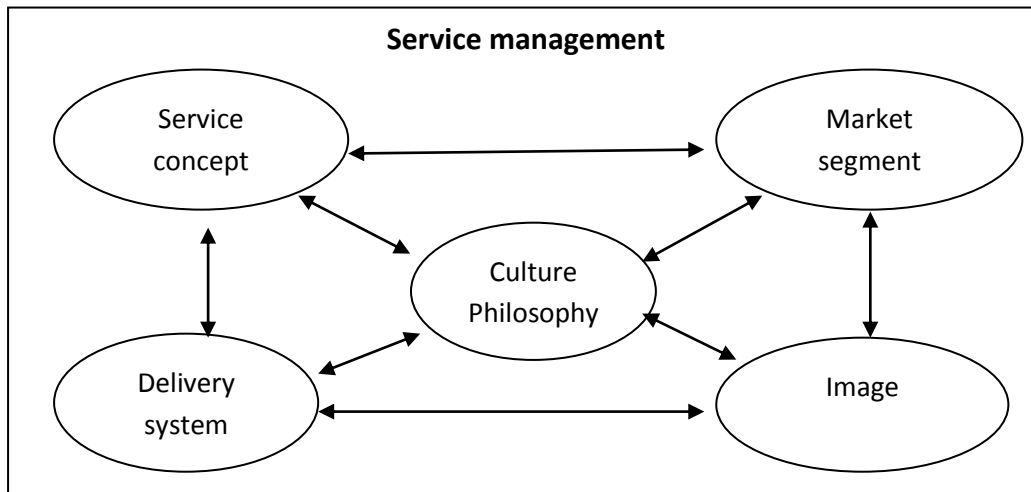


Figure 2.2 Service management model. Source: Murphy (1998)

Service concept: It deals with questions such as; is there clarity on the service to be provided? Is the service provided in a professional and creative manner? It often consists of a very complex set of values which may be difficult to analyse (Murphy, 1998:46). Some of the benefits of a service concept are physical and some psychological. Furthermore, some benefits are more important and may be called core services, while others are more peripheral in character.

Delivery System: It is here rather than in the design of the service concept where the most unique and innovative ideas about service quality emerges. This is because of the subsets which it comprises (Murphy, 1998:30):

- A) **Personnel:** The key to success in service quality is always connected with the ability to identify, to mobilise and to focus human energy for example by creating new roles and linkages. For an IPA the notion of linkage is quite relevant. In many ways they serve as conduits or as intermediary for other public sector institutions in their interaction with investors. Normann (1991:14) as cited in (Murphy, 1998:55) points out that many potential service ideas of this kind are neglected in the public sector. He gives tour operators and transportation companies as a good example of the notion of linkages. Murphy (1998:58) states that if a service organisation is to be successful it must have human resource development as a strategic priority. He stresses that while technology and equipment are important, personnel continue to

play a pivotal role in service quality. Employee's discretionary capacities, construct the "fit" between the product offering and customers' needs and also they are the face of the service organisation at the moment of truth. The moment of truth implies the moment of interaction between the personnel and a customer (Gremler and Gwinner, 2000:34). At this point the personnel should have the ability to solve problems and treat each situation in a customer-oriented way.

Therefore, a knowledge-based workforce becomes critical so that it may respond effectively to any situation. Clearly, the skills and motivation of the representative have a huge bearing on the service delivery process.

- B) **Client:** Clients have to be managed as carefully as employees because they do not only consume the service, but are also an integral part of the production and delivery of the service itself.
- C) **Technology and physical support:** The impact of new technology – particularly Information Technology on service delivery has become enormous. It will be shown later the importance of the internet, an integral part of IT, for IPAs in the provision of up-to-date information on a range of issues which interest investors (UNCTAD, 2007:10).

Market segment: It deals with the question about what sectors the organisation should focus on and how. More importantly it implies an understanding of the precise needs and behaviour patterns of various types of customers and a genuine concern for the quality of service transaction.

Philosophy/ culture: This answers the question as to whether there is organisational culture to deliver quality service. It embraces the overall principles by which the social process leading to the delivery of services and benefits to clients is controlled, maintained and developed (Murphy, 1998:47). Gremler and Gwinner (2000:34) argue that culture and philosophy are crucial to the long-term efficiency of a service as they shape the very values and ethos of an organisation. Arguably, the values and ethos to ensure such long-term efficiency would include customer focus, quality focus and reinforcement of these through reward and sanction of employees.

Image: This is regarded as an information tool to influence staff, clients and other resource holders whose actions are important for the organisation (Murphy, 1998:50). Beyond the staff and client dimension, one could argue, on the basis of Murphy's view that the image component could serve as an advocacy role which an IPA can use in relation to government

institutions. The latter can be considered as resource holders and therefore their actions are important to the well-functioning or service quality of an IPA.

Murphy's statement above that IPAs can be considered as service businesses reinforces the argument of this thesis that the service quality evaluation framework as developed by Zeithaml *et al* (1990), which has already been discussed is relevant to this study and as such it will form the basis of the questionnaire for this thesis. What then follows is an examination of IPAs both globally and in Mozambique.

2.3 AN OVERVIEW OF IPAs

This section will now examine the literature on IPAs, which represent the main purpose of this study, particularly Mozambique's investment promotion agency (*Centro de Promoção de Investimento*).

2.3.1 The concept of investment promotion

Wint (1992:27) provides a straightforward and inclusive definition of investment promotion as being "efforts by a government to communicate to investors the nature of the country's investment climate, and to persuade and assist them to invest". Investment promotion activities aim at encouraging projects, foreign direct investment and local re-investments, joint ventures and technology transfer by international firms. As a result, governments worldwide have set up IPAs to advance investment goals and by extension economic development.

According to the United Nations International Development Organisation (2003:10) investment promotion is a function of the investor's firm specific advantages (FSAs), host location specific advantages (LSAs), investment motivations and the integrated international sourcing, production and marketing (IISPM), and network of multinational enterprises (MNCs). This is because investors in general want to minimise their overall production costs and therefore choose the host country that best meets their requirements. This perspective appears to focus only on foreign investment at the exclusion of domestic investment.

In 1964 at the first United Nations Conference on Trade and Development the issue of investment promotion was raised with a view to set up investment advisory services and publicise areas of investment, manner of investment and investment policy of a country (Frederiksson, 2003:7). The main reason was core market failure in terms of information provision, which in the early 1980s economists believed was hampering investment prospects of many countries (Stiglitz, 2000:15) As a result (Kumar, 2003:10), governments became aggressive in marketing their countries through IPAs. Although, information provision is vital to investment promotion, arguably, other variables have to be present in the

interaction between IPAs and investors. North (1997:10) identified four key variables which may occur in such an interaction, namely: attribution of value of what is being exchanged; how much loyalty either side bears to the interaction; judicial enforcement and the difference in ideology or perceptions of the interaction. These variables provide an insight into the discrepancy indicated in our discussion of the definition of service quality.

It is also acknowledged that there are different generations of investment promotion - IP (UNCTAD, 2007:15). The *first* generation IP emphasised the opening of economies to the outside world in line with the WTO rules. The *second* generation IP is about a government deciding to actively “market” its economy by putting in place an IPA, which in turn has promoted *third* generation investment by targeting more specific investment.

The *fourth* generation IP is about IPAs adapting their strategies such as reducing the distinction between domestic and foreign economic activities in policy terms. For example, the issue of *incentives* which tends to benefit foreign investors is addressed by focussing on information and communications technology (ICT), infrastructure and human resources development (UNCTAD, 2007:20). The greatest areas of significance in *fourth* generation investment promotion are:

- Policy needs assessment. It is important for policy makers to have an accurate view of the policy needs of the country in practical terms of doing business. A policy needs assessment exercise provides policy makers with a measure of the policy areas requiring attention;
- Road-mapping. It is important to ensure that IPAs and policy makers are fully aware of the actual on-the-ground details of business requirements and legal processes;
- Administrative obstacles and managerial impediments and their removal;
- Investment promotion and institutional capacity-building, which concerns the capability of the relevant authorities, including IPAs to engage with investors in a manner that results in a better service quality; and
- Performance review of policy in terms of its impact on investors (UNCTAD, 2007:30).

In setting up IPAs, governments have tried various kinds of structures such as autonomous, semi-autonomous and private bodies. Depending on the type of structure some IPAs have extensive powers of approval, promotion and facilitation that allow them to offer special concessions for eligible categories of investment, while others have more limited powers and are confined to approving for incentives and little is done in the way of investor servicing, investment generation and image building (Root, 1991:52). Jaramillo (1992:4) states that autonomous IPAs linked to government institutions, local and overseas trade missions are

the most popular in the belief that they tend to be the most effective and stimulate a closer relationship with the business sector than a government ministerial unit would.

From a legal perspective, UNIDO (2003:8) points out that in order for IPAs to be effective they need to have a clear and well-defined legal framework that specifies their responsibilities and functions, authority and powers, their structure and their link with the government. The benefits of a clearly defined legal base are many and should provide for:

- Agency's stability, permanence and independence regarding potential investors, national and provincial government officials;
- Establishing and clearly defining the agency's rights, powers and responsibilities and related policy issues;
- Preventing undue interference in its activities by government, political, business or other special interest groups;
- Establishing the specifications for the role of the executive;
- Agency's position and authority to board members, management and staff ; and
- Setting up an organisation with clear role and foundation (UNIDO, 2003:15).

Arguably, the absence of the above, may lead to a situation as expressed by Keesing and Singers (1989:11) that IPAs effectiveness may be constrained by inadequate structure, insufficient autonomy from government and the inability to attract and maintain appropriate technical staff. The discussion shows that investment promotion is dynamic in nature. It involves many role-players such as politicians (for policy making), academics for performance review of policies, public servants and interested parties - investors. Therefore, the challenge in investment promotion lies in how to attain synergy among all the stakeholders and ensure best practice by an IPA. The fourth generation IP approach to local business sector is noteworthy as successful local businesses are essential to sustainable economic development, which is the ultimate goal of investment promotion.

2.3.2 Investment promotion activities

IPAs carry out various activities which can be categorised into the following four broad groups (UNCTAD, 2007: 05):

2.3.2.1 Investor servicing activity

This is crucial to ensure that potential projects are translated into actual investment and that satisfied investors attract more investors. Ireland, Singapore and the Netherland are prime examples of countries which have placed a high priority on investor servicing and facilitation,

making them a core element of promotional activity (Guisinger, 1985:10). An example could be getting a business licence. Services should be provided on a pro-active basis, whereby the staff of the promotion agency seek out investors and help them to anticipate and solve problems that arise. Investor servicing is crucial in ensuring investor confidence. A passive basis whereby the promotion agency simply responds to investor requests is not an effective approach to investment promotion (Belch and Belch, 1993:20). UNCTAD (2007:10) states that a reactive approach could be the result of a strong, continuous, autonomous inflow of inquiries, under-resourced investor-servicing and the absence of a clear strategy and a willingness to engage on a proactive basis.

The danger of a reactive approach is that it makes it difficult to drive a policy change, which is an advocacy function of an IPA. The internet is pointed out as being a useful tool in the development of a proactive approach. It enables the provision of up-to-date information on a range of issues which interest investors. It can also be used to develop relations with partner organisations for the purpose of account management and with established investors, through discussion forums (UNCTAD, 2007:45). Notwithstanding its value stated above, a website assessment carried out in 2006 by the Multilateral Investment Guarantee revealed that although many IPAs have made initial investments in communication technologies with reasonably well-designed websites, most have not yet developed the organisational system and skills needed to successfully interact with and support inward investors. Furthermore, the information on their websites was found to be poor on quality and accuracy (UNCTAD, 2007: 47).

2.3.2.2 Administrative/managerial obstacle removal activity

This involves, amongst other things, having a road-map to identify how long it takes for an investor to start a business. This means tracing the path of all operational and procedural steps, the time to complete each step and all the formalities and payments required to start operating (UNIDO, 2003:40).

2.3.2.3 Investment generating activity

This is necessary where the flow of new investments falls short of national objectives and where the country wants to expand into new areas of investment for reasons of resource availability, comparative advantage or long-term development. To attract new investment IPAs engage in in-bound and out-bound overseas missions and seminars, communication campaigns and direct contact with individual investors. Many countries have opened overseas offices to promote investment. However, this is a very expensive approach and consequently, the alternative has been to enlarge the functions of a country's embassy to perform the task of investment promotion (UNCTAD, 2007:25). Currently, Mozambican

diplomatic missions in Pretoria, Brussels and Shanghai perform investment promotion activities in conjunction with Mozambique's IPA - Centre for the Promotion of Investment in Maputo (CPI, 2007:5).

2.3.2.4 Image building activity

Image building supports the other promotional functions by painting a positive picture of the investment climate. It constitutes the marketing effort of an IPA (World Bank, 2009:8). However, many countries have failed at the most basic function of marketing a country: making relevant information easily available to potential investors. The reasons for this failure are:

- Information is not very visible and measurable to those who allocate government budget;
- Lack of a well-trained in-house staff to disseminate the right information and be able to predict what the investor needs to know; and
- Lack of a data system for easy storage and retrieval of information (World Bank, 2009:9).

It can be deduced that investors may lose confidence in an IPA if initial enquiries reveal fundamental differences between reality and publicised information. Therefore an IPA needs tangible foundations on which to build credibility by having a well-trained staff. Akwetey (2002:141) argues that IPAs should be aggressive in disseminating investment information and advocating policies to enhance investment climate; improving and facilitating communication between the government and the private sector. Akwetey (2002:143) advocates that in promotional efforts it is of utmost importance to ensure the use of effective channels of communication and contact in sending out messages. He expresses concern about the consistency of IPAs in their policies and practices in terms of clarity and conciseness of messages to the intended recipients. He also stresses the value of a feedback mechanism in order to rectify any undesirable practice which may be detected. The website of an Investment Promotion Agency, arguably, would be an ideal platform for a feedback mechanism. For example Nicaragua's IPA was recognised for its best-practice in terms of its website service (World Bank, 2012:11). Its website ensures acknowledgement of receipt of an enquiry within 24 hours and give full response to queries within 7 working days. This recognition shows the potential benefits which websites have for IPAs – with creativity and innovation a lot can be achieved via a website in marketing a country and reaching out to investors in general.

Akwetey (2002:145) provides a number of messages which are normally expected to be disseminated by Investment Promotion Agencies as depicted in Figure 2.3.

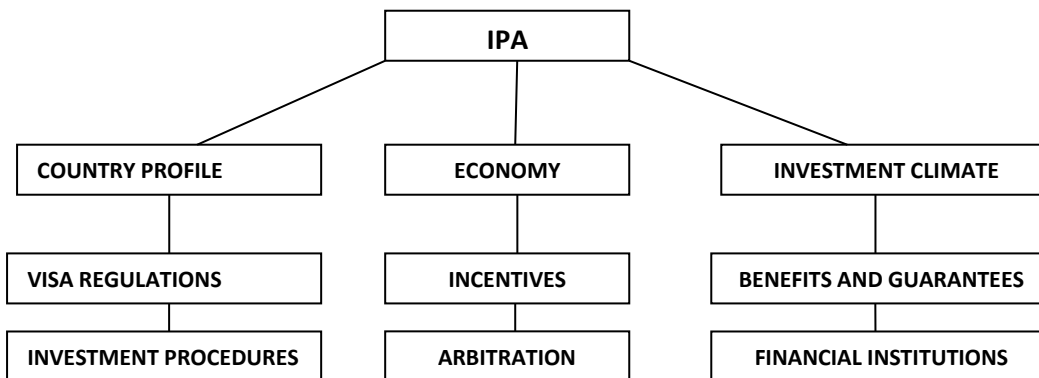


Fig 2.3: Standard IPA messages adapted from Akwetey (2002)

2.3.2.5 Policy advocacy: Wells and Wint (2000:6) state that lobbying for key policy and legal reforms is an integral role of IPAs while Lowendahl (2001:18) states that policy instrument in terms of investment promotion includes among other things, strategy and organisation. These in turn include setting the national policy context, which requires inter-ministerial coordination. Morisset and Andrews-Johnson (2003:3) state that policy advocacy consists of activities through which the IPA supports initiatives to improve the quality of the investment climate and identifies the views of the private sector through surveys, participation in task forces, policy and legal proposals and lobbying.

UNIDO (2009:21) states that it is of crucial importance that IPAs cooperate with other levels of government in order to design and implement a coherent policy framework for business. As can be deduced, this type of advocacy requires research and analysis of the wider environment in terms of economic development and public service, which will be discussed shortly. The research aspect has been identified by a recent study by the World Bank (2012:12), as one of 14 elements that differentiate the practices between the best facilitators (IPAs) and weaker ones in instilling their organizations with the customer service and preparedness needed to excel, namely:

- Build a staff with public and private sector experience;
- Offer salaries and bonuses closer to private sector standards;
- Secure operational freedom and high-level reporting channels;
- Establish and concentrate efforts in a few priority sectors;
- Coordinate facilitation with networks and partners sub-nationally and overseas;
- Maintain English-speaking staff in sufficient numbers and with the full range of facilitation skills;
- Continually train and develop staff, especially in soft skills, and accumulate deep business knowledge;
- Establish a minimum level of in-house research capacity;

- Develop account managers into reservoirs of knowledge on particular sectors;
- Ensure the accumulation of knowledge and its relevance and implement internal systems for consistently good facilitation;
- Make facilitation a priority within the overall strategy, including by training and dedicating an adequate proportion of staff;
- Maintain the equipment and practices to be easily reached and to quickly return calls and e-mails;
- Demonstrate professionalism and dynamism through the web site with frequent news updates of importance to investors; and
- Follow detailed guidelines on the content, style, timeframe, and quality assurance of inquiry responses (World Bank, 2012:12).

2.4 SELECTED IPAs

A number of IPAs have been selected in this study for discussion on the basis of their service performance which offers positive insights for other IPAs. Costa Rica and Chile have the most successful investment promotion agencies in Latin America (White, 2009:10). The Costa Rican Investment Promotion Agency (CINDE) has well-documented success stories. White (2009:12) argues that the above assertion is based on per capita income and on the contribution of foreign direct investment (FDI) to GDP of these two countries when compared to other countries of the Latin American region. To back the assertion, White (2009:15) states that in 2007 Chile attracted over \$ 14 Billion of FDI, representing 65% of GDP. On the other hand, in Costa Rica FDI flows reached nearly \$ 2 billion, representing 33% of GDP.

What is important to note in the above countries is the diversity of investments and the dynamic strategies that have been implemented to attract sustainable investment and reinvestment in both traditional and non-traditional sectors (UNCTAD, 2006:30). Nelson (2007:49) argues that both countries have aspired to establish highly competitive investment environments and standards in their operations. However, the Chilean approach is steeped in its orthodox reform process dating back to its first structural reforms undertaken in the early 1970s, where investment was lured through targeted legislation and policies and supported by a wide range of government-driven organisations (UNCTAD, 2008:10).

Moyano (1998:66) is of the view that Chile's investment promotion model is informed fundamentally by a privately run agency that has become synonymous with investment growth and sectorial diversification in that country. It is also known for its role of personal efforts and promotion, which has complemented investment policies and legislation in Chile.

The notion of personal efforts seems to indicate the capacity of the personnel in the success of Chile's IPA performance.

White (2009:25) states that the models of both countries offer instructive lessons for African countries looking to have successful IPAs. He points out that understanding effective investment promotion strategies is important for being an endogenous factor that governments can control and manage. Chile does not have one single investment promotion agency, but rather a number of investment and development organisations. The organisations collaborate with the view to promoting investment and sector development in Chile.

The two most important organisations in Chile are the Foreign Investment Committee and the *Corporacion de Fomento de la Production (CORFO)*. The former focuses on attracting FDI using policy and legislation instruments and providing the necessary information to investors (Banco central de Chile, 1984 as cited in White, 2009:27). CORFO on the other hand, concentrates its efforts on particular regional projects and investment initiatives. Although they operate independently of each other, they complement each other in creating an environment conducive for investment in Chile (Foreign Investment Committee, 2010:10).

White (2009:35) argues that the Foreign Investment Committee was at the centre of the structural changes that were implemented to improve Chile's competitive advantage in attracting investment and to help the country to develop a healthy reciprocal relationship with investors. It also played an important role in improving the country's investment image which had been damaged by crippling nationalisation. The committee has been guided by two important legislative measures, namely Chapter XIX debt-to-equity swaps and the Decree Law 600(DL600). Chapter XIX debt-to-equity swaps was complementary to DL600, which favoured mining investment due to their long-term nature. The basic principles of DL600 are the following:

- Free market access granted to foreign investors subject to prevailing legal provisions. The choice of activities and subsequent development are open and flexible with investors having control over project management;
- Non-discrimination between local and foreign investors; and
- The rules and contractual framework; investors rights and obligations are fixed and available in advance. They are impersonal and not determined by a rigorous negotiation process, but rather rely on a standardised, non-bureaucratic procedure (Foreign Investment Committee Statute, 2010:3).

Chile's IPAs have been instrumental in the signing of trade agreements and pride themselves in using knowledge and transnational strategic networks such as the Industrial Development Authority in Ireland, the Economic Development Board in Singapore, Think-tanks and academic institutions to develop more effective investment promotion policies. In so doing, they learn from others outside of Chile, who have greater insights in terms of international business trends to the benefit of the Chilean business environment (Moyano, 1998:40).

A key feature of DL600 is that it focuses more on consistency and investment security than favourable incentives. For example, the income tax rate in Chile is 42%, which is not impressive compared with other tax rates in the region. Yet, Chile's investment ratio far outstrips competing nations in the region such as Argentina (White, 2009:18). The reason is that investors, especially those engaged in long-term investment seek guarantees and security more than any other incentives. The criteria to evaluate service quality discussed in the preceding pages indicate that security is a subset of the assurance dimension of service quality, which can be operationalised by a simple question such as: can investors' queries be adequately addressed?

Costa Rica's IPA is a private, apolitical, non-profit organisation established in 1982. Lanza (1995:3) adds that Costa Rica's IPA, CINDE, was created as an association of 76 prominent local business people under the Association Law of Costa Rica. The board of directors of CINDE was drawn from its associates. Management is made up of local business people. It can be argued that they are well-placed to understand investment promotion and general investment issues. Public and private sector cooperation, infusion of foreign assistance and innovative approaches to problem-solving positioned CINDE to successfully contribute to Costa Rica's economic growth (CINDE, 2012:3). This brings the relevance of the public service in ensuring the success of IPAs. Costa Rica's IPA (CINDE) brings both the private and public sector together to be part of the decision-making process with regard to investment and it helps in the creation of strategic alliances between local and foreign companies. It provides the necessary information and identifies important market opportunities in an effort to maximise the returns for the investor, the local operator and overall development in the country. Some of the values indicated on CINDE's website are excellence through total quality and collaboration.

Furthermore, CINDE's promotional efforts target very specific sectors that have been identified as important nodes for sustainable growth and development and ensure that the country is competitive (UNCTAD, 2007:50). Four sectors have been identified in Costa Rica to help focus CINDE's expertise in developing a competitive investment environment, namely: medical devices, electronics, services and special projects. Each sector has a

qualified team of promotion executives and researchers (CINDE, 2012:4). They conduct studies of the sectors by analysing particular market segments and tendencies and identify sub-sectors of interest. In so doing, CINDE is able to provide relevant information to potential investors and local partner organisations. Arguably, CINDE is a catalyst and facilitator of investment in Costa Rica through a healthy interaction between the private and public sector.

CINDE provides comprehensive service guidance to investors in terms of insights into general business practice and culture in Costa Rica. It facilitates meetings and business trips with a customised itinerary. It is this combination of strong service orientation, research and a facilitative role between the private and public sector companies that constitutes the success that it boasts (White, 2009:35). The service management concept as proposed by Normann (1991) reveals itself in the examination of how the IPAs of the above countries operate.

In the United Kingdom, the United Kingdom Trade and Investment agency (UKTIA) has developed an investor development programme which is aimed at helping investors and adding value to investors' activities. In Ireland the Industrial Development Agency (IDA) has a well-structured programme of strategic services, which aims to engage with companies from start-up through a process in which they become key players in the network of the business community. It provides targeted support and assists firms in the further development of operations in Ireland (UNCTAD, 2007:21).

In South Korea, the Korea Trade Investment Promotion Agency (KOTRA) has a team which acts as a liaison to find solutions to grievances filed by foreign companies (Hampton, 2006:14). It also supports the expansion of investment and organises seminars and conferences which address management and daily issues of investors. In China, many cities' IPAs such as Beijing and Shanghai provide assistance to both domestic and foreign investors in their establishment phase, in dealing with different local and national authorities and obtaining advice on legal issues (Hampton, 2006:20).

Yingyi (2003:19) argues that IPAs in China are local government organisations at the forefront of investment promotion and interaction with investors. In his investigation of Chinese IPAs, Hampton (2006) found that successful ones proactively reach out to meet the needs and expectations of the investor on the one hand. On the other hand, successful IPAs make sure there is an alignment of private and government interests. This, Hampton (2006:62) found, is achieved by forging alliances within the public sector. It is worth noting that the idea of finding common interest between the private sector and the government although challenging has the potential of great benefits for the government such as employment creation, which in turn leads to increased tax base and a multiplier effect on the economy as whole, while for the private sector the benefits would be profit and investment-

friendly policies. IPAs such as KOTRA of South Korea, have also introduced aftercare services. Young and Wood (1994:45) define aftercare as all potential services offered at company level by governments and their agencies, with a view to facilitating both the successful start-up and the continuing development of a firm to maximise its contribution to the local economic development. UNCTAD (2007:1) states that aftercare is critical to a successful IPA. The definition given of aftercare incorporates both post-establishment facilitation services and what can be termed development support activities. However, UNCTAD (2007:5), points out that it is relatively new in the history of IPAs, notwithstanding its importance. One of the reasons is that the focus of IPAs has primarily been on attracting investment to provide employment, access to new technology or generate other spill-overs, with the effect that aftercare has been seen as an afterthought.

UNCTAD (2007:23) advocates that aftercare should be strategically informed, not emergency “fire fighting” or passive provision of information. The services can be categorised according to Table 2.2 below.

Table 2.2 Aftercare services

Type of service		
Strategic	Operational	Administrative
Establish firm so that it operates successfully and performs its mandate(short term)	Find office space factory, recruit staff, help install ICT equipment, power etc.(short term)	Obtain visas, import permits, work permit for spouses, operate in free trade zones(short term)
Competition legislation, product development, R&D capabilities(medium term)	Staff training, new premises, improved connectivity, local supply chains(medium term)	International school, obtain food drugs and administration approvals(medium term)
Services that support firms in becoming strategic leaders, centres of excellence(long term)	Local R&D, university collaboration, strong relationship with unions(long term)	Agreement with tax authorities, collaborate with public sector on planning and transport(long term)

Adapted from the UNCTAD (2007:13)

UNCTAD (2007) points out that for a successful aftercare to happen there should be the right balance between technical skills and people skills among IPA staff members. This is in agreement with our discussion earlier on the service management concept, specifically about the personnel subset, which stresses the importance of having adequately skilled employees to handle the “moment of truth”. As a guide, UNCTAD (2007:39) proposes the following in dealing with such a staff balance:

- Recruit staff with a background in the private sector;
- Ensure a mixture of employees with a generalist and technical background, with experience of working with people in relationship management roles; and
- Collaborate with organisations such as chambers of commerce and industry, which have the required levels of private sector experience and knowledge.

2.5. MOZAMBIQUE'S IPA (*Centro de Promoção de Investimento*)

Mozambique's IPA was set up as an advisory body to promote investment, analyse proposals and monitor and review investment projects (Taibo, 1999:171). It offers a range of services to assist national and foreign investors by facilitating access to the incentives offered by the government and the subsequent establishment of their businesses. Its mission is:

- To promote the attraction of national and foreign direct investment;
- To provide institutional assistance to investors in the approval and implementation of investment projects;
- To promote, receive and register investment projects;
- To guarantee the concession of fiscal and customs incentives to investors;
- To promote business linkages between national and foreign companies, SMEs and large undertakings;
- To identify potential financial partners and/or technological partners for joint ventures;
- To identify and disseminate investment opportunities ; and
- To promote programmes of assistance to the development of businesses, particularly national businesses (CPI, 2007:1).

On a more practical basis, Mozambique's IPA is supposed to provide assistance to investors in the following areas:

- Acquisition of the title deed for the use of land;
- Identification of potential partners;
- Submission of the company constitution to the Public Notary;
- Publication of the company statutes in the government gazette;
- Company registration with the Commercial Activity Registry Office;
- Registration as an importer;
- Registration as an exporter;
- Acquisition of the licence to carry out economic activities;
- Registration of the economic activity with the Customs authority; and
- Other assistance which the investor may require (República de Moçambique, 1998, Artigo 9 do Regulamento da Lei Investimento).

The investment law of 1998 Article 9, stipulates that the process of project evaluation begins with the delivery and registration at CPI of the investment proposal filled out on a special form and accompanied by the proper documentation in triplicate. Thereafter, CPI has seven

working days to verify internally and in collaboration with the appropriate authorities such as the Ministry for the Coordination of Environmental Action and provincial government depending on the size and nature of investment. More specifically, the CPI checks the following in investment proposals:

- Their compliance with the provisions of the investment law and with the basic principles of national economic policy;
- Their technical, economic and financial viability;
- Their political, environmental or other implications; and
- The provisions made or planned to guarantee that the required infrastructure equipment and staff are available (Taibo, 1999:171).

In the verification process the parties involved inform the CPI about their position with regard to a proposal in line with the points indicated above. Once the proposal is approved, the CPI submits it to the relevant authority for consideration and further approval within three to ten days. Once final approval is obtained the CPI informs the investor of the decision and thereafter the project must start within 120 days unless additional information is required (Castel-Branco, 2005a:23). This process seems to be cumbersome. Ideally, any process should be considered and approved jointly between the CPI and the relevant authority to save time. One worrying aspect of this process is that no indication is given of the turnaround time.

The CPI also participates in monitoring projects within the context of Environmental Impact Assessment (EIA). Kaufmann, Kraay and Mastruzzi (2009:12) point out that the EIA process is being implemented in a rather informal manner, since the technical, institutional and political structures are weak. The process begins with the identification of the need to carry out an EIA for a proposed investment, which can either be done by the CPI or a relevant government department depending on the nature and size of the project as well as its location. If the need is identified the CPI then notifies the project team of the decision.

