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# Non-Fiscal Barriers to the Agriculture Development in Mozambique



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# **Non-Fiscal Barriers to the Agriculture Development in Mozambique**

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## ABBREVIATIONS

ADAM	-	Maputo Association of Poultry Farmers
AMA	-	Mozambican Association of Poultry Farmers
ANF	-	Autoridade Nacional Fitossanitária
ATM	-	Mozambique Tax Authority
BAGC	-	Beira Agriculture Growth Corridor (Corredor Agrícola da Beira)
CEPAGRI	-	Centre for the Promotion of Agriculture
CTA	-	Confederation of Business Associations of Mozambique
DNC	-	National Directorate of Trade
DNSV	-	National Directorate of Veterinary Services
GTIA	-	Working Group of the Poultry Industry
ISPC	-	Simplified Tax for Small Contributors
IVA	-	Value Added Tax
MIC	-	Ministry of Industry and Trade
BNF	-	Non Fiscal Barrier
SADC	-	Southern Africa Development Corridor
SPS	-	Sanitary and Phytosanitary (Measures)
SPFFB	-	Provincial Services of Forestry and Wildlife
WTO	-	World Trade Organization

## EXECUTIVE SUMMARY

Constitutionally “agriculture is the basis of development.” Agriculture has a relatively significant weight in the national economy as 70% of the active population is in this sector and contributes 24% to the GDP budgeted at approximately \$12.79 billion (CEPAGRI, 2012). However, the relative weight in the GDP of other sectors of the economy has been growing significantly, as in the case of industry (minerals, oil, manufacturing, etc.) and services that are expected to contribute in the short-term more than 70% of their weight in the national wealth; unfortunately this trend does not mean that agriculture is modernizing, in real terms over 70% of the population still continues to depend on agriculture as a source of employment.

Incentives and the business environment are not conducive to agricultural development. The private sector of agribusiness and agro-processing shows a certain dissatisfaction in implementing the current package of incentives available: i) the 50% reduction in the rate levied on diesel, ii) the maintenance of a reduced rate of 10% in Corporate Income Tax (IRPC) and iii) exemption from payment of the Value Added Tax (VAT) on internal transmission of goods and services in the field of agriculture, forestry and livestock, including agricultural inputs and equipment. In addition, the private sector complains that the incentives in this sector of agriculture in no way compare to the package of incentives granted to the mining industry. Also, they believe that if they were given the same incentives as the extractive sector, the situation of low agrarian competitiveness and food insecurity in Mozambique would be resolved.

In this context the CTA commissioned this study to USAID|SPEED that complements two previous studies on taxation in agriculture and VAT in agriculture that have revealed the existing tax barriers to access, both incentives as well as market. This is aggravated by the existence of a large structural distortion in the agrarian economy created, among others, by the non-fiscal barriers (NFB) to the development and competitiveness of the sector in Mozambique.

The study aims to identify the structure and dynamics of BNF and evaluate their impact in Mozambique. To reach this objective we developed an analytical matrix with several impact indicators, collected perceptions of private sector operators and conducted validation seminars in 4 provinces namely Maputo, Nampula, Sofala and Zambezia, whose triangulated findings, interviews and analysis allowed for the formulation of recommendations for the agrarian, fiscal and economic policy.

Balance on the functional logic of some of the BNF identified by the study:

### **About the transit pass**

The requirement of transit pass for the transport of goods from one location to another within the country increases transaction costs. However, the number of passes varies depending on the subsectors of agriculture. For example, in the timber sector it takes about 6 permits, and when the operator is granted a license he receives a book of **remittance slips** which contains the key information; it should be noted that the **remittance slip** does not replace the **transit pass**. When the timber is removed from the field to the processing site it requires a **remittance slip** containing the origin and destination of the timber, the quantity and other specifications. The destination may be the port, the processing site or a client located in the main cities of the country. In some cases, apart from a **remittance slip** a copy or proof of NUIT of the sender and the recipient is required in the various checkpoints along the route. The operators are dissatisfied by the fact that there is no clarity about the goals and purposes of the slips/passes and the difference between the remittance slip and the transit pass.

### **About the Checkpoints**

The proliferation of checkpoints hinders trade, causes products to be more expensive and encourages illicit charges. Economic agents operating in agriculture complain that there are several checkpoints along the route which require multiple documents and multiple processes of intrusive inspection of goods without, however, presenting legal basis and the fines are not documented. For example, in the post or “border” of Nicoadala, as referred to by users, are represented the following entities: Customs officials to verify the compliance of foreign taxes, the Tax Authority officials checking compliance of internal taxes, inspectors of the Ministry of

Agriculture who deal with matters related to health, legality of timber transported, legality of animals transported and the proof of payment of fees for the internal circulation of vegetables and cereals, to include corn, copra, soya fees, etc.

Traders in all provinces visited complained about the negative impact of the cost and time spent when they have to circulate goods within the country. It was reported the case of an operator on the route from Nhamatanda to Maputo was stopped 11 times, where in one of the times it was a movable checkpoint. In the specific case of Zambezia a study has been commissioned on the impact of the cost and time incurred by entrepreneurs that use that route. The biggest concern for the businesses and the decision-makers is that the checkpoints do not increase the tax base of the national tax system but in contrary they are *disturbance* posts, which are prone to corruption. These checkpoints also appear to be very difficult to deal with because of the recurrently reported discrepancies between the tonnage declared by the carrier and tonnage calculated by the weighbridge.

### **About the taxes on cereals and vegetables**

The practice of charging illegal and informal fees persists and tends to expand. The DPA Zambezia explained during the workshop that these fees were abolished<sup>1</sup> by Decree 5/2009 which updated the phytosanitary regulations and the vegetal quarantine, yet the collection of fees continue to take place in the districts for marketing and circulation of agricultural products. The DPA stated that for the implementation of this new directive two circulars were issued in 2009 and sent to the District Services of Economic Activities (SDAE) and to exporters. However traders of agricultural sector insisted that the collection of these fees continues to occur in the districts of the four provinces mentioned above.

Other rates were also reported as being paid to traditional authorities and cover all products in the transaction, including the agricultural marketing fee aka balance rate charged (10.00 MT/day) during the agricultural marketing campaigns, which vary from 4 to 6 months. This rate was reported as being charged both in Zambezia and Nampula. Traders/exporters have complained

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<sup>1</sup> O desconhecimento e as fraquezas na implementação da legislação aprovada permitem a cobrança de taxas e senhas ilegais as quais se tornam fonte de corrupção e extorsão ao cidadão. Por exemplo fala-se do caso duma autoridade administrativa local que cobrou uma taxa pela resolução de um caso de adultério.

about the exorbitant fees charged for the issuance of phytosanitary permits; it is recommended that the CTA verifies what international practices are in this field.

### **About the Access to credit**

Again, operators reminded that in order to perform modern agriculture through new technologies and consequently high levels of income and productivity they require capital. In all provinces visited operators have complained about the difficulties of access and cost of financing in Mozambique, as well as the lack of alternative credit portfolios and consistent with the agricultural sector. Once again traders complained the lack of correlation between the rates by the Central Bank and the interest rates charged by commercial banks, because even when the Bank of Mozambique lowers the rate the interest rate charged by commercial banks does not change. Thus, it is recommended that the CTA checks to what extent the Central Bank influences or affects the availability of funding for credit by commercial Banks – i.e. where does the money that banks use to grant credit come from? It was also recommended that the CTA and the National Union of Banks discuss new products for credit to economy. For traders the lack of access to credit by agribusiness inhibits local processing. In the case of the cashew sector the export of unprocessed cashew resulting from this phenomenon is a true export of jobs. In simpler words the potential jobs in agro-processing have been lost due to the lack of these agribusinesses.

### **About the 50% incentive fee levied on Diesel**

The requirements for access to the subsidy for diesel are extremely prohibitive and are not available to the majority of agricultural producers. This is aggravated by the lack of information/dissemination of the diesel subsidy to traders. On the other hand those who have information reported to be impossible to use this incentive, unless it is a big company! One of the main causes for the limited access to this incentive is the requirement to have an appropriate accounting system a requirement difficult to reach by small and medium farmers whose majority is not even registered with the national tax system.

### **About the incentive to electricity tax**

With regards to this incentive it was reported the negative fact that this incentive does not cover the agro processing. It was also reported the problem of low power quality and high cost of installation and maintenance associated with the lengthy process of connecting to the grid, while the purchase of the transformer and the mounting of the infrastructure rest with the entrepreneur and taking into account that this installation will benefit the surrounding community. For traders it is not a problem to bear part of the operating costs, but they perceive it as an act of social responsibility. The problem starts when the excess of connections creates an overload of use and there is a malfunction in the electrical network and the charges for repairs and maintenance are charged to the investor. But other than that, investors complain the fact that an installation of electricity with the above mentioned features be automatically converted into EDM property without clarity to the terms and conditions that underlie such trespass. For example, EDM increases its assets at the expense of the investor and charges the community for its use. This matter should be subject to thorough study by the CTA. It was also recommended that the Ministries of Energy and Agriculture to work in harmony in order to create better conditions for the development of agriculture in Mozambique.

### **About the Terminal of Nacala (Dry Port)**

Traders of Nampula province complained about the introduction of this terminal in addition to the existing scanner at the Port of Nacala creating a multiplication of tasks and costs. The mandatory use of that terminal, on one hand reduces the competitiveness of domestic products and on the other hand reduces the profits of the peasants, because since the prices are set by our exporters in the international market all downstream costs are passed on to the farmer.

It is worth reminding that most of the exporting products of Mozambique are also produced in neighboring Tanzania so that any increase in operating costs in our ports reduces our competitiveness, see the example of cashews.

The most striking example reported in Nampula is the bran whose international market price is \$60USD/ton, however the current cost of export rose to \$100USD/ton, due to the installation of the terminal.

Another weakness of this terminal is the fact that it has opening and closing time when it is known that one of the requirements of international trade is not having schedules, which is an important indicator of performance and efficiency of ports.

### **About the unfair competition between the formal, informal and the State**

In all provinces visited it was reported a lack of discipline in the process of agricultural marketing especially in the campaign season. The informal always have a competitive advantage in the marketing process as they do not pay taxes and do not have large overheads (salaries, taxes, Social Security, minimum wage, etc.). This enables the informal to offer more attractive purchase prices. It was also reported a new type of unfair competition between the State and private sector in agro-processing and was given as an example the construction of a factory for agro-processing of grain whose capacity for rice is expected to be double the productive capacity of two rice processing plants existing in the south. It should be noted that the two factories are facing serious problems of supply of raw materials by producers of Chokwe and lower Limpopo. It is recommended that the CTA validate the robustness of this concern and the dynamics of their positive or negative impacts.

### **About access to technology**

In this sphere operators complain about the complete lack of machine centers, appropriate training in accounting and assistance to producers in the use of these technologies. Moreover, these producers complain about the lack of conservation systems for fresh produce and cereals. Weak irrigation infrastructure and the quality of water management were also identified as a major constraint to agricultural development in Mozambique.

