

Review of the Existing Sectoral Policies, Strategies and Studies on Agriculture and Agribusiness in Mozambique

DRAFT Strategy Paper for USAID AgriFUTURO

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1. Introduction

This report is a partial fulfilment of the assignment to provide an outlined assessment of available in-country resources on Agriculture and Agribusiness and a prioritization of knowledge gaps, addressed at regional and international levels which could provide a more solid basis for policy-oriented work of AgriFUTURO.

The report (see SOW):

1. Review existing sectoral and other relevant studies on agriculture and agribusiness development in Mozambique;
2. Makes an inventory the main topics covered by each policy, strategy or relevant study;
3. Presents a critical analysis of the gaps on the policies, strategies or studies, and
4. Review existing institution that have the potential to help to create competitiveness for Mozambique's agribusiness;
5. Suggests priorities on the gaps that should be addressed by USAID AgriFUTURO Program and other relevant stakeholders; and
6. Propose recommendations on how to complete the competitiveness strategy for agribusiness in Mozambique

The review was done taking in mind the thematic areas to be covered in the next step of the process, as defined in the Terms of Reference, are:

1. "Agribusiness Development"
 - a. Business formation
 - b. Land tenure and security (access and real property)
 - c. On-farm productivity,
 - d. Infrastructure related to production such as water and energy access
 - e. Product transformation, processing and value add
 - f. Supporting services, including input suppliers
 - g. Human capital and development
 - h. Investor protections, including contracts enforcement
 - i. Taxation
 - j. Competition
2. Trade
 - a. Domestic trade
 - b. Cross-border trade
 - c. Market infrastructure, including roads, transport and customs
3. Access to Credit and Financial Services
 - a. Formal and informal credit
 - b. Other financial services, including leasing, payment services, etc.

A compilation of some 200 documents including policies, strategies, legislation and studies was performed and attached as a folder. While most of them are directly related to Mozambique and to agribusiness, it was considered interesting to also have some documents for further reference at hands reach and some general education and illustrative resources that can be accessed by non expert participants in the agribusiness in the process of formulation of the strategy, as it is recommended that the formulation team also secure their collaboration.

References in the report are made to the *filename* of the reviewed documents, which are organised into two folders (Consulted Documents, and Legislation and Government Documents). The consulted documents where sorted by alphabetical order of the author where known, the sponsor, year and the title of a name that is sufficiently explanatory of the title. Government documents were sorted by year. Most of the documents are in PDF format,

but there are also some documents in DOC and PPT formats. In rare instances, the documents are in both the Portuguese and English versions.

A review of the analytical framework and the presentation of the methodology of work, in sections 2 and 3, are followed by a section 4 with the review of policy and strategy papers as well as legislation and administrative procedures related to business, in general, and agribusiness in particular.

A review of studies, consultant reports and other relevant documents still fall under section 4, as does the summary of results from interviews and field visits done in Nampula and Manica.

Section 5 briefly review the institutional setup and also updates information on the performance and ranking of the country in terms of regulatory enabling environment.

Recommendations are made for the next step in the strategy formulation. They are summarised as follows:

- 1) ***Field staff and agribusiness managers should be involved in the strategy formulation from the very beginning in the process.***
- 2) ***A formal agribusiness gap analysis, using a good practice methodology, such as AgCLIR, should be done as a first stage of the competitiveness strategy formulation process. .***
- 3) ***The strategy should be adjustable to different priorities per region.***
- 4) ***Horizontal linkages and a structured collaboration and partnership with government institutions, should be a key issue in the national agribusiness competitiveness strategy.***
- 5) Additional key areas to focus in the national agribusiness competitiveness strategy should include the following:
 - a) ***Quality based seed production and availability.***
 - b) ***Vertical integration and service provision.***
 - c) ***Land management service provision.***
 - d) ***The certification support infrastructure..***
 - e) ***The cost of capital.***
 - f) ***Market information and Trade facilitation.***

2. The Analytical Framework

This section provides the framework against which policies, strategies and studies are analysed, to evaluate the incentives and gaps that need to be addressed in order to promote national competitiveness of agribusiness. Some definitions and approaches adopted are thus proposed and discussed.

Agribusiness competitiveness can be seen in different dimensions and may become an intractable issue, due to its complexity and the wide range of related issues. From the education system to the comparative advantages, the heterogeneity of prices and access to and mobility of resources; from research and development and technology innovation or traditional agricultural marketing models and practices to communication and relationship with the end-markets and consumers, etc., the subject may develop into such a wide and complex cobweb that a simple, operational strategy becomes almost unattainable if limits and priorities are not set forth and agreed upon. An operational concept of agribusiness is thus put forward to make clear how broad is the subject as it depends on the whole economic and social system of a country. This will also lead to exposing the reasons and criteria to narrowing the scope of the analysis required by the terms of reference.

The concept of agribusiness as a system will almost invariably (though not necessarily) lead to the commodity systems approach, *filière*, supply chain, and, ultimately to the value chain and clusters approach, particularly in view of the need to develop a national competitiveness strategy for agribusiness.

Value chains approach is nowadays in Mozambique one that has been adopted by most agribusiness related policies and strategies, both those formulated by the government and those formulated by the business themselves. It is also noted that even donors and foreign investors have embraced a similar approach. The idea is to put the end-consumer or end-market at the centre. The value chain approach provides a guiding method to evaluate and influence the outcome of the setting, management and operation of each part of the chain and their vertical interfaces, in order to optimise value adding in each step in such a way that the value added to the consumer or end-market by the sum of elements of the chain is higher than the sum of value added in each element, or activity or step.

It is also a common to approach agribusiness development according to its geographical distribution, taking advantage of the comparative endowment of resources and localised elements of the business environment or mobility infrastructure, on the basis of internal comparative advantage. The idea is to evaluate and influence the setting, management and operation of various businesses in a geographical area as well as their horizontal interfaces.

It is possible to plan and strategise the individual components of the agricultural and agribusiness system. And indeed this was and is being done in Mozambique. There are policies and strategies for agricultural resources, such as land and water and human resources training and utilization. There are policies and strategies related to agricultural inputs, namely seeds, fertilizers and pest and weeds control. There are policies and strategies for research, extension and communication, as there also are policies and strategies for agricultural produce post harvest treatment, storage and reserves. There are policies and strategies related to quality control and food safety and hygiene.

Along with these more agricultural sector policies and strategies, there are also strategies for closely related fields, such as monetary and fiscal policies, industrial and commercial policies and strategies; transports and communication, energy and water policies, strategies and even plans.

However, a successful agribusiness strategy requires an alignment of at least some components of such sector individual fields and sectors.

Given this range of factors influencing agribusiness development and competitiveness, there is a need to identify those issues for which it is critical of reach a reasonable alignment in view of creating a business environment that can provide to the national system of agribusiness with sufficient leverage to become competitive when compared with a selected comparable group of economies and where policies and strategies can actually become useful intervention instruments.

The regulatory business development, which domestically enables the growth of the sector can be measured by the 10 categories of the World Bank/IFC Doing Business Report (WB/IFC, 2008).

Competitive advantage or competitiveness is defined as the “ability to deliver goods and services at the time, place, and form sought by buyers at prices as good as or better than other suppliers while earning at least opportunity costs on resources employed”, while gaining and maintain a market share in the share in domestic and/or foreign markets (Kennedy et al., 1997). Competitive advantage between national agribusiness systems can thus, be measured by the product delivery in term of volume, timeliness, quality and price. This will be useful to assess the scoring of Mozambique within the SADC region and against comparable economies.