The project team conducts the EIA in line with the terms of reference (compliance with sectorial laws and regulations such as protection of natural, social and cultural heritage, soil conservation, pollution control and so on) of the Ministry for the Coordination of Environmental Action (MICOA), which reviews the outcome before it can be implemented under the supervision of MICOA and the CPI. Some business decision-makers take a negative attitude to EIA and regard it as an obstacle to economic development because it discourages investors who see it as an extra cost besides the delay it causes in the process of authorising a project (Manuel and Muacanhia, 1995:100). Kaufmann *et al* (2009:12) highlights the point that there is no clear definition of what economic activities should be

subjected to EIA. The project review has been found to be carried out by irregular teams composed of central government officials who are unclear about what is involved in the analysis of an EIA report. This view appears to be supported by Rodriguez (2010:281) who states that in Mozambique within the area of private sector development there seems to be a lack of adequately qualified staff to facilitate economic and entrepreneurial development. It was indicated that one of the functions of Mozambique's CPI is to promote the attraction of national and foreign direct investment - FDI. A brief discussion on FDI follows.

2.6. PROMOTION OF FOREIGN DIRECT INVESTMENT

Mlambo and Oshikoya (2002:305) state that FDI plays a complementary role to domestic investment. They point out that a degree of successful local business participation in the host country economy is necessary to attract risk-averse foreign private investment. Investment promotion units should be responsive to private sector needs. They also suggest that high and sustained levels of economic development in Africa cannot be achieved without the promotion of the local private sector as a dynamic engine for development.

The above perspective is in line with the fourth generation investment promotion, discussed earlier, which advocates a balanced approach in investment promotion not to prejudice local investment for example in tax reduction incentives. It is worth noting that such a balanced approach should consider nascent industries in the host country. These industries may not have adequate ability to compete with foreign counterparts with vast global experience and financial muscle.

Ajayi (2006:11) points out that FDI is regarded as an engine of growth as it provides much needed capital for investment, increases competition in the host country industries and helps local firms to become more productive by adopting efficient technology. It also tends to be more stable than other forms of capital flows. In Africa FDI has become increasingly important in bridging the savings-investment gap and assisting in the attainment of the Millennium Development Goals targets. Mozambique has seen some FDI inflows. For example, Brazil's Vale and Anglo-Australian Rio Tinto have invested in the mining sector. Vale has invested \$2 billion in its Moatize coal mine in northwest Tete province and plans to invest another \$6.4 billion (Flak and Mapote, 2012:3). However, it is worth noting that in attracting FDI care must be taken to protect nascent industries of the host country against unfair competition. Often foreign companies have greater expertise than local companies, which once faced with tough competition end up closing down. If that happens, then Ajayi's view (2008:15) that FDI helps local industries become productive, no longer holds true. Table 2.3 shows the top 10 major sources of FDI inflow between 2008 and 2011 in Mozambique.

Table 2.3 Top 10 investors in Mozambique

TOP-10 INVESTORS IN MOZAMBIQUE			
Rank	2008-2010	2010	2011 (January - June)
1	Portugal	Portugal	South Africa
2	Norway	South Africa	Portugal
3	South Africa	Italy	Mauritius
4	China	Belgium	United Kingdom
5	Italy	China	United A. Emirates
6	Mauritius	Spain	China
7	India	United Kingdom	Pakistan
8	United Kingdom	Singapore	India
9	Belgium	Kenya	Swaziland
10	Spain	Switzerland	Brasil

Source: CPI (2012)

Ajayi (2006: 23) argues that the main benefits of FDI to a host country are:

- Source of capital;
- Employment creation;
- Access to foreign markets and by extension integration into the global market ;and
- Generating both technological and efficiency spill-overs to local firms.

UNCTAD (2005:65) cautions that as well as benefits there are also costs associated with FDI, which must be properly evaluated by policy makers. Similarly, Ajayi (2006:40) cautions that in the attempt to attract FDI some countries run the risk of “racing to the bottom” by adopting policies which may not have the greatest multiplier effect in terms of promoting sustained growth.

Besides investment-friendly policies which Ajayi alludes to, Collins (2002:10) states that various studies on FDI have found that FDI flows are influenced by certain investor motives namely: resource-seeking; market-seeking; strategic asset-seeking and efficiency-seeking. In resource-seeking investors locate their businesses abroad to secure cheaper supply of natural resources and/or labour (Ajayi, 2006:20). In Africa the former appears to be the case, as foreign companies tend to seek natural resources, such as gas in Mozambique, more than cheap labour, while, arguably, in countries such as India and China cheap labour tends to be the deciding factor for investors to locate their businesses there.

Market-seeking involves opening up new markets in the host country or neighbouring countries. South African companies such as Shoprite stores which have opened in Mozambique are a good example of this motive (Asiedu, 2002:16). Efficiency-seeking is

aimed at producing goods or services in as few countries as possible bearing in mind the location, endowment and incentives, while strategic asset-seeking involves locating a company in a place to take advantage of what is available in terms of research and development (Ajayi, 2006:20). Arguably, this would require not only qualified labour in the host country, but also adequate infrastructure.

In the final analysis the decision on whether to locate a business in country A or B is informed by the prevailing macro-economic and institutional framework (Mlambo and Oshikoya, 2002:290)

2.6.1 MACRO-ECONOMIC ENVIRONMENT

A sound and stable environment characterised by low inflation and a stable currency and low public debt are essential to spur private investment from abroad in the form of FDI (Mlambo and Oshikoya, 2002:299). Mlambo and Oshikoya (2002:240) concede that many African countries have improved this aspect by removing foreign exchange controls, liberalisation of credit allocation and interest rates and strengthening of monetary management. However, they contend that the continent remains a high-risk, low investment region. Overvalued and unstable exchange rates, loose fiscal and monetary policy and risk of policy reversals are given as contributory factors to the above. In terms of policy reversals, a study conducted in 1994 of actual and potential investors in East Africa by the Economist Associate, it was found that investors feared policy reversals to the extent that they postpone investment in both traded and non-traded sectors in order to wait for additional information, while potential investors will require a large current return to compensate for the possibility of a costly mistake should a policy be reversed (Brunnetti, Kisunko and Weder, 1997:82). For example, when there is land reform uncertainty, similar to the one in Zimbabwe, investors are unlikely to invest. Only large mining companies, which make huge returns, are willing to take the risk of investing in Zimbabwe amid the land reform uncertainty in that country.

2.6.2 REGULATORY AND INSTITUTIONAL FRAMEWORK

A legal and regulatory framework, the structure and administration of taxes and a poor private sector dialogue feature prominently in the constraints to private investments (African Development Bank, 1997:34). These include ineffective legal, judicial and financial systems and bureaucratic administrations. Lack of an appropriate legal and judicial framework hinders secure and flexible transactions, without which, private sector activity cannot be effectively executed (Mlambo and Oshikoya, 2002:302). To illustrate their argument Mlambo and Oshikoya (2002:305) state that in some countries in Africa land tenure is insecure and the assignment and transfer of titles is cumbersome.

For long-term investment to occur for example in agriculture the legal framework would need to change. Also, cumbersome licensing requirements and rigidities in employment practices as well as the performance and responsiveness of public sector institutions (investment approval agencies, customs) are singled out as major obstacles to business activity in Africa (Emery, Spence, Wells and Buehrer, 2000:86).

2.6.2.1 GOVERNANCE

This issue is directly proportional to the status of the institutional framework. Kaufman *et al* (2009:10) have shown that corruption – a function of governance - is greater in countries with serious regulatory and institutional inefficiencies. They consider corruption as an additional illegal tax to private investment and as such, it lowers private sector investment incentive and causes high transaction costs to the investor.

2.6.2.2 INFRASTRUCTURE

Poor and inadequate infrastructure results in high transaction costs. This is the cost of doing business (Econex, 2008:1). Therefore, it acts as a disincentive to private investment and most especially foreign investment. For example port operations in Africa have been found to be inefficient and expensive. Infrastructurally, Mozambique scores poorly. In the Global Competitive Report of the World Bank(2009-2010) the infrastructure pillar was regarded as the most problematic factor for doing business in Mozambique (Wide, 2010:32).

For example trade logistics index (LPI), a function of overall infrastructure adequacy, which measures on six dimensions the country's ability to move goods across borders has been found to be worse in Mozambique than average for Sub-Saharan Africa. Specifically, customs, roads, railways, boat and air-infrastructure, telecommunications and internet access were found to be problematic (Econex, 2008:5).

Table 2.4 illustrates the six dimensions of LPI on a scale of one to five, with one being the worst and five the best. It also compares Mozambique with the rest of Sub-Saharan Africa and in particular with South Africa which performs better than the rest in the region (Wide, 2010:33). The Table shows that compared to South Africa Mozambique is far behind in logistics competence and tracking and tracing. On these two scores the difference in relation to South Africa is minus 1.39 and minus 1.44 points respectively. Infrastructure and customs are indicated in Table 2.4 as being areas of concern. Although, the differences to other Sub-Saharan countries are small, South Africa provides the best yardstick for being a country with the most advanced economy in the region.

Table 2.4 LPI measures

	Mozambique		Sub-Saharan Africa		South Africa	
	Score	Rank	Score	Difference	Score	Difference
Overall LPI	Score	2.29	2.42	-0.13	3.46	-1.16
	Rank	136				
Customs	Score	1.95	2.18	-0.24	3.22	-1.27
	Rank	145				
Infrastructure	Score	2.04	2.05	-0.02	3.42	-1.38
	Rank	124				
International shipments	Score	2.77	2.51	0.26	3.26	-0.49
	Rank	87				
Logistics competence	Score	2.20	2.28	-0.08	3.59	-1.39
	Rank	130				
Tracking & tracing	Score	2.28	2.49	-0.20	3.73	-1.44
	Rank	135				
Timeliness	Score	2.40	2.94	-0.55	3.57	-1.17
	Rank	150				

Source: <http://info.worldbank.org/etools/tradesurvey/mode1a.asp?countryID=98&best=on&compareWith=region#> (Accessed, 12 April 2012)

2.6.2.3 FINANCIAL SYSTEMS

Challenges have been identified in Africa with regard to financial systems. Mlambo and Oshikoya (2002:305) have identified financial repression as a factor that thwarts growth of the financial system and the role of the government in the financial sector, which tends to crowd out the private sector. They suggest that on average, 65% of start-up capital in African businesses of small to medium size come from own savings. This indicates a difficulty in accessing credit. The financial sector is an integral component of private sector development. Mlambo and Oshikoya (2002: 310) stress that “if no functioning financial system exists, a strong private sector is impossible - since its primary role is to mobilise savings and efficiently channel those savings to the most productive investments.

Macuacua (2003:2) highlights the roles of an accounting infrastructure within the context of economic development by stating that sustained economic development cannot be maintained in the absence of a sound accounting infrastructure and an appropriately qualified and experienced accounting profession. He suggests that the majority of studies on the quality of accounting in developing countries have confirmed the correlation between the level of economic development and accounting development.

Although the areas for improvement will vary from country to country four areas deserve special attention: banking infrastructure; restructuring of the banking system; development of the non-banking financial system and supporting microfinance. In addition, reliable accounting and auditing procedures, qualified personnel and an effective supervisory system are crucial variables. Sub-Saharan Africa does not show positive indicators in this regard as

a study by Johnson (1996:120) found that Sub-Saharan Africa had unsatisfactory accounting and auditing performance primarily due to a shortage of accountants at all levels; the lack of recognised and accepted accounting and auditing standards and the inadequacy of accounting development. Macuacua's (2003) study had a similar finding regarding the Mozambican accounting infrastructure. He found that the development of the accounting infrastructure in Mozambique was not keeping pace with the economic development of the country.

2.6.2.3.1 Mozambique's accounting infrastructure

Macuacua's study (2003) on accounting infrastructure in Mozambique found the following:

- The national accounting standards are set by the government and imposed on the accounting profession;
- The actual General Accounting Plan (GAP) was approved in 1984, during the centralised economy system and became compulsory for all companies except those in the banking and insurance sectors;
- Since 1984, GAP has been revised twice. First in 1988 to accommodate the revaluation of fixed assets and subsequently in 1999 to accommodate VAT accounting issues; and
- Mozambique has a deficit of accountants in both quantity and quality. There are only about 2000 accountants in the whole country who have been licenced by the ministry of Planning and Finance to practise accounting in the country.

Macuacua (2003:13) makes an important point that the underlying thread in the accounting system is the provision of information and the extent to which investors and other stakeholders use it to make decisions from an economic point of view. Researchers such as Riahi-Belkaoni (1994:22) and Harding (2000:31) have demonstrated the correlation between economic growth and development and the adequacy of the accounting system. Harding (2000:35) gives the example of the South-East Asian economic crisis to reinforce his argument. In his view, foreign investors, having risked their capital on deals which were based on inadequate financial information, rapidly withdrew funding when difficulties began to emerge. This caused enormous pressure on the currencies of those countries and shortage of capital with the resultant collapse of entire national economies. The correlation in question can be determined by the status quo of the following:

- Performance of all three accounting subsystems enterprise, government and national accounting, which determine the quality of the financial information supplied to managers in the private and public sectors as well as policy makers at the national

level. The quality of information will influence economic decisions either positively or negatively. This in turn determines the performance of the economic system;

- The performance of the accounting sub-system, which determines the quality of the financial information, influences the country's ability to attract foreign investment which supplies the energy for economic growth; and
- The quality of the accounting system standards. If these are poor they may create obstacles to foreign investment. Host countries without relevant data are ill-equipped to design appropriate policies to enhance investment flows (Macuacua, 2003:53).

It can be argued that the financial system is only one subset of the wider environment within which IPAs operate. The activities of an IPA are also influenced by a country's stage of economic development and paradigm and public institutions (UNCTAD, 2002:18). UNIDO (2003:27) is of the view that public institutions act as important conduits for public-private exchanges, which serve to improve investment policy and the operating environment in general. For example in countries with economies considered predominantly dependent on the primary sector, their IPAs are advised to place greater emphasis on needs assessment and road-mapping so that they can look for possibilities to minimise the investor's time and cost, eliminate or reduce administrative obstacles and managerial impediments (UNCTAD, 2009:7). Therefore, the discussion will now be devoted to economic development and public service as the wider environment within which IPAs function.

2.7 ECONOMIC DEVELOPMENT DEFINED

Eshag (1983:2) states that economic development is a process of increasing the degree of utilisation of productivity of the available resources of a country with a view to increase the economic welfare of the community by stimulating the growth of national income. Macuacua (2003:50) is of the view that economic development is a complex process which involves not only economic changes, but also many social, political, technological and cultural changes. He advances that the primary objective of attaining economic development is to increase the economic welfare and mobilise the productive resources of a country. Soludo (2003:8) adds that economic development is broadly understood as involving economic growth, structural change and the elimination of poverty. Macuacua (2003:50) discerns from the definition given above two indicators in economic development: production and economic welfare. Production is related to growth and economic welfare is related to the quality thereof. It is noteworthy that production and economic welfare are not directly proportional. In many African countries for example, the production of natural resources such as oil and diamonds may be high, but it does not necessarily translate into economic welfare of the country concerned. In order to prevent this mismatch, structural changes as indicated by Soludo

(2003:35) become important in terms of having institutions, which will ensure that the gains from economic growth are turned into social welfare of the country.

To have an understanding of the different levels of economic development of countries, models have been developed (Nagle, 2005:26). A model breaks down the complexity of a real-life situation and explains how something works in simple terms (Nagle, 2005:27). Ferreira (2006:63) adds to the above by defining a model as a representation of reality accomplished by abstracting concepts from a situation and depicting the way the concepts are related. The aim of a model then is to facilitate understanding of a particular phenomenon. The purpose, however, is not to give an exhaustive discussion on economic development models, but rather to give an overview of the key features which they represent. Furthermore, they shall be discussed because it can be argued that ultimately the strategies and functions of an IPA is informed by the level of economic development of its country and the prevailing economic thought or paradigm of the government. The goals and priorities of an IPA will change over time in line with the economic development stage of a country (United Nations International Development Organisation, 2003:19).

2.7.1 ECONOMIC DEVELOPMENT MODELS

The discussion below provides an overview of economic development models and a summary thereof.

2.7.1.1 Rostow's model of economic development

Rostow, an American economist envisaged five stages in the development of an economy as indicated in Figure 2.4

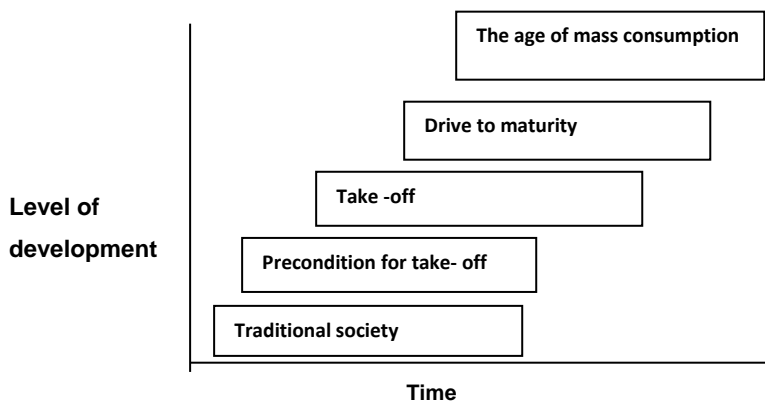


Figure 2.4 Rostow's model of economic development adapted from Nagle (2005:26)

In the first stage, the traditional subsistence economy, there is an agricultural basis, little manufacturing and few external links. Also, in this stage the population growth is quite low. In the second stage, preconditions for take-off and external links are developed and resources are increasingly exploited (Rostow, 1971 as cited in Nagle, 2005:23). This could be done by

the state or multi-national companies. An urban city begins to grow and a transport infrastructure is developed and the population begins to grow. In the third stage, take-off to maturity or sustained growth begins to take hold and the economy expands rapidly, especially in exports and manufacturing. Regional inequality intensifies due to the multiplier effect.

In the fourth stage the drive to maturity sees the diversification of the economy for example the service industry such as health, education and so on. Growth spreads to other sectors of the economy and regions of the country and population growth reaches a plateau. Finally, in the fifth stage, the age of mass consumption begins together with advanced urban-industrial systems and high consumption of consumer goods such as televisions is noticeable (Rostow, 1971 as cited in Nagle, 2005:25). Akokpari (2009:412) points out that the distinct stages were used frequently to explain economic development within the context of modernisation. Akokpari (2009:420) argues that the weakness of the model lies in its Anglo-centric perspective and the experience of the United States of America and Western Europe. The relevance of this model can be called into question because of its linearity of economic development path. It can be argued that in many third world countries mass consumerism is evident in the form of household appliances and expensive cars, while the countries themselves have not even reached the take-off stage.

2.7.1.2 Clark's sector model

According to Dosi (1996:39) this model of economic development follows a sectorial path. It progresses from agricultural to an industrial economy and finally to a service economy. The model clearly shows a transition from an economy dominated by commodities or a primary sector to one dominated by the secondary and tertiary sectors as well as the relationship between level of economic development and employment levels as indicated in Figure 2.5 below (Nagle, 2005:27). Mozambique's economy fits this model as it is still largely dominated by commodities such as gas and cashew-nuts.

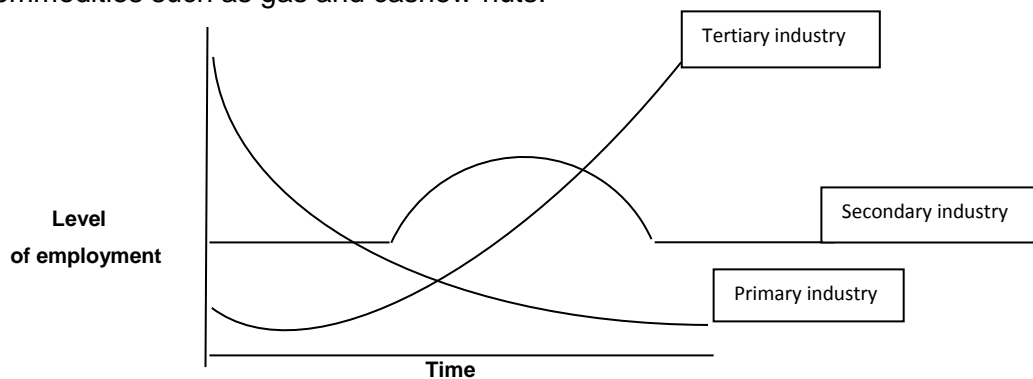


Figure 2.5: Clark's sector model of economic development adapted from Nagle (2005:27)

2.7.1.3 Growth poles model

Citing Goulet (1971), Nagle (2005:15) describes growth pole as a dynamic and highly integrated set of industries organised around a leading industry or industries sector. It is capable of rapid growth and generating multiplier effects or a spill-over into the local economy. The model has been widely used in regional and national planning as a means of rejuvenating an area. The industrial Free Zones Regime, which the government of Mozambique has adopted, corresponds with this model. The objective is to encourage investment in specific regions of the country namely, Maputo, Nampula and Beira.

According to Wide (2010:34) in 2007 there were 16 projects benefiting from the Industrial Free Zone Regime in Mozambique one of which is the big aluminium smelter Mozal. Enterprises operating under the Free Zone Regime enjoy 60% reduction in corporate tax on profits up to 10 years, duty free imports for all goods needed for industrial activity and exemption from Value Added Tax and Specific Consumption tax. In addition, large corporations are exempted from real property transfer tax. The choice of the model by economic planners is informed by resources, labour or market access of a particular location. The point of criticism with the approach of Free Zone is that it tends to be biased to big business at the expense of small business.

2.7.1.4 Friedman's stages of growth model

This model advocates that in stage one, the pre-industrial economy, there are independent local centres and no hierarchies. However, in stage two, the transitional economy, a single strong centre emerges. A growing manufacturing sector which ensues encourages concentration of investment in only a few centres – hence a core centre emerges in the form of a primate city. Overtime, stage three – an industrial economy- develops with a single national centre, strong peripheral sub-centres and increased inequalities between core and periphery (Friedmann, 1986:60). Overtime the economy expands and a more balanced national development occurs. This means sub-centres develop forming a more integrated national urban hierarchy. This description gives the impression that the expansion occurs naturally. If this were indeed the case then the Free Zone or tax incentive policy approach would not be pursued by governments. The expansion arguably requires a concerted effort from economic planners to reduce both geographic and demographic inequalities. In the final stage four, the post industrial economy, there is a functionally inter-dependent urban system and the periphery is eliminated.

The models discussed above are useful in understanding the economic development patterns of countries. However, in the course of time new models appeared with different

insights into economic development patterns of the least developed countries which includes Mozambique – and into the role of knowledge and human capital in economic development.

The thesis will now discuss these models.

2.7.2 ALTERNATIVE MODELS OF ECONOMIC DEVELOPMENT

2.7.2.1 Dependency theory

This theory suggests that countries become more dependent on more powerful, frequently colonial powers, as a result of interaction and development. As the more powerful country exploits the resources of its weaker colony, it becomes dependent on the stronger power (Graaf, Wood and Hendricks, 2001:10). The exploited resources flow into the economy of the stronger country with little benefit to the weaker country. Nagle (2005:31) reinforces the above view by defining economic development of many countries of the North as the “development of underdevelopment” in weaker countries. He contends that the problem of poor countries is not lack of resources, technical know-how, modern institutions or cultural development that lead to economic development, but that they are exploited by capitalist countries. From an investment promotion perspective, this theory finds resonance with Ajaiy’s (2006:40) argument in relation to foreign direct investment. He argues that in the attempt to attract FDI some countries run the risk of racing to the bottom by adopting policies which do not have the greatest multiplier effect on the host country in terms of sustained growth. Hence, there is a need to be innovative in promotion policy to ensure that the upsides outweigh the downsides. The dependency theory is characterised by:

- Incorporation of politics and economics in its explanation;
- Consideration of the historical process of how underdevelopment can come about, that is how capitalist development began in one part of the world and then expanded into other areas;
- Development as a revolutionary break, clash of interests between the ruling classes and the working classes; and
- An emphasis that to be developed is to be self-reliant and to control natural resources (Ferraro, 2008:60).

Dependency theory also stresses that modernisation does not necessarily mean Westernisation and that under-developed countries must set their own goals, appropriate to their needs, resources and values. This view is informed by the way Dube (1997, as cited in Abiche, 2004:28) characterises modernisation as the response of Western social sciences to socio-economic challenges. However, what is important to stress is that modernisation

encouraged a rational and scientific worldview and the increasing application of science and technology to socio-economic issues together with institutional changes.

2.7.2.2 World systems analysis

Immanuel Wallerstein (2000:15) devised this theory as a way of looking at economic, social and political development. The theory treats the whole world as a single unit. In Wallerstein's view an analysis of development must be seen as a part of the overall capitalist world economy, rather than on a country-to-country basis. Goldfrank (2000:26) argues that Wallerstein's reasoning is that looking at individual countries in isolation was too simplistic and symptomatic of developmentalism. The latter presumes that each country is economically and politically free and that all countries follow the same route to economic development. What can be gained from this perspective is that beyond the capitalist world economy dimension it is very important to have an understanding of what has worked in other countries economically and to learn and adapt the lessons to a country's specific stage of economic development.

2.7.3 CONTEMPORARY ECONOMIC MODEL OF DEVELOPMENT

2.7.3.1 New growth model

A fundamental feature of New Growth theory is that unlike physical goods, knowledge is characterised by increasing returns, which drive the process of economic development (Arthur, 1996:11). This model points to the importance of knowledge and human capital in economic development (Smith, 2000:4). It states that the process of creating knowledge is critical in determining the economic development of nations. The model represents a move away from a resource-based economy to a knowledge-based economy, which can be conceptualised in terms of communications and technology. But what is knowledge? Cortright (2001:2) argues that the definition of knowledge should be broad enough to include not just the high-tech, but also the seemingly, routine. Hence, he defines it in the following terms: knowledge is everything we know about the world, from the basic laws of physics to the blueprint for a microprocessor, to how to sew a shirt or paint a portrait. For example the initial cost of developing a Windows operating system may be high, but the production of subsequent compact disks of the system, costs increasingly less. Further rationale behind the increasing returns is that knowledge can be infinitely shared and re-used and accumulated without limit. Hence, it is not subject to diminishing returns. In the language of economists, diminishing returns means that as an additional unit of good is produced by increasing input such as labour, the cost of output increases compared to the last unit produced (Cortright, 2001:10).

Stiglitz (1999:81) argues that the success of the East Asian countries for example could be attributed to their ability to close the knowledge gap in basic infrastructure such as energy and telecommunications and development of expertise in business development.

Arthur (1996:18) states that diminishing returns is the cornerstone of the traditional economic development model. The idea of increasing marginal cost which traditional economic development models represent, Cortright, reasons, is critical in the assumptions of mathematical equations, which economists use to describe an economy and its equilibrium. It explains Adam Smith's *invisible hand* (supply and demand forces within the market) in encouraging the optimum levels of production and efficient distribution of output (Schumpeter, 1934 as cited in Cortright, 2001:14). Cortright points out that diminishing returns have some pessimistic implications for an economy as a whole, as it implies that if there is an ever diminishing return to new machines and additional workers then economic growth will become slower and slower and eventually stop. However, historical records have not supported this vision.

The above led to Robert Solow in the 1950s to build a model to address this contradiction by limiting diminishing returns to labour and capital. He also added technical knowledge. However, the latter was considered as something not created by economic forces (Dosi, 1996:32). Hence, it was not given the relevance it deserves in economic development.

The assumption that technological knowledge was determined by forces outside of the economy led to Solow's model being labelled an "exogenous" model of growth. Not surprisingly, the major weakness of this model is that it advanced that economic growth was primarily attributable to increases in capital and labour and that technological knowledge only had a marginal contribution to make in this regard (Fagerberg, 1994:45). The New Growth theory challenges the exogenous model. It argues that technology does not just happen as the exogenous model suggests. Also, economies cannot just grow simply by adding more and more of the same factors of production (capital and labour). The source of economic progress according to the New Growth theory is ideas (Fagerberg, 1994:50).

To reinforce the above, Cortright (2001:20) argues that we have basically the same stock of physical resources we have always had and that economic progress has only been possible through our ability to rearrange these objects into forms that provide greater values. Here, Cortright emphasises the value of technological knowledge in economic development. He gives a practical example of today's Petium-4 based desktop computer which has about the same quantities of copper, fibreglass and other materials since the days of IBM's Computer in 1982. Yet, today's computer is a hundred times faster and capable of far more functions because all of the materials have been rearranged through advances in technological

knowledge. According to the World Bank Institute (2004:28) a successful transition to knowledge economy depends on the following pillars:

- Sound economic incentives and institutional regime to ensure efficient use of existing knowledge and the growth of entrepreneurship. The institutional regime implies a financial system capable of mobilising and allocating capital to its most productive uses. It implies a flexible labour market and an appropriate legal and regulatory framework;
- Educated and creative population which can create, share and use knowledge well.
- A dynamic information infrastructure that can facilitate effective communication, dissemination and processing of information; and
- Efficient innovation system of firms, research centres, universities, think tanks and other organisations that can tap into the growing stock of global knowledge.

Figure 2.6 shows the relationship between knowledge and economic development

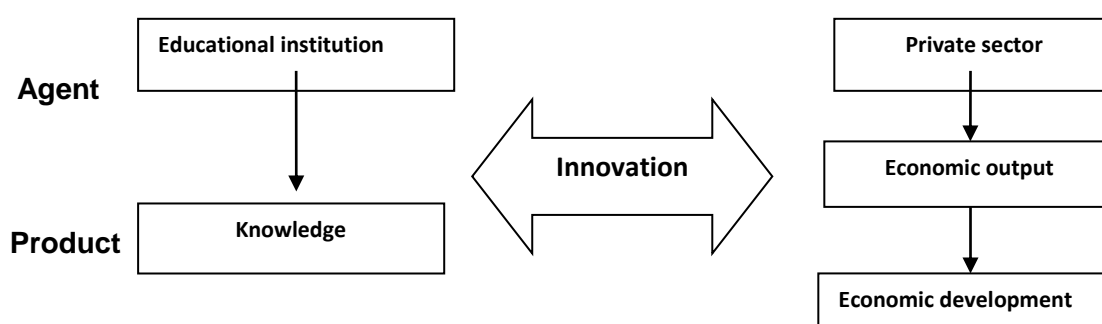


Figure 2.6: Relationship between knowledge and economic development adapted from Pedersen (2008:4)

2.8 THE RELATIONSHIP BETWEEN STATE AND ECONOMIC DEVELOPMENT

Gilpin (2001:303) states that the all-important variables in economic development have been the interplay between state and market and their relative importance thereof. In essence, the disagreement between the developed world and the less developed world has been around this point. As a result two schools of thought have emerged namely: Neoliberalism and Developmental State which necessarily would have a bearing on how a government approaches investment promotion. Hence, they will now be discussed.

2.8.1 Neoliberalism school of thought

Neoliberalism states that the state should have a minimal role in the economic development of a country and that reliance on the market is the only way to ensure rapid economic development. It argues against the belief that the economic success of Newly Industrialised Economies (NIEs) was due to an *activist* government in economic development (Krugman,

1986:75). Its proponents argue that the fundamental difference between the two theories lies in their analysis of the precise causes of economic underdevelopment and conversely economic development. Advocates of Neoliberalism advance accumulation of capital and labour (basic factors of production) as key to economic development. This fundamentalist view which attributes economic development to “getting the prices right” and accumulation of the factors of production were supported by economists such as Krugman (1995:21).