Regarding irrigation they would like to see established an environment conducive to the entry of private operators in the construction and management of irrigation systems. This would probably require adapting the present legal/regulatory framework in the agricultural sector.

Finally, operators complained about the lack of laboratories of certification of seeds and analysis of land which would allow greater ease in identifying the type of crop/agricultural produce that can be grown in that specific location given the characteristics of the soil. The seed certification would allow the use of seeds of greater germination potential which would increase the

production and productivity per hectare plowed. Regarding these two points, operators claim for a greater intervention of IIAM.

### **About the ambiguity and rigidity of access to tax exemptions**

Have also been reported old issues such as delays in payments by the State for good and services provided and the delay in VAT refund. The expenses with port services are continuously on the rise unless these costs are transferred to the consumer price. For example, there is the VAT exemption for imports of agricultural machinery but however the interpretation of the Customs Tariff fraudulently leads to the collection of VAT on accessories. For example a tractor or sprayer pays taxes for accessories such as tires and other components and the same occurs on other equipment that are already exempted by law. Regarding tax issues and with view to reducing mistrust between the parties, the Tax Authority and the business, it is recommended the introduction of the farmer identification card - FIC, which will be useful even to grant the 50% subsidy of the diesel tax and other subsidies to the sector.

Regarding the structure of incentives, it is proposed to be carried out a comparative study on the exemptions given to farmers in Mozambique and those given to farmers in competing countries or from where Mozambique imports products of agricultural origin or agro-processed.

### **Recommendations**

1. It would be important to verify the existence of different rates on vegetables and cereals in other provinces that were not covered by this study.
2. These illegal charges reveal ignorance and lack of information of both traders and State agents. So it is recommended to carry out a massive campaign at the district level and checkpoints along the route, advocating the abolition of these fees in Mozambique.

3. In relation with the balance<sup>2</sup> fee charged by traditional authorities it is recommended clarification of the legal grounds and policies that support its application.
4. In order to ensure greater participation of traders involved in the agriculture sector, it is recommend that the upcoming workshops on agriculture are held in the districts where they the traders are located to better capture the essence of the problem.
5. For disclosure purposes it is recommended as media Radio Mozambique and community radio as newspapers do not reach the districts and when they do, they make it too late.
6. Some State officials have proposed that the private sector substantiate its claim on the requirement of the transit pass.
7. During the validation workshop the issue concerning the VAT exemption was the discussion point. Because of that, it is recommended to expedite the solution of this barrier to the agricultural sector in Mozambique.
8. Given the importance of exports it is recommend a study on the costs incurred by exporters when they use the dry port of Nacala.

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<sup>2</sup> Esta é matéria que deverá ser discutida entre o sector privado (CTA), o Ministério da Administração Estatal e o Ministério da Agricultura no âmbito do processo de descentralização administrativa e com a Autoridade Tributária no âmbito do alargamento da base tributaria.

## CHAPTER ONE: CONTEXT AND ANALYTICAL APPROACH

In recent years, the agricultural sector in Mozambique has registered significant growth rates, thanks, among others, to the investments made by large projects and also to the incentives introduced by the Government as a way to induce the development of the sector.

Despite progress made, some factors may undermine this process of growth and development, and two of them are the tax barriers (TB) and non tax barriers (NTB)<sup>3</sup>. Regarding the TB, two studies (2012) have been conducted by SPEED project at the request of the CTA - Confederation of Business Associations of Mozambique. The first of these studies aimed to identify the impact of exemptions from Value Added Tax (VAT) in Agriculture. This study allowed concluding that the VAT exemption in the first transaction was commonly accepted for agricultural products. However, due to the predominance of the informal sector in the economy after the second transaction (cannot issue any receipt since they are not registered to do so), the existence of VAT created problems in the marketing network, affecting the competitiveness and raising the financial costs involved, as the informality eliminated the possibility of VAT refund provided for by law.

This first study was followed by another which examined the system of taxation in the agrarian sector in Mozambique, including the role of the tax rate needed to undocumented purchases. This study found that this tax and the need for documented expenses were the major problems affecting the sector.

In sum, the two studies of the TB showed that the yield of thousands of farmers could improve significantly if these issues were taken into account in the agricultural, economic and above all tax policy.

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<sup>3</sup> In this study, a tariff barrier is considered as the ones characterized by the payment of a duty when a good is being imported.

During these two studies, many respondents reported many other problems affecting the agricultural sector, which problems were not of tax nature. In this context, emerged this third study aiming to focus on these other issues affecting the agricultural sector and that are not of tax nature - non-tax barriers. Although the non-tax barriers are not unique to the agriculture sector, the focus of this study is the agricultural sector, mainly due to its role in development, particularly in the economic growth and wealth creation.

The idea is not to analyze all NTB affecting the agricultural sector, but select those considered the largest and propose policy recommendations around them in order to improve the business environment in Mozambique.

The study results from a methodology with emphasis on triangulation of data from different sources and different data collection tools: a literature review and statistical descriptions of the matter with a view to make a retrospective and comparative analysis of the evolution and typology of NTB in agriculture in Mozambique and in the world were conducted. On the other hand, semi-structured interviews with a specific sample to traders of the private/agrarian sector almost across the country, particularly in Nampula, Zambezia, Sofala and Maputo, were conducted. A questionnaire (appendix 2) was used as a guide to meet the objectives. Since the sample is not representative of the whole industry, there was an urgent need, based on questionnaire responses, to make the modeling of an analytical matrix that allows to simulate in a simple and interactive manner the major categories of the NTB, the related policies, the affected group in order to get to the possible solution through a clear and thorough discussion on each of the NTB identified.

**Fig 1: Operational model of the NTB matrix:**



# CHAPTER TWO: NTB – CONCEPT, TYPE AND REPROSPECTIVE ANALYSIS IN MOZAMBIQUE

## 2.1 Concept of Non-Fiscal Barriers

A NFB is referred to any measure other than a tariff that restricts or distorts the trade. Baldwin (1970) defined it as “any measure (public or private) that causes an allocation of resources in a way that reduces the potential yield of an activity.”

NTB with great impact on agriculture are the various legal or informal practices such as sanitary and phytosanitary measures to protect human health, import quotas, subsidies, and rules of origin, among others.

If it is true that many of the NTB have existed for many decades, they have become much more important with the growth of the value of international trade as a response to tariff reduction. In other words, the existence of (high) rates in the past inhibited the action of NTB, but from the moment that the rates have been reduced through negotiations WTO/GATT, the concern for NTB increases, and their creation is the main weapon found by many governments in the world to compensate for cuts in high rates and also to protect their domestic industries.

The concept of NTB is controversial as different segments of a society may have different opinions on whether a particular measure is or not a NTB or whether it is a merely protective measure to the domestic industry. For this reason, identifying a NTB can be a very subjective exercise.

## 2.2 Study on NTB in Mozambique

The Regional Trade Facilitation Program conducted two studies (2004, 2007) on NTB in Mozambique. These studies were comprehensive, i.e., were not restricted to the agricultural sector as this study intends to focus.

The 2007 study found that with regard to the NTB in export, the export procedures remained the same since 2004. The number of documents required to export was 6, to include: shipping cost, customs export declaration, packing list, preferential certificate and pre-shipment inspection free of anomalies and takes 39 days at an average cost of U.S. \$1,516 per container. Certification of pre-shipment inspection was required for restricted products.

The largest NTB that adversely affected exports were summarized into three major groups, namely: procedural, services and macroeconomic, as follows:

**i) Export Process:** As mentioned above, this process takes about 39 days to complete a series of procedures to export goods. However, the crucial customs formalities could be accomplished in one day, the handling in ports and terminals takes two days and the release in the interior points (boundaries) takes one day. The sector that suffers most with these delays in the procedures is the sector of export of fruits, vegetables and flowers. This sector estimated that 24 hours would be the ideal time to export products which otherwise would incur substantial costs. Unfortunately this estimate is not being practiced, creating serious problems for the sector.

**ii) Lack of market information:** several exporters have complained of the lack of information or not being informed of specific procedures such as trade restrictions and prohibitions, sanitary and phytosanitary standards and procedures to be followed.

**iii) Costs and Customs Duties on Imported Inputs for Export:** imported inputs or products for export should in principle benefit from tax exemption. The current practice is that the operator pays these costs in advance to avoid delays in the release of products and after the re-export the operator seeks reimbursement.

**iv) Instability and availability of money:** This is another concern that afflicts exporters. Due to currency instability, exporters often lose money during the export process.

**v) Restrictions:** Mozambique has restrictions on export of certain products such as cashew nuts and unprocessed wood in order to protect the domestic industry according to the Official Gazette No. 52 - Decree No. 29/2002. In the opinion of exporters, although the measure is justified, the domestic industry has no ability to internally process all product produced in the country. But so far, the list of products currently on the list of prohibited products for export only contained art products belonging to the national cultural heritage, notes and coins, ivory and its products, pirated products and spoiled food products.

At present, the export restricted products already include minerals, poisonous and toxic substances, gold and silver, manuscripts and archaeological marks or with historical value, animals and animal products. While it is justifiable to establish ban to the export of these products, there is no adequate legislation, which is a NTB.

It is then worth knowing the impact that each type of NTB described above has on the development of trade in general and the private sector in particular. Table 1 presents a summary of impacts.

**Table 1. Impact of NTB on Exports**

Description of the NTB	Obstacle to Regional Trade	Impact on Cost of Business Efficiency and	Impact on Access to Domestic Market
Documentation and Customs procedures	High	High	Moderate
Export license	Low	Low	Low
Export quotas	Low	Low	Low
Ban/prohibition of export	Low	Low	Low
Services or costs not contained in the definition of export expenses	High	High	Moderate
Transit costs	Moderate	Moderate	Low
Technical regulations	High	High	Moderate
Visa requirements	Low	Low	Low

Regarding the NTB affecting imports, the most frequent were related to customs procedures, inefficiency in ports and import procedures, licensing and other regulatory requirements, clearing costs, import licensing and registration procedures are hailed as the greatest constraints faced by traders. These were coupled with the new scanner system installed at Maputo port that instead of reducing operating costs in terms of reducing the time spent in the inspection of the goods, traders complained about the new process stating that this came to increase the number of procedures for an approximate cost of \$100 per 20-foot container.

Currently there are a total of 16 procedures in force in the import process, to include: shipping cost, manifest of merchandise, certificate of origin, collection order, commercial invoice, consular invoice, customs declaration for release of goods, customs declaration, import license, packing list, preferential certificate, pre-shipment inspection without anomalies, note of arrival of ship, withdrawal plan, technical standards or health certificate, proof of payment of technical

expenses; on average it takes 38 days at an estimated cost of U.S. \$1,616 per container. Generally, traders claim not to have been changes in recent years. These procedures are still the same and with the aggravating factor of increasing one more procedure which is the scanner at the port of Maputo.