Some policies remained in a white paper format, while other took the form of laws and by-laws. Strategies follow the same pattern. Some are still a work-in-progress, while other took the form of decrees, regulations. Additionally, some minister’s orders and administrative procedures play sometime so crucial a role in a specific branch of agribusiness that they acquire more power than laws or decrees, sometimes imposing limits to the pace or direction of the implementation of a law intended to facilitating and enabling the agribusiness environment. Examples of such instances shall be shown in this report in due time.

2.1. The Concept of Agribusiness

Agribusiness can be seen as a system.

It can be seen as a system of activities and operations related to agricultural production and marketing in a broader sense. Agribusiness refers to various businesses involved in food and other agricultural production, including farming and contract farming, seed supply, fertilisers, agro-chemicals, farm machinery, wholesale and distribution, processing, marketing and retail sales, both domestic and abroad (Gupta, 2009).

It can also be seen (Wilk&Fensterseifer-2003-IAMA) as an organizational network that coordinates agribusiness strategies at the national level, influenced by globalization of trade and technology and rapid demand shifts. It is a system because the sum of individual optima is not equal to the optimum of the overall combination of the parts.

While desirable, it is not necessary that agribusiness firms are domestically competitive to achieve a national competitiveness. What is necessary and sufficient is that a coordinated effort at national level is able to always build on comparative advantage to dispute, and at least sometimes win, a share of the end market. And it is the holistic and systemic functioning of agribusiness that justifies the formulation of a national strategy. This strategy needs to harness the strengths of each element of the system and overcome each of their limitations to make that the sum of the parts reaches a higher optimum than the sum of the optima of each part.

In Mozambique, the agribusiness involves a major part of the rural population, which, in turn, still encompasses the majority of the population, at least partially. Most of the farmers, no

matter its internal production and consumption model, participate in some way in agribusiness, by managing resources and inputs, producing and marketing food and agricultural commodities in response to the quantitative and qualitative demand of both the domestic and the global markets.

Although it cannot be formally be considered a part of the national agribusiness system, food aid and emergence operations are of such dimension and regularity that the demand they create cannot be ignored in putting together the system, be it for the purpose of diagnostics or for the purpose of policy-making and planning.

We resort again to Wilk&Fensterseifer-2003-IAMA for a graphical representation of the agribusiness system, reproduced below.

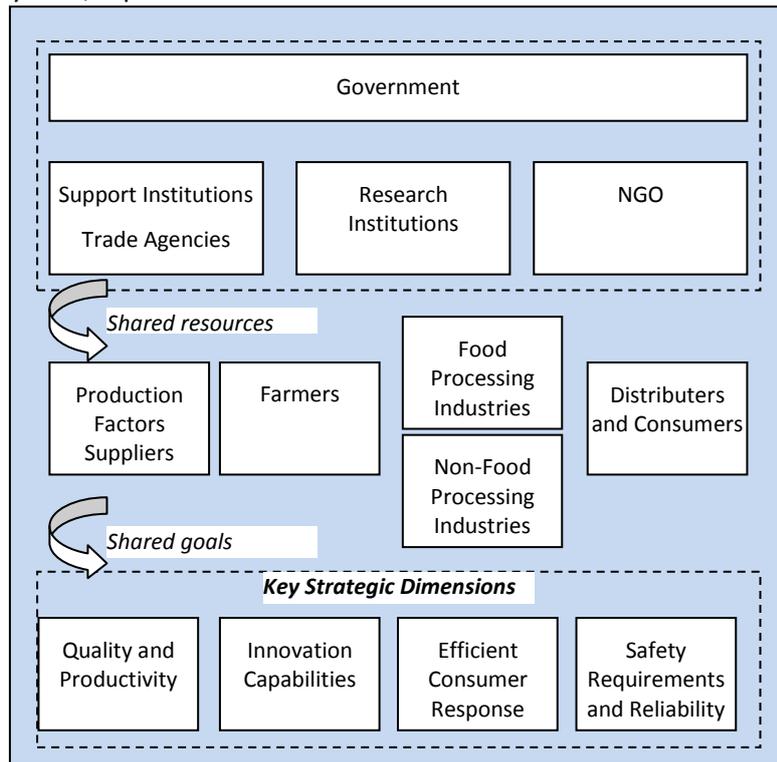


Figure 1: Agribusiness stakeholders and key strategic dimensions

Source: adapted from Wilk&Fensterseifer-2003-IAMA-Towards a National Agribusiness System - A Conceptual Framework

2.2. Value chain approach to agribusiness development

It is assumed that businesses and, in particular, agribusiness development very much depends upon their competitiveness.

Value chain approach (or value chain analysis) “is a method for accounting and presenting the value that is created in a product or service as it is transformed from raw inputs to a final product consumed by end users” (FIAS-manual-WB-2007). It evaluates the value each of the sequential vertical and horizontal linkages between elements of the chain adds to products and services in a competitive way (Recklies-2001).

The activities or processes are specific to a sector/commodity, called primary activities, including input logistics, production, output logistics, marketing and servicing; and those related to the general business environment, or supporting activities, including natural resources, infrastructure, human resources, technology development and procurement conditions.

Value chain approach can be applied to a single commodity. If this value chains are from a single industry or system – in this case agribusiness – and because some of the processes are common to some of the value chains, it makes sense to apply the value chain approach to promote agribusiness competitiveness (see Fig. 1). Value is added in each phase or step in the process and the end market demand, in terms of quantity and quality remains the beam of the organization, the firm or industry, through all the steps.

There are several cases, present and past, of value chain approach to promote competitiveness in Mozambique, with varying degree of success. Some of the more recent cases include the Sugar value chain, the Poultry and the Fruits and Vegetables and the Cashew value chains. Some of the value chains, like Tobacco and Cotton still rely on a concession regime. A value chain approach implies internal competition and also cooperation vis-à-vis the end market, either domestic (the cases of Sugar and Poultry) or global or specific end-markets abroad (Cotton, Tobacco, Cashew).

The value chain approach leads to a management model aiming at reducing costs and creating or adding value to meet specific customers’ needs, sometimes linking competitive advantage with comparative advantage, i.e. by converting particular resources and conditions (land, water, human resources, infrastructure, climate and timing, geographical location) into value.

2.3. Value chain and cluster approaches

Besides the value chains approach, there are other approaches and management models to the development of the agribusiness and agribusiness competitiveness. After the French filieres concept, the value chain was developed by Porter in the 80’s and the GCC – Global Commodity Chains - was developed by Gereffi in the 90’s (vanMelle, Coulibaly, Hell- 2007-IITA).