The 1991 Asian Miracle Project commissioned by the World Bank in order to determine the specific reasons for the economic success of the NIEs and to evaluate alternative approaches to economic development came to the conclusion that the success was attributable to the Neoliberal school of thought, which pushes for prudent macro-economic policy, high savings rates and investment. However, the report was criticised for its deep ideological bent and for assuming that economic development is a linear process of factor accumulation through private domestic and foreign investment, education and exports. The report contradicted the nature of imperfect information, increasing returns and other dynamic properties (Choi and Beladi, 1996:48).

2.8.1.1 Criticism of Neoliberalism

North (1990:13) points out that certain development theorists argue that the least developed countries are fundamentally different from the more advanced industrialising countries and that Neoliberalism is more appropriate for the latter. Differences can be found in commodity export, excess labour and low productivity in agriculture as features which distinguish the two groups. In addition the terms of trade in the global market benefit primarily the developed North. Also, economic development is complex and therefore reliance on factor accumulation, a fundamental feature of Neoliberalism, is wholly inappropriate for the South.

Still, other critics such as Kydd, Doward and Poulton (2002:168) contend that the fundamental flaw in Neoliberalism lies in its neglect of the institutional dynamic and its inherent constraints. Therefore, Kydd *et al* (2002:170) label it “a-institutional” as it fails to provide an explanation of the existence of economic organisation or of the role of institutions. They argue that institutions represent the “rules” of the game and economic organisation while organisations are the players of the game. It follows, therefore, that one cannot analyse economic organisation outside of the institutional context within which they operate.

The above analytical oversight explains for example the failure of structural adjustments in Africa and consequently may be useful in pointing towards possible solutions such as, what is the role of the state in supporting the institutional framework to advance economic development (Kydd *et al*, 2002:170).

2.8.2 Developmental state school of thought

Proponents of this theory state that a “governed market” is essential for successful economic development. They see it as the most appropriate model to achieve both economic development and political independence. The latter is reinforced by the highly concentrated market power which characterises the world today, which leads countries to desire to control their own national economies as much as possible rather than being at the mercy of the free play of the market forces, which is the hallmark of Neoliberalism (Reynolds, 1971:61). Developmental economics in favour of state intervention in the economy advocates that developing countries in particular “require an activist government” and that the international community should play a pivotal role in the development of the least developed countries (Gilpin, 2001:315).

This theory, its proponents argue, was vigorously pursued by the Newly Industrialised Economies (NIEs) in East Asia. It advances that the economic success of Japan, Taiwan, South Korea and others was due to the intervention of the state in the economy (Gilpin, 2001:316).

In addition, the African Development Bank Report (2005:134) argued that a developmental state intends to influence the direction and pace of development via direct intervention in the development process by making selective allocations of economic resources. In the case of Japan, the report asserted, it was in the reconstruction of its industrial capacity. Furthermore, Mkandawire as cited in the same report above (ADB, 2005:135), sees the mission of a developmental state as that of ensuring economic development.

Beeson (2003:41) advances the view that the experience of developmental state theory by East Asian countries has demonstrated some important lessons particularly for the developing countries such as Mozambique. These are:

- A key to an effective developmental state is state capacity to formulate and implement developmental policies. Key bureaucratic agencies should have the staff and policy tools to guide the development process;
- A competent bureaucracy is essential as this component of government puts into action policy decisions and influences changes thereof. An effective relationship between the bureaucracy and the domestic business class lies at the centre of any successful developmental initiatives. The bureaucracy should have a close relationship with the business sector to nurture it, but not too close a relationship lest it risks capture by particular interests which prevent it from acting in national interest; and

- Institutionalisation of the developmental state is essential for its initial success. It stresses that care should be taken against corruption.

2.8.2.1 Developmental state debate in Mozambique

In 2003 Agenda 2025 was published by a group of 14 prominent Mozambicans who called for a more interventionist economic policy (Hanlon and Smart, 2008:190). The group noted that as from 1987 the country adopted structural adjustment measures within the context of agreements with the IMF and the World Bank. As a result, public expenditure was drastically reduced vis-à-vis revenue; cuts in education and health sectors were substantial and state-owned enterprises were privatised.

The micro-economic policies of Neoliberalism introduced in the 1990s which emphasised financial and monetary prudence were implemented in the absence of the complementary support policies and actions at the micro-economic level in the productive sector, leading to an increase in the commercial sector to the detriment of industrialisation. The main factories and SMEs closed down. As a result, informalisation of the productive and commercial sectors spread to the whole country. Agenda 2025 argued that Neoliberalism paradigm which Mozambique adopted has not changed the economic and social situation of the country. Interestingly, Agenda 2025 criticises the policy of attracting foreign direct investment as it is biased against local entrepreneurs (Hanlon and Smart, 2008:192). This led the group to call for a greater involvement of the state in the economic affairs of the country.

2.8.2.2 Criticism of state intervention in economic development

Neoliberal economists argue that the main causes of underdevelopment are government policies which distort economic incentives, inhibit market forces and work against economic development. In their view market openness, fiscal discipline and non-intervention by government constitutes the best route to economic development (Gilpin, 2001:313). This ideology gained greater currency with the collapse of the Soviet Union which epitomised a state-centred economy.

In summary, the discussion so far has indicated that economic development is about increasing economic welfare through greater utilisation of productive resources, while economic development models facilitate our understanding of the political economy. They help us to determine the stage of a country's economic development, which in turn helps determine what and how to prioritise in economic policy. This has practical relevance for any investment promotion strategy and its implementer – IPA. Also, New Growth theory has indicated that ideas are critical to economic development. Investment promotion by virtue of being correlated with economic development, arguably, requires ideas and knowledge as

was shown by Chile's IPA which makes use of transnational networks and think-tanks to develop effective strategies.

Finally, the discussion on Neoliberalism versus Developmental State has shown that both paradigms of thought have strong implications for the economic policy which a country formulates. In the case of Mozambique, Agenda 2025 expressed its concern over Neoliberalism and the influence it has had over investment promotion strategy, which in their view seems to be biased towards foreign investors. In the discussion above there was a brief reference to Mozambique's political economy particularly about the Developmental state paradigm. Now, the discussion will go into more detail about Mozambique's political economy and its relationship to investment promotion initiatives.

2.9 OVERVIEW OF MOZAMBIQUE'S ECONOMIC DEVELOPMENT

Abrahamsson and Nilsson (1995:28) are of the view that until Mozambique became independent in 1975 there was no specific economic development strategy in place. Accordingly, in 1977 two years after independence, Frelimo, the ruling liberation party, held its 3rd congress at which it presented its economic development strategy to combat years of under-development. The key objective was to transform the economic structure through mechanisation of agricultural production. Frelimo considered agriculture as the basis of the Mozambican economy in the following words:

Agriculture is the basis of our economy, satisfying the basic needs of the people, supplying raw materials for industry, and guaranteeing a level of exports necessary for the economic development of the country (3rd congress, 3-7 Feb 1977).

Frelimo believed that the resultant agricultural surplus would provide much needed revenue to invest in social spheres such as health care and education. This was not an easy task though, given that most of the colonial state administrators had left the country at independence. Frelimo strived to establish an effective state administration as a critical element in ensuring economic development (Abrahamsson and Nilsson, 1995:29). However, shortly after the strategy was adopted the country was submerged in a civil war until 1992 which caused severe economic setbacks (Neto and Monteiro, 1999:79). Consequently, in the 1980s, the country had to implement an emergency programme - Humanitarian Assistance Programme. The war forced the country to use its limited resources for the more urgent concerns namely: health-related relief and food aid, which together with the Humanitarian Emergency Programme distorted the normal economic activity in the country (Gabinete de estudos, 2003:40). The fundamental economic variables deteriorated significantly by 72%. The economic decline led to the introduction in 1987 of the Economic Rehabilitation Programme (ERP) with the backing of the World Bank and the IMF. This was later complemented by the Economic Social Rehabilitation Programme (ESRP) to soften the

harsh consequences of the stabilisation upon the most vulnerable groups. As a result the country saw moderate progress with an average gross domestic product growth of 5, 2% which was stimulated by agriculture and light industry (Otto and Hartley, 2008:289). However, insecurity due to war in the early 90s, meant that real GDP only grew by 0, 9% and consumption per capita declined (Otto and Hartley, 2008:310). Following the peace agreement in 1992 the government drew up the National Reconstruction Plan (NRP) as a blue-print for economic development. This programme was later substituted by the *Programa para a Redução da Pobreza Absoluta*(PARPA).

2.9.1 Programa para a Redução da Pobreza Absoluta (Absolute Poverty Reduction Programme)

Hanlon and Smart (2008:206) are of the view that PARPA is a broad-based economic development programme which aims to promote entrepreneurs, individual business people, commercial farmers and associations. One of the priorities of the programme is the establishment of a development bank to promote private sector development.

The G20 in its 2005 annual poverty report stated the importance of financial institutions such as development banks in promoting economic development. South Africa for example, has the Development Bank of Southern Africa (DBSA) while Brazil has *Banco Nacional de Desenvolvimento Económico e Social*. In 2005 it lent \$20 billion in Brazil, double the amount lent by the World Bank for economic development initiatives (Banco de desenvolvimento económico e social, 2007:210).

The Brazilian Development Bank has a sub-structure, which provides finance and training to small businesses. Their overall contribution over the years has turned Brazil into the largest chicken exporter in the world (Banco Nacional de Desenvolvimento Economico e Social, 2007:250).

In the Western world and the North there is the Reconstruction Finance Corporation (RFC) which was created by the United States in 1930 to direct credit to businesses during the depression. There are also housing and agricultural banks which are offshoots of the RFC, while Japan and Germany set up reconstruction banks after the Second World War, which continue to operate to this day (Hanlon and Smart, 2008:178). Hanlon and Smart (2008:179) argue that all over the world development banks have had a positive impact on economic development and therefore, the same would happen if Mozambique were to have one. This view seems to suggest that the current development finance institution, *Gabinete de Apoio às Pequenas Industrias* (GAPI) has not been effective enough.

GAPI was created in 1984 to provide finance and business services to small businesses and has 300 borrowers from various sectors such as agriculture, agro-processing and crop

trading and fishing (Whiteside and Gouveia, 2003; World Bank, 2005c; Walker, 2006;). Hanlon and Smart have indicated that one of the priorities of PARPA is the promotion of the private sector development or put differently, the promotion of entrepreneurship and business investment, which cannot occur without a legal framework.

2.10 MOZAMBIQUE'S INVESTMENT LEGAL FRAMEWORK

In March 1998 an investment bill was passed into law with a view to simplifying procedures for setting up businesses in Mozambique (Ferraz and Munslow, 1999:5). The law replaced the 1979 law which required prior authorisation to set up a company. Huge tax breaks were introduced for major investors. As a result, the country saw an inflow of foreign direct investment to the tune of 4 billion USD according to the United Nations Convention on Trade and Investment 2006 foreign direct investment report. The biggest investments have been in the minerals-energy sector (Walker, 2006:88).

Hanlon and Smart (2008:15) point out that this sector is capital intensive and therefore creates few job opportunities. Also, their contribution to the state budget is marginal because of the major tax and fiscal exemptions which have been put in place to attract investment into the country. Mozal aluminium smelter as was alluded to earlier is a case in point. It was set up in 2000 and benefits from huge fiscal exemptions. It is exempted from all taxes except 1% of corporate income tax. Simeao(1999:64) in agreement with the tax breaks, emphasises that foreign direct investment is an important instrument for promoting growth in developing countries and helping to overcome the various limitations of government, entrepreneurs and local investors.

The assumption is that FDI brings to developing countries much needed resources in terms of technology and capital beyond the reach of government and the local business community in general and therefore tax breaks which were introduced in Mozambique were justified. Such resources can be used to effect economic changes in the area of infrastructure, production of goods and services, and the internationalisation of the Mozambican economy.

Alves (1999:58) concurs with the above view by stating that foreign investment whether in the commercial, industrial or agricultural fields and whether individually or in cooperation with local partners is the most secure and lasting way to ensure and consolidate production for the domestic and foreign markets. Furthermore, Simeao makes a positive assessment of the simplified procedures to set up a business in Mozambique. From 2003-2004 major investments have taken place in the mining sector, transport and communication, tourism, agriculture and agro-industry. Castel-Branco (2003:23) points out that all the mega-projects in Mozambique are over-concentrated in the mineral and energy sector.

Notwithstanding this development, Banze and Silva (1999:170) make some observations regarding the mining legal framework in Mozambique, which is worrying.

2.10.1 Mining legal framework

The mining law provides for the issue of the following mining titles: prospecting and investigation licence, mining concession, quarry permit, mining certificate and mineral and precious metals trading licence (Banze and Silva, 1999:71). The prospecting and investigation licence gives the holder the right to undertake geological reconnaissance and research on specific minerals in a clearly defined area where the holder does not have exclusive right. A mining concession gives the holder exclusive right to develop, extract and trade specific minerals in a clearly defined area. It does not substitute for land use and benefit title, but rather it enables the holder to obtain one. The quarry permit authorises the exploitation of mineral resources destined for building materials.

The mining certificate is specifically for small-scale geological mining activity and is issued in areas designated by the state. The minerals and precious metals trading licence authorises business transactions in gems and precious metals which do not result from exploitation under a mining title in a defined area. Banze and Silva(1999:72) state that the licencing process involves the submission of a request detailing the identity of the company, specification of the intended objects, location and minerals, a presentation of technical capacity and proof of financial capacity to cover the basic budget for the work proposed . The above is then examined by the appropriate sectors and an announcement is made in the largest circulation newspaper to give an opportunity to interested parties to raise any objection. If no objection is forthcoming then the respective licence is issued.

Maxwell (1999:71) indicates that the system for checking the availability of a given area is done manually; is slow and subject to imprecision, which in turn leads to conflicts of interest due to the multiple forms of occupation and use of land and the resources it has. Maxwell (1999:75) identified a number of conflicts of interest among various stakeholders as indicated below:

- On the one hand, the state is trying to promote investment and the subsequent development of mineral resources in harmony with environmental protection and the rational use of mineral deposits;
- On the other hand, there is the local business sector which is motivated by profit and seeks to position itself in the sector, but which usually does not have the necessary material resources or experience in the field;
- There are also the potential foreign investors, whose involvement is essential if mineral resources are to be developed, since it usually requires heavy investments or

capital which they can muster. This group usually seeks incentives and satisfactory guarantees before investing;

- The population in the areas subject to geological-mining activity is another group with specific interests. The land is their vital space for survival and subsistence and they feel threatened by commercial developments; and
- Small-scale operators, commonly known as planners, who don't always have formal authorisation to exploit mineral resources. This group is usually made up of local people and those from neighbouring areas.

The exploitation of mineral resources cannot be seen in isolation to sustainable development or environmental issues as Ferraz and Munslow (1999:97) put it, resource management of the natural resource base, is what sustainable development is all about.

2.11 ENVIRONMENTAL ISSUES

In 1994 The Ministry for the Co-ordination of Environmental Action (MICOA) was established with the aim to co-ordinate environmental action (Ferraz and Munslow, 1999:100). In general terms it implies bringing together economic actors engaged in separate but complementary activities. Ferraz and Munslow (1999:101) argue that given that sustainable development is a stated principle of government policy, the responsibility for environmental management has to be shared by all ministries and sectorial policies must integrate the environmental dimension. The legislation prescribes the following functions to MICOA:

- Development of inter-sectorial policies for sustainable development;
- Development and promotion of integrated resource-use planning;
- Preparation of general environmental legislation, promotion of sectorial legislation and the establishment of norms and criteria for the sustainable use of the country's natural resources;
- Fostering of formal environmental education for sustainable environmental management;
- Creation of pre-conditions for law enforcement and environmental monitoring; and
- Establishment of a database on the state of the environment, sufficient for the determination of policy priority.

Lack of effective inter-sectorial coordination has been identified as one of the challenges which MICOA faces (Luis, 1998:20). For example the ministries covering the major sectors of production – agriculture, mining, fisheries and so on have remained autonomous and powerful with regard to environmental issues. Another challenge relates to technical

capacity. In their view, few people have the required skills in this area, and those who have the skills gained them outside of Mozambique and face difficulties applying the concepts within the Mozambican reality (Ferraz and Munslow, 1999:32).

The point about the inter-sectorial coordination brings into focus once again the notion of a wider environment indicated earlier by Murphy, within which IPAs operate. More importantly, it speaks about issues of institutional capacity across the public sector to engage with investors in a way that results in a better service quality. With the public sector in mind, our discussion turns to its enabling role in economic development.

2.12 PUBLIC SERVICE

Mentz, Kotze and Kellerman (1997:38) are of the view that the public service remains the single largest development agency – particularly in the developing world. They argue that the public service is expected to perform sensitive tasks with regard to development and promote an image of professionalism and efficiency.

Peuker (2002:35) reinforces the above by stating that the public service is an integral institution which provides administrative and symbolic reference points in terms of national development goals. According to Nwokoma (2008:152) there is a growing body of empirical evidence indicating the significance of public management in shaping the development prospects of a country. The evidence points to specific types of institutional arrangements which are associated with good public management outcomes.

Africa Capacity Building Group (1999:102) reinforces the above view by stating that organisations whether involved in regulation, budgeting or service delivery, tend to perform at higher levels when supported by appropriate structural and capacity conditions. Structural conditions relate to governance structures which shape the incentive environment within which organisations and individuals undertake critical activities, while capacity conditions are the minimum level of know-how, skills and equipment necessary to fulfil objectives (Nwokoma, 2008:153). It has been established that weak capacity and inadequate structures are an acute problem in many African countries. These deficiencies are conducive to poor public service performance (ADB, 2005:124; Kouam, 2008:41).

Mentz *et al* (1997:3) are critical of structural changes, while aspects relating to behavioural change of public officials are neglected. The neglect of behavioural change, Mentz *et al* (1997:8) argue, leads to little influence being exerted on the overall operation of the administrative system. This indicates the importance of public service reforms within the context of economic development. Hence, a discussion of public service reform follows.

2.12.1 Theoretical approaches to public service reforms

Public service reforms have been grounded in a number of theories namely: New institutional economy; public choice theory and new public management (Caiden, 1991:68; Africa Development Bank Report, 2005:32).

2.12.1.1 New institutional economy

This theory essentially gives prominence to the role of institutions in economic development. The theory holds the assumption that 'institutional structure exerts an important influence on human behaviour and choice' in contradiction to the neoliberal approach which ignores institutions and preaches the message of perfect rationality (ADB, 2005:127). Arguably, the theory rejects the assumption of self-correction of the market. Instead, it recognises that there should be regulation in the economic space to ensure social equity or fair distribution of the gains from economic activity on the one hand. On the other hand, regulation ensures fair competition among economic competitors.

It transcends the micro-economic efficiency under the ideal-type conditions of perfect information and foresight. Some of the assumptions of this theory are outlined below (Caiden, 1991; Lane, 1993):

- People have different tastes and preferences and therefore, the state, firm or political party cannot be treated as if they are all alike;
- Individuals are assumed to seek their own interests as they perceive them and maximise utility, subject to the constraints established by the existing institutional structure;
- Preferences of decision-makers are recognised as incomplete and subject to changes over time. Hence, the notion of bounded rationality;
- Human behaviour may be dishonest in the sense that people may disguise their preferences, distort data or deliberately confuse issues;
- A country is able to develop economically only if property rights exist and contracts are respected. Society, therefore, must be concerned with the social arrangements that regulate the transfer of property rights in a reliable manner; and
- Property rights configuration within an economy is determined and guaranteed by a system of rules and instruments that serve to enforce these rules. This necessitates good governance.

The weakness of the NIE, however, lies in its ineffectiveness to provide solutions. It tends to legitimise top-down solutions at the systems level that typically lack key political support,

leading to resistance to any reforms which it advances. Another weakness is that it places too much reliance on the market without paying enough attention to other issues (Lane, 1993:13) which are crucial to national development.

2.12.1.2 Public choice theory

This theory is concerned with the provision of public goods, which governments deliver in lieu of the market. It assumes that political society is made up of self-interested individuals who join together with like-minded people to form interest groups with the view to advance specific self-interested goals. PCT reinforces the self-interest maximisation hypothesis. Furthermore, it underlines four key principles (Grindle and Thomas, 1991:87):

- Public sector officials: They behave to maximise their own interests;
- Social entities: These are fundamentally sets of individual actors;
- Political interaction is based on voluntary exchange;
- Voluntary political exchange requires the making of an economic constitution to guide the relationship between the state and the individual; and
- Citizens provide the state with resources and power in return for goods and services as well as laws to regulate society.

The theory helps to understand and explain how decision-making takes place in government. It also helps us to explain the difficulties to reform due to vested interests manifested in political relationships (Harlow, 2000:77). One criticism against public choice theory is that although it indicates the importance of the power-seeking motivations of decision-makers, it tells us very little about how their motivations are developed and how these change over time (Durevall, 2003:45). Arguably, public choice theory and NIE advocate the centrality of institutions in guiding relationships in all spheres of social life. The major weakness, it could be argued, is that these two theories do not tell us anything about the fallibility of institutions nor do they provide guidelines to counterbalance such a scenario of institutional fallibility.

2.12.1.3 New public management theory

The underlying premise of NPM is the need to “treat institutions from the perspective of enhancing efficiency in public transactions” (ADR, 2005:129). In that respect it complements NIE discussed above. The Neo-liberal ideology which stresses the need for a service-oriented and efficient public sector gave momentum to this theory (ADR, 2005:135). Countries such as Australia and New Zealand were at the forefront of this approach by implementing cuts on public expenditures. This meant the re-organisation and modernisation of public bureaucracy. The OECD countries played a vital role in initiating this new wave of

administrative reforms which came to be known as NPM (Adamolekun, 1999:15). The NPM concept may be organised into two main clusters:

- Making the public sector more managerially oriented; and
- Creating an economic and political environment in which managerialism can flourish.

Furthermore, Kærjer (2004:24) states that there are common elements in the various definitions of NPM which are:

- Deliberate planned change to bureaucratic methods;
- Innovation in the public sector;
- Improvement in public service efficiency and effectiveness; and
- Developing ability to cope with uncertainty and rapid changes taking place in the organisational environment.

Table 2.7 below shows the main characteristics of NPM.

Table 2.5: Main characteristics of NPM

Variables	Managerial measures	Enabling factors
Professional management	Delegating management authority within public services	Breaking up existing bureaucracies into separate agencies
Output control	Results orientation and funding of outputs rather than inputs	Encouraging greater public awareness by adopting citizens' charters
Operational efficiency	Greater discipline and parsimony in resource use	Greater competition in the public sector and fees for services rendered
Terms of services	Flexibility in hiring and firing employees	Downsizing the public sector and limiting union influence
Budgeting	Making budgets more transparent in accounting terms	Encouraging governments to become more enterprising by earning rather than spending

Source: African Development Report (2005:130)

Kærjer (2004:33) states that by focussing on private sector management practices, the objective is to move away from rule-oriented (as suggested by Max Webber) and rigid practices, towards a smaller and flexible service-delivery organisation that is user-responsive and outcomes-based. In Africa new public management can be seen through the creation of autonomous executive agencies, decentralisation of management, subsidiarity, accrual accounting and commercialisation.

The creation of executive agencies or agencification is the manifestation of NPM. Agencification was pursued vigorously by many countries such as the UK, which by 1995 had 109 agencies (Kærjer, 2004:37). An agency has a document setting out its objectives

and performance targets. In other words the objectives of an agency tend to be specific and of narrow scope.

Revenue authorities, an example of agencification, have become quite common in Africa. The finance ministries which would normally deal with revenue collection have now given that function to revenue authorities in line with NPM guidelines (Hood, 1991:30). The challenge in Africa (Balogun and Mutahaba, 1991:180) is that NPM has not succeeded in eliminating the clientelistic tendencies that tend to be present in African governments. Olowu (2003:18) adds another viewpoint which is that African public services are a reflection of three models: NPM, the classical model of public administration and the more informal practices associated with neo-paternalism. These sometimes contradict one another and sometimes complement one another. Therefore, implementing the objectives of NPM in Africa is continuously an uphill battle. The discussion highlights the need for a careful approach to reform with reference to Africa.

Girishankar (2001:91) considers any reform as a deliberate attempt to transform institutions from sub-optimal performance into a governance structure which provides sufficient incentives to perform effectively and efficiently. Nwokoma posits that “good practice” should be built into public management system structural reform and that research has shown that for a public management system to be effectively and efficiently transformed four factors have to be taken into account (Nwokoma, 2008:153):

- Credible policy-making and planning;
- Adequate and predictable resource flows;
- Flexible delivery arrangements; and
- Enforceable regulation.

Nwokoma (2008:153) points out that the “design of a delivery system is critical to improve access to important social services while the absence of effective checks and balances of public sector actors in resource management not only threaten government’s fiduciary interests, but also undermine frontline performance and development outcomes”. This viewpoint has a significant bearing on the activities of an IPA. It means that it is in the best interest of an IPA to ensure that there is a competent and efficient delivery system in the public service.

Girishankar and Manning (2000:25) state that in order for public service reform to achieve better service delivery and create a climate conducive to private sector development, the social and political dimensions unique to those countries have to be taken into account. To address the above concern an emerging framework in the public sector reform advocates

that for countries to succeed in public service reform there needs to be motivation and demand-side pressures on the part of citizens, firms, civil society and other stakeholders (Girishankar and Manning, 2000:33). Girishankar and Manning (2000) provide a matrix to illustrate the relationship between motivation and demand-side pressures and how it impacts upon the public sector as indicated in Figure 2.7

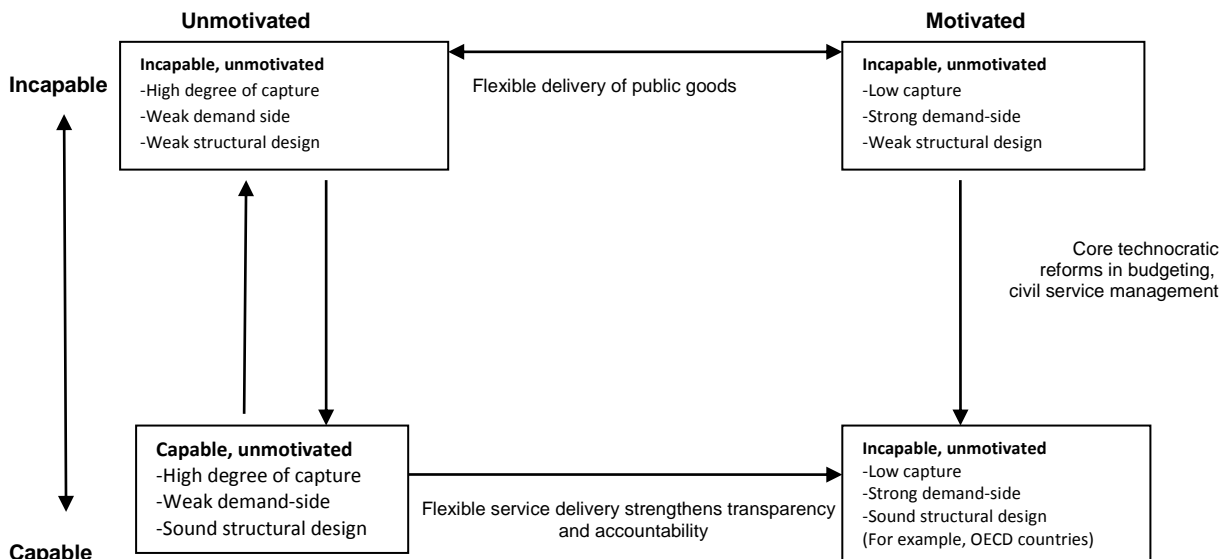


Figure 2.7: Relationship between motivation and demand-side as catalysts for capability in the public sector, adapted from Girishankar and Manning (2000).

Leeman (1992, as cited in Mentz *et al*, 1997:3) agrees with this view above by stating that public service reform is dependent on a particular social, political, cultural and geographical context among other factors. Therefore, any reform has to bear these in mind. Furthermore, Schacter (2001:20) states that there is growing consensus that public sector reforms have to bear in mind issues such as leadership and ownership, popular pressure for reform, the impact of accountability, the power of information and the impact of organisational culture. Nwokoma (2008:154) argues that governments in embarking on public service reform should take into consideration economic stability, investment climate, and above all the type of institutions they would like to have within the context of economic development. However, he adds that in the final analysis the direction of any reform will be informed by the ideology of the day in the country concerned. This could be either Neo-liberalism or Developmental state ideology.

2.13 EVOLUTION OF THE MOZAMBIKAN PUBLIC SERVICE AND ITS REFORM

Following the partition of Africa at the Berlin conference in 1884 the Portuguese colonialists took formal control of Mozambique and organised it into two administrative structures: colonial and traditional. The traditional administration was subordinate to the colonial one (Ministério da Administração Estatal, 1998:5; Chichava, 2008:10). From occupation to

independence Portuguese colonial administration in Mozambique can be distinguished into the following phases (Chichava, 2008:3):

Pre-colonial period: Public administration was in the hands of the monarchy which also had control over the judiciary. The key feature of this type of administration was centralisation of functions in the hands of the monarchy.

Colonial period: This period saw the introduction of liberal administration or the principle of subsidiarity and the separation between administration and the judiciary. Decentralisation became the main theme of public administration. In December of 1933 the colonial government through the decree number 23.229/33 of 15 November of 1933 introduced administrative reforms for its colonies, *Reformas Administrativas Ultramarinas* (Overseas Administrative Reforms). The main objective was to regulate and control the organisation and functioning of public administration in the colonies (Wuyts, 1995:65).

2.13.1 Post-independence public service in Mozambique

After independence on the 25th of June 1975 from Portugal, Mozambique adopted a new Constitution, which among other things, was aimed to address the structure and methods of functioning of public administration. Public administration was seen as an instrument to bring about socio-economic changes (República de Moçambique, 1990:16). The first normative instrument which was approved for the organisation of public administration was the decree number 1/75 of the 27th of July, which outlined the main functions of each Ministry. The ruling party, Frelimo, at its 3rd congress in 1977 produced an economic and social action plan which required an effective public administration against the backdrop of a significant loss of experienced public administrators of the colonial era, who had left the profession at Independence. Therefore, the new government had to employ new staff with little or no adequate skills in public administration (Abrahamsson and Nilsson, 1995:168). The constitutional developments in the 1990s marked a change in the political system of governance and the replacement of a planned economy with a market economy in Mozambique. The low skills base in public administration required a strategy to adequately respond to the new political and economic realities. This strategy (República de Moçambique, 2003:05) came to be known as, *Estratégia Global de Reforma no Sector Público* (Global Strategy of the Reform of the Public Sector).

