

PROPOSED EXPORT TAX ON PIGEON PEA-MOZAMBIQUE

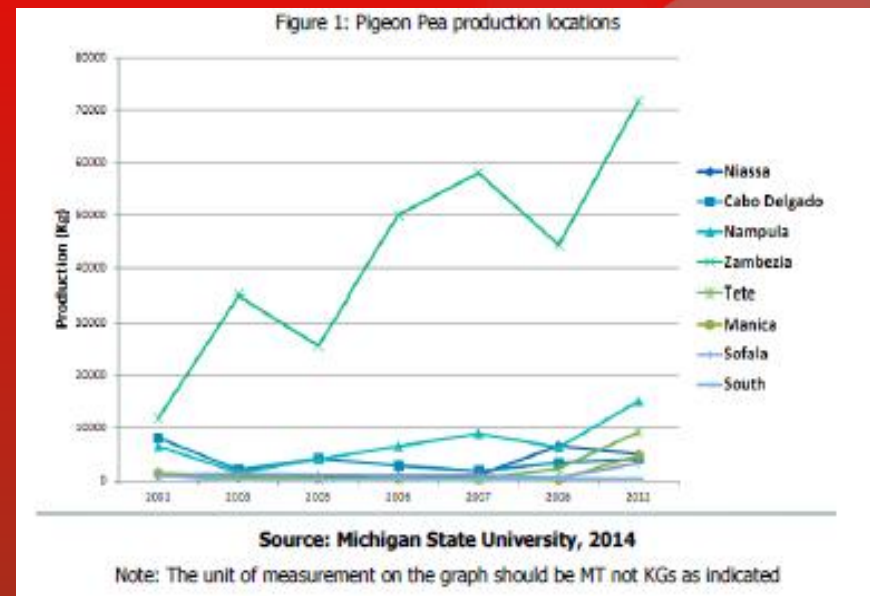
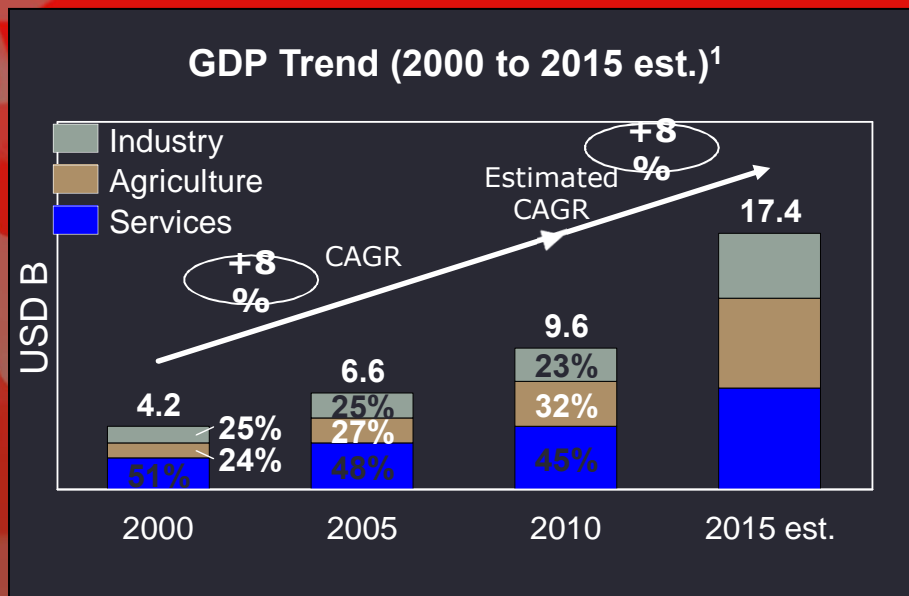
**Presentations from
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Mozambique And Pigeon Pea

- ❖ **5th largest producer of pigeon pea and 3rd leading exporter of the crop in 2014.**
- ❖ **Exports more than 95 pc of the production**
- ❖ **Commands a better role in pigeon pea export market across the globe.**
- ❖ **Due to emerging demand and supply gap in India there is an ample opportunity for Mozambique export of pigeon pea to double its performance very soon.**
- ❖ **By 2025 pigeon pea could well become the third most important cash crop**

Strong and Growing Economy

The Mozambican economy has displayed strong growth and is expected to continue growing at one of the fastest rates in the world



Note: 1) Growth rates are based on nominal prices

Source: IMF World Economic Outlook Database, September 2011; World Bank; The Economist Intelligence Unit; National Institute of Statistics

Importance of Agriculture in Mozambique

Agriculture is a key priority for the Mozambican government for poverty reduction and attaining food security, as is detailed in the country's ten-year strategy plan

Summary of the Strategic Plan for Agricultural Development (PEDSA), 2011 to 2020

Vision:

An integrated, prosperous, and sustainable agriculture sector

6 corridors targeted to align efforts across public, private, and development sectors through: Agricultural potential Support services (research centers, educational institutions)

Connection to market (infrastructure)

Agricultural production and productivity to increase ability to compete

Infrastructure and services for markets and improved marketing

Land, water, forest, and wildlife resources used sustainably

Agricultural institutions strengthened

Four Discrete Pillars in Progress to Achieve Agricultural Vision

Mozambique plans to allocate 10 percent of its budget to agriculture by 2015, as resolved in the Maputo Declaration of 2003 by the African Union