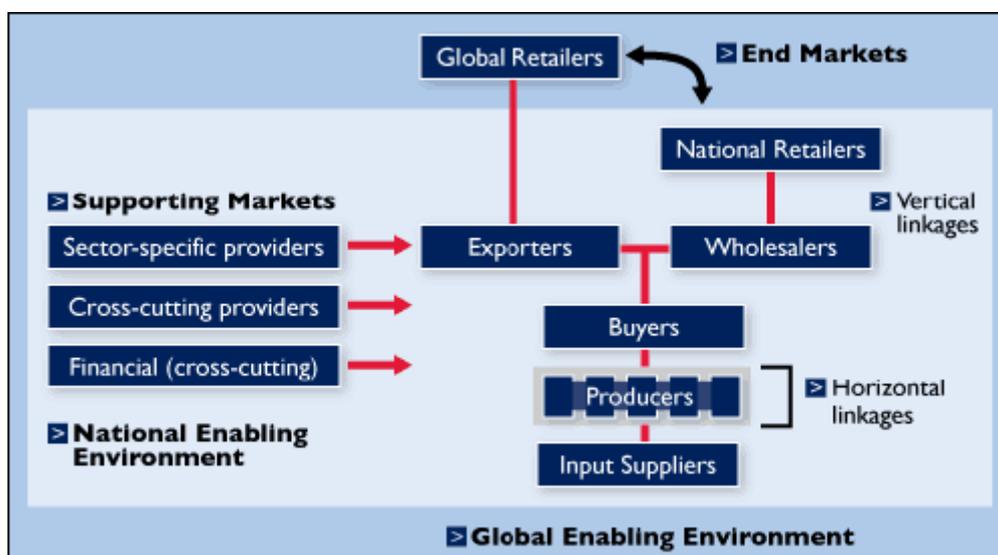


Figure 2: Value Chain Structure

Source: Wolfe -USAID-2008-The Value Chain Approach to Economic Growth and Poverty Reduction

Other management models to keep and improve competitiveness were adopted based for market systems, in this case, the agribusiness system, of firms linked to a product or commodity from inception to the final market (Wolfe -USAID-2008). Apart from the value chain model (focused on the requirements of the end consumer) there is the supply chain, flowing from the supplier to the costumer, i. e., dependent on the product suppliers’

requirements (Feller, Shunk, Callarman-2006), the industry or subsector, as well as the clusters approach.

These approaches may be employed in conjunction. In fact, a cluster development strategy may use extensively the value chain approach. While the value chain approach focus on the interfaces of elements placed in an essentially linear manner, the clusters approach evaluate the local environment to influence more than one value chain and beyond (ITD-WB-2009).

During the last three decades, almost all of these models were in some degree applied in agribusiness in Mozambique. In most cases they were strongly influenced by the centralised planning economy model adopted by the country. Secretariats of State and National Institutes were established for Cashew, Cotton, Sugar and Cereals. State-run holding companies were established for a wide range of products, managed under a supply or value chain approach in Citrus, Vegetables and Fruits, Tea, Forestry. Input Services were also the subject of industry and subsector approaches also managed mainly by state-run companies, like Mecanagro, for agricultural equipment and machinery, SEMOC, for seeds, BOROR for agrochemicals. Some of these supply or value chains operated under a cluster approach, within ZDAPs or Zones of Planned Agricultural Development, Agro-industrial Complexes, Development Regions or Spatial Development Initiatives (SDIs), either within the country or involving neighbouring eastbound countries. Examples are Zambezi Valley, Limpopo Valley, the agricultural regions of Lioma, in Upper Zambezia, Angónia, in Tete, Montepuez, in Cabo Delgado, the Libombo SDI, the Mozambique- Malawi-Zambia Development Triangle. A Centre for Promotion of Commercial Agriculture (CEPAGRI), intended to replicate the experience in the rehabilitation of the Sugar value chain in other domains and products in the agribusiness was also established (initially, it was named GPSCA – Bureau to Promote the Commercial Agriculture Sector), along with several initiatives to promote both competition at firms level and inter-firm cooperation when dealing with the domestic and global end market.

Indeed, the state enterprises were given the mission to influence the wide areas where their production units were located. Even after the state divestiture process, most of the private companies combined the supply chain or value chain approach with a cluster approach.

One of the initiatives that lasted the most was that of Development Corridors, planned along main transport and communications infrastructure, including roads, railways, power grid backbones, all ending in a sea port. The three corridors are Maputo, Beira and Nampula.

It must additionally be said that sub-clusters are well within the general framework of spatial/regional development experiences in Mozambique.

In all of the above mentioned approaches, the role reserved to the government and their agencies is, naturally, to formulate and enforce regulation, particularly in terms of resource use, product and services quality and safety, and the national environment to enable competition among the firms in the agribusiness system, an adequate provision of production and marketing infrastructure. But it is also one of facilitating and catalysing its development and enabling the environment for a national competitive advantage, both to provide for the requirements of domestic markets and gain a competitive position in the global market. It should then promote sustainable availability of resource, technological innovation cost reduction and value maximization along the value chains and agribusiness clusters, and other factors to enhance competitive capacity – human resources development, networking, market research and investment promotion.

2.4. Major issues to look for in policies and strategies

In summary, the role of the government in enabling a competitive national and global competitiveness of the national agribusiness system is to provide incentives to the

agribusiness development and remove hurdles to cost reduction, while providing to the society an assurance of the reliability, the sustainability, as well as the quality and safety of the business processes, products and services.

As the main objective of this report is to provide guidelines for the formulation of an agribusiness competitive strategy, the issues to look for are:

- a) Which are the untapped opportunities, the incentives and recommendations made so far to improve the overall national business environment and the agribusiness, in particular;
- b) Which are the gaps and constraints, the untapped opportunities and incentives relating to both the supporting and core activities of agribusiness in Mozambique that can be identified in the policies, strategies and available studies;
- c) How does the agribusiness environment in Mozambique compare with SADC and Sub-Saharan African countries?

In what refers to the national business environment, the issues to look for relate to codes and conventions; regulations and standards, particularly those related to starting, running and closing a business; property rights and taxes; and infrastructure. These issues should cover taxation, investment protection and regulatory enforcement, as well as with the

In what agribusiness development is concerned, the issues to look for relate to supporting services such as business development service providers; financial services providers of credit, leasing, insurance, payment services, etc.; technological research and extension; input and equipment suppliers; on-farm and processing productivity.

In terms of end-markets both domestic and abroad, the issues to be addressed are marketing and trade, including customs and service infrastructure; price and the fulfilment of safety and quality requirements, such as grading and differentiation.

3. METHODOLOGICAL APPROACH AND SOURCES OF INFORMATION

The general approach is one of a participatory and interactive review of existing policies with stakeholders in the agribusiness industry. This will involve a literature review, with inputs collected from interviews and focus group discussion on the issues to be reviewed. A draft review will then be cross-checked again through a final discussion before refinements and final report.

3.1. Literature review

- i) preliminary **literature review** to assess the relevant policies, strategies, studies, under the following thematic areas:
 - (1) National Regulatory Business Environment;
 - (2) Agribusiness starting and operation, and supporting services;
 - (3) Trade

3.2. Interviews and Focus Group Discussions

- i) **The consultative process (Interviews and focus groups discussions)** shall be done in two rounds.
 - (1) In the **first round** (selection to be done on the basis of the value chains and their structure), it is expected to develop a matrix to identify relevant topics per sector policy, strategy and study, to guide the literature review.
 - (2) The **second round** of discussions, preferably during a presentation of the draft, will refine such matrix;

- ii) Development of the refined matrix, with gap analysis;
 - (1) comparisons/standards to be made with other countries in the region or other countries if/as considered relevant

3.3. Documentation

- i) Presentation of the draft to a wider group stakeholders;
- ii) The matrix(es) to be presented will cover:
 - (1) The reviewed gap analysis, including gaps, constraints, untapped opportunities and incentives;
 - (2) Recommendations for the next steps (the development of the strategy, including deeper and sometimes quantitative studies to provide the foundation for the strategy). Recommendations will be presented covering both the Public and Private Sectors, and both Economy-wide oriented and Agribusiness specific oriented courses of action.

