



ROYAL NORWEGIAN EMBASSY

CORPORATE SOCIAL RESPONSIBILITY
COUNTRY PROFILE. MOZAMBIQUE



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1 Introduction

In January 2009 the Norwegian Government launched a White Paper on Corporate Responsibility (CSR), Report No. 10 to the Storting (2008-2009). The Report focuses on how private companies can include issues like human rights, labour standards, environmental concerns, and anti-corruption strategies into their activities. The Government stresses that all Norwegian companies operating abroad are expected to comply with the host country's laws and regulations, as well as Norwegian regulations insofar as they apply to activities and operations carried out abroad. Companies are also advised to assess whether it is sufficient to comply with the legislation of the countries in which they operate, or whether higher standards should apply.

To accommodate the specific needs of Norwegian companies that are considering to invest and/or operate a business in Mozambique, the Norwegian Embassy in Maputo has prepared this briefing paper that aims at providing basic CSR-related information. While the Embassy endeavours to ensure that the information contained in this document is correct, it cannot take responsibility for possible inaccuracies. On the other hand, the Embassy will be pleased to assist Norwegian stakeholders by providing additional up-to-date information and appropriate contacts if and when deemed necessary.

2 Investing in Mozambique

With 20,3 million inhabitants Mozambique is a developing economy with high poverty incidence, especially in the rural and peri-urban areas where more than 70% of the population live.

Since the economic reforms of 1987 and the conversion to a market economy, the frame conditions for businesses to operate successfully have been created in Mozambique. However, corporate social responsibility activities in Mozambique have only in recent years become a topic for discussion. Apart from some *ad hoc* legislative and non-regulatory activities, public policy in the area of corporate citizenship is minimal.

The Ministry of Women and Coordination of Social Affairs (MMAS) is the government institution responsible for all social actions in the country. It is also the government's focal point for the UN Global Compact, and therefore *de facto* for CSR leadership. MMAS has been given the role of coordinating corporate citizenship activities across all government agencies at central and decentralised levels. Nevertheless, the ministry lacks the required resources, authority and profile to lift the understanding of corporate citizenship in Mozambique.

It is worth mentioning that due to its recent nature the legal framework for doing business in Mozambique tends to be quite modern by international standards. The challenge is the lack of monitoring and enforcement capacity.

In fact, conducting business in Mozambique is still a challenging task, well illustrated by the World Bank's 2010 Doing Business index, according to which the country ranks no. 135 out of 183 economies around the world. Despite this, Mozambique has in recent years managed to attract significant foreign direct investments in a variety of fields spanning from transport and

logistics, agriculture and forestry to tourism, financial services and natural resource-based industries, to name but a few.

3 Country profile

3.1 Human Rights

The Constitution, redrafted in 2004, is quite modern and ensures protection of basic rights of the citizens. Nevertheless the frailty of justice sector institutions, which receive a very small share of the annual State Budget, is reflected in the inability to carry out their constitutional mandate. In terms of the criminal justice system, the incidence of police brutality is exacerbated by factors such as the scarcity of resources available to justice sector institutions, the low quality of prosecutorial services, the absence of a system of public defence, among others.

In fact Mozambique has a high formal commitment to human rights, as the country has ratified all major human rights instruments, but ranks relatively low on civil, political, economic, social and cultural rights and ranks average when it comes to commitment to elimination of gender discrimination. Domestic violence and culturally-rooted discrimination against women is still considered to be a challenge.

The 2009 Human Development Index - HDI - for Mozambique is 0.402 (0.8 is considered the minimum acceptable standard), which gives the country a ranking of 172 out of 182 countries. Extreme poverty is the greatest challenge facing Mozambique, with less than 50% of the country's adult population being able to read and write.

Public health services reach only about half of the country's inhabitants, and the AIDS epidemic continue to have major social consequences. These are expected to worsen. There are considerable economic disparities between the capital, Maputo, and other parts of the country, particularly the rural areas of central and northern Mozambique. Economic differences between rural workers and farmers on the one side, and the urban elite on the other, are growing.

While there have been isolated incidents of press intimidation and perceived attempts of censorship, the Government generally respects the freedom of the press. Human rights violations receive extensive coverage in both government and independent media.

3.2 Labour Standards

Mozambique has been a member of the International Labour Organization (ILO) since 1976. To this date the country has ratified the 18 most relevant conventions. Thus, in relevant key issues such as working hours, age limits and child labor, the Mozambican labor law is inspired by standards set by ILO. Nevertheless labour regime in the export processing zones (EPZs) has been criticized by the International Trade Union Confederation (ITUC). ITUC is calling for

Mozambique to align its EPZ labor regime with the already ratified ILO Conventions No. 87 and No. 98.

It is, however, important to note that out of the Mozambican labour force of nearly 10 million people, less than 500.000 have a formal employment. The vast majority of the labor force is engaged in subsistence agriculture and other informal self-employment activities.

The World Bank's 2010 Doing Business index notes that despite improvements of labour legislation, the flexibility of the labour market is still a challenge for the overall country competitiveness.

3.3 Environmental standards

By global standards, Mozambique's environment is still in exceptionally good condition. The major environmental concern is deforestation linked to the fact that about 80% of Mozambique's population depend on biomass for their energetic needs. Cyclical natural disasters (droughts and floods) as well as high vulnerability to climate changes further compound the problem.

Environmentally unfriendly agriculture and fishing practices, contamination of the sea from spills and discharge of polluted ballast waters from tankers carrying crude oil from the Arabian Gulf, are among the commonly mentioned challenges.