The Goals Of Fiscal Policy

- ❖ **Promote local production and productivity.**
- ❖ **Encourage and create Investment.**
- ❖ **Improve local infrastructure**
- ❖ **Encourage creation of local employment.**
- ❖ **Encourage Value Addition.**
- ❖ **Promote Sustainability.**

The Tools For The Government

- ❖ **A-Banning imports**
- ❖ **B-Raising Import duty**
- ❖ **C-Banning exports**
- ❖ **D-Levying Export tax**
- ❖ **A and B are governed by WTO**
- ❖ **C and D are well within the powers of the government**
- ❖ **The Mozambique government intends to introduce export tax on pigeon pea which is well within the norms**

Purpose Of Export Tax

- ❖ **Encourage local industry**
- ❖ **Ensure raw material for local industries**
- ❖ **Generate government revenues**
- ❖ **Control export activity and illegal export**
- ❖ **Control revenue loss caused by under-invoicing**
- ❖ **Prevent capital flight**
- ❖ **Improve forex inflow**
- ❖ **Boost investments in the country**

Export Tax-global Trend

Tax imposing countries



Note: Dark blue shade indicates countries applying export taxes. Grey shade is used for countries that do not impose export taxes and for cases where information is not available.

Export Tax- Global Trend

- ❖ **Among WTO members, 93 countries out of 157 levy export taxes**
- ❖ **The products on which export taxes are imposed on primarily agricultural products**
- ❖ **Majority of the countries that impose export tax are developing countries**
- ❖ **A few developed nations such as Canada, USSR and Norway also levy export tax**

Savings In Foreign Exchange

Particulars	Units	Raw Export	Equivalent Split -Export	Projected Savings in USD
40 ft. container	Nos	4000	3200	
Export quantity	Tones	112,000	89,600	
Sea Freight and Forwarding	USD	12,000,000	9,600,000	2,400,000
Price per tone CFR India (2015)	USD	1100	1550	
Forex Inflow	USD	123,200,000	138,880,000	15,680,000
Incremental forex inflow to the exchequer				18,080,000

Financial Benefits of Export Tax

- ❖ **Since more than the 95 pc of the pigeon pea production is exported and the international demand is more than the supply, there will be net increase in the revenues for the farmers**
- ❖ **By exporting processed pigeon pea apart from the net incremental saving of approximately USD 18 m per annum, the county would achieve creation of local employment, development of local small scale industries on scalable and sustainable basis.**

Horizontal Vs Vertical Intervention

- ❖ **Proposed export tax is a horizontal intervention focused on the entire processing industry**
- ❖ **Proposed export tax is not a vertical intervention since it is not for a single company but for the industry**
- ❖ **The case of cassava (Sab Miller) where excise relief on Impala beer is a vertical intervention that benefits a particular company only**

Success Story-1

- ❖ **Export Tax is having a positive effect on Value addition etc.,-Third World Network 2009.**
- ❖ **Protectionist measures to support processing (like export taxes) can be a second-best approach. - World Bank (2013) - Unlocking Agribusiness.**
- ❖ **A modest tax may be easier to implement than other incentives, and may be appropriate when there is a clear comparative advantage in the processed product. Such a tax is especially relevant for labour-intensive, first-stage processing.´ -The World Bank report recognises**
- ❖ **Removing export taxes on soybeans would result in the contraction of the Argentine soybean-processing industry- Deese and Reader (2007).**

Success Story-2

- ❖ **Export taxes helped stimulate value-addition. UNECA-Africa2013. –**
- ❖ **Makes positive evaluation of the 150% export tax on unfinished leather products, arguing that it gave substantial boost to footwear production and job creation. - African Centre for Economic Transformation (2013).**
- ❖ **Export tax may be second-best policy. - Pier martini 2004**
- ❖ **General Equilibrium Measures of Agricultural Policy Bias in 15 Developing Countries. It finds that, out of the 15 countries investigated, 6 Export Taxes on Agricultural Products (2007) discriminated against agriculture in only 1 country. . Deese and Reader (2007).**

Conclusion

- ❖ **The imposition of export tax has proved productive for the governments in many economies**
- ❖ **Several economies have seen a spurt in the local processing capacities, local production.**
- ❖ **Farmers have realized international prices and their bargaining power has increases in several cases.**
- ❖ **The Government is in order in exercising its powers in levying export tax and correct the imbalances.**

References

- ❖ <http://siteresources.worldbank.org/INTAFRICA/Resources/africa-agribusiness-report-2013.pdf>
http://www.uneca.org/sites/default/files/PublicationFiles/unera_report_eng_final_web.pdf
- ❖ <http://acetforafrica.org/wp-content/uploads/2013/11/Leather-paper-final-draft-Girum-edits.pdf>
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- ❖ http://www.usitc.gov/publications/332/journals/export_taxes_model_soybeans.pdf
- ❖ <http://www.economics.ku.dk/research/publications/wp/2004/0425.pdf/>

The image features a solid red background with a pattern of faint, semi-transparent leaf silhouettes scattered across it. The leaves vary in shape and size, some resembling maple leaves and others more like simple ovals. The text 'THANK YOU' is centered in a bold, yellow, sans-serif font.

THANK YOU