3.4. Schedule

- i) Roughly, each step took 1 week to complete, except the first round, which took 2 weeks (July, 8th to July 21st);

4. THE POLICY AND REGULATORY ENVIRONMENT FOR AGRIBUSINESS DEVELOPMENT

4.1. The side of the Government agencies and sectors

4.1.1. The policy and strategy paper or working papers

The enabling business environment results from a variety of sources. It does not result from government regulatory intervention alone, which may even not be the single most important factor. Domestically, the power structure and political environment, the adopted development model and business culture; the growth and distribution environment; resources endowment and geographical location; the relationship with and degree of integration in the international economy and markets may well affect more business in general, and agribusiness environment in particular. However, there is a consensus in the reviewed literature that government regulatory role plays an important role in providing such environment.

The national regulatory business environment (RBE) results from a process. RBE has been the subject of several studies, workshops, meetings and stepwise regulation from the part of the government.

During the mid to late 90's, most of the sector policies were developed. All of them had the role to systematise and promote debate and some were indeed subject to a revision process, as a result of a fast changing environment. In the early 2000's, Mozambique had firmly adopted the principles of a market economy and chose a peaceful path to construct the nations.

The development of an enabling business environment was not a linear process, but rather a result of constantly evolving discussion and debate. It started with sector policies and strategies based on a broad agenda, then evolved into comprehensive plans, and feedback to sector policies. As an example, note that CTA – The Confederation of Business Associations of Mozambique was created in 1997, focusing in lobbying with the government and providing services to its associates, and some of their members, were even created in the early 80's (e.g., the Chamber of Commerce was created in 1980).

After the end of the centrally planned economy model, in early 90's, three phases can be distinguished. From 1993-2000, sector policies and strategies were developed. From 2000-2005, sector policies and strategies were combined into national integrated vision and strategy to consolidate the priority of business development and the market economy and some white paper policies graduated into Law. From 2006 to present, sector policies and strategies were revised and tuned to the new environment.

The process was also interwoven with that of the studies promoted by, and interaction with donors and international partners, given their weight in influencing resource allocation and business development in the country.

A failure to understand this reality leads to non-participation determined by the perception of déjà-vu, and dialogue fatigue.

For the purposes of this review, priority is given in assessing the policy topics in policies, strategies, studies and legislation after 2000, and from new to old. References to previous documents will be done whenever needed.

This compilation will focus on strategic actions recommended in the documents being reviewed, as those actions are often the result of a situation analysis, where gaps, constraints and opportunities are identified.

The umbrella documents, apart from The Constitution, that were reviewed, include PARPA I and II, Agenda 2025.

The first PRSP, ***Plano de Acção para a Redução da Pobreza Absoluta, 2001-2005 (PARPA)*** (2001-GoM-PARPA I) was developed and approved in April, 2001. It sets priorities that have direct impact on the enabling environment for agribusiness.

Apart from human development related activities, the Plan states ***agriculture and rural development*** as a priority, and stresses the orientation towards, increased income to the rural population, based on increased production and productivity and access to markets, benefiting from human and infrastructure development, research and technology and extension, as well as the development of the financial system.

In the domain of ***good governance***, the Plan included decentralisation and devolution to administrative levels close to the population, public sector reform, simplification of administrative procedures to eliminate "red tape", public security, strengthening the legal and judiciary institutions, contract enforcement and tackling corruption.

It also planned to address ***macroeconomic and financial management*** through fiscal, monetary and exchange rate policies to keep inflation down and enhance the competitiveness of the economy; policies to improve resource allocation and sound public expenditure; policies to strengthen the management of both domestic and foreign debt; policies to protect and expand financial services, particularly to the rural areas and to small and medium industries; and policies to promote international trade.

This is in line with what became the consensus under the national vision and strategy and development agenda, prepared through a nationwide non-partisan process, known as the Agenda 2025, and which was initiated in the same year of 2001 and culminated in 2003 with the adoption and publication of the ***Agenda 2025: The Nation's Vision and Strategies*** (2003-Comite de Conselheiros).

The formulation of the National Vision and Strategy followed a SWOT methodology. The strategic options are based upon a situational and alternative scenario analysis. The variables include competitiveness.

On the challenges to achieve the nation's vision, the Agenda (section 6.4.2, p. 139):

- “Ensuring **macroeconomic** stability in a perspective of development, involving not only financial and monetary variables, but also other variables that value, inter alia, prices, salaries and employment;
- Ensuring the economic development in the various sectors of the economy, prioritising **agriculture**, industry, mining, tourism, and infrastructures, within a healthy macroeconomic environment where tax and monetary discipline prevail;
- Increasing productivity and revenue in the countryside and ensuring that the goods it produces reach markets in a regular manner and at **competitive** process, and promoting **agro-industrial processing**;
- Promoting feasible investment programmes aiming at capitalising the comparative advantages Mozambique has to offer, particularly **in the agricultural sector, in agro-industry**, industry, mining, tourism, energy resources, etc.;
- Promoting a more efficient, dynamic and **competitive entrepreneurial sector**;
- Reducing the digital divide, assuming an increase in reliability and the expansion of **networks** and users;
- Stimulating a broad **rural development** programme in which all actors are involved and mobilised: the Government, the entrepreneurial sector, associations, rural communities, Universities, NGOs, religious organisations, solidarity organisations, cooperation Partners...”

When reviewing the PRSP, (*Plano de Acção para a Redução da Pobreza Absoluta, 2006-2009 (PARPA II)*) (2006-GoM-2May), the priority actions for **rural development** were set as strengthening the role of state bodies in inter-sector coordination; promoting financial services, including creating an enabling environment for rural finance (§235); strengthening the associative movement; developing rural markets, and enhance community participation.

PARPA II resulted more precise and specific about priorities both for the general business development (§ 481 et seq.) and for agribusiness development (§ 523-535). Annex 1 also provides a detailed list of requests by the society and Annex 3 provides a detailed Matrix of Performance Indicators. An extract of this Matrix is presented in Figure 3.

To improve the general business environment, six indicators were selected (three* of them follow the then 7 categories of the **Doing Business** Report (WB-IFC-OUP-2005):

- Number of days to start a business*;
- % of sectors that have simplified procedures to licensing an economic activity;
- Elimination of sharing the revenues from penalties;
- Number of quality norms approved;
- Number of days to complete an import or export*;
- Cost of contracting and laying-off employees*.