2.13.1.2 GLOBAL STRATEGY FOR THE REFORM OF THE PUBLIC SECTOR IN MOZAMBIQUE

The strategy was aimed at creating and consolidating structures and efficient procedures, adequate management systems and mechanisms of public accountability. These measures for the public sector were intended to offer an institutional environment conducive to the

development of the private sector so that together with the public sector it could promote economic development in Mozambique (República de Moçambique, 2000a:12). It is a holistic approach undertaken by the government in all spheres in order to integrate sectorial changes. These changes involve human resources, rules and procedures in service delivery and financial management. Furthermore, the strategy is seen as essential to consolidate the economic reforms in the country as well as for the successful implementation of PARPA, which has already been discussed. The strategy has key pillars for effective public service reforms which will now be discussed in more detail (República de Moçambique, 2003:24).

a) Rationalisation and decentralisation of the structures and procedures in service delivery

On the one hand, the objective under this rubric is to analyse the functions and re-structuring of the ministries. More importantly, the ministries are required to reflect on their missions and strategic objectives. Chichava (2008:15) argues that the analysis of functions is an opportunity to allocate functions and resources more effectively and create capacity with a view to having a positive economic impact as economic agents and other stakeholders.

On the other hand, privatisation and/or outsourcing of certain functions envisaged under it, open up space for greater competitiveness in service delivery and increased quality thereof (República de Moçambique, 2000c:31; Chichava, 2008:9). Furthermore, it envisages a reduced response time in service delivery, particularly in the registration of economic activities and related issues such as faster concession of the right to use land (*Direito de Uso e Aproveitamento de Terra*), introduction of border visa and reduction in the waiting period to contract foreign labour. The idea behind these is to stimulate local and foreign investment (Chichava, 2008:18).

However, there is some grey area in terms of the border visa as it does not expressly state whether it is permitted for business purpose (República de Moçambique, decreto número 38/2000). Instead it appears to be for holiday only. The point made in the above paragraph has particular relevance to Mozambique's IPA. Reduced response time, in its assistance to investors as indicated earlier, is crucial to the quality of service delivery.

b) Formulation and monitoring of public policies

Improvements in the capacity to formulate, implement and monitor public policies is believed to have a positive impact on economic growth as it allows to adequately respond to the demands of economic agents and society at large (Chichava, 2008:23).

c) Professionalisation of public service agents

Human resource development is fundamental to the success of any reform as it is a function of the quality of both who designs the reform and who implements it. To this end the government has adopted a new salary policy, which is performance-based and outcomes based management (OBM). This is to ensure competitiveness for qualified human resources between the public sector and private sector and significantly reduce the tendency for qualified public servants to move to the private sector (Sulemane and Steve, 2001:104). The government has approved the implementation of the *Sistema de Formação em Administração Pública* (Training System in Public Administration). It is an educational programme which incorporates both formal and informal teaching methods including distance learning. Furthermore, the *Instituto Superior de Administração Pública* (Higher Education Institute of Public Administration) was established to administer formal courses, short courses and applied research on public administration in Mozambique. The rationale is to enhance the techno-professional capacity of public servants (República de Moçambique, 1992b:41; Sulemane and Steve, 2001:27).

d) Financial management and accountability

Prudent financial management is crucial to any government. Bad financial management not only reduces the capacity of the state to provide public services and ensure the sustainability of its operations. It leads to budget deficits which negatively affect the economy. For Mozambique, prudent financial management is extremely important as approximately 50% of its budget deficit is financed by external donors. Consequently, the law of State Financial Administration was passed to improve the state's fiscal management. It has mechanisms to ensure public accountability in the awarding of tenders for public works and service delivery to the state (República de Moçambique, 2000b:50).

e) Good governance and the fight against corruption

Corruption has a negative effect on the economy. It makes the cost of doing business quite high. Chichava (2007:10) points out that the causes of corruption are complex. However, in the public sector, it tends to flourish where there is a lack of transparency, excessive bureaucracy and very complex structures. Hence, the set of reforms outlined above have the potential to reduce the opportunity to have illicit access to public resources. As stated earlier (Kaufmann *et al*, 2009:10), corruption is like an illegal tax for a service rendered or to be rendered.

One cannot talk about good governance without considering the variable of behaviours [(as indicated earlier by Mentz *et al* (1997)] by leaders of public organisations. This variable and

how leaders respond to it will determine the extent of the contribution of their agency to economic development (Leonard and Straus, 2003:38). Leonard and Strauss (2003), reason that the behaviours, which are necessary for effective development management, are reflected in the following:

Public policy: This is the most important way in which a state affects development. It is important to effective development management because it is a critical variable affecting the success of a state agency. For example Leonard and Straus (2003:40) point out that in a comparative study of public agencies in Botswana and Tanzania it was found that performance problems were based in the framework of policies. This means that leaders of public organisations should be able to influence policy which directly or indirectly affects their organisations if they are to succeed.

Organisational leadership: This entails setting goals and mobilising human and material resources to achieve specific goals. Leonard and Straus (2003:40) argue that the greatest challenge to a leader is how to deal with external factors such as securing cooperation and support. This clearly will depend on how well the leader deals with the policy dimension discussed above.

Internal administration: This entails inspiring commitment among all stakeholders and the organisation of work and resources to achieve agreed goals.

Bureaucratic hygiene: This entails the existence of control systems such as regulations to ensure goals are being met and resources are used appropriately. The idea is to prevent all possible forms of corruption.

2.14 CHAPTER SUMMARY

The chapter has shown that service quality is best assessed by users of a given service. The literature on service quality has provided the criteria to evaluate service quality across various types of services including the services provided by IPAs. Also, it became clear that the approach adopted by IPAs is informed by the level of economic development of a country. IPAs have become crucial in any country's economic policy as has been demonstrated by their global presence and the potential they have in fostering investment from within the country and pulling in investment. Our discussion on economic development has shown the interconnectedness between the level of economic development of a country and the way that investment promotion is approached. This is reinforced by UNIDO, which states that governments especially of developing countries approach their investment

promotion in relation to their overall economic development paradigm as discussed under the economic development rubric.

The link between IPAs and the public sector in general is that IPAs by necessity need to be able to coordinate effectively their activities with other public sector stakeholders. It is therefore important that IPAs are able, through their advocacy role, to positively influence the institutional capacity of other public institutions. For example it was shown that Mozambique's IPA - Centre for the Promotion of Investment - works closely with MICOA and other public institutions in providing assistance to investors. So, this is one area in which it could affect the quality of its service provision to investors one way or the other. Hence, there is a need to play an effective advocacy role by Mozambique's CPI in the interest of quality service. However, this is only possible if there is an understanding of what is happening in the wider environment through an analysis thereof. This has been achieved by discussing economic development and public service.

The next chapter will discuss the research methodology of the thesis.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter presents a discussion about the process that the researcher followed in order to fulfil the objective of the study. This entails a methodology. Therefore, the two methodologies which researchers follow in the course of a study, namely: qualitative and quantitative will be discussed to provide a background as to why one methodology was chosen by the researcher over the other (qualitative).

The chapter looks at the population of the study, the instrument used to collect the data and the consequent analysis. The chapter also addresses both ethical considerations and limitations of the study.

3.2 RESEARCH

Wessels and Pauw (in Van der Waldt, 2002:408) define research as an attempt to “contribute to valid scientific statements and to the body of knowledge” in a particular discipline. Brynard and Hanekom (2006:2) add to the above by stating that research is a method of actions through which problems are solved and in so doing the boundaries of knowledge are expanded. This involves the interpretation of data to make conclusions. The above two definitions indicate that the researcher needs to have a clearly defined problem located in a particular field of study. Furthermore, in order to solve the problem identified the researcher needs to have a clear plan of action in terms of population of study, how the data will be generated and ultimately interpreted. What follows is a description of the research process.

3.3 RESEARCH METHODOLOGY

Cohen and Manion (1994:38) provide a useful understanding of the concept by breaking “method” from “ology”. They argue that methods are a number of techniques and steps used to gather data from which inferences and interpretations are made by a researcher in the attempt to answer the research question(s). Van der Waldt (2002:419) states that research methodology “is to do with the logic of interpreting results and analysing findings”. Therefore, (method) ology involves a description and or discussion and analysis of a method, that is, its advantages and disadvantages in trying to arrive at a particular reality.

Welman *et al* (2005:2) state that research methodology “considers and explains the logic behind research methods and techniques”. Two broad research methodologies as indicated in the introduction of this chapter are used in research, namely quantitative and qualitative

research and discussed in the study to inform the selection of the methodology chosen to achieve the objectives of the study.

3.3.1 Qualitative research methodology

Hesser-Biber and Leavy (2006:4) define qualitative research methodology as one which attempts to answer the following questions: why, how and what. These questions they, argue, can only be best answered by qualitative methodology as they “ require gaining complex knowledge directly from people with certain attributes or life experiences- knowledge about their experience and the contexts influencing their relations to others, behavioural choices and attitudes”. It can be deduced that in qualitative research the answer to a statement or question is based upon one’s personal view and may even be beyond the scope of what is expected by the researcher.

Van der Waldt (2002:420) postulates that qualitative research methodology is most appropriate in trying to understand people and the social-cultural context in which they live. This understanding, he adds, emanates from the perspective of the participants taking part in the study. Brynard and Hanekom (2006:37) define qualitative research methodology as one which produces descriptive data and it does not involve any numbers. It entails the discovery of unexpected findings and possible change of research design. Miller (2007:124) contends that the focus on the subject’s interpretation of reality has a bearing on sampling since experiences are subjective in nature and therefore there is a danger that one person or group may not necessarily represent a particular community.

3.3.2 Quantitative research methodology

Miller (2007:123) defines quantitative research methodology by contrasting it with qualitative research methodology. Miller (2007:128) states that it involves assigning numbers to the units measured and performing statistical analysis on the numbers. Furthermore, it emphasises representativity and generalization and causal explanation. The goal of this methodology is to acquire scientific knowledge in an objective, value-free manner. Mouton (cited in Brynard and Hanekom, 2006:37), agrees with the above, by saying that quantitative research methodology is analytical in nature and aims to arrive at universal statements. Struwig and Stead (2001:4) point out that this methodology involves highly structured data collection procedures to ensure standardisation. This point of view was fundamental in the decision by the researcher to select the quantitative research methodology. The objective of the study was to determine the quality of service rendered by Mozambique’s Centre for the Promotion of Investment to both local and foreign investors. Given what is expected of such an institution in terms of services, it was necessary to formulate questions with

predetermined answers to ensure standardisation of responses and conform to the Servqual instrument for evaluating service quality. Hence, the decision by the researcher to use the quantitative research methodology for the study.

3.4 POPULATION

Warwick and Lininger (1975:31) argue that the first step in defining population is to specify the geographic area or physical limits covered by the study. Welman, Kruger and Mitchell (2005:52) state that population is the study object and consists of individuals, groups, organisations and events and conditions to which they are exposed. With the above in mind and in order to meet the purpose of this study the population was a group of investors both local and foreign operating in Mozambique and based in the province of Maputo. The population (N) size based on the database at the disposal of the researcher was 1066 investors both local and foreign. Durrheim and Painter (2006:134) argue that as a rule of thumb, a sampling ratio (sample size/population size x100) of about 30% is required for small populations of about 1000. The population size of this study was just a little over a 1000 and as such the researcher used 30% of the population size to determine the sample size. This was rounded up to 320. The following section describes the sampling process.

3.5 SAMPLING

Based on statistical formula to calculate a sample size, the researcher with the assistance of a statistician worked out the sample size to be 285. However, the researcher decided to work with a bigger sample size – 320. Miller (2007:15) defines sampling as the selection of participants for a particular study. Miller (2007:20) argues that it is important because of the constraints on the scope of research, which means that it is not possible to study every person of the population in whom the researcher is interested due to time and other resources constraints.

It follows then, that a sample must be representative of the population under study if any legitimate generalization is to be made. Miller (2007:65) is of the view that a “logical step is to define what the population of interest is”. Brynard and Hanekom (2006:54) concur with this view by stating that sampling is a technique used to select a group from a population under study in a way that will ensure representativity of the population in terms of certain characteristics of interest to the researcher in an attempt to answer the research problem. In addition, they argue that a sample saves time, simplifies the research and reduces costs. For the purpose of this study a systematic and stratified random sample was used. The rationale was to ensure that neither sub-population was under represented nor over-represented. So from each sub-population (foreign and local) 160 investors were systematically selected and the total of 320 made up the final sample. Online questionnaire was sent to these potential

respondents. Welman *et al* (2005:64) state that in a systematic sample the first element is drawn randomly from a range which goes from one to the integer obtained by dividing population size by the required sample (N/n). In this study the population size was 1066 in equal proportion of local and foreign investors (i.e. 533 each). Therefore the integer for each sub-population was obtained thus: $533/160=3$. The researcher then wrote the integers two and three in small pieces of paper; crumpled them and randomly (without looking) picked one.

The number picked became the first element and every subsequent element was determined by adding the integer 3 ($533/160$) to the preceding element until 160 elements were reached in each sub-population to make up a sample size of 320 representing equal proportions of local and foreign investors from a population size of 1066.

3.6 ETHICS AND CONFIDENTIALITY

Brynard and Hanekom (2006:84) argue that research ethics has to do with what is right and wrong in conducting research. In the process of collecting data for this study care was taken to inform those who willingly agreed to take part in the study by way of a letter detailing the purpose of the study and assuring the confidentiality regarding the identity of the participants (see Appendix D). Furthermore, no participant was forced to take part in the study as participation was voluntary. This was made clear to all. The researcher also assured the participants that if anyone was interested in the results of the study he would make them available.

3.7 DATA COLLECTION

As the name suggests, this activity involves collecting data to “broaden one’s understanding, explain the unknown or add new knowledge to existing knowledge” (Brynard and Hanekom, 2006:35). Holliday (2007:89) defines data collection as a process in which the researcher sees or hears and records data for subsequent analysis. From the discussion on methodology it can be argued that how data is collected is influenced by the methodology chosen. Given the methodology chosen for this study and its aim, which is determining the quality of service rendered by Mozambique’s centre for the promotion of investment to both local and foreign investors and conscious of what is expected of it, the most appropriate means to collect data was through a closed-ended questionnaire. This will be discussed further after a general discussion on questionnaire.

3.7.1 Questionnaire

Van der Waldt (2002:423) defines a questionnaire as a list of questions compiled by the researcher to obtain information on a specific issue. As far as the completion of a

questionnaire is concerned, Van der Waldt (2002:430) makes a distinction between responses being completed by the participant and responses being completed by the interviewer. The rationale is that, in one case the questionnaire should be compiled in such a way that, participants understand clearly what is being asked without assistance. In the other case, special training will have to be given to those who will complete the questionnaire on behalf of the participants.

The questionnaire for this study was compiled in line with certain basic principles to ensure quality results. Therefore, ambiguous and vague questions were avoided. Babbie (1998:159) argues that one way to deal with ambiguous questions is to pre-test the questionnaire “in full and/or in part”. The questionnaire could be given to ten people for example, which may not necessarily be representative of the sample to determine if it will elicit (through the clarity of the questions) the answers which the researcher is looking for from the actual participants (Babbie, 2001:57). This strategy was applied in this study by pre-testing the questionnaire with five (5) individuals who were not part of the sample but to whom the questionnaire was relevant.

Furthermore, the questionnaire was drafted in both English and Portuguese (see Appendix E). The reason was that some local investors who took part in the study might not have been familiar with the English language. The English version was intended for foreign investors who also took part in the study. More importantly, it was stated in the theoretical section of the study that Zeithaml *et al* (1990) developed the Servqual method to evaluate service quality.

The researcher made use of the above method with some adaptations to achieve the objectives of the study. Zeithaml *et al* (1990:176) state that the Servqual method is a reliable and valid multiple-item scale, which can be used to better understand the service expectations and perceptions of customers across a broad spectrum of services including IPAs. The expectation-perception (Gap 5 – appropriate for customers) format of the questionnaire encompassed statements for each of the five service quality dimensions (Tangibles, Reliability, Responsiveness, Assurance and Empathy). The researcher adapted the statements to fit the characteristics and specifics of the organisation under study.

Reliability and validity are also important in formulating questionnaires so that the desired information is obtained from the participants. The researcher pre-tested the questionnaire mindful of these aspects of research. These aspects were taken into account in the formulation of the questionnaire. The use by the researcher (with some adaptations) of an established questionnaire format as developed by Zeithaml *et al* (1990) to determine service quality further contributed to reliability and validity of the study. The researcher made use of

the closed-ended questionnaire divided into three sections and will now be discussed.

3.7.1.1 Closed-ended questionnaire

In this approach, the researcher determines a given number of answers to the question from which participants choose one. The researcher has maximum control and allows for greater comparison between answers because of the standardisation of questions and answers and the resulting data which in turn facilitates generalisation (Aronstam, 2005:48). Parker and Rea (2005:42) add to the above by stating that the inherent uniformity of closed-ended questions permits direct transfer of data from the questionnaire to a computer programme without intermediate stages.

Neumann (2003: 253) argues that the fixed list of response possibilities tends to make the question clearer to the respondent. A respondent who may otherwise be uncertain about the question can be enlightened as to its intent by the answer categories. Categories also remind the respondent of alternatives that otherwise would not have been considered or would have been forgotten. In this study the researcher had the above in mind and participants were given questions with varied answers and they had to choose whichever corresponded with their views.

Leedy (1989:70) and Kumar (2005:129) point out some disadvantages pertaining to closed-ended questionnaire:

- No application to illiterate people;
- Low response rate;
- Self-selecting bias;
- No opportunity for clarification of questions/statements is made available;
- No spontaneity of responses; and
- Possibility to consult with other respondents.

Parker and Rea (2005:44) argue that a respondent who is unsure of the best answer may select one of the fixed responses randomly rather than in a thoughtful manner. The possibility also exists of unintended errors in answering closed-ended questions. For example a respondent may carelessly check a response adjacent to the one that was actually intended. It also in a sense may force the respondent to choose a “closest representation” of his or her actual response due to the fixed-response nature of closed-ended questionnaire. Arguably, the closed-ended questionnaire requires of the researcher sufficient knowledge of the subject matter so that the most relevant questions or statements are posed to participants, but also acute awareness to prevent self-selecting bias. At the same time, the range of response options should be as holistic as possible to avoid the next

best answer scenario which Parker and Rea (2005:48) imply. Parker and Rea (2005:44) suggest the use of “other or specify”, which in their view represents an “excellent compromise between the closed-ended and open-ended response formats”. However, they caution that the decision to include this option in a closed-ended questionnaire must be informed by evidence obtained during the pre-test of the survey instrument. In this study there was no evidence in the pre-test questionnaire to justify the use of “other”. Consequently, it was not used.

As was stated in chapter one (see section 1.8.1.2), the likert-type scale was used in the questionnaire with the following options: strongly agree; agree; neutral; disagree; strongly disagree as well as acceptable; good; neutral; poor; and very poor.

3.8 QUESTIONNAIRE ADMINISTRATION

The researcher made use of the internet to submit the questionnaire to the respondents. An online version of the questionnaire was created with the help of the Faculty of Informatics and Design at the Cape Peninsula University of Technology. Parker and Rea (2005:11) provide a number of advantages and disadvantages, which informed the decision of the researcher, in using this method.

Advantages:

- **Convenience.** It is a convenient and efficient way of reaching potential respondents. They are able to receive the questionnaire and complete it in the privacy of their home and office. Also, as soon as the questionnaire is answered it can be sent immediately to the researcher.
- **Rapid data collection.** Information can be collected and processed within days.
- **Cost effectiveness.** It is more cost-effective than the traditional mail option.
- **Ample time.** The respondent is not pressed for time in responding to the questionnaire and has the opportunity to consult anything in answering a question.
- **Easy follow-up.** Potential respondents can be reminded to respond to the questionnaire through follow-up emails.
- **Specialised population.** Web-based questionnaire is useful in reaching well-identified populations whose emails are readily available. This was the case with the potential respondents of this study (Parker and Rea, 2005:11).

Disadvantages:

- **Limited respondent bases.** A major disadvantage is that it requires internet access and an email account. Whoever does not have is automatically excluded.

- **Lack of interviewer involvement.** This means that unclear questions cannot be explained and respondents may not follow instructions (Parker and Rea, 2005:11).

Parker and Rea (2005:58) point out that the researcher must provide clear instructions so that respondents understand how to navigate through the questionnaire and submit the answers to the researcher. The questionnaire should also be user-friendly. It could also be argued that internet connectivity can be a disadvantage when it is slow and intermittent. Experience shows that internet speed and reliability is still a problem in many parts of the world including Mozambique.

3.9 DATA ANALYSIS

Mouton (2001:108) states that data analysis is a process of understanding the constituent parts of the data which have been captured and identify any patterns which may exist. Holliday (2007:34) defines data analysis as “a process of making sense of the data and discovering what it has to say”. For the purpose of this study, the Statistical Package for Social Sciences (SPSS) programme was used to analyse the data with the help of a statistician at the Cape Peninsula University of Technology. The question, if it is better to determine the gap (expectation – perception) or only one side of the service quality – only customers’ perception of service quality - is widely discussed in academic circles (Tea, 1998: 41; Urban, 2009:13). Morrison (2004:28) argues that one of the difficulty in determining the gap is to estimate customer’s expectation, as customers usually expect more than what they get. Other academics still argue that due to limitations of SERVQUAL calculation method, the most efficient way is to determine only customers’ perception of service quality (Jain and Gupta, 2004:26; Jayawardhena, 2004:51). In line with this perspective, the aim of this study was to determine only one side of the service quality gap – customers’ perceptions and the gap calculation method per se was not used. Instead cumulative frequency tables were used for the analysis of the data.

3.10 CHAPTER SUMMARY

In this chapter the research methodology was discussed and in so doing its relevance and centrality to research was justified. The chapter provided the tools applied by the researcher in data collection. The research results and the discussion thereof are presented in the following chapter.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION OF FINDINGS

4.1 INTRODUCTION

The preceding chapter described the research method used in this study to determine the quality of service provided by Mozambique's Centre for the Promotion of Investment within the context of Mozambique's economic development objectives and public service reforms. Data collection was done by means of an online questionnaire administered to a random sample of 320 respondents based in the province of Maputo, the capital city of Mozambique. The questionnaire was posted online and reminders were sent every week over a month. 126 respondents voluntarily answered the questionnaire. This represents a response rate of 39%. The researcher discussed the response rate with the statistician, who ratified the response rate. This chapter discusses the responses of the respondents.

4.2 INVESTOR PROFILE

Two variables make up the investor profile of this study, namely: type of investor and company size. The reason is that there might be a relationship between the quality of services provided by Mozambique's CPI and these two variables.

4.2.1 Type of investor

The table below shows the type of investors who took part in the study and their relative numbers.

Table 4.1 Frequency distribution in terms of type of investor (n=126)

Type of investor	Investor count	Cumulative count	Percentage	Cumulative percentage
Foreign	37	37	29.37	29.37
Local	65	102	51.59	80.95
Partnership	24	126	19.05	100

Table 4.1 represents the frequency distribution of type of investors. Three types of investors participated in this study, namely: foreign, local and investors in a partnership. A foreign investor is described as an individual or corporate person bringing to Mozambique from abroad capital and resources on their own account and risk in order to invest in Mozambique. A local investor is an individual or corporate person who makes available capital at own account and risk with a view to investing in Mozambique. A partnership is a combination of local and foreign investors who jointly make available resources at own account and risk with a view to investing in Mozambique. The table above indicates that the majority (52%) of respondents of this study represents locally owned businesses. The numerical superiority of

local investors was due to the fact that they were the group with the highest response rate in the study rather than a sample bias as the sample (local and foreign investors) was of equal proportions (320/2). Foreign investors occupy the second position representing 29% of respondents, while partnerships occupy the last position with 19% of respondents. Further analysis of investor count, revealed that 64 (16 foreign; 37 local and 11 partnerships) investors have been operating for about 10 years, while the remaining 62 (21 foreign; 28 local and 13 partnerships) have done so for about 5 years. This is an indication of the sustainability of the businesses, which took part in the study.

4.2.2 Company size

The table below shows company size of the investors who took part in the study.

Table 4.2 Frequency distribution of company size (n=126)

Company size	Investor count	Cumulative count	Percentage	Cumulative percentage
Large	26	26	20.63	20.63
Medium	43	69	34.13	54.76
Small	57	126	45.24	100

The investors who took part in the study have different sizes of business namely: large, medium and small. In line with Mozambican labour law, a large business has at least a hundred employees; a medium business has between ten and hundred employees, and a small business has between one and ten employees. Table 4.2 shows that small businesses make up a total of 45% in the study, medium-sized businesses 34%, while the remaining 21% is made up of large businesses.

4.2.2.1 Company size in terms of type of investor

The table below gives a proportional breakdown of company size for each type of investor.

Table 4.2.1 Company size in terms of type of investor (n=126)

Type of investor	Large	Medium	Small
Foreign	15	9	13
Local	9	26	30
Partnership	2	8	14

Table 4.2.1 shows that local investors have the majority of small companies, with a total of 30, while foreign investors have the majority of large companies with a total of 15. Partnerships are largely concentrated in small companies with a total of 14. Furthermore,

partnerships are represented by only two large companies - 7.7% of all large companies.

4.3. MAIN AREA OF ACTIVITY

The table below gives a breakdown of the main area of activities in which investors of this study are involved.

Table 4.3 Frequency distribution of main area of activity (n=126)

Main area of activity	Investor count	Cumulative count	Percentage	Cumulative percentage
Agriculture	9	9	7.14	7.14
Aquaculture	4	13	3.17	10.32
Construction	8	21	6.35	16.67
Fisheries	3	24	2.38	19.05
Mining	3	27	2.38	21.43
Retail	25	52	19.84	41.27
Services	40	92	31.75	73.02
Tourism	34	126	26.98	100

According to Table 4.3, 32% of investors are involved in the services sector, which represents the top main area of activity, followed by tourism with 27% of investors involved in this area of activity. This finding does not seem to be in conformity with Clark's sector model of economic development (see section 2.7.1), which suggests a linear sequence of sectorial growth (primary, secondary and tertiary). Instead, the finding suggests that the growth of the sectors may occur in parallel to each other or even in spite of the one preceding the other showing slow growth, contrary to Clark's sector model. Mining only accounts for 2% as the main area of activity in this study. This could be attributed to the fact that mining is an area of activity, which requires high start-up capital and therefore very few companies are involved in it in Mozambique.

An analysis of investor count column of Table 4.3, showed the following distribution of activities in terms of type of investors: no local investor is involved in aquaculture. The reason could be that local investors do not have the skills and capital to do aquaculture, which is quite a specialised activity. By contrast, local investors predominate in tourism business by 50% (17) compared to partnerships 29% (10) and foreign investors 21% (7). This comparative superiority may have to do with low start-up costs in tourism. Some people in Mozambique have turned a personal or family property into a bed and breakfast business thereby lowering the entry barrier into the tourism sector. Foreign investors' lowest

percentage might be due to the geographical area of the study – Maputo. Foreign investors tend to have more tourism companies in Inhambane Province in comparison to Maputo.

4.4 Number of employees

Table 4.4 below shows the range of employees that investors indicated to have in their companies in Mozambique.

Table 4.4 Frequency distribution of number of employees (n=126)

Number of employees	Investor count	Cumulative count	Percentage	Cumulative percentage
1-5	18	18	14.29	14.29
6-10	41	59	32.54	46.83
11-15	18	77	14.29	61.12
16-20	20	97	15.87	76.99
21-25	4	101	3.17	80.16
≥100	25	126	19.84	100

Table 4.4 indicates that 61% of respondents have between 1-15 employees. The average number of employees is 12 (see *Appendix F* for the calculation). An analysis of investor count column of Table 4.4, showed the following distribution of range of employee in terms of type of investors: fourteen foreign investors indicated that they have companies with at least 100 employees. This is not in line with the total number of large companies of foreign investors - fifteen (see Table 4.2.1).

A large business by Mozambican law has at least 100 employees. So, one would expect all fifteen foreign large companies to employ at least 100 employees each. The discrepancy might be an indication that the number of employees is not a reliable measure of company size. A company may be large and have few employees relative to another company of a similar size.

4.5 SERVICE QUALITY DIMENSIONS

In order to determine the quality of services provided by CPI, respondents had to respond to a range of statements based on the service quality dimensions of Zeithaml *et al* (1990) as discussed in chapter two of this study. The perception side of the expectation-perception divide (Gap 5 – appropriate for customers) format of the questionnaire encompassed statements for each of the five service quality dimensions (Tangibles, Reliability, Responsiveness, Assurance and Empathy). The majority of the statements were of the likert type (Agree; disagree; neutral; strongly agree and strongly disagree / Acceptable; good;

neutral; poor and very poor), while a few statements were of the yes/no type. The discussion of the statements now follows.

4.5.1 Direct contact with Mozambique's CPI

The table below shows the number of investors who have had direct contact with CPI and investors who have not.

Table 4.5 Frequency distribution of direct contact with Mozambique's CPI (n=126)

Have you ever made direct contact with Mozambique's CPI?	Investor count	Cumulative count	Percentage	Cumulative percentage
Yes	65	65	51.59	51.59
No	61	126	48.41	100.00

Table 4.5 shows that 48% of respondents indicated that they have never had any contact with Mozambique's CPI. Further analysis of the investor count, revealed that of those who made direct contact, 25 were foreign; 29 were local and 11 were involved in a partnership. On the other hand of those who did not make direct contact, 12 were foreign; 36 were local and 13 were in a partnership. Therefore, in terms of proportionality (relative to the total number of each group in the study (see Table 4.1 on page 70) the majority of those who have never made contact with Mozambique's CPI were local investors (29/65), while foreign investors (25/37) constitute the majority of respondents who have made contact with Mozambique's CPI followed by partnerships (13/24). Also, an analysis of company size as a subset of investor count, revealed that large companies were in the majority in terms of direct contact (22/26)¹, followed by medium companies (23/43). Small companies make up the smallest group which made direct contact with Mozambique's CPI (19/57). This might have to do with the perception pointed out by Hanlon and Smart (2008:45) that the Mozambican government's policy for investment, which Mozambique's CPI promotes, is biased against local entrepreneurs and hence the majority of them might not identify themselves with such an institution in order to seek assistance from it. From a wider perspective, one could argue that the fairly large number of respondents, 62 in total, who have never had contact with Mozambique's CPI, is indicative of the expectations influenced by communication and perhaps personal needs (Zeithaml *et al*, 1990:10). This group of respondents probably did not see the relevance of Mozambique's CPI. On the other hand it may be a reflection of the quality of promotional activity carried out by Mozambique's CPI.

Belch and Belch (1998:20) state that investment agencies should adopt a proactive approach in promotional activity rather than adopt a passive approach in order to reach the largest

¹For total number of each company size see Table 4.2 on page 71

possible number of its target population. Akwetey (2002:20) argues that investment agencies should be aggressive in disseminating investment information and facilitation services to investors. The finding on this particular point suggests that perhaps Mozambique's CPI needs to become more visible to investors by putting into practice the views expressed above. It could start addressing the issue through a clear strategy (UNCTAD, 2007: 19).