The main NTB affecting imports were:

**i) Import process:** on average it takes 38 days to complete the import process. The customs procedures and technical control usually take two days, customs clearance and handling at the port terminals in three days, overland transport and handling in four more days. As regards the customs formalities, traders complain of non calibration of the scales at the border post of Tete resulting in wrong weights and consequently, unnecessary delay.

**ii) Registration of business:** in this respect, there is also a slight improvement over those reported in 2004. The government established the one stop shop to accelerate the process. The one stop shop minimizes issues of arbitrary demands identified in the 2004 report.

**iii) Trade:** similar to that in 2004, customs and taxes are complicated and uncertain, with lack of coordination between income collecting agencies, absence of a logical and rational taxing system to reduce the uncertainties in financial planning, the high rate for value-added products encourage illegal trans boundary trade endangering the survival of legitimate business activity, timely reimbursement of VAT does not exist, absence of national trade policy that incorporates training, research, information sharing, technology, finance and favorable environment.

**v) Restrictions:** as in exports, there is a list of import prohibited products that includes drugs and psychotropic substances, drinks with chemical content harmful to health, medical drug or foods dangerous to public health, pornographic material and products of pirated brand. Import restricted products currently needing special permit include firearms, explosives and gun powder, sugar and not processed cashew nut, toxic or poisonous substance, gold and silver, plant products, animals and animal products and products of regime special rate. Also integrated in the list of prohibited products is sugar resulting from the government's effort to protect the domestic industry.

vi) **Regulations:** the other NTB to trade reported is related to technical regulations and standards. In this regard NTB is the lack of harmonized procedures for the certification of quality resulting in that products of the same quality end up being classified as the different qualities that sometimes result in exorbitant amounts of payments for quality not of the products.

Table 2 summarizes the impacts of each NTB on development of trade both nationally and regionally.

**Table 2. Impact of NFB on Import**

Description of the NFB	Obstacle to Regional Trade	Impact on Cost of Business and Efficiency	Impact on Access to Domestic Market
Bi and multilateral agreements	High	Low	Low
Infrastructures (international terminals, ports, roads)	High	High	High
Documentation and customs procedures	High	High	Low
Services or costs not contained in the definition of import expenses	High	High	Low
Technical measures	High	High	High
Import license	Moderate	High	Low
Visa requirement	High	High	Low
Import quotas	High	Moderate	High
Transit fee	High	High	Low
Registration formalities and bureaucracy	Low	High	Low

## CHAPTER THREE: THE LOGIC OF TAXATION IN AGRICULTURE IN MOZAMBIQUE

To understand how critical the issue of NFB is for Mozambique, it is important to first put the economy of Mozambique, especially in the agricultural, in context. In fact, agriculture is by far the most strategic sector in the development process when discussing the rate of employment and family income: it involves about three quarters of the population and accounts for about 23% of GDP. Thus, the removal of any NFB can lead to the expansion of this sector.

Despite the global economic growth on average of about 7% per year, poverty reduction has improved slightly since 2002. The country is determined to overcome this situation, and for that the government has approved several incentives for the agriculture sector. Among some of the incentives approved by the government and extended to 2015 is the exemption from Value Added Tax (VAT) for the first transaction in corn grain produced locally (as well as for imported), the reduction of income tax, reduction of 50% of the special duty on fuel, VAT exemptions on imports of equipment and parts, among other incentives.

In terms of tariff, the country has five tariff groups for importation (0; 2.5; 5; 7.5 and 20%). Some goods and services are also subject to value added tax of 17%, while products such as tobacco and alcoholic beverages are subject to a specific duty.

About 87% of rates on products have been reduced to zero, and it is hoped that from January 2013 it will reach 100%. South Africa, one of the major trading partners of Mozambique will have their products at zero only in 2015.

In some special cases, such as sugar or cement, there is a surcharge payable as a way of protecting domestic industry. Furthermore, in support of the agro processing industry, the country has an export rate of 18% for chestnut and other export rate of 20% for unprocessed wood.

Although these rates in a way protect domestic agricultural industry, the incentives granted by the government to stimulate it are incipient due to the existence of bottlenecks and non-tax barriers in the production system that need to be taken into consideration. For example, productivity growth in the sector has been minimal in the past 30 years, with very little work on agricultural research. This bottleneck results, according to some private business involved in agribusiness, in costs for the private sector, since the sector diverts resources to an area that should be under the purview of the Government. Another example is the access to finance, seen as difficult and with highly prohibitive cost.

In an effort to seek solutions regarding non-tax barriers, a workshop was recently held in Mozambique organized by the Ministry of Industry and Commerce, in partnership with the Technical Secretariat of SADC, aimed at providing them with insights on procedures to be followed in the complaint, monitoring, evaluation and elimination of Non-Fiscal Barriers. Speaking at the seminar the Permanent Secretary of the Ministry of Industry and Commerce (MIC), stated that “the process of trade liberalization in the Southern African region, which began with the reduction and elimination of tariffs on trade among SADC countries will not be effective if it is replaced by the use of Non- Fiscal Barriers” (communication: Cerina Mussá cited by Canalmoz, 2012<sup>4</sup>).

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<sup>4</sup> <http://www.canalmoz.co.mz/hoje/20363-barreiras-nao-tarifarias-impedem-liberalizacao-do-comercio-na-sadc.html>

## CHAPTER FOUR: NFB IN MOZAMBIQUE THE EVIDENCE FROM PRIVATE SECTOR

In this particular study, were interviewed about 22 private companies and 20 entrepreneurs and analysts, all of the private sector. Beyond these, about 12 interviews were conducted with Government officials to give their perception of certain NTB or to confirm any NTB mentioned by the private sector.

Based on the interviews conducted, the NTB affecting the agricultural sector typify 5 major groups that vary according to the location, the product and quantity:

- (a) In the form of illegal customs procedures or informal administrative practices
- (b) In the form of deficit of access to credit and infrastructure
- (c) In the form of quantitative restrictions (volume or value of imports is limited)
- (d) In the form of special charges unclear
- (e) In the form of duplicate sanitary regulations

Of all the barriers mentioned by the private sector as NTB, the main ones were grouped as shown in Table 3.

**Table 3. Group of NFB in Agrarian Sector in Mozambique**

NTB	Related Policy	Target
Quantitative Restriction	Import quotas: Quantitative restrictions and/or value of import of products	Chicken
Licenses and Non Fiscal Fees	Circulation permit/Transit Pass: For circulation of products from one point to another	Agricultural products in general
	Diesel incentive: Difficult access	Agricultural products in general
	Road Tax: Charged in the export of bananas	Bananas
SPS	Prohibition of Movement/Internal Transit: Effect of the fruit fly	Fruit
Financial Control	Exchange Rate: Restrictions on receiving or payment of foreign currency destined to control international trade or movement of capitals	All
Administrative Procedures	Various	All
Status of Infrastructures	Various	All

## **A. Licenses and Non-Fiscal Fees**

The circulation of agricultural products produced in the country is free, except in cases where there is a disease problem such as the case of the fruit fly where it restricts the movement of fruit from the endemic region.

The study found the collection of various fees and requirements of documents that are not required by law. Among the various fees, from those that were mentioned is highlighted the corn fee, the rate on wood, and the rate on livestock products.

In these three cases, it was mentioned that these rates are required in the police checkpoints and the truck may be withheld until the situation has been clarified. However, there are several discrepancies between what is required at one checkpoint and what is required in another, i.e., there is a glaring lack of uniformity in terms of the requirement of proof of payment of fees and documents that must accompany the merchandise.

Two District Services of Economic Activities (SDAE) visited during this work (Cuamba and Nicoadala) it was found that in regards to the movement of grain corn from one district to another it was only necessary to have a Permit/Transit License issued by their SDAE from the place of origins of the corn grain. This permit/license should indicate the registration plate of the vehicle transporting the product and the number of the driver's identification card and pay a fee of about 20 Meticaís (Mt) per ton.

### **Case 1: Transport of Corn Grain in Zambézia**

The private sector involved in the marketing of corn grain in Zambezia province declared the existence of a corn fee depending on the volume to be transported, which is paid to SDAE where the product comes out. According to them, this fee is not charged in the districts of other provinces where they operate because their SDAE consider it extinct. The problem arises in the checkpoint of Nicoadala (Zambezia province) where the absence of proof of payment of this fee implies retention of corn grain and its carrier vehicle. The alternative in these cases is the immediate payment of that fee to the officer of the Provincial Directorate of Agriculture (DPA) stationed at that checkpoint; this rate varies according to the tonnage of the truck. It was not possible to know exactly the amount payable and where the revenue is allocated to.

Regarding the movement of corn grain from one place to another we were unable find a legal basis to support the need for payment of a fee or the issuance of any permit/license, in both the DPA Zambézia and also in DPA Nampula. In Nampula the DPA stated that the transport of grain corn from one point to another was exempt from any emission permit/license of transport and also exempt from paying any fee. However, this DPA acknowledged that some carriers sought the issuance of a Transit License from the Provincial Services of Agriculture of that DPA simply because the checkpoints located in Mocuba and Nicoadala (Zambezia Province) required this license.

As DPA in Zambezia and Nampula, also in Manica no legal basis was found to support the need to have a license to transport grain corn nor for the payment of any fee. No evidence was found in this DPA that substantiates the emission of this license. What we found in this province was in a SDAE that confirmed the issuance of a transit pass, but there was not requirement to pay any fee for the purpose.

Also, at DPA in Maputo no reference to this fee was not found, perhaps because the marketing of corn grain from a district of this province is marginal. With regards to the payment of fees, it was clarified in this DPA that are currently in force the following:

**Table 4. Rates currently in force in the DPA Maputo for Transportation of Agricultural Products**

Type of Fee	Value of the Fee
Import of Eggs	0,15 Mt/Dozen + 150 Mt of Issuance of Import License
Transportation of Ration	5 Mt per Sack
Transportation of chicken	0,25 Mt per Chicken
Transportation of Live Chicken	0,25 Mt per Chicken

In case one wishes to transport forest products from one location to another, the applicant must be in accordance with that recommended by the Decree Number 12 of 6 June 2002 (Regulation of the Law of Forestry and Wildlife), especially Article 10 (Transport of Forest Products) which stipulates that the transport of forest products by any route requires a transit pass that is issued by the Provincial Services of Forestry and Wildlife (SPFFB).

This decree does not specify under what conditions the transit pass is issued, let alone what should be in it, but according to DPA Zambezia, it is assumed that the targeted are:

- 1) Holders or those covered by na updated logging license (payment of due fees)
- 2) Once met the first requirement, a transit pass is issued by SPFFB of the place of origin of the product, and no charges are attached to such issuance.
- 3) This pass should include the quantities and type of forest product to be transported (map of specificity)

It should be noted here that the transport of some forest species may be exempt from issuing a movement certificate, provided that such species are approved by the Governor of the respective province under proposal of SPFFB.