PILAR III – DESENVOLVIMENTO ECONÓMICO – SECTOR PRIVADO

| Objectivo | Indicador de Resultados [Fonte de Verificação] | Base 2005 | Meta 2009 | Realizações (Acções) | Responsável | Indicador de Produto/ Execução [Fonte de Verificação] | Base 2005 | Meta 2006 | Meta 2007 | Meta 2008 | Meta 2009 |
|--|--|-----------------------------------|-----------------------------------|--|-------------------------------|---|---|-----------|-----------|-----------|-----------|
| 38. Melhorar o ambiente de negócios (par. 495) | 38.1. Doing Business Ranking [Relatório Anual do Banco Mundial] | 110 | 70 | Simplificação dos procedimentos para se começar um negócio | MENI / MIC | 38.a. Nº de dias para se começar um negócio [Relatório Anual do Banco Mundial "Doing Business Annual Report"] | 153 | 100 | 60 | 40 | 30 |
| | | | | Simplificação do sistema de licenciamento de actividades económicas nos Ministérios | MIC (Grupo Inter-Ministerial) | 38.b. % de procedimentos simplificados [MIC - GASP e Grupo Interministerial] | Diagnostico de licenças em todos os ministérios | 25% | 50% | 75% | Todos |
| | | | | Criação de uma inspecção geral | MIC / outros Ministérios | 38.c. Participação nas multas eliminada [MIC/ outros Ministérios] | | | X | | |
| | | | | Adopção e adaptação de normas internacionais (ISO) e regionais de acordo com as necessidades do sector privado | INNOQ / Sector Privado | 38.d. Normas aprovadas [INNOQ] | 30 (cumulativo) | 38 | 48 | 58 | 68 |
| | Simplificação dos procedimentos para fazer uma importação e exportação | CSTA / Banca / Ministérios / IPEX | 38.e. Nº de dias [Doing Business] | 41 (importações e exportações) | 35 | 25 | 20 | 15 | | | |
| 39. Criar o emprego (par. 556 e 497) | 39.1. Nº de empregados no sector formal [MITRAB] | 570000 | 900000 | Aprovação e implementação duma Lei de trabalho flexível | MITRAB | 39.a. Custo de contratação e despedimento dos trabalhadores* [Doing Business Posição] | 113 | 113 | 80 | 60 | 30 |

Figure 3: Extract of the Performance Indicators Matrix of PARPA II.
Source: 2006-GoM-2May-PARPA II - com Matriz - Final, Annex 3; p. 174

One of the main indicators for the sector of Agriculture, in what refers to agribusiness **supporting services** (§ 531) is the number of quality and SPS certificates issued within the context of the setting-up of a framework of quality standards and certification norms for a competitive market, to promote agribusiness development, following the value chain approach.

Another indicator relative to Rural Development and relevant to agribusiness is the number of provinces where a **rural markets support programme** is operating.

Other fields of activity, such as energy and communications infrastructure are also included in PARPA II. It is, however, possible to identify some gaps. For instance, no priority can be recognised of contract enforcement. The activities to improve the tax structure and the fiscal benefits are not as specific as in other commitments and no mention is made to IVA as a major issue in the RBE in Mozambique.

To follow PARPA II, which formally closed by the end of 2009, a **PARP** (that is, without the “A” for “*Absoluta*”) is being formulated for the next period. This umbrella document is, then, one of the key ones to be followed and monitored in view of developing an Agribusiness Competitiveness Strategy.

Five other policy papers worth considering are:

- 1) The Strategy for Rural Development (GoM, 2007Set);
- 2) The Strategy for Food and Nutrition Security (GoM, 2007Oct);
- 3) The Strategy for the Development of Small and Medium Enterprises (GoM, 2007Ago);
- 4) The Policy on Competition (GoM, 2007Nov); and
- 5) The Strategy for the Improvement of Business Environment (GoM, 2008May).

The **Strategy for Rural Development** (GoM, 2007Nov) sets five priorities: (a) improving competitiveness and economic freedom, enhancing productivity and rural wealth creation; (b) putting the economic cycle above the political-administrative cycle, ensuring a productive and sustainable management of natural resources and the natural environment; (c) expanding human capital, innovation and technology, through promoting good health and fostering basic and adult education, and by disseminating available technology and promoting innovation, its dissemination and the communication systems; (d) diversifying and increase efficiency of social, infrastructure and institutional capital, which include most of the factor to improve the business environment; and (e) good governance and market planning and regulation, particularly in what refers to enforcing the law, promoting market development and regulate competition.

This strategy sets a series of priority activities and goals which would substantially improve the agribusiness environment. It includes activities to facilitate the starting and operation of rural enterprise, articulates the need to improve supporting services and infrastructure and even includes the creation of a Competition Authority.

Although it still adopts a supply driven approach to rural enterprising, rather than placing the centre of competitiveness in addressing the needs of the end-markets (indeed, under the general agricultural policy of the country, food and nutrition security and employment generation are the chief priorities), the implementation of the Strategy for Rural Development would favour the development and competitiveness of the agribusiness system.

The **Strategy for Food and Nutrition Security** (GoM, 2007Oct) is based on a series of strategies and policies already approved, namely: The most relevant sector policies for food security and nutrition are: the Agricultural Policy and Implementation Strategy (GoM, 1995Oct), the

Agriculture Programme (PROAGRI-II) (GoM, 2003Nov), the Education Strategy (GoM, 1995Ago), the Health Policy (GoM, 1995Jul), the National Gender Policy and Strategy, the Nutritional Development Strategy, the Industrial Policy and Strategy (GoM, 1997Ago), the Trade Policy and Strategy (GoM, 1998Jul), the Road Policy and Strategy (GoM, 1998Jul; GoM-ANE, 2006Ago), the Agricultural Marketing Strategy (GoM-CM, 2006), the above reviewed Rural Development Strategy (GoM, 2007Set) and the Master Plan for the Fight against Natural Disasters (GoM-INGC, 2009), and the Fishery Policy (GoM, 1996May), among others.

The FSN strategy is focused on household oriented interventions, according to the vulnerability of their livelihood. It pursues the five major goals of FNS: **availability**, related to production and imports; **access** and **stability** over time, linked to markets and income access; use and **utilization** and **adequacy**, related to human development and quality.

The main strategic objectives of the FNS II are:

- the country's self-sufficiency in food;
- the improvement of the households' buying power and their capacity to respond to seasonal variations;
- the improvement of access to health services, water, sanitation and nutritional education; and
- the enforcement of the right to adequate food for all citizens.

In the framework of competitiveness, and with reference to the Porter's 5 forces of competition, this strategy advocates for the consumers needs and interests. These consumers are, however, vulnerable. Additionally, their geographical location is far from the corridors where agribusiness in Mozambique is more likely to develop.