4.5.2 Clarity and conciseness of information

Table 4.6 Frequency distribution of perception of the clarity and conciseness of information (n=126)

Clarity /conciseness of information	Investor count	Cumulative count	Percentage	Cumulative percentage
Strongly agree	1	1	0.79	0.79
Agree	22	23	17.46	18.25
Neutral	62	85	49.21	67.46
Disagree	30	115	23.81	91.27
Strongly disagree	11	126	8.73	100.00

Table 4.6 indicates that 18% of respondents view the information provided by Mozambique's CPI as clear and concise, while 33% disagreed. A 15% negative difference in favour of a lack of clarity and conciseness seems to confirm the concern expressed by Akwetey (2002:20) that IPAs have a problem with clarity and conciseness of messages that they put out to their intended recipients or investors. Also, 49% of neutral answers does not add any credibility to the clarity and conciseness of information provided by Mozambique's CPI. Within this group of investors some might never have had any contact with CPI or they might have had, but the service rendered did not make a lasting impression upon them to be able to rate the service at all.

4.5.2.1 Clarity and conciseness of information in terms of type of investor

Table 4.6.1 Distribution of perception of the clarity and conciseness of information in terms of type of investor (n=126)

Clarity /conciseness of information	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Foreign	5	10	12	10	0
Local	4	13	37	10	1
Partnership	2	7	13	2	0

Table 4.6.1 shows that more local investors (37) gave neutral answers to the statement above than foreign investors (12) and investors in a partnership (13). The investor count

analysis in Table 4.5 revealed that 29 out of 65 local investors did not make any direct contact with CPI. This means that of the 37 local investors, who gave neutral answers, at least eight had direct contact with CPI. Yet, they decided not to rate the service. The conclusion can be made that there is little synergy between CPI and local investors.

4.5.2.2 Clarity and conciseness of information in terms of company size

Table 4.6.2 Distribution of perception of the clarity and conciseness of information in terms of company size (n=126)

Clarity /conciseness of information	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Large	4	11	4	7	0
Medium	3	9	20	11	0
Small	4	10	38	4	1

Table 4.6.2 shows that fewer (5) small companies agreed that the information provided by Mozambique's CPI is clear and concise in comparison to other two company sizes – large and medium companies. Conversely, medium companies expressed the highest level of agreement (11) compared to large and small companies. In terms of neutral answers small companies account for 38 out of a total of 57 small companies who took part in the study, while medium companies account for 20 out of 43 (see Table 4.2).

By contrast, large companies only account for 4 neutral answers out of 26 (again, see Table 4.2 for total of each company size). This may indicate that investors of large companies are more likely to express their views on CPI instead of being non-committal because of the size of their companies, which means they have had to deal with CPI more than investors of medium or small companies.

4.5.3 The extent to which information provided reflects reality on the ground

Table 4.7 Frequency distribution of perception of the information reflecting reality on the ground (n=126)

Information reflects reality on the ground	Investor count	Cumulative count	Percentage	Cumulative percentage
Strongly agree	0	0	0.00	0.00
Agree	17	17	13.49	13.49
Neutral	62	79	49.21	62.7
Disagree	45	124	35.71	98.41
Strongly disagree	2	126	1.59	100.00

37% of respondents who have had contact with Mozambique's CPI were of the view that there was a contradiction between the information provided by Mozambique's CPI and the

reality on the ground. Only 13% agreed with the statement. UNCTAD (2007:17) mentions road-mapping as a tool which can be used by IPAs and policy makers to make sure that they are fully aware of the actual on-the-ground details of business requirements and legal processes. This may entail determining the time it takes an investor to go through the process of setting up a business, with a view to making improvements by shortening the time involved in the process. Road-mapping enables the provision of accurate information to investors as it is a mechanism to track all the procedural aspects of establishing a business. Accuracy of information is a function of reliability, which is a component of service quality dimension (Zeithaml *et al*, 1990:13). It is important that the information given to investors is dependable and by extension the service as well be dependable. The concept of information has a wider meaning as it influences economic decisions either positively or negatively (Macuacua, 2003:34). This in turn determines the performance of the economic system. 49% of neutral answers, means that close to half of all respondents were reluctant to say if information provided by CPI reflects reality or not. The probable reason is that investors across all three categories do not generally interact with CPI. This takes away from the essence of CPI as its purpose is to work both in the interest of the business community and the government of Mozambique.

4.5.3.1 The extent to which information provided reflects reality on the ground in terms of type of investor

Table 4.7.1 Distribution of perception of the information reflecting reality on the ground in terms of type of investor (n=126)

Information reflects reality on the ground	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Foreign	1	16	12	8	0
Local	1	20	37	7	0
Partnership	0	9	13	2	0

As a proportion of all investors who did not agree, Table 4.7.1 shows that local investors disagreed the most (21) with the statement. Similarly, local investors gave the most neutral answers (37). In all three categories of investors, Table 4.7.1 shows significant disagreement with the statement. Hence, the finding on this point is not conducive to positive economic decision-making on the part of investors.

The UNCTAD (2007:17) states that IPAs should be fully aware of the actual on-the-ground details of the business environment. This is to ensure that every kind of information given to investors corresponds to reality so that investors are able to make well-informed business decisions.

4.5.3.2 The extent to which information provided reflects reality on the ground in terms of company size

Table 4.7.2 Distribution of perception of the information reflecting reality on the ground in terms of company size (n=126)

Information reflects reality on the ground	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Large	0	13	4	9	0
Medium	1	17	20	5	0
Small	1	15	38	3	0

Table 4.7.2 shows that large investors (9) agreed the most with the statement than medium and small companies. The question that arises is whether the information given by CPI varies in accuracy based on the size of the company that seeks information. If that is the case, then it would indicate a biased treatment of investors, which does not advance the economic goals in the long run for Mozambique as a whole.

It is worth noting that local investors predominate medium and small companies of this study (see Table 4.2.1). If they do not, in their majority, agree that the information given by CPI is accurate then it may become difficult for them to become successful companies, which is necessary to attain sustained levels of economic development and attract risk-averse foreign private investment (Mlambo and Oshikoya, 2002:29).

4.5.4 Provision of prompt service

Table 4.8 Frequency distribution of perception of prompt service (n=126)

Mozambique's CPI provides prompt service	Investor count	Cumulative count	Percentage	Cumulative percentage
Strongly agree	0	0	0.00	0.00
Agree	3	3	2.38	2.38
Neutral	65	68	51.59	53.97
Disagree	56	124	44.44	98.41
Strongly disagree	2	126	1.59	100.00

Only 2% of respondents who have made contact with Mozambique's CPI agreed that it provides a prompt service. The finding may be indicative of what Normann (1991, as cited in Murphy, 1998:14), refers to as *delivery system*. According to Murphy (1998:14) it is in the delivery system where the most unique and innovative ideas about service quality emerges. This is because at least two dimensions of service quality may be discerned here, namely: responsiveness and tangibles (Zeithaml *et al*, 1990:13). The above two service quality

dimensions are closely related to human resources. In order for a prompt service to happen there needs to be technology and equipment both of which make up tangibles and a knowledge-based workforce to operationalise the concept of responsiveness. Put differently, these quality dimensions are enablers of a prompt service. Therefore, the finding that 46% of all investors were of the view that CPI did not provide a prompt service is symptomatic of a lack of tangibles and adequately qualified personnel. Also, 52% of neutral answers, is significant as it might indicate a low level of trust by investors in CPI and as a result these investors may be seeking alternative services to CPI, in which case it would bring into question the relevance of CPI within the context of Mozambique's economic development objectives and even the resources allocated by the government for it to operate.

4.5.4.1 Provision of prompt service in terms of type of investor

Table 4.8.1 Distribution of perception of prompt service in terms of type of investor (n=126)

Mozambique's CPI provides prompt service	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Foreign	2	20	13	2	0
Local	0	26	39	0	0
Partnership	0	10	13	1	0

Table 4.8.1 shows that, no local investor agreed with the statement that CPI provides a prompt service, while 39 of them remained neutral. This is worrying as it goes against the international trend of IPAs, which is to move towards a strong service-orientation to both local and foreign investors (Hampton, 2006: 25).

4.5.4.2 Provision of prompt service in terms of company size

Table 4.8.2 Distribution of perception of prompt service in terms of company size (n=126)

Mozambique's CPI provides prompt service	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Large	0	18	5	3	0
Medium	1	20	22	0	0
Small	1	18	38	0	0

Table 4.8.2 shows that three large companies agreed with the statement that, CPI provides a prompt service, while eighteen were against. Small companies gave the majority of neutral answers, which may indicate that small companies are less inclined to seek the services of CPI and to a certain extent medium companies as well.

4.5.5 Ability in solving a query

Table 4.9 Frequency distribution of perception of the ability in solving a query (n=126)

Mozambique's CPI shows in solving a query	Investor count	Cumulative count	Percentage	Cumulative percentage
Strongly agree	0	0	0.00	0.00
Agree	40	40	31.75	31.75
Neutral	62	102	49.21	80.96
Disagree	22	124	17.46	98.42
Strongly disagree	2	126	1.58	100.00

Table 4.9 indicates that 32% of respondents who have made contact with Mozambique's CPI agreed that interest is demonstrated by Mozambique's CPI towards solving queries posed by respondents. Showing interest in solving a query is fundamental to service quality. Lanza (1995:24) points out that the interest has to go as far as problem-solving. In other words, Lanza suggests that promises have to be backed up by action in the form of problem-solving on the part of Investment Promotion Agencies. Problem solving, according to Lanza (1995: 24), has positioned Chile's IPA (CINDE) to dramatically and successfully contribute to Chile's economic development. It ties in well with the concept of new public management, which stresses service delivery organisation which is user-responsive and outcomes-based (Kaejer, 2004:54). Furthermore, problem or query solving relates to another component of quality service dimension, that is, *assurance*.

Assurance answers the question as to whether the workforce is knowledgeable and able to answer questions (Zeithaml *et al*, 1990:13). The finding that only 32% of investors agreed with the statement above supports Rodriguez's view (2010:29) that in the area of private sector development in Mozambique there appears to be inadequately qualified employees to be able to live up to the expectations of investors.

4.5.5.1 Ability in solving a query in terms of type of investor

Table 4.9.1 Distribution of perception of the ability in solving a query in terms of type of investor (n=126)

Ability in solving a query	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Foreign	1	5	12	19	0
Local	1	13	37	14	0
Partnership	0	4	13	7	0

A detailed breakdown in Table 4.9.1 in terms of type of investor revealed that local investors

were split in the middle (14/14) excluding the neutral answers, with regard to the ability of CPI to solve a query. The high number of neutral answers in the case of local investors, again, highlights the need for CPI to rethink its relationship towards local investors in general.

4.5.5.2 Ability in solving a query in terms of company size

Table 4.9.2 Distribution of perception of the ability in solving a query in terms of company size (n=126)

Ability in solving a query	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Large	0	0	4	22	0
Medium	1	10	20	12	0
Small	1	12	38	6	0

Table 4.9.2 shows that no large companies expressed disagreement with the statement above that Mozambique’s CPI shows ability in solving queries. However, four of the large companies were neutral on the statement as to whether Mozambique’s CPI shows ability in solving a query. Table 4.9.2 also shows that a very small number (six) of small companies agreed with the statement compared to the other two types of company size – large and medium companies. In terms of neutral answers, small companies represent 67% of the total number of small companies, which took part in the study (see Table 4.2). This might indicate little interest of small companies in the services, which Mozambique’s CPI offers.

4.5.6 Operating hours

Table 4.10 Frequency distribution of perception of the operating hours (n=126)

Operating hours at Mozambique’s CPI are convenient	Investor count	Cumulative count	Percentage	Cumulative percentage
Strongly agree	0	0	0.00	0.00
Agree	60	60	47.62	47.62
Neutral	63	123	50.00	97.62
Disagree	3	126	2.38	100.00
Strongly disagree	0	126	0.00	100.00

Table 4.10 shows that 48 % of respondents who have had contact with Mozambique’s CPI agreed with the operating hours at Mozambique’s CPI as against 2.3% who disagreed with the statement. So it is safe to say that the operating hours at Mozambique’s CPI are convenient for the majority of respondents of this study. 50% of respondents were neutral as to whether or not the operating hours are convenient. The neutral count exceeds by two

the number of investors (61)², who indicated not have had any direct contact with CPI. This means that at least two investors, who had direct contact with CPI preferred not to give an opinion. A further analysis of the investor count revealed that more local investors (37) gave neutral answers than foreign investors or partnerships who gave an equal number of neutral answers – 17 each. The high number of neutral answers in the case of local investors, is probably an indication that local investors do not generally seek the services of CPI. Hence, they have no interest in the operating hours of CPI. Also, an analysis of company size as a subset of investor count revealed that large and medium companies agreed the most with the convenience of operating hours at Mozambique’s CPI (21 each) compared to small companies (18).

4.5.7 Inspiring confidence

Table 4.11 Frequency distribution of perception of inspiring confidence (n=126)

Interaction with Mozambique’s CPI inspires confidence	Investor count	Cumulative count	Percentage	Cumulative percentage
Strongly agree	0	0	0.00	0.00
Agree	39	39	30.95	30.95
Neutral	66	105	52.38	83.33
Disagree	21	126	16.67	100.00
Strongly disagree	0	126	0.00	100.00

Table 4.11 shows that 31% of respondents who have had contact with CPI expressed the view that interaction with it inspires confidence. However, more than one third 17% (21/60) of all respondents who have had contact with CPI expressed the opposite view (see Table 4.5). The high number of neutral answers (66) is worrying as it may indicate that many investors are not motivated to seek CPI for services in the belief that perhaps the services are not up to standard. It is interesting to note that an analysis of investor count revealed that a large number (40) of neutral answers were given by local investors as to whether Mozambique’s CPI inspires confidence as opposed to an equal number (13) of foreign investors and investors in a partnership, while an analysis of company size as a subset of investor count revealed that fewer (four) small companies agreed with the statement in question as opposed to medium and large companies – 13 and 22 respectively.

In an attempt to inspire confidence IPAs from countries such as Chile seek to learn from other countries, which have greater insights into international business trends and establish partnerships with think tanks and academic institutions (Moyano, 1998:24). This type of strategy ties in well with the new growth theory of economic development, which is centred

² See Table 4.5 on page 74.

on ideas and knowledge and the sharing thereof (Smith, 2000:40). As Cortright (2001:40) put it, “knowledge is everything we know about the world”. The world can be broken down into smaller components such as the world of IPAs. The creation of partnerships with think tanks and academic institutions are a means to generate ideas and knowledge about the best practices in investment promotion which should be assimilated and adapted to local needs (World Bank Institute, 2004:42). Therefore, Mozambique’s CPI should take advantage of such partnerships. The knowledge derived from such partnerships would ensure better understanding of the investor and his needs, thus inspiring confidence.

4.5.8 Timeline for service provision

Table 4.12 Frequency distribution of perception of timeline for service provision (n=126)

Mozambique’s CPI provides a timeline for a service	Investor count	Cumulative count	Percentage	Cumulative percentage
Strongly agree	0	0	0.00	0.00
Agree	0	0	0.00	0.00
Neutral	66	66	52.38	52.38
Disagree	58	124	46.03	98.41
Strongly disagree	2	126	1.59	100.00

Table 4.12 shows that no respondents agreed with the statement that Mozambique’s CPI provides a timeline for a service. The global strategy for the reform of the public sector in Mozambique advocates reduced response time in service delivery (Chichava, 2008:58). This entails giving a customer indication of the waiting time for the delivery of a particular service. So, the finding on this particular issue contradicts the objective of the strategy.

4.5.8.1 Timeline for a service provision in terms of type of investor

Table 4.12.1 Distribution of perception of timeline provision for a service in terms of type of investor (n=126)

Mozambique’s CPI provides a timeline for a service	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Foreign	0	23	14	0	0
Local	1	25	39	0	0
Partnership	1	10	13	0	0

In Table 4.12.1 it is noticeable that all three types of investors disagreed with the statement that CPI provides a time line for its services. In the case of foreign investors they disagreed by more than half and partnerships by just below half (see Table 4.1 for total of each type of investor). Therefore, this is an area which CPI needs to address in order to advance Mozambique’s public service global strategy reform.

4.5.8.2 Provision of timeline for a service in terms of company size

Table 4.12.2 Distribution of perception of timeline provision for a service in terms of company size (n=126)

Mozambique's CPI provides a timeline for a service	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Large	0	19	7	0	0
Medium	2	20	21	0	0
Small	0	19	38	0	0

Table 4.12.2 shows that medium companies expressed strong disagreement with the statement that Mozambique's CPI provides a timeline for its services, while across all company sizes there was no agreement that Mozambique's Centre for the Promotion of Investment provides a timeline for its services. The finding takes away from good customer service.

4.5.9 Comprehensive guidance

Table 4.13 Frequency distribution of perception of comprehensive guidance (n=126)

Mozambique's CPI provides comprehensive guideline e.g. legal issues	Investor count	Cumulative count	Percentage	Cumulative percentage
Strongly agree	0	0	0.00	0.00
Agree	9	9	7.14	7.14
Neutral	62	71	49.21	56.35
Disagree	23	94	18.25	74.6
Strongly disagree	32	126	25.4	100.00

Table 4.13 shows that only 7% of respondents agreed with the above statement that Mozambique's CPI provides comprehensive guidance, while close to 50% of respondents remained neutral. The high number of neutral answers may be indicative of a lack of interest by investors in CPI and its services. This in turn may be indicative of a lack of visibility and service quality on the part of CPI. Comprehensive guidance is of critical importance for an IPA. In the overview of IPAs worldwide, it was found that in China for instance, IPAs provide assistance to both domestic and foreign investors in their establishment phase, in dealing with different local and national authorities and obtaining advice on legal issues (UNCTAD, 2007:21). Hampton (2006:25) argues that IPAs are at the forefront of promotion and interaction with investors. The interaction by necessity involves providing guidance on a wide range of issues. Judging by the low positive response, 7% of respondents, there is room for improvement, which needs to be addressed by Mozambique's CPI.

4.5.9.1 Comprehensive guidance in terms of type of investor

Table 4.13.1 Distribution of perception of comprehensive guidance in terms of type of investor (n=126)

CPI provides comprehensive guideline e.g. legal issues	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Foreign	10	7	12	8	0
Local	17	11	37	0	0
Partnership	5	5	13	1	0

Table 4.13.1 shows a strong level of disagreement across all types of investors as far as comprehensive guidance at Mozambique's CPI is concerned. It is worth noting that no local investor agreed with the statement above. Table 4.13.1 also shows that more than half of local investors gave neutral answers (see Table 4.1). This may be indicative of non-use of CPI services by the majority of local investors.

4.5.9.2 Comprehensive guidance in terms of company size

Table 4.13.2 Distribution of perception of comprehensive guidance in terms of company size (n=126)

CPI provides comprehensive guideline e.g. legal issues	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Large	7	7	4	8	0
Medium	13	9	20	1	0
Small	12	7	38	0	0

Large companies expressed the largest level of agreement (8) compared to medium (1) and small (0), with regard to the statement that Mozambique's CPI provides comprehensive guidance. As a percentage of the total number of each company size, large companies agreed by 31% while medium and small business agreed by 2,3% and 0% respectively (see Table 4.2). What can be deduced from the above is that large companies, in comparative terms, are more likely to get a better service from CPI than medium or small companies.

4.5.10 Proactive interaction

Table 4.14 Frequency distribution of perception of proactive interaction (n=126)

Mozambique's CPI is proactive in its interaction with investors	Investor count	Cumulative count	Percentage	Cumulative percentage
Strongly agree	0	0	0.00	0.00
Agree	0	0	0.00	0.00
Neutral	77	77	61.11	61.11
Disagree	33	110	26.19	87.3
Strongly disagree	16	126	12.7	100.00

Table 4.14 shows that 61% of investors gave neutral answers with regard to proactive interaction between CPI and investors. The high number of neutral responses may indicate a lack of aggressiveness on the part of CPI, which Akwetey (2002:21) considers as being important to bring the message home to investors. It is also interesting to note that the investor count analysis revealed that no single investor agreed that CPI is proactive. The investor count analysis also revealed that local investors expressed the highest level of disagreement with the statement above as a percentage of the total number of each investor type, who participated in the study – they disagreed by 43% (see Table 4.1 for total of each type of investor). Foreign investors disagreed by 38%, while partnerships disagreed by 29%.

43% of local investors who disagreed and the high percentage (57%) of neutral answers attributed to local investors through the neutral analysis count; do not support the view by Mlambo and Oshikoya (2002:305) who state that local investors are fundamental for sustainable economic growth and development of a country. For local investors to become pivotal role-players in the economic landscape of Mozambique, CPI would have to get them involved in every way possible through proactive action. Proactive interaction came out as an important variable in investment promotion activity of which South Korea's IPA provides a practical example. South Korea's IPA acts as a liaison to find solutions to grievances filed by investors (UNCTAD, 2007:25). It also organises seminars and conferences, which address management and daily issues of investors. Hampton (2006:25) points out that in China IPAs are at the forefront of interaction with investors in terms of legal advice and any other issue with local or national authorities. This is indicative of a proactive interaction. However, the finding of this study indicates that Mozambique's CPI does not display a proactive interaction with investors, which is contrary to the world trend.

4.5.11 Customer focus

Table 4.15 Frequency distribution of perception of customer focus (n=126)

Customer focus is noticeable at Mozambique's CPI	Investor count	Cumulative count	Percentage	Cumulative percentage
Strongly agree	0	0	0.00	0.00
Agree	18	18	14.29	14.29
Neutral	78	96	61.9	76.19
Disagree	28	124	22.22	98.41
Strongly disagree	2	126	1.59	100.00

24% of those who expressed an opinion on the statement above were of the view that there

is a lack of customer focus at Mozambique's CPI, while 14% of investors agreed that there is customer focus at Mozambique's CPI. It is worth noting that 62% of investors gave neutral answers with regard to customer focus at CPI. For this group of investors to remain neutral on such an important attribute of customer service could mean that they have not had any actual and significant service rendered at CPI to be able to form an opinion regarding customer focus. It could also, indicate that a limited number of investors approach CPI on a regular basis.

4.5.11.1 Customer focus in terms of type of investor

Table 4.15.1 Distribution of perception of customer focus in terms of type of investor (n=126)

Customer focus is noticeable at Mozambique's CPI	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Foreign	1	5	16	15	0
Local	1	17	46	1	0
Partnership	0	6	16	2	0

Table 4.15.1 shows that foreign investors make up the majority of respondents (15), who agree that there is customer focus at Mozambique's CPI, while local investors make up the largest group with neutral answers (46). The latter represents 71% of the total number of local investors who took part in the study (see Table 4.1). Ideally, the investors who gave neutral answers should be benefiting from CPI services. The major gap in difference of perception among investors in terms of agreement may be indicative of unequal treatment, which *fourth generation* investment promotion proponents discourage in favour of a reduction of distinction between local and foreign investors in general (UNCTAD, 2007:17).

Moyano (1998:23) indicates how important personal focus or customer focus is to the success of an IPA. It influences how a service is perceived. Costa Rica's IPA takes seriously customer focus to the extent that it facilitates meetings and business trips with a customised itinerary for investors (White, 2009:25). Furthermore, customer focus brings out empathy, which is a component of service quality dimension as has been proposed by Zeithaml *et al* (1990). It creates the opportunity to understand the needs of the client and respond accordingly. However, the finding does not indicate such service orientation at Mozambique's CPI. By adopting a similar approach, CPI would be able to attract many more investors to its services than this study indicates.

4.5.11.2 Customer focus in terms of company size

Table 4.15.2 Distribution of perception of customer focus in terms of company size (n=126)

Customer focus is noticeable at Mozambique's CPI	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Large	0	5	6	15	0
Medium	1	11	29	2	0
Small	1	12	43	1	0

Table 4.15.2 shows that small companies disagreed the most (13) with the statement that, customer focus is noticeable at Mozambique's CPI, while large companies agreed the most (15). From the discussion so far, a pattern seems to emerge that large companies tend to have a more favourable view of CPI than small companies.

4.5.12 Workforce skills and motivation

Table 4.16 Frequency distribution of perception of the skills and motivation of the workforce (n=126)

Workforce at Mozambique's CPI is motivated and skilful	Investor count	Cumulative count	Percentage	Cumulative percentage
Strongly agree	0	0	0.00	0.00
Agree	53	53	42.06	42.06
Neutral	67	120	53.17	95.23
Disagree	6	126	4.77	100.00
Strongly disagree	0	126	0.00	100.00

According to Table 4.16, 42% of respondents were of the view that the workforce at Mozambique's CPI is skilful and motivated, while 5% of respondents disagreed. It is interesting to note that notwithstanding a relatively positive finding on the skills and motivation of the workforce of Mozambique's CPI, the score card on customer focus, comprehensive guidance and proactive interaction is not encouraging. This finding contradicts Murphy's view (1998: 15) that the skills and motivation of the workforce is critical to service delivery as the service quality at CPI does not seem proportional to the skills set and motivation indicated by the respondents. It would appear that motivation should be quite high in order for skilled staff to perform at their best. Lack of motivation might be the cause of the mismatch between the relative high rating on skills and motivation among CPI employees and low score card on customer focus for example. Furthermore, the neutral answers, which represents 53% of respondents indicates once again the high number of investors who do not identify themselves with Mozambique's CPI and hence many statements do not apply to them and consequently gave neutral answers.

4.5.12.1 Workforce skills and motivation in terms of type of investor

Table 4.16.1 Distribution of perception of the skills and motivation of the workforce in terms of type of investor (n=126)

Workforce at Mozambique's CPI is motivated and skilful	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Foreign	0	3	13	21	0
Local	0	3	41	21	0
Partnership	0	0	13	11	0

In Table 4.16.1 we see that an equal number (21) of both local and foreign investors agreed with the statement that the workforce at Mozambique's CPI is motivated and skilful, while no investor in a partnership expressed disagreement.

4.5.12.2 Workforce skills and motivation in terms of company size

Table 4.16.2 Distribution of perception of the skills and motivation of the workforce in terms company size (n=126)

Workforce at Mozambique's CPI is motivated and skilful	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Large	0	0	4	22	0
Medium	0	2	23	18	0
Small	0	4	40	13	0

Table 4.16.2 shows that in terms of company size, no large company expressed disagreement that the workforce at Mozambique's CPI is motivated and skilful, while medium and small companies expressed disagreement. The level of agreement for large companies represents 85% of all large companies, which took part in the study (see Table 4.2).

4.5.13 Visiting the website of Mozambique's CPI

Table 4.17 Mozambique's CPI website visit (n=126)

No	24
Yes	102

Table 4.17 shows that 102 respondents reported that they have visited CP's website. It means that some of the 61 respondents, who indicated that they never had direct contact with CPI, had somehow visited the website (see Table 4.5 for the number of investors who had contact with CPI). Therefore, Mozambique's CPI's website has the potential to reach out to many investors and so it would be a useful marketing tool for its services to investors.

4.5.13.1 Visiting the website of Mozambique's CPI in terms of type of investor

Table 4.17.1 Mozambique's CPI website visit in terms of type of investor (n=126)

Visiting the website of Mozambique's CPI	Yes	No
Foreign	31	6
Local	50	15
Partnership	21	3

Table 4.17.1 shows that more local investors (50) have visited the website of Mozambique's CPI than the other two categories of investors. It is interesting to note that local investors is the group, which visited the website more than the other two groups, and at the same time it is the group, which appears to have the least positive view of CPI on the majority of service quality dimensions analysed in this study.

4.5.13.2 Visiting the website of Mozambique's CPI in terms of company size

Table 4.17.2 Mozambique's CPI website visit in terms of company size (n=126)

Visiting the website of Mozambique's CPI	Yes	No
Large	23	3
Medium	38	5
Small	41	16

Table 4.17.2 shows that the number (41) of small-sized companies which visited the website far exceeded the number of large and medium companies.

4.5.14 Adequacy of information on the website

Table 4.18 Frequency distribution of perception of the adequacy of information on the website of Mozambique's CPI (n=126)

CPI's website provides adequate information	Investor count	Cumulative count	Percentage	Cumulative percentage
Strongly agree	0	0	0.00	0.00
Agree	5	5	3.97	3.97
Neutral	27	32	21.43	25.4
Disagree	75	107	59.52	84.92
Strongly disagree	19	126	15.08	100.00

Table 4.18 shows that 76% of respondents who had visited the website thought the information was not adequate as opposed to 4% who thought the information was adequate. 21% of respondents were neutral. The finding is consistent with the finding of the study carried out by the Multilateral Investment Guarantee Agency in 2006, which revealed that although many IPAs have made initial investment in communications and technology with the establishment of websites, most of them have not yet developed the organisational system and skills necessary to successfully interact and support investors (UNCTAD, 2007: 19). A website is an ideal platform to 'rectify undesirable practices' as Akwetey (2002:20) put it, as it could easily have a feedback or comment link for investors. The comments would serve as the basis for continual improvements in service quality.

4.5.14.1 Adequacy of information on the website in terms of type of investor

Table 4.18.1 Distribution of perception of the adequacy of information in terms of type of investor (n=126)

Mozambique's CPI website provides adequate information	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Foreign	7	21	6	3	0
Local	8	37	18	2	0
Partnership	4	17	3	0	0

Table 4.18.1 shows that partnerships expressed the highest level of disagreement, that is, 88% as a percentage of the total number of partnerships, who participated in the study, followed by local investors, who represent 76%. In the view of investors, Mozambique's CPI website does not provide adequate information. Also, 69% of local investors did not agree with the statement in question (see Table 4.1 for the total number of each type of investor).

4.5.14.2 Adequacy of information on the website in terms of company size

Table 4.18.2 Distribution of perception of the adequacy of information in terms of company size (n=126)

Mozambique's CPI website provides adequate information	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Large	4	16	3	3	0
Medium	8	25	8	2	0
Small	7	34	16	0	0

Table 4.18.2 shows that all three company sizes expressed high level of disagreement with the statement that CPI's website provides adequate information. The disagreement represents 77% of medium, 76% of large and 72% of small companies, which participated in the study (see Table 4.2 for total of company size). Clearly, it is the majority view across all

three subgroups that CPI's website does not provide adequate information.

4.6 STANDARD³ MOZAMBIQUE'S CPI SERVICES

The following statements were posed to respondents with respect to specific services which Mozambique's Centre for the Promotion of Investment is entrusted to provide to investors as per its mandate. A total of eight questions were posed to the respondents and the respective answers are discussed below.