Still in the transport of forest products, in the case of products already processed (beams, boards), applicants must address the SPFFB, expressing their interest in moving such products move to a certain place. In such cases, SPFFB only issues one credential for the purpose.

The transport of forest products without their transit pass imposes a fine of 20,000 Mt, according to Decree Number 76, of December 30, 2011 (Update of Fines Prescribed by Law on Forests), and the product is retained until the presentation of the document.

It should be noted that the transit pass must match the product transported. As important as the transit pass is the map of specifications, which must correspond with the product transported. Transporting forest products without accompanying map of specification imposes a fine of 20,000 Mt

#### **Case 2: Transport of Timber in Zambézia Province**

Loggers operating in Zambezia province mentioned the requirement to have a document which will enable them to transport timber named Remittance Slip, which is sealed by the Tax Office.

According to them, you can not transport timber without being accompanied by this slip in addition to transit pass that is issued by SPFFB. Both licenses specify the quantities and species of timber transported and the lack of one of these licenses results in retention of the timber as well as the carrier vehicle.

In relation to livestock, the Decree Number 26 of August 17, 2009 (Regulation of Animal Health), Article 75 (Transit of Slaughtered Meat) states that slaughtered meat for consumption can not move without being accompanied by the transit pass which shall include the amount to be transported and the confirmation of the health inspection. This license is issued by the inspector of the abattoir. In the case of internal transit of animals and their products/byproducts, Article 19 of the decree states that the transit of live animals is not allowed without a transit pass issued by the Veterinary Authority<sup>5</sup>. The request for issuance of this pass shall contain the following elements:

- a) Name and address of applicant
- b) Species, age, sex and breed of the animal
- c) Place of Origin (Province, District, Location and Number of kraal)
- d) Type of product
- e) Quantity
- f) Transportation to use
- g) Destination
- h) Identification of the vehicle

The same Article 10 says that fresh meat, with the exception of swine, does not require this same license of transit up to a maximum of 15 kg per applicant/family. In addition to fresh meat, carcasses of poultry animals also do not require the same license provided that the carcasses do not exceeding 20 per applicant/family.

Violation of Article 19 presupposes the seizure of the product, which reverts to the state, and also the seizure of the vehicle until the payment of a fine. A violation of this Article imposes a fine of 1,000 Mt per animal, 50 Mt per kilogram and 50 Mt per carcass, while a violation of Article 75 imposes a fine of 60 Mt per kilogram.

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<sup>5</sup> Autoridade Veterinária corresponde ao Ministério que superintende a área da agricultura, neste caso concreto o MINAG, através da Direcção Nacional dos Serviços Veterinários (DNSV)

### **Case 3: Transport of Frozen Chicken from Maputo to Manjacaze**

A businessman running a small shop located in Manjacaze, Gaza province, bought two boxes of 10 frozen chickens each imported from Brazil at a stockist in Maputo. He was pulled over by a police officer immediately after crossing the bridge over the Limpopo river at the entrance of Xai Xai in Gaza. After showing his driving license, car papers, insurance, and inspection record, the police inspected the back of the van and asked the permit for transportation of frozen chickens. The man said he was unaware of the need to have in his possession any license to carry frozen chicken, but he had the purchase receipt. It was when the police insisted that he should have a guide to carry that amount of frozen chicken and started a discussion, since the police could not show the man any document stipulating the need for transportation license. The police held his documents for about 30 minutes, and only when the businessman decided to pay 200 Mt, he managed to continue the journey.

### **Case 4: Transport of Living Chickens from Matola to Boane**

A businesswoman located in Matola (only 10 km from the city of Maputo) breeds chickens, around 3,000 per cycle. All production is carried on a truck rented for this purpose to a slaughterhouse located in Boane, 22 km from the city of Matola. To get there, the truck must cross a police control, and once at the checkpoint the woman must have in her possession a transit license issued by the DPA Maputo. Failure to produce this license means that all products (in this case, all the birds) are reverted to the state, and the truck shall remain under custody of the police until the payment of the fine.

In addition to the above fees (fees for transporting grain corn, fee for transporting forest products and fee for transporting livestock products) there are more others. For example, two companies operating in the province of Nampula mentioned the existence of a fee payable to use the Export Terminal of Nacala. In fact, there is a fee of \$500 payable for clearing a container within the Special Export Terminal of Nacala, an amount considered high by the private sector, affecting therefore the competitiveness of Mozambican exports. According to them, there is a plausible reason for such a fee.

Another rate is the road fee applied for lorries (foreign carriers contractors) who export bananas to South Africa. The main problem of this rate is the inexistence in the country of refrigerated lorries suitable for this type of product, where the requirement for refrigeration is around 8 degrees cold, hence the need to hire services of South African companies for transportation.

The amount of this fee is about \$100 per truck loaded and it is passed on to domestic producers of bananas, who in turn pass it on to the consumer, reducing the competitiveness of this value chain. When this concern was presented to government institutions for resolution, it passed a rate reduction of 50% through Decree Number 26 of July 14, 2010. However, the private sector did not intend a reduction, but an exemption for exporters of fruit (and vegetables too).

Another concern of the private sector and also related to this rate is the fact that it is charged in dollars when most companies make payment in Meticaís. What happens is that the value in Meticaís is converted to dollars by the clerk who receives the payment based on the exchange rate, and this in turn converts the received Meticaís (for Dollars) in the secondary market.

Another charge mentioned by the private sector as incipient in terms of effectiveness in supporting the agricultural sector was the rate of diesel, created by Decree Number 56 of December 24, 2003 (Regulation of Fee on Fuels).

Under the Ministerial Decree number 118 of 13 June 2005 (Specific Instructions on Use of Incentive Fee Levied on Diesel), the agriculture sector receives an incentive fee levied on diesel by 50%. The first problem with this incentive relates to the disclosure either from the potential beneficiaries as well as among state employees (Tax Areas). For example, the private sector involved in the production of vegetables complains that the quantities of diesel entitled to the incentive are small for that family of crops. However, this issue was addressed by the Ministerial Decree Number 17 February 1, 2012. In the case of the above example (vegetables), the volume that previously was 80 liters per hectare (l/ha) was increased to 210 l/ha, and this family has left from the group of the Remaining Crops and moved to a new family, vegetable that previously did not exist.

Regarding Areas Tax, it was found that some of them are not qualified to process requests for use of this incentive, and this problem was recognized by the Tax Authority, having considered one of the causes the staff turnover in the Tax Areas.

The second problem with this incentive and not yet solved according to the private sector is the implementation mechanisms, since it excludes small agriculture operators when most of the production is in their hands. In fact, the requirements to qualify for the incentive fee levied on diesel determine their exclusion since they do not have proper accounting and are not included in the simplified accounting scheme. In other words, only the formal operators can benefit (are eligible) from this incentive.

It appears to be a paradox that the private sector puts the issue of “membership” of informality to this incentive. But that is not quite the idea. The problem arises when the formals act under contract farming with hundreds of small holders. When an activity in the production chain depends on diesel mechanization, the cost incurred by them is fully transferred to the crop grower who in turn passes it on to the next point in the chain, which sometimes reduces competitiveness.

The third problem with this incentive relates to the need to submit an application to the General Revenue Director, which requires the submission of said application in Maputo. This procedure is considered to be quite time consuming, and therefore we must consider decentralizing the process.

## **B. Quantitative Restriction**

The Mozambican Association of Poultry Farmers (AMA), along with the ADAM (Association of Poultry Farmers of Maputo) have been the main interlocutors of the government in the development of the poultry industry in the country

In recent years, the Country has been experiencing a remarkable growth in the production of chicken meat, where production is done by commercial poultry farmers, small producers and also by cooperatives. Part of this growth was due to the incentives that the government and its partners have given to the poultry industry, as well as due to better control of imports of frozen

chicken. It should be noted that even though the country experiences a remarkable growth in production, there is still a shortfall in supply, hence the need to import.

In relation to imported frozen chicken, a study conducted by TechnoServe in 2005 found that a great deal of frozen chicken was being imported outdated or close to its due date. In addition, the study indicated that it was from Brazil, but did not come from the direct route, i.e. it first passed by another destination (e.g. Dubai) and later was exported from there to the country when the validity period was very close to expiring. Furthermore, there was evidence that it entered the country without paying customs duties and VAT.

During the conduction of this study by TechnoServe, AMA did not exist yet, and its rise was driven by the study. After the founding of this organization, agreements with the government were established and from these agreements it was established the need for, among others:

- Introduce the pre-shipment inspection
- Make only direct imports only, i.e., the requirement of frozen chickens to come from their countries of origin
- Introduce the maximum period of 90 days between slaughter and entry into the country

However, still on the basis of actual production recorded in the country, there have been imports of frozen chicken to fill the gap, to supply the market, which on average is about 8,000 tons per year, with peaks in the months of increased consumption to coincide with the festive season (Christmas and end of year).

In 2009 was formed the Working Group of the Poultry Industry (GTIA) constituted by the MOA (DNSV, CEPAGRI), MIC (National Directorate of Trade-DNC), Ministry of Finance (Customs of Mozambique), the commercial and industrial sector. This group aims to:

1. Share information among actors in the chain
2. Recommend to the Government in the making of policy and strategic decisions on the development of the poultry sector
3. Create lines of development for the growth of poultry

For the south of the country, imports of whole chicken at the moment are restricted to a group of large importers that have an import permit issued by MIC and investigated by the MOA. The import limit is set by the AMA\MIC, according to the deficit in the region.

Each of these importers have to be part of GTIA, being authorized to import a fraction (quota) of the deficit stipulated by the MIC and that is in line with the deficit declared by AMA. This quota annually allocated to each of the major importer may be fractionated over the year, i.e. the import does not necessarily have to occur once. In addition, this system only works with whole chicken and not pieces\chicken parts.

This system of quotas is only applied to imports to the south, and its creation was guided by the need to protect the poultry industry in the region considered of higher consumption.

In short, in the system of import quotas for the southern region of the country, a small trader with capital to make a direct import of chickens at any time of the year is immediately unable to do so because they do not priority have a quota allocated and also for not being part of GTIA. The alternative for this trader will be to negotiate with one of the major importers who have not yet enjoyed their entire quota to do so on behalf of the former, with costs to be incurred, inevitably.

Apart from excluding directly those interested in importing chicken, the quota system does not prevent importers of the Center and Northern region from dumping of the product to the South

### **C. Phytosanitary Measures**

The regulation of Phytosanitary Inspection and Quarantine approved by Decree number 5 of June 1, 2009 states that the movement of products is subject to a control in the country whenever there is the occurrence of a pest that constitute risk of spread to other regions. In this case, it will be the National Phytosanitary Authority (NPA) to determine domestic quarantine measures that must be disclosed in the news media for more coverage in the country<sup>6</sup>, also resting with ANF the responsibility to establish phytosanitary requirements to be satisfied by the movement of products subject to control from the region affected to other areas.