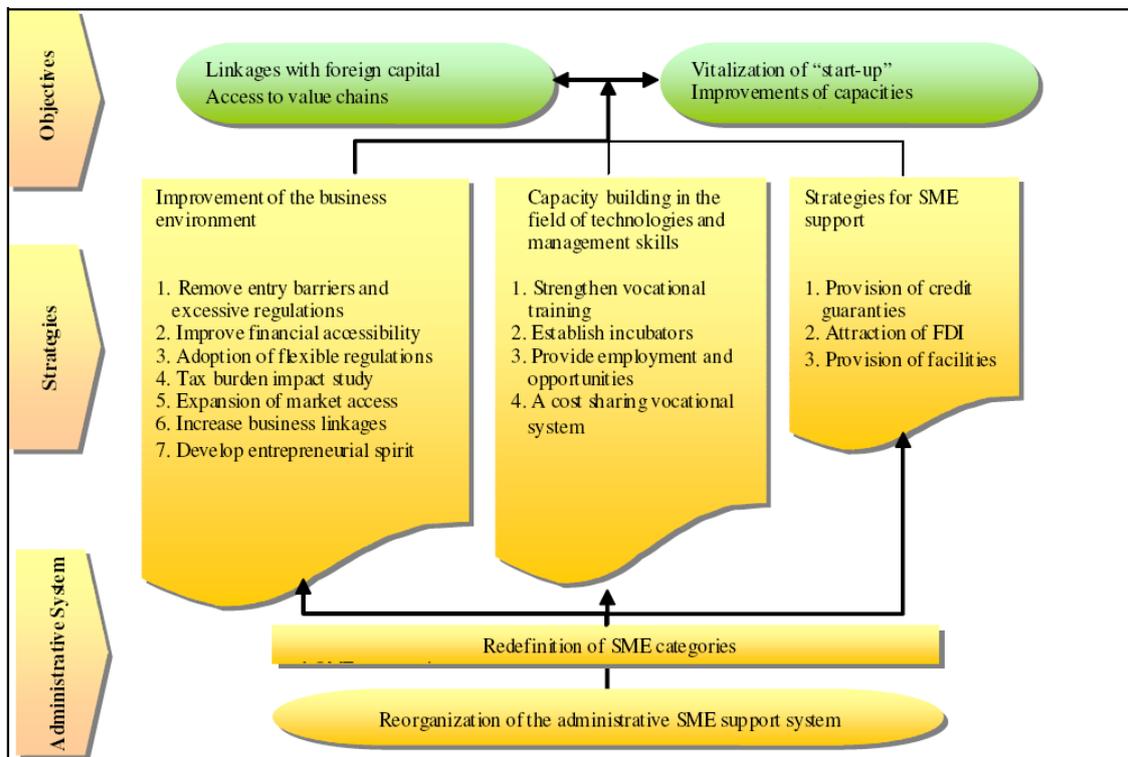


Figure 4: The conceptual framework of development strategies for SME.

Source: The Strategy for the Development of Small and Medium Enterprises (GoM, 2007Ago), quoted and translated KrauseM et al.-DIE-2008-Business Development in Mozambique- Formalisation of PMEs

The **Strategy for the Development of Small and Medium Enterprises** (GoM, 2007Ago) is particularly relevant for the agribusiness in Mozambique as most of the companies in the system can be included under SMEs.

This strategy is solidly based on detailed studies and statistics and takes on board the concerns of the private sector.

The strategy can be summarised in three objectives, being (1) to promote the linkages with foreign capital and access to global value chains; (2) to increase the number of new enterprises; and (3) to improve competitiveness of existing enterprises. A second level of activities is recommended and these measures directly address gaps and constraints explained in the diagnostic: excess regulation for business formation, lack of access to capital, fiscal burden, insufficient market access and linkages, and underdeveloped business culture.

A total of 22 recommendations to be implemented over 10 years are listed under this strategy.

As above mentioned agribusiness is particularly interested in this strategy and should benefit of a preferential treatment. The main challenging remaining, however, is to ensure its implementation in full.

Of special interest, as it will be seen below, this strategy includes the setting up of a strategic credit guarantee. This may work as insurance for the banks that risk funding deserving/ eligible SMEs. On the same vein, the strategy presupposes some measures by the Central Bank, to provide incentives to credit in the rural areas, by favouring the commitments of commercial banks related to rural credit.

The **Policy on Competition** (GoM, 2007Nov) intends to advocate the establishment of a Competition Authority. No substantive goal other than this is stated, like for instance to prioritise cartel price fixing, as recommended in USAID, 2004.

However, this is a sign of the government recognising the importance of regulating competition.

The **Strategy for the Improvement of Business Environment** (GoM, 2008May) is surely the most relevant document to date in what agribusiness regulatory environment is concerned. For that reason, its review is more detailed than the above mentioned documents. It develops on the basis of the general directions given by PARPA II, which follow:

- simplifying the procedures to start a business;
- simplifying the requirements and procedures to license economic activities;
- unifying the mandatory public inspections to economic activities;
- adopting and adapting international (ISO) and regional norms according to the needs of the private sector; and
- simplifying the procedures to import and export.

Based on gap analysis and the consultative process with the business sector, this Strategy covers topics under four headings, namely:

- **Legal Reform**
 - Formation and registration of societies, to extend the simplified procedures across the country, to eliminate the requirement of bank deposit and to reduce the minimum capital to start a business.
 - Licensing of activities, for which, based also on a gap analysis, a strengthening of institutions and the implementation of the Decree of Simplified Procedures are made priorities. Note that this Decree (2008-

GoM-Decree 2/2008, of March, 12th) is the result of a 10-year of successive approximation through 1998-GoM-Decree 44/1998, of September, 9th; 2003-GoM-Decree 39/2003, of November, 23rd; and 2004-GoM-Decree 49/2004, of November, 17th. See also 2009-MozAR&GoM-Law 5/2009, of January, 12th and the correspondent by-law in the form of Decree 14/2009, of April, 14th on the Simplified Tax Regime for Small Contributors.

- Labour and workforce environment, based upon the new Labour Law (2007-MozAR-Law 23/2007, of August, 1st), recommending a more intensive use of the arbitration to resolve labour conflicts and committing to improve the labour courts system. It places, however, the main priority on labour productivity, for which training is supposed to be reformed.
 - Bankruptcy of companies is to be speeded up, by giving priority to private and particularly creditors' decisions and freedom, rather than that of the Tribunal.
 - The Inspection of economic activities is to be unified and the capacity of the personnel strengthened, prioritising education rather than punishment.
 - Import and export are to be speeded up, by reducing the current 41 days time frame to be completed, by streamlining the Customs procedures and fostering the Development Corridors.
 - Informal sector, as it represents a strong competition force to formal businesses. The incentives to promote the formalisation of the informal sector should serve as a gauge of the business environment.
- ***Fiscal and financial environment***
 - Fiscal environment – the strategy recognises that the fiscal burden is high, compared to other countries in the region. It also notes the perception that fiscal legislation is not designed with the SMEs in mind, and further work is recognised to be needed in view of accelerating the reimbursement of VAT to the businesses. Note that the following year, i.e. the year 2009, some legislation was approved to implement the strategy. Indeed, the MERT (marginal effective rate of taxation) can be substantially reduced when businesses apply to the Code of Fiscal Benefits (see below on 2009-MozAP-Law 4/2009, of January, 12th. The procedures to access the facilities in the Code of Fiscal Benefits are not sufficiently disseminated. See also below on 2009-MozAR&GoM-Law 5/2009, of January, 12th and the correspondent by-law in the form of Decree 14/2009, of April, 14th on the Simplified Tax Regime for Small Contributors).
 - Insufficient and sometimes inexistent access to financial resources remains a serious constraint, particularly for SMEs in agribusiness. Apart from the fact that the range of financial products for agribusinesses is still very narrow, there is the sheer high cost of capital. Taking into account the narrow profit margins in most agricultural activities, the interest rates are high, particularly for agribusinesses that take time to mature, such as fruit s and nuts plantations, for instance. To improve the

conditions companies have to face, several actions are included in the strategy. Of particular interest is the commitment of the Central Bank to create a system of guarantees. No mention, however, is made to the reference rates for agricultural credit in the interbank monetary market.

- **Infrastructures**

- Energy/power. Reliability and costs of energy, differentiating those for the productive sectors, and, in particular, that for agriculture, are the main issues addressed in the strategy. Administrative procedures to take advantage of the incentives related to energy costs are still to be adequately disseminated and known by the intended beneficiaries.
- No mention is made to the use of idle infrastructure, such as rural shops and irrigation schemes, nor any reference to roads and railways. Also, export related infrastructure in the seaports is not addressed. This should be of relevance to fresh commodities, such as fruits and vegetables, meat and fisheries.

- **Governance**

- Contract enforcement is to be achieved through a couple of measures. The strategy singles out the setting up and functioning of the Commercial Sections in the Courts, in main cities.
- Investors' protection is seen as dependent on the strengthening of institutions dedicated to maintain and make available information on companies that can be of interest to investors.
- Property registration will require revision of legislation, both substantive and adjective, as well as the simplification of registration of property, as a way to protect and facilitate access to commercial transactions and financial resources.