4.6.1 How do you rate the service rendered by Mozambique's CPI in terms of land acquisition?

Table 4.19 Frequency distribution of perception of the service of land acquisition (n=126)

Land acquisition service rating	Investor count	Cumulative count	Percentage	Cumulative percentage
Acceptable	6	6	4.76	4.76
Good	12	18	9.52	14.29
Neutral	102	120	80.95	95.24
Poor	6	126	4.76	100.00
Very poor	0	126	0.00	100.00

Table 4.19 shows that 81% of respondents gave neutral answers, which would suggest that the overwhelming majority of respondents did not avail themselves of this service. The table shows that 14% of respondents have a positive view of the service, considering it either acceptable or good. On the other hand, 6% of respondents rated the service as being poor. The large percentage of neutral answers might mean that either many respondents found other means to acquire land or run their companies from rented premises.

4.6.1.1 Land acquisition service rating in terms of type of investor

Table 4.19.1 Distribution of perception of the service of land acquisition in terms of type of investor (n=126)

Land acquisition service rating	Acceptable	Good	Neutral	Poor	Very poor
Foreign	3	9	24	1	0
Local	2	0	60	4	0
Partnership	1	3	19	1	0

Table 4.19.1 shows that in comparative terms more foreign investors (12) positively rated the service than the other two categories of investors. Table 4.19.1 also shows that local investors represent the highest number with neutral answers – 92% as a percentage of the

³ Standard services are stipulated in investment law (see page 27 of chapter two of this study).

total number of local investor, who participated in the study (see Table 4.1).

4.6.1.2 Land acquisition service rating in terms of company size

Table 4.19.2 Distribution of perception of the service of land acquisition in terms of company size (n=126)

Land acquisition service rating	Acceptable	Good	Neutral	Poor	Very poor
Large	5	9	12	0	0
Medium	0	3	37	3	0
Small	1	0	53	3	0

Table 4.19.2 shows that more large companies than the other two company sizes accessed the service in question and rated it positively. By contrast the majority of small companies were neutral. This indicates that they did not approach Mozambique's CPI for the service in question.

4.6.2 How do you rate the service rendered by Mozambique's CPI in terms of identifying a potential partner?

Table 4.20 Frequency distribution of perception of the service of identifying potential partner (n=126)

Identifying a potential partner service rating	Investor count	Cumulative count	Percentage	Cumulative percentage
Acceptable	5	5	3.97	3.97
Good	10	15	7.94	11.9
Neutral	102	117	80.95	92.86
Poor	7	124	5.56	98.41
Very poor	2	126	1.59	100.00

Table 4.20 shows that 12% of respondents rated this service as being either good or acceptable, while 7% rated it as being either poor or very poor. The neutral answers are extremely high as they exceed 80%. This indicates how low the demand for this service is.

4.6.2.1 Identifying potential partner service rating in terms of type of investor

Table 4.20.1 Distribution of perception of the service of identifying potential partner in terms of type of investor (n=126)

Identifying a potential partner service rating	Acceptable	Good	Neutral	Poor	Very poor
Foreign	2	6	26	2	1
Local	2	0	59	3	1
Partnership	1	4	17	2	0

Table 4.20.1 shows that more local investors (4) viewed the service as being poor or very poor than the other two categories of investors. It is noteworthy that only 20% of investors of this study who identified themselves as being in a partnership approached Mozambique's CPI for this service, which is specifically geared towards promoting business relationships between local and foreign investors (see Table 4.1). This means that 80% of investors in a partnership of this study were established without the involvement of Mozambique's CPI.

4.6.2.2 Identifying potential partner service rating in terms of company size

Table 4.20.2 Distribution of perception of the service of identifying potential partner in terms of company size (n=126)

Identifying a potential partner service rating	Acceptable	Good	Neutral	Poor	Very poor
Large	4	7	15	0	0
Medium	0	2	35	5	1
Small	1	1	52	2	1

Table 4.20.2 shows that excluding the neutral answers, large companies rated the service either as being good or acceptable. On the other hand medium and small companies rated the service as being poor or very poor. From Table 4.20.2, it can be seen that a large number of small companies did not rate the service in question by opting to remain neutral. This might indicate that in general small companies in Mozambique do not consider partnership as an attractive business option or they do not see Mozambique's Centre for the Promotion of Investment as a source from which to get useful information regarding partnership opportunities. Thus, very few small companies indicated that they had approached Mozambique's Centre for the Promotion of Investment in this regard.

4.6.3 How do you rate the service rendered by Mozambique's CPI in terms of registering a company at the public notary?

Table 4.21 Frequency distribution of perception of the service of registering a company at the public notary (n=126)

Registering a company at the public notary service rating	Investor count	Cumulative count	Percentage	Cumulative percentage
Acceptable	8	8	6.35	6.35
Good	17	25	13.49	19.84
Neutral	89	114	70.63	90.48
Poor	12	126	9.52	100.00
Very poor	0	126	0.00	100.00

Table 4.21 shows that with regard to the statement of the service above only 20% of respondents had a positive view of the service, considering it either acceptable or good. On the other hand 10% of respondents rated the service as being poor.

4.6.3.1 Registering a company at the public notary service rating in terms of type of investor

Table 4.21.1 Distribution of perception of the service of registering a company at the public notary in terms of type of investor (n=126)

Registering a company at the public notary service rating	Acceptable	Good	Neutral	Poor	Very poor
Foreign	4	12	18	3	0
Local	2	2	53	8	0
Partnership	2	3	18	1	0

Table 4.21.1 shows that more foreign investors (16) rated the service as being either acceptable or good. Conversely, more local investors (8) rated the service as being poor.

4.6.3.2 Registering a company at the public notary service rating in terms of company size

Table 4.21.2 Distribution of perception of the service of registering a company at the public notary in terms of company size (n=126)

Registering a company at the public notary service rating	Acceptable	Good	Neutral	Poor	Very poor
Large	5	13	7	1	0
Medium	2	4	31	6	0
Small	1	0	51	5	0

Table 4.21.2 shows that, more large companies (18) than the other two company sizes rated the service as being either good or acceptable. It is noticeable the high number (51) of neutral answers for small companies, which represents 89% of all small companies of this study (see Table 4.2 for total number of each company size). This is a significant percentage of neutral answers. It could mean that small companies generally do not approach Mozambique's CPI for assistance with registering a company at the public notary because they do not trust the quality of service or the service is not publicised enough to investors in general. As a result they might be either registering their companies themselves unaided or seeking alternative service providers instead of CPI.

4.6.4 How do you rate the service rendered by Mozambique's CPI in terms of publishing the company constitution in the government gazette?

Table 4.22 Frequency distribution of perception of the service of publishing company constitution in the government gazette (n=126)

Publishing company constitution in the government gazette service rating	Investor count	Cumulative count	Percentage	Cumulative percentage
Acceptable	7	7	5.56	5.56
Good	17	24	13.49	19.05
Neutral	90	114	71.43	90.48
Poor	12	126	9.52	100.00
Very poor	0	126	0.00	100.00

Table 4.22 shows that 19% of respondents rated the service as being good or acceptable, while 10% of respondents rated it negatively as being poor. A total of 71% of respondents gave neutral answers, which indicates that a considerable number of investors do not seek the assistance of CPI in publishing their company constitution in government gazette.

4.6.4.1 Publishing the company constitution in the government gazette service rating in terms of type of investor

Table 4.22.1 Distribution of perception of the service of publishing company constitution in the government gazette in terms of type of investor (n=126)

Publishing company constitution in the government gazette service rating	Acceptable	Good	Neutral	Poor	Very poor
Foreign	4	12	18	3	0
Local	1	3	53	8	0
Partnership	2	2	19	1	0

Table 4.22.1 shows that local investors expressed the highest level of poor rating of the service above compared to the other two categories of investors, that is, 12% of the total number of local investors who participated in the study compared to 8% and 4% for foreign investors and partnerships respectively (see Table 4.1 for total of each type of investor). A definite pattern begins to emerge that a considerable number of local investors were less inclined to access the standard services provided by CPI judging by the number of neutral answers. By contrast, foreign investors represent the majority (43%) of respondents who accessed the service in question and rated it more positively in terms of the total number of foreign investors who took part in the study, while partnerships and local investors only represent 16% and 6% respectively (see Table 4.1 for total of each type of investor).

4.6.4.2 Publishing the company constitution in the government gazette service rating in terms of company size

Table 4.22.2 Distribution of perception of the service of publishing company constitution in the government gazette in terms of company size (n=126)

Publishing company constitution in the government gazette service rating	Acceptable	Good	Neutral	Poor	Very poor
Large	4	14	7	1	0
Medium	3	2	32	6	0
Small	0	1	51	5	0

Table 4.22.2 shows that more large companies approached Mozambique's CPI with regard to the service in question than the other two categories of company sizes. Furthermore, of all large companies, 69% rated the service as being either good or acceptable. By contrast, of all small companies, only 1.8% rated the service as being good, while 12% of medium companies rated the service as being good (see Table 4.2 for total of each company size).

4.6.5 How do you rate the service rendered by CPI in terms of getting a business licence?

Table 4.23 Frequency distribution of perception of the service of getting a business licence (n=126)

Getting a business licence service rating	Investor count	Cumulative count	Percentage	Cumulative percentage
Acceptable	5	5	3.97	3.97
Good	19	24	15.08	19.05
Neutral	91	115	72.22	91.27
Poor	10	125	7.94	99.21
Very poor	1	126	0.79	100.00

Table 4.23 shows that 19% of respondents were of the view that the service above is good or acceptable, while 9% of respondents were of the view that the service is poor or very poor. Getting a business licence is a basic requirement to operate a business and as such it is a key investor servicing activity, which IPAs of countries such as Ireland and the Netherland consider as high priority (Guisinger, 1985:19). Therefore one would expect a huge demand by investors for this type of service through Mozambique's Centre for the Promotion of Investment. Yet, the opposite seems to be the case, given the limited number of investors who accessed the service out of a possible 65 (see Table 4.5) who have made initial direct contact with Mozambique's CPI.

4.6.5.1 Getting a business licence service rating in terms of type of investor

Table 4.23.1 Distribution of perception of the service of getting a business licence in terms of type of investor (n=126)

Getting a business licence service rating	Acceptable	Good	Neutral	Poor	Very poor
Foreign	1	15	19	2	0
Local	2	2	53	7	1
Partnership	2	2	19	1	0

Table 4.23.1 shows that only 18 foreign investors, 12 local investors and 5 investors involved in some kind of a partnership actually approached Mozambique's CPI for this service. It also shows that local investors have the highest negative rating of the service compared to either foreign investors or investors in a partnership.

4.6.5.2 Getting a business licence service rating in terms of company size

Table 4.23.2 Distribution of perception of the service of getting a business licence in terms of company size (n=126)

Getting a business licence service rating	Acceptable	Good	Neutral	Poor	Very poor
Large	3	15	7	1	0
Medium	1	4	32	6	0
Small	1	0	52	3	1

Table 4.23.2 shows that, the highest positive rating of the service was given by large companies (18). Medium and small companies gave low positive ratings and conversely gave high negative rating of the service as being poor and very poor compared to large ones.

4.6.6 How do you rate the service rendered by Mozambique's CPI in terms of registering a business with the Fiscal Department?

Table 4.24 Frequency distribution of perception of the service of registering a business with the Fiscal Department (n=126)

Getting a business licence service rating	Investor count	Cumulative count	Percentage	Cumulative percentage
Acceptable	5	5	3.97	3.97
Good	19	24	15.08	19.05
Neutral	91	115	72.22	91.27
Poor	10	125	7.94	99.21
Very poor	1	126	0.79	100.00

Table 4.24 shows that 19% of respondents were of the view that the service in terms of registering a business with the Fiscal Department through Mozambique’s Centre for the Promotion of Investment is good or acceptable, while 9% were of the view that the service is poor or very poor. It also shows that 72% of respondents were neutral regarding the service in question, which means that they have never approached Mozambique’s Centre for the Promotion of Investment for such a service.

4.6.6.1 Registering a business with the Fiscal Department service rating in terms of type of investor

Table 4.24.1 Distribution of perception of the service of registering a business with the Fiscal Department in terms of type of investor (n=126)

Getting a business licence service rating	Acceptable	Good	Neutral	Poor	Very poor
Foreign	1	15	19	2	0
Local	2	2	53	7	1
Partnership	2	2	19	1	0

Table 4.24.1 shows that in terms of type of investor 43% of foreign investors rated the service as being good or acceptable, while 17% of investors in a partnership rated it good or acceptable. By contrast only 6% of local investors rated the service as good or acceptable (see Table 4.1 for total of each type of investor). Clearly, the service is not of an acceptable level judging by the finding.

4.6.6.2 Registering a business with the Fiscal Department service rating in terms of company size

Table 4.24.2 Distribution of perception of the service of registering a business with the Fiscal Department in terms of company size (n=126)

Getting a business licence service rating	Acceptable	Good	Neutral	Poor	Very poor
Large	3	15	7	1	0
Medium	1	4	32	6	0
Small	1	0	52	3	1

Table 4.24.2 shows that 18 large companies and five medium companies rated the service as being good or acceptable, while only one small company rated the service as being good or acceptable. Small companies distinguished themselves by the number of neutral answers (52) – a significant proportion, as it represents 93% of all small companies which participated in study (see Table 4.2 for total for each company size). Overall, getting a business licence service is much more poorly rated by medium and small companies of this study than large companies.

4.6.7 How do you rate the service rendered by Mozambique’s CPI representatives based at Mozambican diplomatic missions?

Table 4.25 Frequency distribution of perception of the service by Mozambique’s CPI representatives based at Mozambique diplomatic missions (n=126)

Mozambique’s CPI representatives based at Mozambique’s diplomatic missions service rating	Investor count	Cumulative count	Percentage	Cumulative percentage
Acceptable	1	1	0.79	0.79
Good	10	11	7.94	8.73
Neutral	102	113	80.95	89.68
Poor	12	125	9.52	99.21
Very poor	1	126	0.79	100.00

Table 4.25 shows that 9% of respondents who accessed this service rated it as being good or acceptable, while 10% rated it negatively as being poor or very poor. 81% of respondents were neutral regarding this service, which suggests that very few investors approach Mozambique’s CPI representatives abroad for any business related assistance.

4.6.7.1 Mozambique’s CPI representatives based at Mozambique’s diplomatic mission service rating in terms of type of investor

Table 4.25.1 Distribution of perception of the service by Mozambique’s CPI representatives based at Mozambique’s diplomatic missions in terms of type of investor (n=126)

Mozambique’s CPI representatives based at Mozambique’s diplomatic missions service rating	Acceptable	Good	Neutral	Poor	Very poor
Foreign	0	8	19	9	1
Local	1	0	62	2	0
Partnership	0	2	21	1	0

From Table 4.25.1 we see that only eight foreign investors rated the service as being good, while a significant number (19) remained neutral. One would expect the majority of foreign investors to contact CPI’s representatives abroad when they consider investing in Mozambique. However, the result of the study shows the contrary. One possible reason could be a lack of sufficient promotional activity regarding the existence of CPI representatives at Mozambican diplomatic missions such as Pretoria and Shanghai. Table 4.25.1 also shows that most (21) partnerships did not seek the service in question (see Table 4.1 for total of each type of investor). It is interesting to note that three local investors rated the service, which is normally intended for foreign investors. This could be as a result of local investors having business dealings in South Africa and knowing Mozambique embassy in Pretoria, which they might approach for business related information.

4.6.7.2 Mozambique's CPI representatives based at Mozambique's diplomatic mission service rating in terms of company size

Table 4.25.2 Distribution of perception of the service by Mozambique's CPI representatives based at Mozambique's diplomatic missions in terms of company size (n=126)

Mozambique's CPI representatives based at Mozambique's diplomatic missions service rating	Acceptable	Good	Neutral	Poor	Very poor
Large	1	7	13	5	0
Medium	0	2	36	4	1
Small	0	1	53	3	0

Table 4.25.2 shows that large companies (8) had the highest positive response rate regarding the statement above. The number represents 31% of large companies, which rated the service as being good or acceptable, while 5% of medium companies rated the service as being good or acceptable and only 2% of small companies rated the service as being good or acceptable (see Table 4.2 for total of each company size). With the exception of large companies, few medium and small companies rated the service positively. The high number of neutral answers by small companies is indicative of the ownership of small companies by the majority of local investors, who would not normally need the above service (see Table 4.2.2.1).

4.6.8 How do you rate the service rendered by Mozambique's CPI in terms of registering with the Commercial Registry Office?

Table 4.26 Frequency distribution of perception of the service of registering with the Commercial Registry Office (n=126)

Registering with the commercial registry office service rating	Investor count	Cumulative count	Percentage	Cumulative percentage
Acceptable	5	5	3.97	3.97
Good	19	24	15.08	19.05
Neutral	91	115	72.22	91.27
Poor	11	125	8.73	100.00
Very poor	0	126	0.00	100.00

Table 4.26 shows that 19% of respondents rated this service as being good or acceptable, while 9% of respondents thought the service was poor. 72% of respondents, which constitute the majority, were neutral as far as the service above is concerned. This might be an indication that this group of respondents found alternative ways to register their companies with the Commercial Registry Office rather than doing it through Mozambique's Centre for the Promotion of Investment. One other reason might be in relation to communication strategies and the effectiveness thereof employed by Mozambique's Centre for the

Promotion of Investment in terms of its standard services to the business community in general. It might also be a reflection of a negative perception of the quality of service at CPI.

4.6.8.1 Registering with the commercial registry office service rating in terms of type of investor

Table 4.26.1 Distribution of perception of the service of registering with the Commercial Registry Office in terms of type of investor (n=126)

Registering with the commercial registry office service rating	Acceptable	Good	Neutral	Poor	Very poor
Foreign	3	13	19	2	0
Local	1	3	53	8	0
Partnership	1	3	21	1	0

From Table 4.26.1 we see that foreign investors (16) expressed the highest positive rating of the service as being good or acceptable. By contrast, local investors (8) expressed the highest negative rating of the service in question as being poor.

4.6.8.2 Registering with the Commercial Registry Office service rating in terms of company size

Table 4.26.2 Distribution of perception of the service of registering with the Commercial Registry Office in terms of company size (n=126)

Registering with the Commercial Registry Office service rating	Acceptable	Good	Neutral	Poor	Very poor
Large	4	14	7	1	0
Medium	1	4	32	6	0
Small	0	1	52	4	0

From Table 4.26.2 we see that medium companies (6) expressed the highest negative rating of the service as being poor, while large companies (18) expressed the highest positive rating of the service as being good or acceptable.

4.7 ADVOCACY AREA

In the literature review of this study Murphy (1998:10) states that IPAs seek not just to undertake promotion, but also to improve the wider environment for investors by liaising and instigating change with relevant authorities. The following statements were intended to solicit the views of investors in terms of the wider environment as discussed in this thesis. The responses will be the basis to provide suggestions on how Mozambique's CPI may enhance its advocacy role within the Mozambican wider environment thereby instigating change as

suggested above.

4.7.1 Foreign labour legislative framework.

Table 4.27 Frequency distribution of perception of the foreign labour legislative framework (n=126)

Foreign labour legislative framework needs a review	Investor count	Cumulative count	Percentage	Cumulative percentage
Strongly agree	13	13	10.32	10.32
Agree	91	104	72.22	82.54
Neutral	14	118	11.11	93.65
Disagree	6	124	4.76	98.41
Strongly disagree	2	126	1.59	100.00

Table 4.27 shows that 83% of respondents were of the view that the foreign labour legislative framework in Mozambique needs to be reviewed while 6% of respondents disagreed with the statement.

4.7.1.1 Foreign labour legislative framework in terms of type of investor

Table 4.27.1 Distribution of perception of the foreign labour legislative framework in terms of type of investor (n=126)

Foreign labour legislative framework needs a review	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Foreign	1	0	0	29	7
Local	1	6	13	41	4
Partnership	0	0	1	21	2

Table 4.27.1 shows a breakdown in terms of type of investor: 97% of foreign investors agreed with the statement above. 69% of local investors agreed with the statement, while partnerships agreed by 96% (see Table 4.1). The high level of agreement across all three types of investors seems to indicate a need to bring in expatriate labour to bridge the gap in certain skills, which might not be available in Mozambique in sufficient numbers.

4.7.1.2 Foreign labour legislative framework in terms of company size

Table 4.27.2 Distribution of perception of the foreign labour legislative framework in terms of company size (n=126)

Foreign labour legislative framework needs a review	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Large	1	1	0	21	3
Medium	1	4	4	29	5
Local	0	1	10	41	5

Table 4.27.2 shows that in terms of company size, across all three categories of company size there was high support for a review of the foreign labour legislative framework in Mozambique. Although they all agree in significant numbers that the labour legislative framework needs to be reviewed, it is not possible to determine what each investor type actually meant: whether the review is with a view to a more restrictive labour policy or a more flexible one.

4.7.2 Business visa duration

Table 4.28 Frequency distribution of perception of the business visa duration (n=126)

30-day business visa requires a review	Investor count	Cumulative count	Percentage	Cumulative percentage
Strongly agree	0	0	0.00	0.00
Agree	96	96	76.19	76.19
Neutral	17	113	13.49	89.68
Disagree	4	117	3.18	92.86
Strongly disagree	9	126	7.14	100.00

Table 4.28 shows that 76% of respondents were of the view that the 30-day business visa duration is inadequate and therefore needs to be reviewed. This means that the majority of respondents would like to see a longer length of stay per entry as against the current limit of 30-day. 10% of respondents thought that a 30-day stay was sufficient, while 13% were neutral on the issue.

4.7.2.1 Business visa duration in terms of type of investor

Table 4.28.1 Distribution of perception of the business visa duration in terms of type of investor (n=126)

30-day business visa requires a review	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Foreign	0	0	0	31	6
Local	0	4	16	43	2
Partnership	0	0	1	22	1

Table 4.28.1 shows that all (37) foreign investors who participated in the study were in favour of a review of the 30-day business visa to Mozambique. It also shows that 45 local investors agreed with the statement in question, while four of them disagreed and 16 remained neutral on the issue. Furthermore, 23 investors in some kind of a partnership agreed with the statement while one remained neutral. Therefore, as a proportion of the totality of each type

of investor (see Table 4.1) it is clear, based on Table 4.28.1 that the majority of all investors were in favour of a review of the 30-day business visa to Mozambique. The reason could be that the investors believe that the current 30-day length of stay per entry is insufficient to close business deals given the finding that there is excessive bureaucracy in the country. Excessive bureaucracy is not conducive to having business transactions within reasonable time. As a result, a 30-day visa may run out before foreign business people are able to achieve their business objectives.

4.7.2.2 Business visa duration in terms of company size

Table 4.28.2 Distribution of perception of the business visa duration in terms of company size (n=126)

30-day business visa requires a review	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Large	0	0	0	24	2
Medium	0	3	5	32	3
Small	0	1	12	40	4

Table 4.28.2 shows that no large company disagreed with the statement that the 30-day business visa to Mozambique requires a review. The literature on IPA with respect to aftercare services indicated that the issue of visas is an administrative type of service for an Investment Promotion Agency (UNCTAD, 2007:26). Therefore, on the basis of the finding, Mozambique's Centre for the Promotion of Investment should advocate for a review of the current Mozambican visa legal framework with the view to extending the length of stay in the country for business purposes.

4.7.3 Interaction between private and public sector

Table 4.29 Frequency distribution of perception of the interaction between private and public sectors (n=126)

There is a healthy interaction between the private and public sectors in Mozambique	Investor count	Cumulative count	Percentage	Cumulative percentage
Strongly agree	0	0	0.00	0.00
Agree	8	8	6.35	6.35
Neutral	24	32	19.05	25.4
Disagree	64	96	50.79	76.19
Strongly disagree	30	126	23.81	100.00

In Table 4.29 we see that 75% of respondents expressed the view that there is a lack of healthy interaction between the private and public sectors in Mozambique, while 19% of investors across all categories remained neutral on this statement. So far in the discussion

the highest percentage (24%) of strong disagreement was expressed with regard to this statement. This finding is worrying and requires to be addressed in the interest of advancing economic growth of Mozambique. The literature review on IPAs in this study indicated that a healthy interaction between the private and public sector is crucial in advancing the economic growth of a country. Costa Rica's IPA was pointed out as one of the countries' IPAs which has benefited greatly from such a positive interaction (Lanza, 1982:26). Therefore, the finding above does not bode well for Mozambique's Centre for the Promotion of Investment as a catalyst for economic growth and development in Mozambique.

4.7.3.1 Interaction between the private and public sectors in terms of type of investor

Table 4.29.1 Distribution of perception of the interaction between the private and public sectors in terms of type of investor (n=126)

There is a healthy interaction between the private and public sectors in Mozambique	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Foreign	3	14	18	2	0
Local	22	35	4	4	0
Partnership	5	15	2	2	0

According to Table 4.29.1, local investors expressed the highest level of disagreement (57) with the statement above compared to the other two types of investors. Table 4.29.1 also shows that the level of agreement is extremely low across all three types of investor. This is worrying as a healthy interaction between public and private sectors is a basic requirement for a healthy business environment – which determines whether there will be investment in the country or not. It is interesting to note that unlike other statements where local investors make up the majority of neutral answers, in this case it is considerably low (4). This finding could indicate that, to a less or large extent, private-public interaction matters to investors in general. The literature review revealed that as far as the fourth generation investment promotion is concerned (UNCTAD, 2007:17) in order to foster good private-public interaction, the focus ought to be placed on the removal of administrative obstacles and institutional capacity-building by working together to have a common understanding of any obstacles and find workable solutions.

Furthermore, the emerging framework in the public sector (Girishankar and Manning, 2008:56) advocates demand-side pressures by stakeholders such as Investment Promotion Agencies, to ensure that the public sector performs its administrative and symbolic roles within the context of national economic development (Peucker, 2002:51). Therefore, Mozambique's CPI as an important stakeholder in the economic development of Mozambique, ought to apply such pressures to ensure meaningful interaction takes place

between both sectors. In this way the finding that only eight companies agreed with the statement is likely to change in the foreseeable future.

4.7.3.2 Interaction between the private and public sectors in terms of company size

Table 4.29.2 Distribution of perception of the interaction between the private and public sectors in terms of company size (n=126)

There is a healthy interaction between the private and public sectors in Mozambique	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Large	5	12	7	2	0
Medium	16	21	6	0	0
Small	9	31	11	6	0

In Table 4.29.2 we see that no medium-sized company agreed with the statement that there is a healthy interaction between the private and public sectors in Mozambique. It is also noticeable how low the level of agreement is among both large and small companies. As a percentage of each group large companies represent 8%, while small companies represent 11% (see Table 4.2). Also, across all company sizes the proportion of neutral answers is relatively low, which indicates how much investors value a healthy public-private interaction.

4.7.4 Stakeholders involved in the process of starting a business in Mozambique

Table 4.30 Frequency distribution of perception of the stakeholders involved in the process of starting a business (126)

Stakeholders involved in the process of starting a business in Mozambique work in harmony with one another.	Investor count	Cumulative count	Percentage	Cumulative percentage
Strongly agree	0	0	0.00	0.00
Agree	4	4	3.17	3.17
Neutral	17	21	13.49	16.66
Disagree	96	117	76.19	92.85
Strongly disagree	9	126	7.15	100.00

Table 4.30 indicates that 76% of respondents did not agree that the stakeholders involved in the process of starting a business in Mozambique work in harmony with one another. This percentage is contrasted with 3% of those who agreed. The wide difference in percentage indicates that there is a problem with the way the various stakeholders involved in the process of starting a business in Mozambique operate. It suggests a lack of coordination, which was highlighted in the literature review (Kaufmann *et al*, 2009:29). It is interesting to note that this is one statement with the lowest level of neutral answers – 13%. This indicates

that generally investors experience obstacles in relevant public institutions in the process of setting up a business.

4.7.4.1 Stakeholders involved in the process of starting a business in terms of type of investor

Table 4.30.1 Distribution of perception of the harmony among stakeholders involved in the process of starting a business in terms of type of investor (n=126)

Stakeholders involved in the process of starting a business in Mozambique work in harmony with one another.	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Foreign	3	23	10	1	0
Local	4	51	7	3	0
Partnership	2	22	0	0	0

Across all type of investors, the level of agreement with the statement is very low, with foreign investors representing one investor and local investors three. None of the investors in some kind of a partnership agreed with the statement that the stakeholders involved in the process of starting a business in Mozambique work in harmony with one another. The finding corroborates the view of Mlambo and Oshikoya (2002:32) that the performance and responsiveness of institutional frameworks are major obstacles to business activity in Africa. Nwokoma (2008:51) talks about the centrality of the design of the delivery system in ensuring frontline performance and development outcomes. Hence, this would have to be born in mind in any policy initiative to change the current state of affairs. Furthermore, Girishankar and Manning (2000:56) have indicated the emerging framework in the public sector to improve capability through demand-side pressures by society, firms and other stakeholders. Arguably, CPI is an important stakeholder in the setup of a business in Mozambique and can play its advocacy role to ensure both harmony and capability among all key Mozambique government departments involved in the establishment of businesses.

4.7.4.2 Stakeholders involved in the process of starting a business in terms of company size

Table 4.30.2 Distribution of perception of the harmony among stakeholders involved in the process of starting a business in terms of company size (n=126)

Stakeholders involved in the process of starting a business in Mozambique work in harmony with one another.	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Large	0	16	7	3	0
Medium	3	33	6	1	0
Small	6	47	4	0	0

Table 4.30.2 shows that in relative terms more large companies (3) agreed with the statement than medium (1) or small companies. Conversely, more small (53) and medium (36) companies disagreed with the statement than large companies (16).

4.7.5 Bureaucracy

Table 4.31 Frequency distribution of perception of the bureaucracy (n=126)

There is excessive bureaucracy and complex structures in Mozambique's public sector.	Investor count	Cumulative count	Percentage	Cumulative percentage
Strongly agree	16	16	12.7	12.7
Agree	102	118	80.95	93.65
Neutral	6	124	4.76	98.41
Disagree	2	126	1.59	100.00
Strongly disagree	0	126	0.00	100.00

Table 4.31 shows that 94% of respondents expressed the view that there is excessive bureaucracy and complex structures in Mozambique's public service. This is in contradiction with the global strategy for the reform of the public sector in Mozambique (Moçambique, 2000a: 58), which envisaged efficiency and greater competitiveness in service delivery and the quality thereof (Chichava, 2008:58). The rationalisation of structures and procedures in service delivery was intended to reduce dramatically the problem of bureaucracy in the interest of economic agents and other stakeholders (Chichava, 2008:58).