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<sup>6</sup> ANF neste caso é o Ministério que superintende a Agricultura, através da Direcção Nacional dos Serviços Agrários (DNSA)

In areas covered by domestic quarantine, the movement of products constituting risk of spread of pests is subject to authorization by the ANF through a transit pass, which should contain the following elements:

- a) Name and address of applicant
- b) Place of Origin (Province, District, Location)
- c) Type of product
- d) Quantity
- e) Transportation to be used
- f) Destination (Province, District, Location);
- g) Identification of the vehicle
- h) Identification of the transporter

Whatever is found in contravention of the above provisions is seized and destroyed on site, and charges should be borne by the owner.

The biggest problem that arose in this group of NTB was the fruit fly. All stakeholders in the banana sector around the Beira Agricultural Corridor (BAGC) believe that the banana harvested while green and kept under refrigeration is not a host for fruit fly. They claim that it was scientifically proven through various tests conducted within the country by experts in the field that the fruit fly is not attracted to the green banana, and therefore, the government (in this case ANF) should declare the area as free from this problem as in the South.

Companies involved in the fruit agribusiness along the North and Central region believe at some point that the government is protecting similar industries located in the southern region, and imply that some members of the government may own shares in those companies, hence the protection by means of a non-fiscal barrier that actually is not. In summary, the fruit companies (especially the banana companies) operating in the North-Center can neither export bananas to Zimbabwe and South Africa (potential markets in the region), nor transport it to the south, due to the prohibition imposed by the influence of the fruit fly. If it was scientifically proven that the problem does not affect the green banana, the ban on movement should already have been lifted.

According to them, this NTB is killing what could potentially be an important agro-industry in the country, either in terms of generating revenue from exports and in terms of creating jobs.

#### **E. Administrative Procedures**

In relation to administrative procedures, some NTB were mentioned. In Nampula, for example, some companies mentioned that it was not clear where they should obtain permits to import soybean from the SADC region. When police stops the trucks transporting this product, some ask for a license issued at the Provincial level, while others ask for licenses issued at Central level.

Still in that province, a company mentioned that despite being operating under the designated Special Economic Zone of Nacala, and therefore under the GAZEDA action, they should be exempted from VAT within the zone. However, they are charged 17% corresponding to VAT for services rendered in Nacala by companies that are not under the action of GAZEDA. This company believes that the problem is purely administrative, and this could be resolved with a meeting involving all stakeholders, something that never happened, even with all the efforts made by the company to this effect.

In general, companies involved in agribusiness mentioned that a very common NTB is related to a shift in time between the date of issuance of new regulations, updates on taxes or new importing procedures until it reaches the private sector for acknowledgement. The case mentioned above and related to incentives levied on diesel, exemplifies this problem: some vegetable growers did not know (in December 2012) that the quantities of diesel entitled to the incentive had changed from 80 l/ha to 210 l/ha through Ministerial Order Number 17 of February 1, 2012.

Another issue raised by companies is related to the huge delays in clearance of goods due to the new system called Single Window. They stated that it is very common to have system failures, and this situation constitutes a large operation cost.

Almost all the companies involved in agribusiness, especially those dedicated to export, are unanimous in pointing out rigidities in customs procedures, such as the 2004 and 2007 studies already mentioned. An example on this is seen in the temporary importation of sacks, where

substantial amounts of collaterals of temporary importation of sacks are lost, since the defined period for re-exportation of the sacks is 90 days.

Another major problem identified by the companies involved in agribusiness in the North zone is related to the transaction cost incurred on an import through the border of Milange mainly due to the lack of mandate of this local customs office to make clearances above a certain value.

## **F. Infrastructures**

As several respondents mentioned the poor state of the roads as a NFB, we decided to see how this is a NFB. Four carriers in the South region (Maputo province) were interviewed. Recognizing that this sample is too small to produce statistically representative results, the exercise was helpful in providing some useful information.

The owners of these four trucks work with a variety of products (depending on customer demand), ranging from raw materials for cement production (from South Africa to Mozambique), agricultural products (mainly rice from the port to warehouses and corn grain from rural areas to major cities), or even products from Maputo to Tete, for example.

In the interviews, none of the carriers could provide the cost incurred per kilometer on a poor condition the road, and this information was crucial for comparison with the cost incurred in a better road. What became clear in the discussion was the fact that it has been impossible for them to transport goods to some places as a result of the poor state of the roads. This naturally increases the cost of the trade in some parts of the country since only small vehicles are willing to operate in these areas.

Moreover, corruption happens in almost all police checkpoints along the roads. In these sites are required all kinds of documents (vehicle documents, driving licenses, licenses, insurance, inspection record, license/permit/authorization for the transport of goods when the product so requires), besides the fact that they are also subject to every type of safety control and taxed for each offense, such as old tires, overweight (in the scales), broken lamps, and so on.

To avoid larger fines and reduce the delay time, they opt to give a gratuity to the police. The amount spent in this exercise is variable, but a trip from Maputo (South) to Beira (center), between 5-8 percent of the freight cost is spent on gratuities.

It was noted that where everything is according to law, between 20-30 minutes can be spent between the time the driver is pulled over by the police releases him. For example, for a trip of an hour and a half from Ressano Garcia (Mozambique/South Africa) to a cement plant in Boane (about 100 kilometers away), 20-30 minutes of waiting time in a checkpoint represent about 22-33 percent of total travel time.

Some agribusiness companies operating in the north of the country, specifically in the province of Zambezia, argue that the cost of transport to the port of Nacala (Nampula province) is very high, not only due to the state of the roads, but also due to delays at the port mainly due to irregular flow of ships as well as due to the reduced capacity of cargo handling of the port.

## CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

Although the Mozambican Government is making efforts to increase the competitiveness of Mozambican agriculture, mainly by granting tax benefits and incentives to traders, there are still serious obstacles to this process related Non-Fiscal Barriers (NFB). This study sought to document the various types of NTB afflicting the private sector involved in agribusiness in Mozambique in order to generate recommendations for agricultural, fiscal and economic policy.

It became apparent during the study that there is several NFB in the country, highlighting the import quotas, transit licenses, inhomogeneous administrative procedures in multiple State agencies where different legislation is applied, and pest control, among others, all this leading to corruption.

### **About Various Fees Payable and Documentation**

The first conclusion to be drawn in relation to the documentation that must accompany the transport of agricultural products (corn grain for example) is the lack of uniformity (in terms of documents and fees payable) in what is required at police checkpoints (supervision and control stations) across the country. Not all are able to demand anything whatsoever, since they do not master the related legislation. The example shown in Box 3 (carrying 20 frozen chickens from Maputo to Manjacaze) is evidence of this. The police authority was unable to prove that the law was on his side as he claimed to be (perhaps for lack of domain of the related documentation and perhaps for lack of training), but at the end of the day the law wasn't on his side. As per the Regulation on Animal Health, only amounts over 20 chickens would require such a transit pass.

Furthermore, it seems that any police brigade, even a traffic brigade occasionally stationed at one point to simple road traffic control, have powers to make such requirements. A carrier carrying about 50 bags of corn grain fom Nhamatanda to Maputo (Xiquelene market) was pulled over 11 times during that journey, some times by traffic police (in this case, both time in Sofala) which required a license for the carriage of grain corn. In other words, this carrier was pulled over on average 1 time every 100 km from the starting point to his destination.

It should highlight here the confusion between transit pass versus transit license. Some legislation in the country uses the word license, such as the Regulation on Animal Health, which requires a **transit permit**, while some other legislation uses the word **transit pass**, such as the Regulation of the Law of Forests and Wildlife. Since the agriculture inspector seconded to a control (supervision) post oversees both the transport of livestock products as well as forest products, he can employ a single term (say transit pass) in the process of inspection any merchandise. Looking carefully to both laws, it is understood that it is the same thing, i.e., the carrier must be in possession of a document that allows him to transit the cargo, but recognizing that the content is different from one case to another.

Another existing confusion in this matter is related to the distinction between transit license (or pass) and fees. The transit permit is the document issued by an entity (say SPFFB) that allows a carrier to circulate with a particular commodity, while fee is the amount payable (per unit specified in the legislation) to such an entity to be able to transport the goods. There are cases where the transport of the goods must be accompanied by the relevant transit license (or pass) and also a proof of payment of the fee. For example, the transport of live chicken from the poultry farm to the slaughter requires that the carrier is in possession of a transit permit and also of the proof of payment of the transportation fee, which corresponds to 0.25 Mt per live chicken.

As a recommendation on this issue of documentation and fees, the MOA should first published in a succinct manner which permits or passes are required to carry (move) a product from one location to another, be it animal, vegetable or forestry. In addition, it should also be published in the same way the fees payable. It is believed that this role rests entirely with the Center for Agrarian Documentation existing at the MOA.

What was clear at this point is that the fees payable are summarized below, and none else.

**Table 5. Rates in force in the Agricultural Sector in Mozambique**

Type of Fee	Value (Mt)	Licenses/Permits (Who Issues, If Necessary)	Legislation
Transport of Timber (logs)	-	Transit Pass (SPFFB)	Decree 12/2002 of June 6
Transport of Processed Timber	-	Transit Pass (SPFFB)	Decree 12/2002 of June 6
Transportation of Coal/Fire Pits	-	Transit Pass (SPFFB)	Decree 12/2002 of June 6
Import of Eggs	0,15 per Dozen + 150 of Issuance of Import License	????	????
Transport of Ration	5 per Sack	????	????
Transport of Chicken	0,25 per Chicken	????	????
Transport of Live Chicken	0,25 per Chicken	Transit License (Vet Authority)	Decree 26/2009 of August 17
Import of Vegetables (Quantities over 50 kg)	150 per License	Phitosanitary License of Import (DNSA – Department of Vegetal Sanity)	Decree 5/2009 of December 29

Second, it should be very clear which police checkpoints (or monitory points) have competence for this purpose, i.e., which police checkpoints (their location) have the mandate and capacity created and installed to pull a carrier over with agrarian products and demand what is stipulated in the law.

Third, the Ministry of Agriculture, perhaps in an inter ministerial initiative, should be more proactive in disseminating information required for the transportation of certain agricultural products from one location to another, either through flyers or advertising campaigns in the major means of mass communication: advertising spots on television, radio broadcasting.

Fourth, there should be constant training and retraining for MOA staff members deployed at the checkpoints (controls). One of the inspector deployed in the Control Station of Matola Rio in Maputo said that he had not participated in a training/coaching action for more than two years.

Finally, and unanimously among stakeholders in agribusiness, the Government (in this case the MOA) should eliminate transit permits for poultry products within the country. The cases shown in boxes 3 and 4 show the degree of inefficiency introduced in agribusiness and in the economics in general with the existence of such license.

