



**USAID**  
FROM THE AMERICAN PEOPLE

**SPEED**  
For a Better Business  
Environment

# Non-Fiscal Barriers to the Agriculture Development in Mozambique

July 2013

*Tomas Manhican Jr*

Maputo



## Macroeconomic Analysis of NFB's

### 1. Agricultural growth is a Government priority due to the impact in:

- ↑ Employment, ↑ Revenue  
Food security ≈70% of economically active Pop.
- 24% of GDP budgeted to about \$12.79 billion

### 2. Package of incentives to agriculture:

- VAT exemption in internal supply of goods and services
- Exemption in import fees for equipment
- 10% to 80 % Fiscal loan [IRPS/IRPC] = 5 fiscal exercises/5 years
- 50% of incidence fee on Diesel
- 20% Reduction in tax revenue to investment companies:
- Low cost of access to land: 50 years of DUAT

### 3. Concerns of Private Sector

- Incentives and business environment are not adequate for development of agriculture in Moz.
- In this regard, 2 studies were conducted on tributary system and impact of VAT on agriculture
- Studies showed existence of FBs and NFBs in access to the incentives as well as to the market
- Structural distortion in agrarian economy created by NFBs
- And a low competitiveness of agriculture in Mozambique
- This study complements earlier ones through an empirical approach to operators of the private sector in the 4 provinces/development corridors.

### 4 Development Corridors





**USAID**  
FROM THE AMERICAN PEOPLE

**SPEED**  
For a Better Business  
Environment

## Objectives

- Identify main Non Fiscal Barriers to the development of agriculture sector in Mozambique:
- Make consultations and verify preliminary results of study with private sector partners, NGOs and Government.
- Make recommendations for removal of NFBs in Mozambique's agriculture sector



**USAID**  
FROM THE AMERICAN PEOPLE

**SPEED**  
For a Better Business  
Environment

## Methodology

1. Retrospective and comparative analysis of nationally and internationally relevant, statistics, documentation and legislation
2. Interviews with companies, Government institutions, development agencies working in the production chain value of agriculture
3. Configuration of analytical matrix of NFBs based on the type of problem, economic impact, involvement of policy framework, the group/affected value chain and recommendations [action plan based on consultation with private sector]
4. Validation workshops based on analytical matrix
5. Drafting of final report



**USAID**  
FROM THE AMERICAN PEOPLE

**SPEED**  
For a Better Business  
Environment



**Economic  
Impact**

**Recommendations on  
relevant policies for Private  
Sector**

**Problem  
or NFB**

**Affected Group  
or Value chain**

**Policy, administrative  
procedures and  
regulations**



**USAID**  
FROM THE AMERICAN PEOPLE

**SPEED**  
For a Better Business  
Environment

Increase in transaction costs, time, deterioration of retained commodities for lack of documentation or transit permit for goods

Revision and repeal of legal decrees: 12/2002 & 76/2011. On transport conditions of forestry products and cattle breeding /aviculture/vegetables. Make a single table with the 8 fees and disseminate.

**Demand of  
a Road Transit  
Permit**

Affects all productive sectors of family and commercial agriculture

Clarify its application. These guidelines are applied by MTC and MINAG



**USAID**  
FROM THE AMERICAN PEOPLE

**SPEED**  
For a Better Business  
Environment

Proliferation of control posts constrains trade, makes products more expensive, doubles tariffs and the temptation to illegal charges and wastes time. Costs vary depending on entity involved

Clarifying role of control posts in trade and showing evidence of all inspected goods

**Control  
Posts**

All transporters of goods in four visited provinces: Nicoadala pointed out as a border/barrier to internal trade

Multiplicity of processes and doubling of inspections with unclear legal basis. It is questionable whether the police should demand trade documentation



**USAID**  
FROM THE AMERICAN PEOPLE

**SPEED**  
For a Better Business  
Environment

High costs of installing a diesel tank at production location: Organized accountancy; NUIT

Decentralize incentive System at provincial and district directorates' level to allow access to companies. There is no impact to agriculture

**Impossible adherence to incidence fee on Diesel**

Costs affect the whole production chain and the value from producer, transporter, processing up to final consumer. A 50% reduction could lower real costs and increase revenue and production

Decree 26/2003 and ruling 118/2005 which regulates the incidence fee on Diesel.



**USAID**  
FROM THE AMERICAN PEOPLE

**SPEED**  
For a Better Business  
Environment

Raises the cost of food products to the consumer, the practice of charging illegal and informal prices (Traditional leaders) prevails and tends to expand in the country (main fee, scales' fee, etc.)

Campaign to inform all transporters and to discourage law prevaricators. Clarify the role of traditional leaders in charging taxes.

**Illegal and informal fees on agriculture and livestock products**

Affects mainly cereals, vegetables and timber

Were abolished 4 years ago through decree 5/2009 these fees are applied to the timber sub-sector.



**USAID**  
FROM THE AMERICAN PEOPLE

**SPEED**  
For a Better Business  
Environment

The low investment rate creates a chain effect in competitiveness, productivity and production, inexistence of a campaign insurance

Banks must have loan managers in this area. Intervention of Central Bank

**Loan to  
Agrarian  
Economy**

Affects the whole agricultural sector and there are no innovative loan portfolios adapted to the sector

Operators demand Government intervention in funding the agriculture sector



**USAID**  
FROM THE AMERICAN PEOPLE

**SPEED**  
For a Better Business  
Environment

Problem of low quality of energy and the high cost for installation and maintenance associated with the slow connection of the electrical network process.