4.7.5.1 Bureaucracy in terms of type of investor

Table 4.31.1 Distribution of perception of the bureaucracy in terms of type of investor (n=126)

There is excessive bureaucracy and complex structures in Mozambique's public sector.	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Foreign	0	0	4	27	6
Local	0	2	2	53	8
Partnership	0	0	0	22	2

Table 4.31.1 shows that in relative terms local investors (61) expressed the highest level of agreement with the statement above. This represents 94% of all local investors who took part in the study, followed by investors in a partnership - 92%. Foreign investors agreed by 89% (see Table 4.1 for total number of each investor type). Kaejer (2004:54) makes pertinent points about how to deal with the issue of excessive bureaucracy, which this study has found in relation to Mozambique's public sector, from the new public management perspective namely; innovation and the ability to cope with uncertainty and rapid changes as key factors

to bring about an effective and efficient bureaucracy. Therefore, these factors would have to be infused into Mozambique's public sector to counter excessive bureaucracy.

4.7.5.2 Bureaucracy in terms of company size

Table 4.31.2 Distribution of perception of the bureaucracy in terms of company size (n=126)

There is excessive bureaucracy and complex structures in Mozambique's public sector.	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Large	0	0	4	21	1
Medium	0	1	2	33	7
Small	0	1	0	48	8

In Table 4.31.2 we see that in relative terms medium (40) and small (56) companies expressed the highest level of agreement with the statement that there is excessive bureaucracy and complex structures in Mozambique's public sector – 93% and 98% respectively (see Table 4.2 for total number of each company size). Also, the percentage of agreement by large companies is also quite significant – 85%. It can therefore be concluded that excessive bureaucracy is an issue which needs to be addressed in Mozambique and CPI can assist through its policy advocacy role (Morisset and Andrews–Johnson, 2003:21).

4.7.6 Corruption

Table 4.32 Frequency distribution of perception of corruption (n=126)

Corruption is impeding economic activity in Mozambique.	Investor count	Cumulative count	Percentage	Cumulative percentage
Strongly agree	0	0	0.00	0.00
Agree	97	97	76.98	76.98
Neutral	17	114	13.49	90.47
Disagree	3	117	2.38	92.85
Strongly disagree	9	126	7.15	100.00

Table 4.32 shows that the issue of corruption, seems to feature prominently in the minds of respondents with 84% of investors pointing out that corruption is problematic in Mozambique. Corruption tends to be greater in countries with serious regulatory and institutional inefficiencies. Furthermore, corruption lowers private sector investment incentives and results in high transaction costs to the investor (Kaufmann *et al*, 2009:10). It can therefore be deduced that first, given the high number of respondents who highlighted corruption as being problematic in Mozambique, there are serious regulatory and institutional issues which require urgent attention. *Second*, the prevalent situation is counter-productive to investment promotion. Again, Mozambique's CPI can play an important role to eradicate the situation as found in the study with regard to corruption.

4.7.6.1 Corruption in terms of type of investor

Table 4.32.1 Distribution of perception of corruption in terms of type of investor (n=126)

Corruption is impeding economic activity in Mozambique.	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Foreign	0	0	7	30	0
Local	0	3	10	45	7
Partnership	0	0	0	22	2

Table 4.32.1 indicates that 81% of foreign investors indicated agreement with the statement above while local investors and investors in a partnership agreed by 80% and 100% respectively (see Table 4.1 for total of each type of investor). The above indicates that corruption is affecting all three types of investors in high numbers, which is detrimental to a healthy business environment, which Mozambique's CPI is supposed to promote. Kaufmann *et al* (2009:10) state that corruption lowers private investment incentive (the ultimate goal of an IPA) as it causes high transaction costs to the investor. Hence, CPI needs to play an active role in dealing with this issue, which has the potential to stunt economic growth.

4.7.6.2 Corruption in terms of company size

Table 4.32.2 Distribution of perception of corruption in terms of company size (n=126)

Corruption is impeding economic activity in Mozambique.	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Large	0	0	2	23	1
Medium	0	3	9	29	2
Small	0	0	6	45	6

Large companies expressed the highest level of agreement with the statement above that corruption is impeding economic activity in Mozambique - 92% of all large companies, while small companies represent 89% and medium companies 72% respectively (see Table 4.2).

4.7.7 Telephone line installation service

Table 4.33 Frequency distribution of perception of the turnaround time to install a telephone line (n=126)

Telecommunications service in terms of turnaround time to install a telephone line is satisfactory to business	Investor count	Cumulative count	Percentage	Cumulative percentage
Strongly agree	1	1	0.79	0.79
Agree	37	38	29.37	29.37
Neutral	8	46	6.35	35.72
Disagree	77	123	61.11	97.62
Strongly disagree	3	126	2.38	100.00

63% of respondents considered the turnaround time for the installation of a telephone line as being unsatisfactory to business, while 32% of respondents considered the turnaround time as being satisfactory. As a subset of telecommunications infrastructure, the telephone is a crucial element from a business operation point of view (UNCTAD, 2007:26). Therefore, Mozambique's CPI has a crucial role to play from an advocacy point of view to reverse the state of affairs as reflected by the finding that the majority (63%) of participants of this study expressed dissatisfaction with regard to the time it takes to install a telephone line in Mozambique. The discussion about aftercare service, which Young and Wood (1994: 26) defined as all potential services offered at company level by governments and their agencies (IPAs) with a view to facilitating both the successful start-up and the continuing development of a firm to maximise its contribution to the local economic development, includes among other things ICT of which the telephone is a part. Hence, it is crucial that Mozambique's Centre for the Promotion of Investment begins to play an enabling role in shortening the time for installation of a telephone line for business purposes.

4.7.7.1 Telephone line installation service in terms of type of investor

Table 4.33.1 Distribution of perception of the turnaround time to install a telephone line in terms of type of investor (n=126)

Telecommunications service in terms of turnaround time to install a telephone line is satisfactory to business	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Foreign	1	21	2	13	0
Local	2	38	5	19	1
Partnership	0	18	1	5	0

Table 4.33.1 shows that across all three types of investors there is a high level of disagreement with the statement above. Partnerships disagreed by 75%; local investors disagreed by 62% and foreign investors disagreed by 59% as percentages of each subgroup (see Table 4.1 for total number of each type of investor).

4.7.7.2 Telephone line installation service in terms of company size

Table 4.33.2 Distribution of perception of the turnaround time to install a telephone line in terms of company size (n=126)

Telecommunications service in terms of installing a telephone line is satisfactory to business	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Large	1	14	0	11	0
Medium	2	30	1	10	0
Small	0	33	7	16	1

Table 4.33.2 shows that across all company sizes, there is significant disagreement with the statement that telecommunications service in terms of turnaround time to install a telephone line is satisfactory to business in Mozambique. Medium companies disagreed by 74%; large companies by 53% and small companies by 58% as percentages of each subgroup (see Table 4.2). The neutral answers could be explained by the increasing use of cell phones by the business community in Mozambique and many parts of Africa instead of the traditional landline. It could be assumed that investors who gave neutral answers do not have a fixed telephone in their business premises. One of the reasons could be the simplicity to have a cell phone number operational compared to a fixed line number.

4.7.8 Internet connectivity

Table 4.34 Frequency distribution of perception of the internet connectivity (n=126)

Internet connectivity satisfies business needs	Investor count	Cumulative count	Percentage	Cumulative percentage
Strongly agree	1	1	0.79	0.79
Agree	16	17	12.7	13.49
Neutral	18	35	14.29	27.78
Disagree	88	123	69.84	97.62
Strongly disagree	3	126	2.38	100.00

Table 4.34 shows that 72% of participants disagreed with the statement that internet connectivity satisfies investors' needs as opposed to 13% of participants who agreed. The finding that 72% of participants disagreed corroborates the global competitive report of the World Bank (Wide, 2010:32), which regarded telecommunications, internet access and customs as the most problematic infrastructural issues for doing business in Mozambique in relation to the rest of Sub-Saharan Africa.

4.7.8.1 Internet connectivity in terms of type of investor

Table 4.34.1 Distribution of perception of the internet connectivity in terms of type of investor (n=126)

Internet connectivity satisfies business needs	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Foreign	0	28	5	4	0
Local	2	43	10	9	1
Partnership	1	17	3	3	0

Table 4.34.1 shows that in terms of the total number of each group, foreign investors disagreed by 76%, while local investors disagreed by 69% and investors in a partnership

disagreed by 75% with the statement that internet connectivity satisfies business needs in Mozambique (see Table 4.1 for total number of each type of investor). Table 4.34.1 also shows that local investors represent the group with the highest number of neutral answers in relation to the other two types of investors. That the data revealed neutral answers in this regard, is surprising as the most probable assumption for the neutral answers is that the companies in question do not use the internet in their business dealings in an age where the internet has become such an important business tool.

4.7.8.2 Internet connectivity in terms of company size

Table 4.34.2 Distribution of perception of the internet connectivity in terms of company size (n=126)

Internet connectivity satisfies business needs	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Large	0	22	0	4	0
Medium	1	32	6	4	0
Small	2	34	12	8	1

Table 4.34.2 shows that in comparative terms 15% of large companies and 14% of small companies agreed with the statement above (see Table 4.2 for total size of each company size). They are followed by 9% of medium companies which also agreed that internet connectivity satisfies business needs. It is clear, based on Table 4.34.2, that the level of disagreement with the statement as a percentage of each company size was higher in all cases than the level of agreement. It also shows that small companies represent the highest number of neutral answers compared to the other two company sizes, which may indicate that small companies do not generally use the internet in Mozambique for business.

4.7.9 Electricity supply

Table 4.35 Frequency distribution of perception of the electricity supply (n=126)

Electricity supply satisfies business needs	Investor count	Cumulative count	Percentage	Cumulative percentage
Strongly agree	37	37	29.37	29.37
Agree	87	124	69.05	98.42
Neutral	2	126	1.58	100.00
Disagree	0	126	29.37	100.00
Strongly disagree	0	126	0.00	100.00

In terms of electricity supply all respondents were positive regarding the supply of electricity in Mozambique. Two respondents were undecided on the issue. Electricity is an essential

component for business activity and a reliable electricity supply is advantageous to the country. Mozambique's CPI should therefore capitalise on it in terms of business promotion.

4.7.10 Mozambique's accounting system

Table 4.36 Frequency distribution of perception of the accounting system (n=126)

Mozambique's accounting system is satisfactory to business	Investor count	Cumulative count	Percentage	Cumulative percentage
Strongly agree	0	0	0.00	0.00
Agree	39	39	30.95	30.95
Neutral	2	41	1.59	32.54
Disagree	23	64	18.25	50.7
Strongly disagree	62	126	49.21	100.00

67% of respondents indicated that Mozambique's accounting system was not satisfactory, while 2% of respondents were neutral on the issue. The high 67% dissatisfaction with Mozambique's accounting system reinforces and correlates with the findings by Macuacua (2003:34) that the accounting system in Mozambique has not kept pace with international best practices. The literature review showed that there is a correlation between economic growth and the adequacy of the accounting system (Harding, 2000:34), which is closely related to a well-functioning financial system without which there cannot be a strong private sector, for the primary role of a financial system is to mobilise and channel resources to the most productive investments (Oshikoya, 2002:33). Hence, Mozambique's Centre for the Promotion of Investment has a pivotal advocacy role to play in this area in the interests of economic growth and development of Mozambique.

4.7.10.1 Accounting system in terms of type of investor

Table 4.36.1 Distribution of perception of the accounting system in terms of type of investor (n=126)

Mozambique's accounting system is satisfactory to business	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Foreign	3	19	10	5	0
Local	1	37	14	13	0
Partnership	0	13	4	7	0

Table 4.36.1 shows that across all types of investors there was a very low level of agreement with the statement above that Mozambique's accounting system is satisfactory. Of all foreign investors only 14% agreed; of all local investors only 20% agreed and of all investors in a partnership only 29% agreed (see Table 4.1). This finding indicates that there is a need to

address Mozambique's accounting system to meet international best practices and by extension business needs.

4.7.10.2 Accounting system in terms of company size

Table 4.36.2 Distribution of perception of the accounting system in terms of company size (n=126)

Mozambique's accounting system is satisfactory	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Large	0	20	4	02	0
Medium	1	20	10	12	0
Small	1	38	13	5	0

Table 4.36.2 shows that 20 large companies disagreed followed by 21 medium companies and 39 small companies. In terms of totality of each group, large companies represent 77%; medium companies 45% and small companies 68% (see Table 4.2 for total of each company size). With the exception of medium companies, more than half of large and small companies were of the view that the accounting system in Mozambique is not satisfactory. This finding correlates with the finding by Macuacua (2003:34), which states that the accounting system in Mozambique has many deficiencies.

4.8 CHAPTER SUMMARY

This chapter presented the findings and analysis of the quality of service provided by Mozambique's Centre for the Promotion of Investment within the context of Mozambique's economic development objectives and public service reform from the perspective of local and foreign investors operating in Mozambique. The study found that the majority of respondents of this study own small companies and that the main area of activity for all groups of investors is the services sector followed by tourism. A breakdown of respondents revealed that local investors were the majority of respondents in this study followed by foreign investors and investors in some kind of a partnership. Out of 126 investors 65 indicated that they had initial direct contact with Mozambique's CPI. Of the 65, the study found that fewer respondents eventually availed themselves of the services on offer, which were not highly rated. Also, the study found that foreign investors had more contact with Mozambique's CPI than the other two groups – local investors and investors in a partnership. It also became clear that in relative terms large companies and foreign investors rated the services more highly than small companies and local investors.

From a wider environment perspective the finding is that there is widespread agreement among all groups of investors that many areas such as the accounting system and coordination among stakeholders involved in the process of setting up a business in Mozambique need the attention of the relevant Mozambican authorities to ensure an environment that is conducive to business growth and by extension economic development.

The next chapter will conclude the study and provide recommendations based on the findings.

CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

The preceding chapter presented, analysed and discussed the findings of the study with the aim of meeting the research objectives:

Chapter one presented the argument for undertaking the study by establishing a relationship between business environment and IPAs. In chapter two, quality service dimensions and the criteria to evaluate service quality were discussed. It was indicated that service quality is best assessed by users of a given service, who were made up of local and foreign investors in this study. The discussion on IPAs demonstrated that they have become crucial elements in the economic development efforts of countries worldwide as they engage in various activities to facilitate the establishment of sustainable businesses.

The literature review indicated that public service is an integral institution which provides administrative and symbolic reference points in terms of national development, and as such, the success of an IPA is dependent in part on how it can influence the institutional capacity of the public service with particular reference to the business environment through its advocacy role. The researcher discussed research methodology and the reason for choosing the quantitative approach for this study in chapter three. The data collection tool used in this study, namely: the closed-ended questionnaire and the online method used to administer it were also discussed. Chapter four discussed the findings of the study.

This chapter concludes the study and forwards recommendations in relation to the research problem investigated.

5.2 CONCLUSIONS

In general, the service quality dimensions identified in the literature review were found in this study to be poorly rated by both local and foreign investors in relation to Mozambique's CPI. This is extremely worrying, given that successful Investment Promotion Agencies such as Costa Rica's CINDE display a high degree of the above service quality dimensions. The study also found that foreign investors are more likely to approach Mozambique's CPI than local investors. Therefore, the standard services offered by Mozambique's CPI, are not being accessed by the greatest possible number of the target population – investors in general. This negates the very purpose of its existence.

On the wider environment front, the study found that there are areas of concern in the public sector which need addressing such as the need for a meaningful interaction between the

private and public sectors on the one hand, and on the other hand, a better coordination between all stakeholders involved in the process of setting up a business in Mozambique.

Telecommunications infrastructure (in terms of telephone and internet connectivity) was pointed out by investors as a stumbling block to business activity, while electricity supply was unanimously regarded by investors as being adequate for business activity in Mozambique.

The finding of this study highlights the need for Mozambique's CPI to revisit its function as a catalyst for investment promotion and economic development. Also, it highlights the need for a greater and more impactful advocacy role in the public sector in the context of Mozambique's economic development and public service reform thereby initiating positive change in the wider environment.

The following observations are made:

Service expectation according to the model is influenced by factors such as communication, personal needs and past experiences. Firstly, the limited number of respondents who indicated that they used the services of Mozambique's CPI is reflective of a poor communication strategy on the part of Mozambique's CPI. This has implications as far as its effectiveness is concerned in the area of IPAs' basic tasks namely, image building activity, which involves having a well-articulated communication strategy such as direct marketing, and public relations to name but a few (World Bank, 2009: 20). Secondly, in terms of personal needs or if one prefers, company needs, there is a perception among investors generally that Mozambique's CPI is not in a position to respond adequately to their needs, based on experience or word of mouth. This is indicative of poor service provision and quality.

Normann's model as cited in Murphy (1991:14) of service management would be a useful tool to adopt by Mozambique's CPI. The notion of linkage (Murphy, 1998:14) has particular relevance to Mozambique's CPI in terms of its advocacy role. Because Mozambique's CPI cannot function effectively in isolation, it needs to enlist the cooperation of other stakeholders to ensure acceptable service to investors all around.

From lessons gleaned from other countries' IPAs, the notion of personal effort (Moyano, 1998:23) which has complimented investment policies in Costa Rica is worth emulating by Mozambique's CPI. The use of transnational strategic networks to learn insights into the benefit of the Chilean business environment is also worth mentioning. This strategy ties in well with the world systems analysis model of economic development as it advocates a global view of economic development which in turn should be tailored to local circumstances. Transnational networks are a classic example of how to approach it.

China's IPAs, which provide assistance to both domestic and foreign investors on a range of issues (Hampton, 2006:25) signals a positive trend as the literature on IPAs generally appears to have a nuanced bias towards foreign investors. This came out in the literature review of this study (Hanlon and Smart, 2008:45). A balanced treatment such as the one demonstrated by China would counter Ajaiy's (2006:30) view that in the attempt to attract FDI some countries run the risk of racing to the bottom by adopting policies which do not have the greatest multiplier effect on the local economy. Furthermore, it counters the view expressed in the dependency theory of economic development that countries of the North grow economically at the expense of the developing countries such as Mozambique.

We are reminded by Mlambo and Oshikoya (2002:29) that a degree of successful local business participation in the host country economy is necessary to attract foreign investors in the first place. More importantly, they argue that the highest and sustained levels of economic development in Africa cannot be achieved without the promotion of local private businesses as a dynamic engine for development. Therefore, Mozambique's CPI should take the above into account in its strategic plans.

UNCTAD (2003:36) states that the priorities of an IPA will change in line with the economic development stage of a country as described by various economic development models discussed in this thesis. However, it should be pointed out that due to the forces of globalisation developing countries such as Mozambique may display various stages of economic development simultaneously rather than necessarily in sequence as the models suggest. For example, multinational companies have entered Mozambique to exploit natural resources such as gas and in turn these companies have given rise to a service industry as has been found in the study without the preceding stages of economic development having been necessarily attained.

The variability of stages requires an interventionist approach on the part of the state in order to mediate the differing interests between economic actors who may be operating on a different economic development scale.

Finally, an interventionist or developmental state would tally well with the new institutional economy and new public management approaches, as both give prominence to the role of institutions in economic development (Caiden, 1991:52). The variables of new public management such as professional management and output control (ADR, 2005:53) would be useful tools in addressing the issues in the Mozambican public sector, which this study found and give an added value to the public service reform under way in Mozambique.

5.3 RECOMMENDATIONS

Based on the findings of the study, the following recommendations are made:

- Mozambique's Centre for the Promotion of Investment needs to market its services and the reason for its existence with more vigour to its target market, especially the local investors as the study found that only 44% of local investors of this study ever made initial contact with Mozambique's CPI as compared to 68% of foreign investors by having advertisements on radio and television as these are both easily accessible and pervasive mediums of communication.
- Mozambique's Centre for the Promotion of Investment needs to establish networks with think tanks and academic institutions to gain insights into how to better serve its clients as other Investment Promotion Agencies around the world are doing. Mozambique's CPI should adopt and adapt Chile's IPA approach because of the positive results it has managed to achieve for Chile, which is also a developing country like Mozambique. This means both countries share some similarities economically and Mozambique can benefit from Chile's IPA experience.
- The website of Mozambique's Centre for the Promotion of Investment needs to have an interactive platform as the study showed that both local and foreign investors did not find the information on the website adequate. An interactive platform should have the form of a feedback link. Such a link would allow continual improvement of information based on the comments and criticism posted by investors.
- Mozambique's Centre for the Promotion of Investment needs to enlist, as part of its advocacy role, the support of the government of Mozambique in having workshops in which all major stakeholders in the public sector would participate to discuss issues of common concern with the business community in Mozambique. A collaborative or inter-sectorial policy framework should be developed to guide the interaction between all public sector stakeholders and the business community in Mozambique. This would go a long way in addressing the issue of a lack of proper interaction between stakeholders involved in the process of setting up a business in Mozambique as indicated by both local and foreign investors.
- Mozambique's CPI should strive to give equal attention to all investors whether they be local, foreign or partnerships irrespective of the size of the business. This would prevent the biased treatment, which became apparent in the study towards foreign

investors and large companies. One approach to achieve the above would be holding regular meetings with the staff to raise awareness of the value to the organisation of giving equal attention and quality service to all customers.

- Mozambique's CPI should have an annual investor satisfaction survey in terms of the standard services it offers as a means to ensure continual service improvement and additional services, which may become necessary on the basis of such a survey outcome.

5.4 FUTURE RESEARCH DIRECTIONS

The findings of this study present a number of possible areas for future research.

- There is a need for continued empirical research into the quality of service of public institutions generally in Mozambique as a means to evaluate the quality thereof in line with Mozambique's public service reform (República de Moçambique, 2010).
- There is a need to investigate whether in Mozambique there are private bodies providing a similar function to that of Mozambique's CPI and how they affect the accessibility of Mozambique's CPI services given that the majority of respondents of this study indicated that they had initial contact with it, but did not end up availing themselves of its various services on offer.

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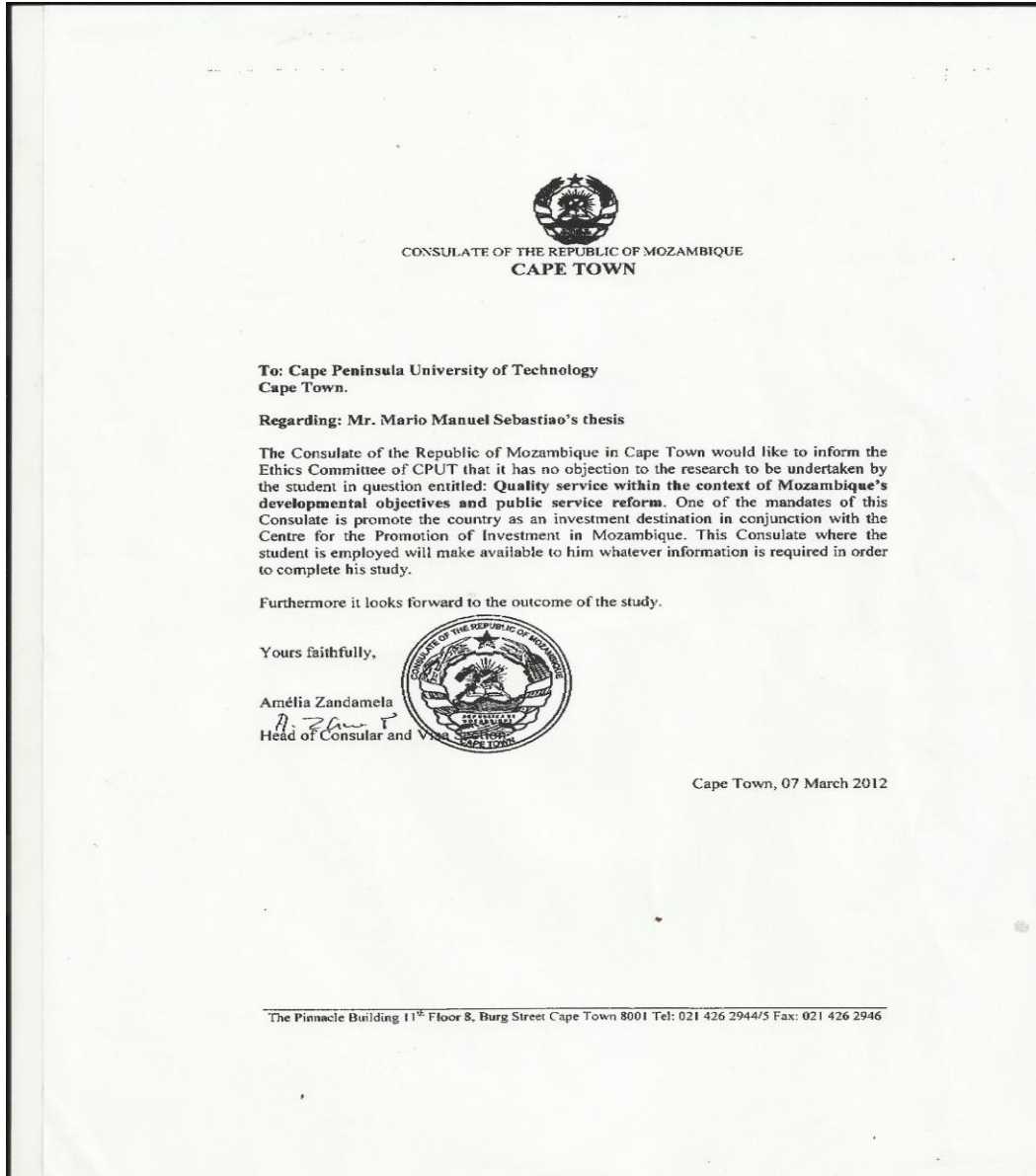
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APPENDICES

APPENDIXA: LETTER GIVING APPROVAL TO THE STUDY BY EMPLOYER



APPENDIX B: ETHICAL CLEARANCE



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Symphony Road Bellville 7535


Office of the Chairperson Research Ethics Committee	Faculty: BUSINESS
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At a meeting of the Research Ethics Committee on 11 April 2012, ethics approval was granted to SEBASTIAO, Mario Manuel (206200641) for research activities Related to the MTech/DTech: MTech: Public Management at the Cape Peninsula University of Technology.

Title of dissertation/thesis:	Quality service within the context of Mozambique's developmental objectives and public service reform. Supervisor: Dr R Hendrickse
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Comments (Add any further comments deemed necessary)

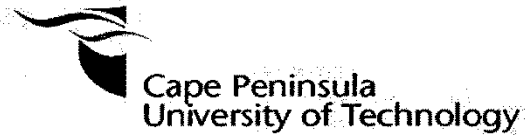
Decision: **APPROVED**

	11 April 2012
Signed: Chairperson: Research Ethics Committee	Date

_____	_____
Signed: Chairperson: Faculty Research Committee	Date

Clearance Certificate No | 2012FBREC0038

APPENDIX C: FACULTY LETTER



17 October 2011

TO WHOM IT MAY CONCERN

Dear Sir/Madam

Re: MARIO MANUEL SABASTIAO (STUDENT NUMBER – 206200641)


The above student is registered for a Masters degree in Technology (Public Management) at the above institution.

The title of her research is: **Quality service within the context of Mozambique's developmental objectives and public service reform.**

As his research supervisor, I kindly request that you please assist him with information he may require to conclude his studies successfully. The information will be handled in an ethically sound manner as per the university's research policies.

Feel free to contact me should any further information be required.

With much appreciation and kind regards,



DR ROZENDA HENDRICKSE
SENIOR LECTURER
DEPARTMENT OF PUBLIC MANAGEMENT
TEL: 021 – 460 3929
EMAIL: hendrickser@cput.ac.za



APPENDIX D: LETTER OF INTRODUCTION

Dear Investor,

My name is Mario and I am currently a Public Management Master student at the Cape Peninsula University of Technology (CPUT) in Cape Town, South Africa. I am in the process of doing data collection for my dissertation. The topic of my thesis is **“Quality service within the context of Mozambique’s developmental objectives and public service reform”**.

The main goal is to determine the quality of service provided to investors both local and foreign by Mozambique’s Centre for the promotion of Investment in the interest of improving the business environment in Mozambique. Thus, I need to have the questionnaire completed by a sample of both local and foreign investors in Mozambique.

All identities of those participating in my investigation will not be disclosed, and all information will be treated with the strictest confidentiality and it is purely for academic purposes only. Therefore, your voluntary participation will be much appreciated.

Thank you for your cooperation,

Mario Manuel Sebastiao

Email : 20620064@mycput.ac.za or mariosbst@gmail.com ; Cell (027)837189235

Caro investidor,

Chamo-me Mário e sou estudante de Mestrado em Gestão Pública / Administração Pública na Cape Peninsula University of Technology (CPUT) em Cape Town, África do Sul e estou no processo de recolha de dados para minha dissertação.

O tópico da minha tese é : **“Qualidade de serviço no contexto de objectivos de desenvolvimento económico e reforma da função pública em Moçambique”**. O objectivo é determinar a qualidade de serviço prestado pelo Centro de Promoção de Investimentos a investidores locais e estrangeiros com vista a melhorar o ambiente empresarial em Moçambique. Por isso, preciso que o questionário a seguir, seja respondido por uma amostra de investidores locais e estrangeiros em Moçambique.

Todos aqueles que participarem nesta investigação permanecerão anónimos e toda a informação será tratada com a maior confidencialidade e será somente para propósito académico. Por conseguinte, a vossa participação voluntária é altamente agradecida desde já.

Obrigado pela vossa cooperação.

Mário Manuel Sebastiao

Email: 206200641@mycput.ac.za or mariosbst@gmail.com Cell:(027) 837189235

APPENDIX E: QUESTIONNAIRE

SECTION /SECÇÃO A

THIS SECTION IS INTENDED TO GATHER INFORMATION ABOUT YOUR COMPANY ESTA SECÇÃO TEM POR OBJECTIVO COLHER INFORMAÇÃO SOBRE VOSSA EMPRESA

A1) PLEASE INDICATE THE SIZE OF YOUR COMPANY / POR FAVOR INDIQUE O TAMANHO DA VOSSA EMPRESA*CHOOSE ONLY ONE OPTION / ESCOLHA APENAS UMA OPÇÃO.

- SMALL / PEQUENA
- MEDIUM / MÉDIO
- LARGE / GRANDE

A2) PLEASE INDICATE THE MAIN AREA OF ACTIVITY IN WHICH YOUR COMPANY IS INVOLVED / POR FAVOR INDIQUE A PRINCIPAL ÁREA DE ATIVIDADE EM QUE A VOSSA EMPRESA ESTÁ ENVOLVIDA*CHOOSE ONLY ONE OPTION / ESCOLHA APENAS UMA OPÇÃO.

- TOURISM / TURISMO
- AGRICULTURE / AGRICULTURA
- RETAIL / RETALHO
- MINING / MINERAÇÃO
- AQUACULTURE / AQUACULTURA
- FISHERIES / PESCAS
- CONSTRUCTION / CONSTRUÇÃO
- SERVICES / SERVIÇOS
- OTHER /OUTRO

A3) PLEASE INDICATE THE NUMBER OF EMPLOYEES IN YOUR COMPANY / POR FAVOR INDIQUE O NÚMERO DE TRABALHADORES NA VOSSA EMPRESA*CHOOSE ONLY ONE OPTION / ESCOLHA APENAS UMA OPÇÃO.