### **About the Fee on Diesel**

In relation to incentive fee levied on diesel, there seems to be no problems in the incentive itself (50%), as no private entity contacted in this study mentioned the need for a complete exemption, although this was desirable. The only barrier found here is related to the dissemination and implementation of the incentive, since it is not comprehensive (only the formal are eligible) and also for being fully centralized (order issued in Maputo by DGI).

Therefore, there are some things to be improved. First, in order to enable its effective implementation, the existence of a Ministerial Order must be disclosed establishing the instructions for use of this incentive, either among farmers in general as well as among State officials (Ministry of Finance, Ministry of Agriculture, SDAE).

Secondly, there is the need to create a mechanism for small/medium producers to have access to this incentive, without wanting in any way to encourage informality.

Finally, there is a need to decentralize (to the provincial level) the orders of the requirements for the use of this incentive. An order issued from the provincial level has zero harm (does not create damage) to the State.

### **About the Road Fee**

According to the private sector, it cannot be involved in the production process of the banana (as well as other products in the same conditions), which are complicated per se, and at the same time import and manage fleets of refrigerating trucks in order to avoid the payment of road tax. Though there is a window of investment opportunity for the national business in the area of transport, the private sector wants to see this rate at zero in the very short term (the immediate).

While the decision to withdraw this charge is not taken, it is suggested that the collection of this charge is made in Meticaís, at a pre-fixed amount and not variable as it has been going on at the moment (based on an exchange rate of the day). This system is not at all clear, since large gains can be generated in currency trading commissions that do not benefit the state.

### **About the import quota**

The system of import quotas imposed only for the southern region of the country makes it impossible for a small trader to make a direct import of chicken at any time of the year simply because they do not have a priority allocated quota and also are not part of GTIA. The alternative for this trader will be to negotiate with one of the major importers who have not enjoyed their entire quota to do so on behalf of the former, with costs to be incurred, inevitably.

Besides directly excluding other interested entities in importing chicken, this quota system does not prevent importers from the center and northern region from dumping the chicken to the South. In this case, only the marketing costs and also of transaction can prevent this dumping of chicken from the Centre and North to the South.

About this NFB, it is recommended a study on the real impact that this quota system introduces in the development of the poultry sector in the South of the country, since then system alone does not shield the movement of chicken in the Central/North to the South

### **About the Fruit Fly**

In relation to the fruit fly, it has been scientifically proven that bananas harvested while green and kept under refrigeration are not a host to the fruit fly, and the prohibition of movement should have already been lifted.

It seems that the problem of non-lifting of the ban of movement is not in the bad faith of who manages the issue, but in the absence of a harmonized dialogue among all stakeholders in the chain, including the institution that has a regulatory role in the country.

So, on this subject, it is recommended that a closer relationship between research and ANF, but before that, we recommend a wider dissemination of research results (not only in this case of the fruit fly) to the public domain.

## CHAPTER SIX: FINDINGS FROM THE VALIDATION WORKSHOPS

After production of the preliminary report of this study several validation workshops were conducted in the provinces of Sofala, Zambezia and Nampula. In these workshops the following findings were made with no order of importance:

### **About circulation permit**

These vary depending on the subsector of agriculture. In the timber sector about 6 permits are required and when the operator is granted a license he receives a book of remittance slips containing key information. It should be noted that a **remittance slip** does not replace the **transit pass**. The timber to be removed from the field to the processing site requires a remittance slip containing the origin and destination of the timber, quantities and other specifications. The destination may be the port, the processing site or a client located in the main cities of the country. In some cases, apart from the remittance slip a photocopy or proof of NUIT of the sender and the recipient will be required in the various checkpoints along the route. Operators are dissatisfied by the fact that there is clarity about the goals and purposes of the difference between the remittance slip and a transit pass.

### **About Police Checkpoints**

The traders operating in agriculture complain that there are several checkpoints along the route which require multiple documents and multiple processes. For example, the following entities are represented in the post of Nicoadala: Customs officials to verify the compliance of foreign taxes, the Tax Authority officials checking compliance of internal taxes, inspector from the Ministry of Agriculture who deal with phytosanitary matters, the legality of the timber being transported, the legality of animals being transported and the proof of payment of fees for the internal circulation of vegetables and cereals, to include corn, copra, soya fees, etc..

Traders in all provinces visited complained about the negative impact of the cost and time spent when they have to circulate goods within the country. In the specific case of Zambézia, **a study on the impact of the cost and time incurred by entrepreneurs circulating in that route** has been commissioned. The biggest concern for the businesses and the decision-makers is that the checkpoints do not increase the tax base of the national tax system but in contrary they are *disturbance* posts, which are prone to corruption. These checkpoints also appear to be very difficult to deal with because of the recurrently reported discrepancies between the tonnage declared by the carrier and the tonnage calculated by the weighbridge.

### **About the fees on Vegies and cereals**

Regarding the fees charged in the districts form marketing and circulation of agricultural products, the DPA Zambezia explained during the workshop that these fees had been abolished<sup>7</sup> by Decree 5/2009, which updated the phytosanitary regulations and the vegetable quarantine. The DPA stated that for the implementation of this new directive two circulars were issued in 2009 and sent to the District Services of Economic Activities (SDAE) and to exporters. However, traders of the agricultural sector insisted that the collection of these fees continues to occur in the districts of Gurué, Milange, Maganja da Costa and Pebane and that they are paid to SDAE. Without specifying the location and the amounts, traders of Nampula seconded those of Zambézia confirming the charging of these taxes in the districts of Nampula Province.

Other fees were also reported, to include the agricultural marketing fee a.k.a. balance fee charged during agricultural marketing campaigns. This fee was reported as being charged both in Zambezia and Nampula. In the case of Zambézia this fee was reported as being paid on a daily bases at an amount of 10,00MT throughout the entire marketing campaign which ranges from 4 to 6 months according to the crops, to include corn, cashew nut, soybeans, sesame seeds, peanut, sunflower, copra and cassava among others. This fee was reported to be paid to the local chiefs.

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<sup>7</sup> O desconhecimento e as fraquezas na implementação da legislação aprovada permitem a cobrança de taxas e senhas ilegais as quais se tornam fonte de corrupção e extorsão ao cidadão. Por exemplo fala-se do caso duma autoridade administrativa local que cobrou uma taxa pela resolução de um caso de adultério.

Traders/exporters have complained of the exorbitant fees charged for the issuance of phytosanitary permits; it is recommended that the CTA check what are the international practices in this field.

### **About the Access to credit**

Again, operators reminded the consultants that performing modern agriculture with the help of new technologies and consequently high levels of income and capital productivity requires capital. In all provinces visited the traders complained about the difficulties of access and cost of financing in Mozambique, and the absence of alternative products and in line with the agricultural sector. Once again, the traders complained the lack of correlation between the rates by the Central Bank and the interest rates charged by commercial banks, because even when the Central bank lowers the rate the interest rate of commercial banks does not change. Thus, it is recommended that the CTA checks to what extent the Central Bank influences or affects the availability of funding for credit by commercial banks – i.e. where does the money used by banks to grant credit come from? It was also recommended that CTA and the National Union of Banks discuss new products for credit to the economy. For traders the lack of access to credit by agroindustry inhibits the local processing. In the case of the cashew sector, the export of unprocessed cashew resulting from this phenomenon is a true export of jobs. In simpler words the potential jobs in agro-processing have been lost for lack of these agribusinesses.

### **About the incentive of 50% of the fee levied on Diesel**

Generally, traders showed a lack of information on the subject on the one side, and on the other side, those who were knowledgeable reported to be difficult to use this incentive. One of the main causes for the lack of access to this incentive is the need to have proper accounting, a requirement difficult to reach by small and medium farmers whose majority is not even registered in the national system.

### **About the incentive for the fee on electricity**

Regarding this incentive, it was mentioned the negative fact that this incentive does not cover the agro processing. It was also reported the problem of poor quality of power and high cost and lengthy process of connecting to the grid. Although the purchase of the transformer, the mounting of the infrastructure rest with the entrepreneur and taking into account that this

installation will benefit the surrounding community, for the traders it is not a problem to bear the operating costs, but they take it as an act of social responsibility. The problem starts when excess connections create an overload of use and there is occurrence of malfunctions in the electric network and the costs for repairs and maintenance are charged to the investor. But other than that, investors complain about the fact that an electricity plant with the above mentioned features be automatically converted into EDM heritage without clarity on the terms and conditions that underlie such trespass. For example, EDM increases its assets at the expense of the investor and charges the community for its use. This matter should be subject to thorough study by the CTA. It was also recommended that the Ministries of Energy and Agriculture worked in harmony in order to create better conditions for the development of agriculture in Mozambique.

### **About the Terminal of Nacala (Dry Port)**

Traders of Nampula province complained about the introduction of this terminal in addition to the existing scanner at the Port of Nacala, creating a multiplication of tasks and costs for these operators. The mandatory use of that terminal, on the one hand reduces the competitiveness of domestic products and on the other side reduces the profits of the farmers, and given that the prices are set by our exporters in the international market all downstream costs are passed on to the farmer.

It should be remembered that most of the export products of Mozambique are also produced in neighboring Tanzania so that any increase in operation cost of our ports it reduces our competitiveness, see the example of cashews. The most striking example reported in Nampula is the bran as its international market price is \$60 USD/ton, however the current export cost increased to \$100USD/ton, at the terminal.

Another weakness of this terminal is the fact that it has opening and closing time taking into account that one of the requirements of international trade is not having closing hours, which is an important indicator of performance and efficiency of ports and development corridors.

### **About the unfair competition of the formal and informal sectors and the State**

All provinces visited reported a lack of discipline in the process of agricultural marketing especially in the campaign season. The informal sector always has a competitive advantage in the marketing process as they do not pay taxes and does not have large overheads (salaries, taxes, Social Security, minimum wage, etc.), this enables the informal to offer more attractive purchase prices. It was also reported a new type of unfair competition between the State and the private sector in agro-processing, by giving an example of the construction of an agro-processing plant for grain whose rice capacity is expected to be double the production capacity of the two rice processing plants existing in the south. It should be noted that the two plants are struggling with serious problems of supply of raw materials by producers of Chokwe and lower Limpopo. It is recommended that CTA validates the robustness of this concern and the dynamics of their positive or negative impacts.

### **About the access to technology**

In this sphere, operators complain about the complete lack of IT, accounting and micro-management centers, proper training and assistance to producers in the use of these technologies. On the other hand these producers reported lack of conservation systems for fresh products and grain. Weak irrigation infrastructure and quality of water management were also identified as major constraints to agricultural development in Mozambique.

Regarding the irrigation, we would like to see created an environment conducive to the entry of private companies in the construction and management of irrigation systems. This would probably require **adapting the present legal/regulatory framework in the agricultural sector.**

Finally, operators complained about the lack of seeds certification laboratories and for land analysis, which would allow greater ease in identifying the type of crop/agricultural produce that can be grown in that specific location given the characteristics of the soil. The seed certification would allow the use of seeds with a larger germination potential, which would increase the production and productivity per hectare plowed. Regarding these two points, operators claim for a greater intervention of IIAM.