This strategy is a good effort to systematise and focus on issues that are seen as priority for the private sector. This strategy represents a natural evolution of previous policies and strategies, to achieve the objective of gradually shaping a market economy through promotion of private investment, both domestic and foreign (Law 3/1993, of June 24th and correspondent by-law, Decree 14/1993, of July, 21st). A draft revision of the by-law is in discussion since 2009 (2009-GoM-Draft-18-02-09).

4.1.2. Laws, regulations and administrative procedures (incentives and costs; labour and property)

A new **Code of Fiscal Benefits** (Decree nr. 16/2002, of June, 27th) reformulated and graduated into Law 4/2009, of January 12th) was approved.

The fiscal benefits provided for in the Code are (art. 2): a) deductions from taxable income; b) deductions from tax; c) accelerated depreciation and reintegration; d) investment tax credit; e) exemptions; f) the reduction in tax rate and the deferral of the payment of tax.

Entitlement to these benefits is granted to investments under the Investment Law or those in commercial and industrial activities carried out in rural areas; b) investment in new infrastructures built for retail and wholesale commerce; and c) manufacturing and assembly industries.

The Code includes general and specific benefits. General benefits are granted in the form of Custom Duties and VAT exemption, those related to Income, as well as benefits to promote modernization and the introduction of new technologies, and professional training.

Specific benefits are covered under sections related to the creation of basic infrastructure, rural industry and commerce, manufacturing and assembly industries, agriculture and fisheries, hostelry and tourism, science and technology, large scale projects, rapid development zones and industrial free zones. Promoters and enterprises in Special Development zones may also enjoy the fiscal benefits provided for in the Code.

The key requirements to enjoy these benefits are the tax registration and adequate accounts organization, as well as the proof of investment.

Along the same line of 2008-GoM- Decree 2/2008, of March, 12th, the Decree on Simplified Licensing Procedures, the Parliament and the government approved the 2009-MozAR&GoM Law 5/2009, of January, 12th and the correspondent by-law in the form of Decree 14/2009, of April, 14th on the ***Simplified Tax Regime for Small Contributors***.

The decree on Simplified Licensing Procedures is well adjusted to the scale of agricultural and animal husbandry activities, and retail commerce currently done in the country. It is worth noting, however, that agricultural inputs, such as seeds and agro-chemicals and manual implements are not classified under the spelled out retail commerce classes. Eventually, a retailer may secure a syndication (*agenciamento*) agreement with registered suppliers or wholesalers. It is also worth noting the exception to any micro or small industry related to food processing. Strictly, even village mills could not make use of this simplification of procedures.

The Law and by-law on the ***Simplified Tax Regime for Small Contributors*** may represent a significant step to broaden the taxpayer basis and, at the same time, provide a growth opportunity for emergent agribusinesses, as most small enterprise would fall under the eligible annual turnover limit of 2.500.000,00 MT (approximately USD 70,000).

It provides for verbal declarations to be registered by the Tax Authorities and although no organised accounting is required, the requirements to prove the eligibility is a good start to record management information necessary to promote business culture.

The ***Commercial Code*** (2005-GoM-Decree Law 2/2005, of December, 27th) sets the legal environment under which most economic activities and dispute settlements are achieved. The remaining issue is the capacity of the judiciary system to handle, eventually through commercial sections in Courts, and that of the enforcement agencies. The experience of some micro-finance institutions in enforcing their contracts is illustrative of the current situation.

In what ***Land Access and Tenure Rights*** is concerned the legal framework for acquiring land rights in Mozambique is compiled in 2008-ACIS-GTZ-CFJJ. The current situation is analysed in Bruce-Nathan-USAID-2007. This study also recommends 10 measures to improve the agribusiness environment in terms of land rights. As they clearly state current gaps and constraints, it was adopted to transcribe such recommendations as follows (DUAT stands for Right to Use and Explore the Land):

1. *Consider imposing an authorization fee on provisional grants of DUATs modified to bear a logical relation to the economic potential of the land granted, including its extent.*
2. *Establish a clear, objective standard for determining whether an exploitation plan has been carried out.*
3. *Eliminate exploitation plans, land use conditions, and approval requirements for changes in land use once the conditions of a provisional DUAT have been met and the final DUAT is issued.*
4. *Amend the Land Law to require compensation for actual value of non moveable improvements when a final DUAT is terminated.*

5. *Revise the Código do Registo Predial with full participation of those holding or having rights to receive DUATs and those administering that system—and to ensure that those for whom access to that register is difficult will not be disadvantaged by any legal revisions.*
6. *Make any DUAT for a prédio rústico transferable on the same terms as a prédio urbano, upon registration, with the transferee succeeding automatically to any obligations of the transferor, including the obligation to fulfill any plan of exploitation on which a provisional DUAT was conditioned.*
7. *Allow the partition of any tenement and the related DUAT and the finalization of the DUAT for any resultant tenement so long as the conditions of the DUAT have been satisfied with regard to that tenement.*
8. *Allow all or a part of any DUAT and tenement covered by it to be subject to a sub-DUAT, in whole or in part without any administrative approval.*
9. *Enhance the usefulness of the prédio rústico as security for a loan by removing the requirement of administrative approval for transfer and by providing more specific provisions on mortgageability, similar to those for mortgaging urban land under the new Urban Land Regulations.*
10. *Launch a parallel process to develop a more detailed Rural Land Regulation, but ensure the development process is far more participatory.*

Recommendations 6 and 10 are particularly relevant, provided that the principle of promoting adequate land use and avoid speculation is maintained. Other recommendations, such as 4 and 5 and will imply and make more sense in the medium and long term, on both practical and political grounds. Some of the recommendations build on a previous study on Rural Land Market (Cruzeiro do Sul-CFJJ-2004).

The interest of recommendation 9 would require a further investigation with close participation of financial institutions. Before there is a satisfactorily open rural land market and a framework allowing the operation of rural land real estate agencies, this recommendation is also to be seen in the medium and long term.

In terms of **foreign investment**, apart from the compilation of documents produced by the CPI (2009-GoM-CPIdocs) on the Cost of Factors, Investment Incentives and Company registration, it may also be of interest to consult and disseminate the compilation made by ACEP – Portugal (2009-AICEP-Portugal) on the legal conditions to access the Mozambican market.

Agricultural sector and sub-sector policies, strategies and plans with a policy dimension related to **specific objectives**, like food production, and to **support services to farming operations**, like research or extension or plant quarantine and SPS – Sanitary and Phyto-sanitary - issues were also compiled under this review and considered while formulating the recommendations. See, for instance, 2008-GoM-MINAG-May, on the PAPA – Food Production Action Plan; 2010-GoM-MINAG-Mar, on the PEDSA – Policy and Strategy for the Development of the Agricultural Sector; 2007-GoM-MINAG-DNEA on the Extension Master Plan 2007-2016; or access the webpage of IIAM (Agricultural Research Institute of Mozambique) at www.iiam.gov.mz or see FANR-SADC-2008-Jul for a more detailed analysis of Agricultural Research and Training in Mozambique.

Some other policy recommendations and commitments for the agricultural sector, such as on seeds, fertilizers, irrigation can be found in commodity related or broader strategies (for instance, the Strategy for Water Resources Management, if looking for the long term vision on irrigation, for which a strategy is still under debate).