- 1-5
- 6-10
- 11-15
- 16-20
- 21-25
- 26-30
- 31-35
- 36-40
- 41-45
- 46-50
- ≥ 100

A4) HOW LONG HAS YOUR COMPANY BEEN OPERATING / HÁ QUANTO TEMPO A VOSSA EMPRESA ESTÁ EM OPERAÇÃO?*CHOOSE ONLY ONE OPTION / ESCOLHA APENAS UMA OPÇÃO.

- 1-5 YEARS / ANOS
- 6-10 YEARS / ANOS

- 11-15 YEARS / ANOS
- > 15 YEARS / ANOS

A5) PLEASE INDICATE THE TYPE OF INVESTOR OF YOUR BUSINESS / POR FAVOR INDIQUE O TIPO DE PROPRIEDADE DA VOSSA EMPRESA*CHOOSE ONLY ONE OPTION / ESCOLHA APENAS UMA OPÇÃO

- LOCAL / LOCAL
- FOREIGN / ESTRANGEIRA
- PARTNERSHIP / PARCERIA (BETWEEN A LOCAL & FOREIGN INVESTOR / ENTRE INVESTIDOR LOCAL & ESTRANGEIRO)

SECTION / SECÇÃO B

THE FOLLOWING SET OF STATEMENTS RELATE TO YOUR VIEW ABOUT MOZAMBIQUE'S CENTRE FOR THE PROMOTION OF INVESTMENT IN TERMS OF CERTAIN SERVICE QUALITY DIMENSIONS (TANGIBLES, RELIABILITY, RESPONSIVENESS, ASSURANCE AND EMPATHY) PLEASE INDICATE YOUR LEVEL OF AGREEMENT WITH THE FOLLOWING STATEMENTS. AS SEGUINTE DECLARAÇÕES ESTÃO RELACIONADAS A SUA OPINIÃO SOBRE O CENTRO DE PROMOÇÃO DE INVESTIMENTOS EM TERMOS DE CERTAS DIMENSÕES DE QUALIDADE DE SERVIÇO (TANGÍVEIS, CONFIABILIDADE; PRONTIDÃO ; GARANTIA E EMPATIA).

B1) HAVE YOU EVER BEEN IN CONTACT WITH THE CENTRE FOR THE PROMOTION OF INVESTMENT FOR ANY SERVICE OR ASSISTANCE / ALGUMA VEZ TEVE CONTACTO COM O CENTRO DE PROMOÇÃO DE INVESTIMENTOS PARA QUALQUER TIPO DE SERVIÇO OU ASSISTENCIA?*

- YES / SIM
- NO / NÃO

B2) THE INFORMATION PROVIDED AT THE CENTRE FOR THE PROMOTION OF INVESTMENT INCLUDING PRINTED MATERIAL IS CLEAR AND CONCISE / A INFORMAÇÃO PRESTADA PELO CENTRO DE PROMOÇÃO DE INVESTIMENTOS INCLUINDO MATERIAL IMPRESSO É CLARO E CONCISO.*CHOOSE ONLY ONE OF THE OPTIONS / ESCOLHA APENAS UMA OPÇÃO.

- STRONGLY DISAGREE / DISCORDO TOTALMENTE
- DISAGREE / DISCORDO
- NEUTRAL / NÉUTRO (SELECT THIS IF YOU NEVER HAD CONTACT WITH CPI / SELECIONE ISSO SE NUNCA TEVE CONTACTO COM CPI)
- AGREE / CONCORDO
- STRONGLY AGREE / CONCORDO TOTALMENTE

B3) INFORMATION PROVIDED AT THE CENTRE FOR THE PROMOTION OF INVESTMENT REFLECTS REALITY ON THE GROUND / A INFORMAÇÃO FORNECIDA PELO CENTRO DE PROMOÇÃO DE INVESTIMENTOS CORRESPONDE COM A REALIDADE NO TERRENO*CHOOSE ONLY ONE OF THE OPTIONS / ESCOLHA APENAS UMA OPÇÃO.

- STRONGLY DISAGREE / DISCORDO TOTALMENTE
- DISAGREE / DISCORDO
- NEUTRAL / NÉUTRO (SELECT THIS IF YOU NEVER HAD CONTACT WITH CPI / SELECIONE ISSO SE NUNCA TEVE CONTACTO COM CPI)

- AGREE / CONCORDO
- STRONGLY AGREE / CONCORDO TOTALMENTE

B4) THE CENTRE FOR THE PROMOTION OF INVESTMENT SHOWS A SINCERE INTEREST IN SOLVING QUERIES POSED BY INVESTORS / O CENTRO DE PROMOÇÃO DE INVESTIMENTOS DEMONSTRA INTERESSE SINCERO EM RESOLVER QUESTÕES COLOCADAS POR INVESTIDORES*CHOOSE ONLY ONE OF THE OPTIONS / ESCOLHA APENAS UMA OPÇÃO.

- STRONGLY DISAGREE / DISCORDO TOTALMENTE
- DISAGREE / DISCORDO
- NEUTRAL / NÉUTRO (SELECT THIS IF YOU NEVER HAD CONTACT WITH CPI / SELECIONE ISSO SE NUNCA TEVE CONTACTO COM CPI)
- AGREE / CONCORDO
- STRONGLY AGREE / CONCORDO TOTALMENTE

B5) THE CENTRE FOR THE PROMOTION OF INVESTMENT PROVIDES A PROMPT SERVICE / O CENTRO DE PROMOÇÃO DE INVESTIMENTOS FORNECE SERVIÇO CÉLERE*CHOOSE ONLY ONE OF THE OPTIONS / ESCOLHA APENAS UMA OPÇÃO.

- STRONGLY DISAGREE / DISCORDO TOTALMENTE
- DISAGREE / DISCORDO
- NEUTRAL / NÉUTRO (SELECT THIS IF YOU NEVER HAD CONTACT WITH CPI / SELECIONE ISSO SE NUNCA TEVE CONTACTO COM CPI)
- AGREE / CONCORDO
- STRONGLY AGREE / CONCORDO TOTALMENTE

B6) THE OPERATING HOURS OF THE CENTRE FOR THE PROMOTION OF INVESTMENT ARE CONVENIENT / AS HORAS DE OPERAÇÃO DO CENTRO DE PROMOÇÃO DE INVESTIMENTOS SÃO CONVENIENTES*CHOOSE ONLY ONE OF THE OPTIONS / ESCOLHA APENAS UMA OPÇÃO.

- STRONGLY DISAGREE / DISCORDO TOTALMENTE
- DISAGREE / DISCORDO
- NEUTRAL / NÉUTRO (SELECT THIS IF YOU NEVER HAD CONTACT WITH CPI / SELECIONE ISSO SE NUNCA TEVE CONTACTO COM CPI)
- AGREE / CONCORDO
- STRONGLY AGREE / CONCORDO TOTALMENTE

B7) INTERACTION WITH THE CENTRE FOR THE PROMOTION OF INVESTMENT INSPIRES CONFIDENCE/ INTERAÇÃO COM O CENTRO DE PROMOÇÃO DE INVESTIMENTOS INSPIRA CONFIANÇA*CHOOSE ONLY ONE OF THE OPTIONS / ESCOLHA APENAS UMA OPÇÃO.

- STRONGLY DISAGREE / DISCORDO TOTALMENTE
- DISAGREE / DISCORDO
- NEUTRAL / NÉUTRO (SELECT THIS IF YOU NEVER HAD CONTACT WITH CPI / SELECIONE ISSO SE NUNCA TEVE CONTACTO COM CPI)
- AGREE / CONCORDO
- STRONGLY AGREE / CONCORDO TOTALMENTE

B8) THE CENTRE FOR THE PROMOTION OF INVESTMENT PROVIDES A TIMELINE ABOUT WHEN A PARTICULAR SERVICE WILL BE DONE / O CENTRO DE PROMOÇÃO DE INVESTIMENTOS INDICA QUANTO TEMPO LEVARIA PARA RESOLVER CERTO ASSUNTO*CHOOSE ONLY ONE OF THE OPTIONS / ESCOLHA APENAS UMA OPÇÃO.

- STRONGLY DISAGREE / DISCORDO TOTALMENTE
- DISAGREE / DISCORDO
- NEUTRAL / NÉUTRO (SELECT THIS IF YOU NEVER HAD CONTACT WITH CPI / SELECIONE ISSO SE NUNCA TEVE CONTACTO COM CPI)
- AGREE / CONCORDO
- STRONGLY AGREE / CONCORDO TOTALMENTE

B9) COMPREHENSIVE GUIDANCE IS PROVIDED BY THE CENTRE FOR THE PROMOTION OF INVESTMENT FOR EXAMPLE ON LEGAL ISSUES / O CENTRO DE PROMOÇÃO DE INVESTIMENTOS DÁ ORIENTAÇÃO ABRANGENTE A INVESTIDORES POR EXEMPLO SOBRE ASPECTOS LEGAIS*CHOOSE ONLY ONE OF THE OPTIONS / ESCOLHA APENAS UMA OPÇÃO.

- STRONGLY DISAGREE / DISCORDO TOTALMENTE
- DISAGREE / DISCORDO
- NEUTRAL / NÉUTRO (SELECT THIS IF YOU NEVER HAD CONTACT WITH CPI / SELECIONE ISSO SE NUNCA TEVE CONTACTO COM CPI)
- AGREE / CONCORDO
- STRONGLY AGREE / CONCORDO TOTALMENTE

B10) THE CENTRE FOR THE PROMOTION OF INVESTMENT IS PROACTIVE IN ITS INTERACTION WITH INVESTORS FOR EXAMPLE IN IDENTIFYING VIEWS OF INVESTORS ABOUT ANY ISSUE / O CENTRO DE PROMOÇÃO DE INVESTIMENTOS É PROATIVO NA INTERAÇÃO COM INVESTIDORES POR EXEMPLO NA IDENTIFICAÇÃO DE PARECER DE INVESTIDORES SOBRE ALGUM ASSUNTO*CHOOSE ONLY ONE OF THE OPTIONS / ESCOLHA APENAS UMA OPÇÃO.

- STRONGLY DISAGREE / DISCORDO TOTALMENTE
- DISAGREE / DISCORDO
- NEUTRAL / NÉUTRO (SELECT THIS IF YOU NEVER HAD CONTACT WITH CPI / SELECIONE ISSO SE NUNCA TEVE CONTACTO COM CPI)
- AGREE / CONCORDO
- STRONGLY AGREE / CONCORDO TOTALMENTE

B11) A CULTURE AND PHILOSOPHY OF CUSTOMER FOCUS IS NOTICEABLE AT THE CENTRE FOR THE PROMOTION OF INVESTMENT / NOTA-SE UMA CULTURA E FILOSOFIA DE ENFOQUE AO CLIENTE NO CENTRO DE PROMOÇÃO DE INVESTIMENTOS *CHOOSE ONLY ONE OF THE OPTIONS / ESCOLHA APENAS UMA OPÇÃO.

- STRONGLY DISAGREE / DISCORDO TOTALMENTE
- DISAGREE / DISCORDO
- NEUTRAL / NÉUTRO (SELECT THIS IF YOU NEVER HAD CONTACT WITH CPI / SELECIONE ISSO SE NUNCA TEVE CONTACTO COM CPI)
- AGREE / CONCORDO
- STRONGLY AGREE / CONCORDO TOTALMENTE

B12) THE WORKFORCE AT THE CENTRE FOR THE PROMOTION OF INVESTMENT DEMONSTRATES SKILLS AND MOTIVATION / O PESSOAL DO CENTRO DE PROMOÇÃO DE INVESTIMENTOS

DEMONSTRA HABILIDADE E MOTIVAÇÃO *CHOOSE ONLY ONE OF THE OPTIONS / ESCOLHA APENAS UMA OPÇÃO.

- STRONGLY DISAGREE / DISCORDO TOTALMENTE
- DISAGREE / DISCORDO
- NEUTRAL / NÉUTRO (SELECT THIS IF YOU NEVER HAD CONTACT WITH CPI / SELECIONE ISSO SE NUNCA TEVE CONTACTO COM CPI)
- AGREE / CONCORDO
- STRONGLY AGREE / CONCORDO TOTALMENTE

B13) HAVE YOU EVER VISITED THE WEBSITE OF THE CENTRE FOR THE PROMOTION OF INVESTMENT / ALGUMA VEZ VISITOU O WEBSITE DO CENTRO DE PROMOÇÃO DE INVESTIMENTOS? *CHOOSE ONLY ONE OF THE OPTIONS / ESCOLHA APENAS UMA OPÇÃO.

- YES / SIM
- NO / NÃO

B14) THE WEBSITE OF THE CENTRE FOR THE PROMOTION OF INVESTMENT PROVIDES ADEQUATE INFORMATION / O WEBSITE DO CENTRO DE PROMOÇÃO DE INVESTIMENTOS FORNECE INFORMAÇÃO ADEQUADA *CHOOSE ONLY ONE OF THE OPTIONS / ESCOLHA APENAS UMA OPÇÃO.

- STRONGLY DISAGREE / DISCORDO TOTALMENTE
- DISAGREE / DISCORDO
- NEUTRAL / NÉUTRO (SELECT THIS IF YOU NEVER VISITED THE WEBSITE / SELECIONE ISSO SE NUNCA VISITOU O WEBSITE)
- AGREE / CONCORDO
- STRONGLY AGREE / CONCORDO TOTALMENTE

SECTION / SECCÃO C

THE FOLLOWING STATEMENTS RELATE TO SPECIFIC ACTIVITIES OF MOZAMBIQUE'S CENTRE FOR THE PROMOTION OF INVESTMENT. PLEASE INDICATE YOUR LEVEL OF AGREEMENT BASED ON EXPERIENCE. AS DECLARAÇÕES A SEGUIR ESTÃO RELACIONADAS A ATIVIDADES ESPECÍFICAS DO CENTRO DE PROMOÇÃO DE INVESTIMENTOS. POR FAVOR INDIQUE O SEU NÍVEL DE CONCORDÂNCIA COM BASE EM EXPERIÊNCIA.

C1) THE SERVICE RENDERED BY THE CENTRE FOR THE PROMOTION OF INVESTMENT IN TERMS OF LAND ACQUISITION IS / O SERVIÇO PRESTADO PELO CENTRO DE PROMOÇÃO DE INVESTIMENTOS EM TERMOS DE AQUISIÇÃO DE TERRA É : *CHOOSE ONLY ONE OPTION / ESCOLHA APENAS UMA OPÇÃO.

- VERY POOR / MUITO POBRE
- POOR / POBRE
- ACCEPTABLE / ACEITÁVEL
- GOOD / BOM
- VERY GOOD / MUITO BOM
- NO ANSWER / SEM RESPOSTA (SELECT THIS IF IT DOES NOT APPLY TO YOU/ SELECIONE ISSO SE NÃO FOR APLICÁVEL)

C2) THE SERVICE RENDERED BY THE CENTRE FOR THE PROMOTION OF INVESTMENT IN TERMS OF IDENTIFYING POTENTIAL PARTNER IS / O SERVIÇO PRESTADO PELO CENTRO DE PROMOÇÃO DE INVESTIMENTOS EM TERMOS DE IDENTIFICAR POTENCIAL PARCEIRO É :*CHOOSE ONLY ONE OPTION / ESCOLHA APENAS UMA OPÇÃO.

- VERY POOR / MUITO POBRE
- POOR / POBRE
- ACCEPTABLE / ACEITÁVEL
- GOOD / BOM
- VERY GOOD / MUITO BOM
- NO ANSWER / SEM RESPOSTA (SELECT THIS IF YOU NEVER HAD CONTACT WITH CPI / SELECIONE ISSO SE NUNCA TEVE CONTACTO COM CPI)

C3) THE SERVICE RENDERED BY THE CENTRE FOR THE PROMOTION OF INVESTMENT IN TERMS OF COMPANY REGISTRATION AT NOTARY PUBLIC IS / O SERVIÇO PRESTADO PELO CENTRO DE PROMOÇÃO DE INVESTIMENTOS EM TERMOS DE REGISTO DE EMPRESA JUNTO DO NOTÁRIO É:*CHOOSE ONLY ONE OPTION / ESCOLHA APENAS UMA OPÇÃO.

- VERY POOR / MUITO POBRE
- POOR / POBRE
- ACCEPTABLE / ACEITÁVEL
- GOOD / BOM
- VERY GOOD / MUITO BOM
- NO ANSWER / SEM RESPOSTA (SELECT THIS IF YOU NEVER HAD CONTACT WITH CPI / SELECIONE ISSO SE NUNCA TEVE CONTACTO COM CPI)

C4) THE SERVICE RENDERED BY THE CENTRE FOR THE PROMOTION OF INVESTMENT IN TERMS OF PUBLISHING COMPANY CONSTITUTION IN GOVERNMENT GAZETTE IS / O SERVIÇO PRESTADO PELO CENTRO DE PROMOÇÃO DE INVESTIMENTOS EM TERMOS DE PUBLICAR OS ESTATUTOS DA SOCIEDADE NO BOLETIM DA REPÚBLICA É :*CHOOSE ONLY ONE OPTION / ESCOLHA APENAS UMA OPÇÃO.

- VERY POOR / MUITO POBRE
- POOR / POBRE
- ACCEPTABLE / ACEITÁVEL
- GOOD / BOM
- VERY GOOD / MUITO BOM
- NO ANSWER / SEM RESPOSTA (SELECT THIS IF YOU NEVER HAD CONTACT WITH CPI / SELECIONE ISSO SE NUNCA TEVE CONTACTO COM CPI)

C5) THE SERVICE RENDERED BY THE CENTRE FOR THE PROMOTION OF INVESTMENT IN TERMS OF GETTING A BUSINESS LICENCE IS / O SERVIÇO PRESTADO PELO CENTRO DE PROMOÇÃO DE INVESTIMENTOS EM TERMOS DE OBTER O ALVARÁ PARA DESENVOLVIMENTO DE ATIVIDADE COMERCIAL É :*CHOOSE ONLY ONE OPTION / ESCOLHA APENAS UMA OPÇÃO

- VERY POOR / MUITO POBRE
- POOR / POBRE
- ACCEPTABLE / ACEITÁVEL
- GOOD / BOM
- VERY GOOD / MUITO BOM

- NO ANSWER / SEM RESPOSTA (SELECT THIS IF YOU NEVER HAD CONTACT WITH CPI / SELECIONE ISSO SE NUNCA TEVE CONTACTO COM CPI)

C6) THE SERVICE RENDERED BY THE CENTRE FOR THE PROMOTION OF INVESTMENT IN TERMS OF REGISTRATION OF START OF BUSINESS WITH THE FISCAL DEPARTMENT IS / O SERVIÇO PRESTADO PELO CENTRO DE PROMOÇÃO DE INVESTIMENTOS EM TERMOS DE INICIO DE ATIVIDADE COMERCIAL JUNTO DA REPARTIÇÃO FISCAL É : *CHOOSE ONLY ONE OPTION / ESCOLHA APENAS UMA OPÇÃO.

- VERY POOR / MUITO POBRE
- POOR / POBRE
- ACCEPTABLE / ACEITÁVEL
- GOOD / BOM
- VERY GOOD / MUITO BOM
- NO ANSWER / SEM RESPOSTA (SELECT THIS IF YOU NEVER HAD CONTACT WITH CPI / SELECIONE ISSO SE NUNCA TEVE CONTACTO COM CPI)

C7) THE SERVICE RENDERED BY THE CENTRE FOR THE PROMOTION OF INVESTMENT'S REPRESENTATIVES BASED AT MOZAMBICAN DIPLOMATIC MISSIONS IS / O SERVIÇO PRESTADO POR REPRESENTANTES DO CENTRO DE PROMOÇÃO DE INVESTIMENTOS BASEADOS NAS MISSÕES DIPLOMÁTICAS DE MOÇAMBIQUE É : *CHOOSE ONLY ONE OPTION / ESCOLHA APENAS UMA OPÇÃO.

- VERY POOR / MUITO POBRE
- POOR / POBRE
- ACCEPTABLE / ACEITÁVEL
- GOOD / BOM
- VERY GOOD / MUITO BOM
- NO ANSWER / SEM RESPOSTA (SELECT THIS IF YOU NEVER HAD CONTACT WITH CPI / SELECIONE ISSO SE NUNCA TEVE CONTACTO COM CPI)

C8) THE SERVICE RENDERED BY THE CENTRE FOR THE PROMOTION OF INVESTMENT' IN TERMS OF COMPANY REGISTRATION WITH THE COMMERCIAL REGISTRY OFFICE IS / O SERVIÇO PRESTADO PELO CENTRO DE PROMOÇÃO DE INVESTIMENTOS EM TERMOS DE REGISTO DA EMPRESA NA CONSERVATÓRIA DO RÉGISTO COMERCIAL É : *CHOOSE ONLY ONE OPTION / ESCOLHA APENAS UMA OPÇÃO.

- VERY POOR / MUITO POBRE
- POOR / POBRE
- ACCEPTABLE / ACEITÁVEL
- GOOD / BOM
- VERY GOOD / MUITO BOM
- NO ANSWER / SEM RESPOSTA (SELECT THIS IF YOU NEVER HAD CONTACT WITH A REPRESENTATIVE / SELECIONE ISSO SE NUNCA TEVE CONTACTO COM UM REPRESENTANTE).

SECTION / SECÇÃO D

THE FOLLOWING STATEMENTS RELATE TO POLICY ADVOCACY AREAS PLEASE INDICATE YOUR LEVEL OF AGREEMENT AS DECLARAÇÕES A SEGUIR ESTÃO RELACIONADAS A ÁREA DE ADVOCACIA DE POLITICAS. POR FAVOR INDIQUE O SEU NIVEL DE CONCORDÂNCIA.

D1) THE BUSINESS LEGISLATIVE FRAMEWORK IN MOZAMBIQUE IN TERMS OF FOREIGN LABOUR NEEDS CHANGING / O QUADRO LEGAL EMPRESARIAL EM MOÇAMBIQUE PRECISA DE MUDANÇA EM TERMOS DE MÃO DE OBRA ESTRANGEIRA*CHOOSE ONLY ONE OPTION / ESCOLHA APENAS UMA OPÇÃO

- STRONGLY DISAGREE / DISCORDO TOTALMENTE
- DISAGREE / DISCORDO
- NEUTRAL / NÉUTRO
- AGREE / CONCORDO
- STRONGLY AGREE / CONCORDO TOTALMENTE

D2) 30-DAY LENGHT OF STAY FOR A BUSINESS VISA IS SUFFICIENT / VISTO DE NEGÓCIOS COM PERMANENCIA DE 30 DIAS É SUFICIENTE.*CHOOSE ONLY ONE OPTION / ESCOLHA APENAS UMA OPÇÃO.

- STRONGLY DISAGREE / DISCORDO TOTALMENTE
- DISAGREE / DISCORDO
- NEUTRAL / NÉUTRO
- AGREE / CONCORDO
- STRONGLY AGREE / CONCORDO TOTALMENTE

D3) THERE IS A HEALTHY INTERACTION BETWEEN PRIVATE AND PUBLIC SECTOR IN MOZAMBIQUE / EXISTE UMA INTERAÇÃO SALUTAR ENTRE O SECTOR PRIVADO E PÚBLICO EM MOÇAMBIQUE.*CHOOSE ONLY ONE OPTION / ESCOLHA APENAS UMA OPÇÃO.

- STRONGLY DISAGREE / DISCORDO TOTALMENTE
- DISAGREE / DISCORDO
- NEUTRAL / NÉUTRO
- AGREE / CONCORDO
- STRONGLY AGREE / CONCORDO TOTALMENTE

D4) STAKEHOLDERS INVOLVED IN THE PROCESS OF STARTING A BUSINESS IN MOZAMBIQUE WORK IN SYNC WITH ONE ANOTHER / OS INTERVENIENTES ENVOLVIDOS NO PROCESSO DE ESTABELECEER UMA EMPRESA EM MOÇAMBIQUE TRABALHAM EM SINTONIA UM AO OUTRO*CHOOSE ONLY ONE OPTION / ESCOLHA APENAS UMA OPÇÃO.

- STRONGLY DISAGREE / DISCORDO TOTALMENTE
- DISAGREE / DISCORDO
- NEUTRAL / NÉUTRO
- AGREE / CONCORDO
- STRONGLY AGREE / CONCORDO TOTALMENTE

D5) THERE IS A PROBLEM OF EXCESSIVE BUREAUCRACY AND COMPLEX STRUCTURES IN MOZAMBIQUE'S PUBLIC SECTOR / HÁ PROBLEMA DE BUROCRACIA EXCESSIVA E ESTRUTURAS COMPLEXAS NO SECTOR PÚBLICO EM MOÇAMBIQUE *CHOOSE ONLY ONE OPTION / ESCOLHA APENAS UMA OPÇÃO.

- STRONGLY DISAGREE / DISCORDO TOTALMENTE
- DISAGREE / DISCORDO
- NEUTRAL / NÉUTRO
- AGREE / CONCORDO
- STRONGLY AGREE / CONCORDO TOTALMENTE

D6) CORRUPTION IS IMPEDING ECONOMIC ACTIVITY IN MOZAMBIQUE / CORRUPÇÃO ESTÁ A IMPEDIR ATIVIDADE ECONÓMICA EM MOÇAMBIQUE *CHOOSE ONLY ONE OPTION / ESCOLHA APENAS UMA OPÇÃO.

- STRONGLY DISAGREE / DISCORDO TOTALMENTE
- DISAGREE / DISCORDO
- NEUTRAL / NÉUTRO
- AGREE / CONCORDO
- STRONGLY AGREE / CONCORDO TOTALMENTE

D7) TELECOMMUNICATIONS SERVICE IN MOZAMBIQUE IN TERMS OF INSTALLING A TELEPHONE LINE IS SATISFACTORY / OS SERVIÇOS DE TELECOMUNICAÇÕES EM MOÇAMBIQUE EM TERMOS DE INSTALAR-SE UMA LINHA FIXA DE TELEFONE SÃO SATISFATÓRIOS *CHOOSE ONLY ONE OPTION / ESCOLHA APENAS UMA OPÇÃO.

- STRONGLY DISAGREE / DISCORDO TOTALMENTE
- DISAGREE / DISCORDO
- NEUTRAL / NÉUTRO
- AGREE / CONCORDO
- STRONGLY AGREE / CONCORDO TOTALMENTE

D8) MOZAMBIQUE'S INTERNET CONNECTIVITY SATISFIES BUSINESS NEEDS / A CONETIVIDADE DE INTERNET EM MOÇAMBIQUE SATISFAZ AS NECESSIDADES EMPRESARIAIS. *CHOOSE ONLY ONE OPTION / ESCOLHA APENAS UMA OPÇÃO.

- STRONGLY DISAGREE / DISCORDO TOTALMENTE
- DISAGREE / DISCORDO
- NEUTRAL / NEUTRO
- AGREE / CONCORDO
- STRONGLY AGREE / CONCORDO TOTALMENTE

D9) MOZAMBIQUE'S ELECTRICITY SUPPLY SATISFIES BUSINESS NEEDS / O FORNECIMENTO DE ELECTRICIDADE EM MOÇAMBIQUE SATISFAZ AS NECESSIDADES EMPRESARIAIS. *CHOOSE ONLY ONE OPTION / ESCOLHA APENAS UMA OPÇÃO.

- STRONGLY DISAGREE / DISCORDO TOTALMENTE
- DISAGREE / DISCORDO
- NEUTRAL / NÉUTRO
- AGREE / CONCORDO
- STRONGLY AGREE / CONCORDO TOTALMENTE

D10) MOZAMBIQUE'S ACCOUNTING SYSTEM SATISFIES BUSINESS NEEDS / O SISTEMA DE CONTABILIDADE EM MOÇAMBIQUE SATISFAZ AS NECESSIDADES EMPRESARIAIS. *CHOOSE ONLY ONE OPTION / ESCOLHA APENAS UMA OPÇÃO.

- STRONGLY DISAGREE / DISCORDO TOTALMENTE
- DISAGREE / DISCORDO
- NEUTRAL / NÉUTRO
- AGREE / CONCORDO
- STRONGLY AGREE / CONCORDO TOTALMENT

APPENDIX F: CALCULATION OF THE AVERAGE NUMBER OF EMPLOYEES

Median formula:

$$\text{Median} = \text{LCL}(\text{median}) + \left[\frac{\frac{(n+1)}{2} - \text{cf}(\text{LC})}{f(\text{median})} \times w(\text{median}) \right]$$

LCL (median): is the lower class limit of the median class (in this case 11)

$(n+1)/2$: is the number of observations plus one divided by two ($126+1/2 = 63.5$)

cf: (LC) is the cumulative frequency of the class immediately below the median class (in this case 59).

f (median): is the frequency of the median class 11 – 15 (in this case 18)

w (median): is the width of the median class (in this case 5 employees per class interval).

By substitution we therefore obtain the median of the grouped data in question to be equal

$$\text{to: } 11 + \left[\frac{\frac{(126+1)}{2} - 59}{18} \times 5 \right]$$

=12 employees

Explanatory note

For this set of data we know that the median lies between the 63rd and 64th observations ($126/2$). Therefore the median lies in the 11 -15 class interval. The cumulative frequency shows that the 59th observation lies on the border of the 11 -15 class interval, thus we need to determine where on the scale the succeeding 4th (63-59) and 5th (64-59) points lie.

Making the assumption that the observations in the median class (11 -15) are evenly spread we find that the 63rd observation lies 4/18 of the way into the median class and the 64th observation must lie 5/18, given that there are 18 observations in the median class interval.

Since the class intervals represent an increment of 5 employees, the 63rd point is $4/18 \times 5 = 1.1$ and the 64th point is $5/18 \times 5 = 1.3$. Thus the midpoint between these two is at $(1.1+1.3)/2 = 1.2$. Adding this to the lower limit of the median class .i.e.11 employees, the **medium** was determined to be **12** employees per business.

APPENDIX G: DECLARATION FROM THE LANGUAGE EDITOR

DIANA HENNING

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Sea Point

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To Whom It May Concern

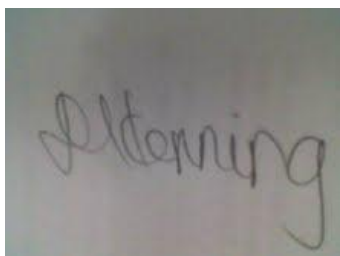
This letter serves to confirm that I, **DIANA FAYE HENNING**, identity number 5707140019089, am suitably qualified to proofread English theses and that I have edited and proofread the Master's thesis written by **MARIO MANUEL SEBASTIAO** to the best of my ability.

Kind regards

DIANA FAYE HENNING

B.Soc.Sci (UCT), TEFL (Inlingua), Dipl Journalism (Intec)

Signed:

A photograph of a handwritten signature in cursive script, which appears to read 'D Henning', written on a light-colored surface.

Date: 10 March 2013

Place: Cape Town, South Africa