## **About ambiguity and rigidity of access to fiscal exemptions**

Old issues have also been reported such as late payments by the State for goods or services provided and the delay in VAT refund. The costs of the port services continue to rise unless when these costs are transferred to the consumer price. For example, there is the VAT exemption for imports of agricultural machinery but, however, the fraudulent interpretation of the Customs Tariff leads to charges of VAT on accessories. For example, a tractor or a sprayer pays taxes for accessories such as tires and other components and the same is noted on other equipment that are already exempted by law. On tax issues and with view to reducing mistrust between the parties and the business, the Revenue Authority recommends the introduction of the Farmer's identification card - FIC, which will be useful for the 50% subsidy of the fee levied on diesel and other subsidies to the sector.

Regarding the structure of incentives, it is proposed that a comparative study be carried out on the exemptions given to farmers in Mozambique and those given to farmers in competing countries or from where Mozambique imports products of agricultural origin or agro-processed.

## **Recommendations**

1. It would be important to verify the existence of the different fees on vegetables and cereals in other provinces that were not covered by this study.
2. These illegal charges show ignorance and lack of information by both traders and State officials. So it is recommended to carry out a massive campaign at the district level and at checkpoint level along the way, advocating the abolition of these fees in Mozambique.
3. For the balance<sup>8</sup> fee charged by traditional authorities, it is recommended the clarification of the legal basis and policies that support their application.

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<sup>8</sup> Esta é matéria que deverá ser discutida entre o sector privado (CTA), o Ministério da Administração Estatal e o Ministério da Agricultura no âmbito do processo de descentralização administrativa e com a Autoridade Tributária no âmbito do alargamento da base tributaria.

4. In order to ensure greater participation of traders involved in the agriculture sector it is recommended that upcoming workshops on agriculture are held in the districts where traders are located to better capture the essence of the problem.
5. For dissemination, it is recommended the use of Radio Mozambique and community radio as newspapers do not reach the districts and when they do, they make it too late.
6. Some State officials have proposed that the private sector substantiate its claim on the requirement for a circulation permit.
7. During the validation workshop the issue regarding the VAT exemption was a discussion point. Because of that, it is recommended to expedite the solution of this barrier to the agricultural sector in Mozambique.
8. Given the importance of exports it is recommended a study on the costs incurred by exporters when using the dry port of Nacala.

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# APPENDIX A. ANALYTICAL MATRIX

Categorias	Problema	BARREIRAS NÃO FISCAIS AO DESENVOLVIMENTO NO SECTOR DA AGRICULTURA EM MOÇAMBIQUE [MATRIZ ANALÍTICA]			Recomendações, Plano de Acção & Indicadores Relevantes ao Sector Privado
	BNF	Impacto Económico	Politica, Procedimento administrativo	Grupo Afectado	
PRESSUPOSTOS DO ESTUDO	NFB is referred to any administrative measure other than a tariff that restricts or distorts trade. Two previous studies in the area of VAT and taxation system in agriculture identified the problem.	Assess the implications in terms of the “real economy” based on sectoral statistical data, structure of transaction costs, production/value chain and access to market that the NTB create.	Framework of policy assumptions about agricultural incentives and identify the “Bottlenecks” inter sectoral disarticulation, information asymmetries, overlapping functions, corruption and overzealous.	Identification of the group affected directly in the value chain of the agricultural sector using the variables [type of product, geographic location, formal or informal operator and source of BNF.	How to remove the NTB or the distortion caused by it. It is assumed that the institutions should take measures: clarification, training, disciplinary procedures for offenders. And those affected should be informed
1. Objectivo de curto prazo	Requirement for Circulation permit License or Traffic License for movement of agricultural goods from one point to another within Mozambique	Increase in transaction costs, deterioration of goods. Apparently, the highlight is the corn fee, however there are also fees on wood and other products. Asymmetries between what is required at a checkpoint and what is required in another, requirement for proof of payment of the fees and documents that must accompany the merchandise. The lack of transit pass entails a cost of 20.000Mt fine.  Where export rate per container may vary between \$100 and \$500 in the ports of Maputo, Beira and Nacala.	Licenses and Non-Tax Fees for agricultural products in general established by legislation such as decrees: 12/2002, Decree 76/2011.  In practical terms, one thing is a license (authorization) not subject to payment and the other thing is the Fee (implies payment) for transporting corn, fee for transporting forest products, fee for transporting livestock products. The key is that they are summarized in a table of 8 fees and their licenses.	Affects all productive sectors of commercial and household agriculture, so ± 1,000,000 of productive units. ≥ 85% of farmers work on small plots and produce food for domestic consumption, mainly corn, rice, cassava and various fruits and vegetables.	Review and repeal of the decrees: 12/2002, Decree 76/2011. Submission of proposals for consideration.  Summarize a table with the rates in force and disseminate.  Accelerate the creation of a single entity to deal with all non-tax technical requirements for movement of agricultural products in order to reduce the transaction costs of goods.

<p style="writing-mode: vertical-rl; transform: rotate(180deg);">2. Objectivo de curto prazo</p>	<p>Lack of implementation of the Incentive on Diesel or difficult access.</p>	<p>The difficulty of implementing this incentive of 50% exemption on the price of diesel is associated with 3 factors of barrier to access to incentive via the mounting costs of a diesel tank at the production site, information asymmetries and institutional/technical limitations for whom AT has the power to trigger this incentive in time. Additionally, on demand side it is note that most operators are outside the national system of taxation and only farmers or agro-industrial with a NUIT can access this incentive.</p> <p>Somehow the structure of competition gives competitive advantages to medium and large businesses leaving aside most of producer associations and cooperatives of growers and livestock. The current ratio is of 210L/1ha, therefore the price of diesel is 37.00Mt which means half the price, given the 50% subsidy.</p>	<p>To lower transportation and production costs the government approved the decree 26/2003 and its regulation 118/2005 which regulates the rate levied on Diesel. It is necessary to make an application to the national director of tax</p>	<p>Affects all productive sectors of commercial and household agriculture, so ± 1,000,000 productive units.</p> <p>The costs affect the entire value chain from the producer, transporter, processor, up to the end consumer, reduction of 50% we could lower the real costs and focus on higher profit, greater productivity and completeness of the agricultural sector in general.</p>	<p>Decentralize the incentive system along with the provincial and district directorates where the agricultural companies are located.</p> <p>Simplify and create agreements with fuel companies in order to associate synergies around this rate.</p> <p>Disseminate among the producers this possibility that exists to trigger these incentives.</p> <p>On the other hand there is the need to eliminate "this market failure" that exists between the enactment of a law and its enforcement and knowledge by competent authorities (AT, SD, DPA, DIC, PT)</p>
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<p>3. Objectivo de curto prazo</p>	<p>Lack of access to credit and financing lines to agricultural and agro-industrial activities</p>	<p>Interest rates around 32% and with relatively prohibitive costs (insurance) associated to guarantees such as collateral.</p> <p>Lack of a development bank and insurance company.</p> <p>In Mozambique, less than 6% of total loans in 2010 were dedicated to agriculture, a small group of so-called traditional products (tea, sugar, cashew nuts, sisal, cotton and cotton) are the main beneficiaries of agriculture credit (67.7 %).</p> <p>In general, the profits accrued and the informal credits constitute a source of funding for most producers and marketers of SMEs.</p> <p>Therefore, the incidence goes to export products.</p> <p>The relations of demand and supply of finance are still even poorer and poorly structured since banks need risk bureaus with access to the history and documentation of accounting, however there are few agricultural SMEs that comply with these requirements.</p>	<p>Lack of legislation and clear mechanisms for financing the agricultural sector. However there is legislation on venture capital, investment, Organic Law of the Bank of Mozambique, the law governing credit institutions.</p>	<p>All value chains and all producers. Now, agro-processors and wholesalers can be part of bankable entities but they complain about the high interest rates, on the other hand SMEs and family farmers are the ones who have less access to credit unlike large companies.</p>	<p>Introduction of center of private credit registers.</p> <p>Popularize the lines of microcredit targeted to agrarian activity.</p>
<p>4. Objectivo de curto prazo</p>	<p>Appreciation of the metical of the Financial Market and access to foreign exchange.</p>	<p>Volatility of the exchange rate resulting from the appreciation of the main currencies in international transactions as is the case of the rand and the dollar; variations and a tendency of depreciation of the metical lead most importers to lose currency.</p> <p>Conversely, restrictions on receipts or payments of foreign exchange intended for capital movements lead to the establishment of limits on the purchase of foreign currency needed to purchase inputs and the larger the scale the lower the price gets.</p>	<p>The issuing bank, the Bank of Mozambique, is also trying to simplify procedures and the issuance of separate regulation (Law n. º 11/2009, of 11 March) (Adopts a new Foreign Exchange Act and repeals an earlier law no. 3/96, of 4 January) that simplifies international financial transactions, making the exchange system more complex with the new foreign exchange law of <i>meticalization</i> of the economy.</p>	<p>Affects exporters linked to the value chain of fruit, nuts, wood crafting products and fishing.</p> <p>Also affects the value chain of importers of inputs and agricultural machinery, agro-processors, importers of cereals and other agro-industrial products.</p>	<p>Domestic demand justifies strengthening the bank credit for products such as: eggs, chicken, meat, milk and even fruits and vegetables which are currently being imported massively.</p>

5. Objectivo de curto prazo	Checkpoints	In excessive number it duplicates tasks and increasing transaction costs and storage in these posts.		Affects all the producers who have to transport agricultural goods.	Ministry of Agriculture and Ministry of Interior.
6. Objectivo de curto prazo	Establishment of the mechanism regulated by quotas for the import of poultry and its derivatives.	<p>Poultry market distortion resulting from corporate oligopoly that owns import quotas.</p> <p>Reported constant risk of "dumping" in the poultry industry since the quotas restrict the southern region, so there is a possibility that importers from the central and northern region placing these products in the southern region. Restrictions on quantity or value of imports of poultry products 8000 tons per year.</p>	This measure results from consultation meetings of the Working Group of the Poultry Industry (GTIA) constituted by the MINAG (DNSV, CEPAGRI), MIC (National Directorate of Trade-DNC), Ministry of Finance (Customs of Mozambique), the commercial sector and industrial. Establishing quotas import function deficit existing in the region.	Commercial poultry farmers, small producers and poultry cooperatives as well.	CTA must establish rules to protect the sector that make the flexible the import quota but without harming local producers. CEPAGRI, the GIRB and DASP are fundamental entities for the removal of such barriers to private investment in the sector.