The environmental law regulates the utilisation and management of the environment to ensure a balanced development. In fact, most commercial undertakings and infrastructure developments require a Social and Environmental Impact Study which is also expected to outline a social and environmental mitigation plan. The civil society plays an important monitoring role in all matters relating to the environment.

3.4 Corruption

Combating corruption is on the Mozambican Government's agenda. An anti-corruption authority has been established, the public procurement law has been improved to internationally acceptable standards, and a number of firm actions to prosecute corruption cases involving high-ranking officials are under way. Despite these efforts, however, corruption is still perceived as widespread in Mozambique. According to the 2008 Transparency International's Corruption index Mozambique ranks 126 out of 180 countries.

While the Norwegian Government White Paper indicates that the host country culture and traditions are to be taken into account when assessing to what extent improper conduct has occurred, it also clearly states that all forms of corruption are prohibited under Norwegian law. This is the overruling principle that Norwegian companies are expected to abide by.

4 CSR in Mozambique

The local corporate environment with regards to social investment can be classified as:

- Large enterprises;
- State-owned companies;
- Small and medium-sized enterprises;

Large investments tend to be foreign-owned, and comprise companies with a corporate culture with a considerable degree of commitment to social investment. Most of them have specific social responsibility policies, which are typically part of their marketing and image protection strategies.

State-owned companies (in sectors like power supply, telecommunications and transport) generally have a certain sense of social responsibility, generally driven by the sense of national prestige. Being state-owned, these companies feel compelled to make contributions, for example on occasion of large national disasters. They also provide kindergartens and school facilities for workers' children. The provision of free transport to and from work is also common.

These companies often support fund-raising activities through art exhibition and/or sport events. Social investments in these companies do not entail specific strategy or policies, as they are usually driven by the individual commitment of the managers. Even though some sort of marketing and image protection activity takes place, they are not part of a sustained strategy.

Small and medium-sized enterprises are generally owned by one to three individuals. Company activities are usually not driven by broad policies, strategies or procedures. Rather, they are strongly influenced by the personal leadership of the owner. Social investment is rarely a matter of concern for these companies as owners or/and managers normally need to focus primarily on the company's daily survival; these companies are always faced with hardships in the marketplace and often by harassment from the authorities.

Additionally, most of the owners of these companies do not see themselves as belonging to the corporate world, but rather as emerging players to be viewed differently; in fact, they tend to believe that *they* should be the beneficiaries of social investment.

An exception to this is Asian retailers, who in general make weekly donations to beggars. This is, however, part of a religious practice rather than a corporate activity.

5 Local initiatives and stakeholders

5.1 Government

- The Investment Promotion Office (Centro de Promoção de Investimentos – CPI): assists foreign investors to obtain all necessary authorizations for their investments, as well as fiscal and duty incentives. This limits the interface of investors with local government departments with considerable impact on reducing rent seeking opportunities. This service is priced at 1% of declared total investment. (www.mozbusiness.gov.mz)

5.2 Consultants

- The local branch of KPMG conducted the Mozambique’s CSR survey for the Global Compact Report. This company also publishes two surveys on an annual basis: the Business Confidence Index (BCI) aimed at increasing transparency and measuring the level of business optimism; and the survey of the Top 100 Companies in Mozambique. (www.kpmg.co.mz)
- DOIT is a local small consultancy company that has undertaken several assignments to assist local enterprise to enhance their CSR profile. (www.doit.co.mz)
- Other consultancies, like PricewaterhouseCooper, also have offices in Mozambique (<http://www.pwc.com/mz/en/index.jhtml>)

5.3 NGOs:

- Mozambican Institute of Directors - IoD promotes transparency and excellence on corporate governance. (www.iodmz.com)
- Fundação para o Desenvolvimento da Comunidade (FDC) has prominently over time focused on building public awareness around CSR. (www.fdc.org.mz)
- Forum Empresarial para o Meio Ambiente (FEMA), a coalition of enterprises advocates for a sustainable utilization of the environment. (www.fema.org.mz)
- Liga dos Direitos Humanos (LDH) is a leading human rights advocacy group. (www.ldh.org.mz)
- LIVANINGO is one of the first environmental activist organizations in Mozambique.

6 Embassy activities on CSR

- CSR seminar of 30 October 2009 co-organised with the Polytechnic University, The Mozambican Institute of Directors, and the Confederation of Economic Associations (CTA), aimed at contributing towards building awareness of top managers around CSR.
- High Level SADC Workshop on Enhancing the Development Impact of Resource Industries through the Effective Use of Revenues and Corporate Social Responsibility Investments - Maputo 25-26 March 2009. The event was co-organized with the World Bank and the Australian Government.
- Norway provides support civil society participating in the process of Mozambique adhering to the EITI initiative. (www.cipie.cip.org.mz)
- There is an on-going technical assistance support to the Ministry of Coordination of Environmental Affairs to improve the environmental regulation framework and processing and general EIAS at national level.
- The Embassy is engaged in the support to Human Rights League (LDH), as well as to other institutions, aiming to promote transparency and anti-corruption efforts;
- Norway is also a key supporter of the modernisation and strengthening of the Mozambican public financial management (PFM) mechanisms and systems including the Revenue Authority.

7 Other useful links

- www.cpi.co.mz
- www.ldh.org
- www.bancomoc.mz
- www.alfandegas.gov.mz
- www.ine.gov.mz
- www.mct.gov.mz
- www.micoa.gov.mz
- www.mec.gov.mz
- www.ipex.gov.mz
- www.visitmozambique.net
- www.mozambique.mz
- www.portaldogoverno.gov.mz
- www.mireme.gov.mz
- www.mozpesca.gov.mz
- www.mpd.gov.mz
- www.mic.gov.mz