Participate in new energy strategy and design an action plan; the Ministry of Energy must simplify the process

**Incentive to  
energy  
tariff**

There are problems in the implementation of incentives by SMEs and these do not include agro-processing, removal of potency fee

Inexistence of a concrete electrification program to commercial agrarian undertakings



**USAID**  
FROM THE AMERICAN PEOPLE

**SPEED**  
For a Better Business  
Environment

Addition to existing scanner at Nacala Harbor thereby creating a duplication of tariffs and costs, subsequent decrease in competitiveness of goods and services at this terminal.

Make an economic analysis of costs and competitiveness of this terminal for exports. Nacala ZEE (SEA) does not justify the increase in costs. CTA recommends the abolition of this practice before it becomes a rule.

**Nacala Special  
Export  
Terminal  
(Dry Dock)**

Includes economic operators of Nampula and Zambézia provinces who demand the introduction of this terminal

Lack of a legal customs basis to justify the compulsory utilization of that terminal - Nacala has conditions to operate on the basis of Decree n.º 10/2006 related to intrusive customs inspections

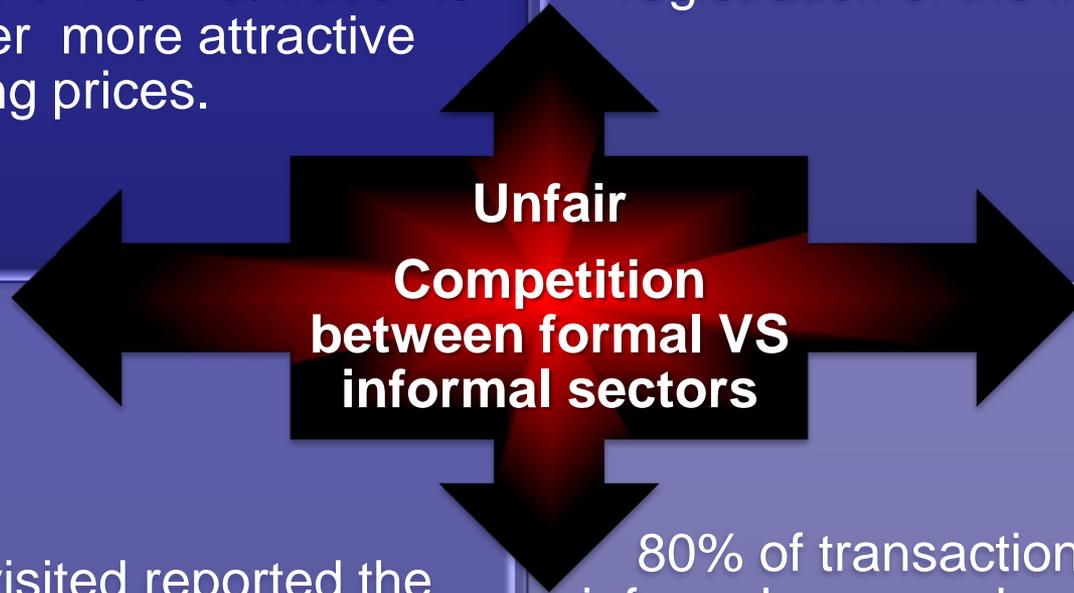


**USAID**  
FROM THE AMERICAN PEOPLE

**SPEED**  
For a Better Business  
Environment

Informal traders always have a competitive advantage in the process of trade as they do not pay great infrastructure costs (payment of salaries, taxes, INSS, minimum wage, etc) this allows the informal trader to be able to offer more attractive buying prices.

This matter must be object of a serious study with the inclusion of innovative mechanisms for the registration of the informal sector



All provinces visited reported the prevalence of lack of discipline in the process of agricultural trade mainly during campaigns.

80% of transactions occur in an informal manner, besides, economic operators are aware that formal and /informal trade are two faces of the same coin in "fiscal evasion"



**USAID**  
FROM THE AMERICAN PEOPLE

**SPEED**  
For a Better Business  
Environment

High learning costs resulting in the total absence of machinery centers, accountancy, proper training and assistance to the operator in the use of technologies (of cold storage and conservation, certified laboratories for seeds and silos, access to fertilizers)

It is important that MINAG articulates with the private sector on the management of future machinery service centers, silos, among others. Recourse to PPPs is recommended

**Access to  
technology**

All value chains are affected by this problem except commercial agriculture such as sugar, tobacco and sunflower.

Apart from PNISA/PEDSA there is no policy in progress.



**USAID**  
FROM THE AMERICAN PEOPLE

**SPEED**  
For a Better Business  
Environment

Lack of correlation between interest rates from Central Bank and those charged by commercial banks, when BM (CB) lowers interest rates commercial banks keep theirs unchanged.

Transparency in the trespass of private infrastructures for EDM – Who pays for maintenance costs of the network?  
Removal of potency fee to the investor.

**Accumulated  
Validation  
Evidence**

Difficulty in dealing with weighing machines as they often record differences between the tonnage declared by transporter and that registered by the bascule.

Ambiguity and rigour in access to fiscal exemptions: Delay in disbursement of VAT– on exempted equipment + accessories charged, payments in business with State, compare the incentive structure with countries competing with Mozambique.



**USAID**  
FROM THE AMERICAN PEOPLE

**SPEED**  
For a Better Business  
Environment

Campaign against illegal charges and fees

Economic implications for Nacala's dry dock users

**Recommendations**

Cross-border informal trade: What lessons and interactions – Gender approach?

Unfair competition and distortion of State factor managing and building; Warehouses, Factories, giving loans and managing machinery centers?



**USAID**  
FROM THE AMERICAN PEOPLE

**SPEED**  
For a Better Business  
Environment

**THANK YOU!**

**[www.speed-program.com](http://www.speed-program.com)**