7. Objectivo de Médio prazo	<p>Lack of clarity in regulations and administrative procedures for international trade:</p> <p>Import, export and transit</p>	<p>Various restrictions in addition to being dispersed in terms of legislation and applied in an arbitrary and disjointed way.</p> <p>It is often observed a lack of competitive advantages and that often there is no technological capacity to do the processing of wood in Mozambique and the maximum they can is to turn it into crafts.</p> <p>Regarding the NTB which affected imports, the most frequent were related to customs procedures, inefficiency in ports and import procedures, licensing and other regulatory requirements, clearing costs, import licensing and registration procedures are hailed as the greatest constraints faced by traders export Process</p> <p>Lack of market information</p> <p>Costs and Customs Duties on Imported Inputs for Export</p>	<p>Decree No. 29/2002 concerning the export of wood.</p>	<p>Affect the importers of "raw materials" and agricultural technologies and exporters of cash crops.</p> <p>Affects the exporters of wood.</p>	<p>Establishment of working group to harmonize all administrative procedures and create a single form for all procedures for start-ups, licenses for import and export</p>
8. Objectivo de Médio prazo	<p>Technical impediments resulting from pest control of fruit fly</p>	<p>Quarantine measures inhibit exportation of Banana from Manica to other parts of Mozambique as well as the international market. The problem of market exit slows the level of competitiveness and profitability of fruit growing in Mozambique.</p>	<p>Prohibition of Movement/Internal Transit regulated by Decree 5/2009 the underlying objective is to control the risk of pests and diseases of high risk to spreading up from one region to other regions, as in the case of the fruit fly or aflatoxin affecting human health through ingestion of peanuts.</p> <p>In this case the Phytosanitary Authority (NPA), which is the Ministry that oversees the Agriculture, through the National Directorate of Agrarian Services (DNSA)</p>	<p>Banana Growers north of the Save River.</p> <p>Peanut producers in the province of Nampula</p>	<p>Coordinate and share the latest research on the matter since it was proven that refrigerated banana does not host a fruit fly. Therefore, this measure is a NTB that should have been lifted.</p> <p>There are studies that show that it is possible to reduce aflatoxin</p>

<p style="writing-mode: vertical-rl; transform: rotate(180deg);">9. Objectivo de Longo prazo</p>	<p>Problem of access to water and irrigation systems</p>	<p>The cost of water becomes high while it increases.</p>	<p>Ministry of Public Works</p>		<p>Check the possibility of constructing private irrigation</p>
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<p style="writing-mode: vertical-rl; transform: rotate(180deg);">10. Objectivo de Longo prazo</p>	<p>Problems of access and quality of electricity</p>	<p>Blocks the possibility of installing agro processing. High costs of installation and maintenance of networks.</p>	<p>The regulation in force has no impact. National energy strategy underway.</p>	<p>All the sector</p>	<p>FUNAE</p>
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<p style="text-align: center; color: red;">11. Objectivo de Longo prazo</p>	<p>Deficult access to fertilizers</p>	<p>Rate of productivity per hectare lows, quality below the international "standard" technological inefficiency,</p>	<p>MINAG and centers of machines in Forge.</p>	<p>The entire sector</p>	<p>This matter requires the direct intervention of the MINAG. PNISA is working on this component however the provincial agriculture services could intervene in a timely manner.</p>
<p style="text-align: center; color: red;">12. Objectivo de Longo prazo</p>	<p>Poor access to land for investment</p>	<p>The rate of access to land and rights of use. In addition to difficulties in the implementation of laws across the country, some laws overlap, making them more complex to interpret and implement. Environmental Law, Land Law, Law of Wildlife Law and Tax Benefits provide all overlapping and often conflicting information.</p>	<p>The law is clear on the matter</p>	<p>The entire industry suffers from insecurity of possession and investors face the problem of access. The system of land management is in this slow improvement to the demand.</p>	<p>MINAG</p>

<p style="writing-mode: vertical-rl; transform: rotate(180deg);">13. Objectivo de Longo prazo</p>	<p>NTB include corruption, access to land and the overall policy framework of Government institutions that contribute to improving the competitiveness and the removal of NTB in agriculture sector in Mozambique.</p>	<p>Mozambique is in position 2.7 of the corruption index. International Transparency, the Corruption Perceptions Index (2010). Scored on a scale of 1 to 10, with 10 being the best (least perceived as corrupt).</p>	<p>The specific anti-corruption law (Law No. 6/2004) was approved by Parliament and additional rules followed.</p> <p>Industrial Policy and Strategy (Ministry of Industry and Trade)</p> <p>Strategy for the Improvement of the Business Environment-II EMAN</p> <p>Strategy for the South African Development Community (SADC) regional integration</p> <p>Strategic Plan for Agricultural Sector Development (PEDSA) (Ministry of Agriculture).</p> <p>Plan of Action for Food Production (PAPPA) (Ministry of Agriculture)</p> <p>National Agriculture Development Programs (PROAGRI)</p> <p>Strategic Plan for Agricultural Sector Development in Mozambique</p>	<p>Entire agricultural sector.</p>	<p>Maximize the possibilities offered by special economic zones.</p> <p>Ministry of Agriculture</p> <p>Ministry of Industry and Trade</p> <p>Ministry of Planning and Development</p> <p>Ministry of Finance</p> <p>Ministry of Environment</p> <p>Ministry of Justice</p> <p>Special Economic Zone</p>
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<p style="writing-mode: vertical-rl; transform: rotate(180deg);">14. Objectivo de Longo prazo</p>	<p>Deficiency of port infrastructure and access roads.</p>	<p>The public sector lacks financial, human material and technological capacity infrastructure for marketing of agricultural products - including storage facilities, roads, ports and information technology. There is no justification that areas considered as economically strategic lack basic services for economic activity, the costs are immeasurable and we can make sectorial estimates.</p>	<p>Intersectoral legislation</p>	<p>This NTB reaches to all value chain of the agricultural sector.</p>	<p>The response functions in a systemic and structured manner in priority connection areas.</p>
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## APPEDICE B. QUESTIONNAIRE

The main idea is to collect views on non-tax barriers affecting the trade sector. Non-tax barriers are here defined as a set of measures adopted by the government that in one way or the other hinder a commercial activity. For example, the introduction of a license for transporting a product, say cotton, for instance, from one district to another can be classified as a non-tax barrier. Another example can be the requirement to conduct phytosanitary inspections to move a product from one market to another.

Name of the respondent \_\_\_\_\_

Name of the business \_\_\_\_\_

Headquarters of the Business \_\_\_\_\_

Core Business \_\_\_\_\_

1. How would you describe the situation of your business today as compared to the past? Is it improving? Getting worse?

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a. What factors have currently contributed **positively** to your business?

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b. What factors have currently contributed **negatively** to your business?

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2. Do you think that in the future your business will grow?

Yes\_\_\_\_\_

No\_\_\_\_\_

a. Why not?

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3. Do you think that the Government **supports** your business through the introduction of measures favorable to the growth of the business?

Yes\_\_\_\_\_

No\_\_\_\_\_

a. If yes, could you provide a few of those favourable measures created by the governo?

1. \_\_\_\_\_

2. \_\_\_\_\_

3. \_\_\_\_\_

4. \_\_\_\_\_

4. in the conduction of your business, do you think there is any measure taken by the government but, which somehow is **of no** benefit to you business?

Yes\_\_\_\_\_

No\_\_\_\_\_

a. If no, could you provide some of those measures taken by the Government and which has no benefit to uou business?

1. \_\_\_\_\_

2. \_\_\_\_\_

3. \_\_\_\_\_

4. \_\_\_\_\_

5. Have you ever considered closing/giving up of a portion of your business due to the existence of these measures?

Yes \_\_\_\_\_

No \_\_\_\_\_

6. In which situation has your business establishes with agents/inspectors of the government?

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a. What happens when na inspector passes by? What does the inspector do?

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7. Does your business have access to credit/have you taken a loan?

Yes \_\_\_\_\_

No \_\_\_\_\_

a. Why not?

1. \_\_\_\_\_

2. \_\_\_\_\_

3. \_\_\_\_\_

8. Do you think that entrepreneurs who hold a membership in any political party are more successful in their business?

Yes \_\_\_\_\_

No \_\_\_\_\_

a. Why so?

1. \_\_\_\_\_

2. \_\_\_\_\_

3. \_\_\_\_\_

9. Does your business cooperate with others in terms of Exchange of information or contacts to improve the positioning of the business?

Yes\_\_\_\_\_

No\_\_\_\_\_

a. Why so?

1. \_\_\_\_\_

2. \_\_\_\_\_

3. \_\_\_\_\_

10. We would like to know whether the issues listed below constitute na obstacle for operation and dynamics of your business.

AREA	YES	NO
TELECOMMUNICATIONS		
ELECTRICITY		
WATER		
TRANSPPORT INFRASTRUTURES		
CONPETITIONS		
CORRUPTION		
CRIME		
OBTAINING LICENSES		
1. LICENSE_____		
2. LICENSE_____		
PAYMENT OF TAXES		
1.FEE_____		
2. FEE_____		

10. What do you expect from the government in order to improve the development of your business?

1. \_\_\_\_\_

2. \_\_\_\_\_

3. \_\_\_\_\_

4. \_\_\_\_\_

## **APPENDICE C. LIST OF GOVERNMENT INSTITUTIONS AND NGO'S CONSULTED**

1. Ministry of Industry and Commerce
2. Ministry of Agriculture
3. Ministry of Finance
4. Revenue Authority
5. Provincial Directorate of Agriculture – Zambézia
6. Provincial Directorate of Agriculture – Nampula
7. Provincial Directorate of Agriculture – Manica
8. Provincial Directorate of Agriculture - Maputo
9. District Services of Economic Activities – Cuamba (Niassa)
10. District Serviços of Economic Activities – Nicoadala (Zambézia)
11. World Visions - Maputo

## APPENDICE D. LIST OF INDIVIDUALS CONSULTED WITH

1. Higinio Marrule	-	Technoserve
2. Anabela Mabota	-	Agrifuturo
3. Guilherme Machado	-	Export Marketing
4. Rui Ribeiro	-	COWI
5. Gabriel Muianga	-	MIC
6. Vitorino Xavier	-	MIC
7. Yassine Daya	-	Private
8. Ismael Gordandas	-	Private
9. Paulo Negrão	-	GAPI
10. Ananias Mabasso	-	DNSV
11. Ana Jamisse	-	Delegado CEPAGRI Nampula
12. Nelson Santos	-	Delegado CEPAGRI Zambézia
13. Sérgio Nemba		
14. Cardoso Muendane	-	SICS
15. Sheila Gonçalves	-	AT
16. Casimiro Macoo	-	
17. Nurdine Salé	-	SDC
18. Raul Pitoro	-	PhD Student (Michigan State University)
19. Ilídio Massinga	-	Delegação CEPAGRI Manica
20. Marbelis	-	Private
21. António Gomes	-	Private
22. Hiten Jantilal	-	DNSA