Other sector policies legislation on **infrastructure** were deemed important for the agribusiness sector, such as the Roads sector strategy, where reference is made to improve de rural transport infrastructure (2006-GoM-MOPH-ANE), the Decree 7/2010, of February 17th, eliminating the tax on power for irrigation purposes. These and other regulations were also taken into consideration in the interviews to complete the present literature review. A

presentation by the Ministry of Public Services, through UTRESP – Technical Unit for the Reform of the public Sector- (2009-GoM-MFP-Apr) also provides a good overview of developments in the dialogue with the private sector.

4.2. The Studies and other documents

The Academy and Consultants have undertaken surveys and studies on the policies and regulatory business and agribusiness environment, presenting a view that is different from that of the government agencies and sectors. The following review highlights, however, that there is a close relationship between them and that there is a predisposition for dialogue from both parties, although at times unstructured.

A study on the business environment in Mozambique (CTA-2004) was conducted in 2004, covering 99 companies (unfortunately 2/3 of them in Southern Mozambique, not in the higher agricultural potential areas in the Central and the Northern regions) and an extensive review of business related legislation. If somewhat outdated, as some of the recommendations were already satisfied, this certainly is a very important document, particularly because of the detailed legislation review and systematization of steps needed to be taken by new and existing companies.

An USAID-funded study on the **tax system** was also conducted in the same year (Nathan-USAID-2004), providing a long list of recommendations to improve effectiveness, efficiency and fairness of the tax system, covering topics such as tax complexity, tax rate, tax base, cash-flow costs, tax administration public dialogue, as well as concerns of the (un)fairness in the system. This study has a broader diagnostic on trade integration companion study (USAID-(Nathan)-2004). As the title says, it focuses on trade. The first volume includes a 20 page action matrix. These dedicate a major attention to the business-enabling environment, but also recommends on fields such as trade facilitation and investment and includes sector specific measures. For the agricultural sector, 10 recommendations cover 7 issues, from the approval of a consensual sector policy to the creation of a data base on available land.

A PARPA II tax reform review was then conducted in 2009 (Nathan-USAID-2009) where substantial improvements were recognized. The chronology can be compared to that of legislative pieces compiled in the present review. The PARPA II review notes, while recognizing that “[t]here is little scope for revenue gains through further tax policy measures”, also notes that “[s]everal objectives, however, are still works in progress. These include integrating tax and customs information systems; tax collection via the banks; improving audit revenues relative to total revenue; modernizing tax administration; and implementing tax courts”, and also that there is “great potential for increasing revenue by broadening the effective tax base, allocating AT resources more efficiently, and facilitating taxpayer compliance through further measures to modernize tax administration.”

A study commissioned by Austrian cooperation institutions VIDC and ADA (ManndorffH-ADA-2005) also draws to a large extent on the above mentioned studies, but puts more attention to the business environment in Sofala Province.

Several documents and studies sponsored or commissioned by CTA systematize recommendations to improve the agribusiness competitiveness environment. This review draws attention to two of them.

First, the discussion papers for the **2006 Annual Conference of the Private Sector** (ChitaraS, ed.-CTA-9CASP-2006). These discussion papers cover topics such as land, development banking, transaction costs in strategic value chains, SMEs, fiscal policy, labour policy, including minimum wage and labour dispute resolution, accounting systems, business environment, bankruptcy and competition legislation and the commercial code. The papers presented,

sometimes with conflicting views, reveal the need for continuing debate within and among the private sector and also highlights the need to have a mechanism of dialogue that can gradually add up concerns and issues into an evolving agenda to address in order to improve the agribusiness competitiveness.

The second document is more specific (Technoserve-XICASP-2008) on Competitiveness in Agriculture in Mozambique, presented to the **2008 Annual Conference of the Private Sector**. This a 78-slide presentation with a detailed review of the current situation of the sector, the business environment, investment trends and a systematised set of recommendations for both the public and the private sectors.

The topics covered are: (1) private/public partnership development; (2) market access; (3) access to funding; (4) integration of small scale farmers into the value chains; (5) access to natural resources; (6) production systems and productivity; (7) access to agricultural inputs; (8) infrastructure; (9) agro-processing; (10) quality standards and norms; and (11) global market regimes.

It is known that 75% of the economically active population in Mozambique has an informal – un-registered – activity (INE-GoM-2006). The informal sector is viewed as a major force of internal competition and conditioning the overall competitiveness in the regional market. It is also assumed that the regulatory business environment is a necessary condition to attract the informal sector to the formal side. Indeed, the dynamic in the formalisation of the informal sector may be used as an indication of the friendliness of the business environment, with impact on the tax base, market information and competition field levelling. With that in mind, Krause et al., from the German Development Institute, in partnership with the Ministry of Planning and Development and *Cruzeiro do Sul*, an independent research institute, conducted in the first quarter of 2008, a survey with 200 interviews in Maputo, Beira and Nampula, to assess “...the role of the regulatory business environment in supporting formalisation and development of micro, small and medium enterprises”. An extensive literature review was also conducted to evaluate the gaps and constraints in the business environment. Note that this was **after** the adoption by the GoM (February, 12th, 2008) of the **Strategy for the Improvement of Business Environment** (GoM, 2008May) reviewed above in detail.

The authors define and rank formality and present the results of perceived obstacles for business development, not just to formalisation. It results that the main obstacles to development were found to be **(a)** infrastructure of transport and energy, **(b)** access to and cost of credit, **(c)** access to a location and **(d)** availability of capable human power. The study found that for the first and last level of formality, the administrative burden plays a role, particularly those related to inspections, fines, etc., but that it would not affect business development of enterprises that have acquired and *alvará* and obtained a *NUIT* (tax number). Hence, the study cautions about taking too strictly the **Doing Business** methodology oriented recommendations, suggesting a broader view on the business environment. The study cites an important example related to competitiveness, referring to quality and safety of products sold – one of the main targets of inspections, where it would be negative to reduce regulation and inspections, i.e. the administrative burden.

The study also shows that the regional distribution of priority obstacles is variable. It would be necessary for a competitiveness strategy to take into account the differences between regions, and probably have different agendas and actions plans for different regions.

Other studies and documents on **trade**, including regional integration, and on **access to capital**, were also reviewed and compiled in the course of this review. A table was prepared summarising the topics highlighted in other reviewed documents. (see Annex).

4.3. The Results of the Interviews and Focus Groups discussions

In reviewing the literature it was realised that a sudden accumulation of studies on the business environment after 2004 resulted in dozens of recommendations to improve the situation, some of which contradictory, with impact on competitiveness in the agribusiness.

A review of the AgCLIR diagnostics of Nigeria (USAID-2009-AgCLIR-Nigeria_Ag), Senegal (USAID-2009-AgCLIR-Senegal) and Tanzania (USAID-2010-AgCLIR-Tanzania), showed that, while a complete set of recommendations can be drawn from the AgCLIR diagnostics, they can be more or less focused, depending on the situation in the ground.

It was evaluated that Mozambique would benefit from a focused and a regionalised approach, as there is a predisposition for dialogue, a low level of agribusiness development and a differentiation in conditions across the country.

To get an insight on the possibilities of performing such thematic concentration and differentiation, a first round of interviews, limited in number but broad in coverage, was done in Nampula and Manica, with the assistance of AgriFUTURO field staff. Based on known constraints and gaps, the visits to Nampula and Manica aimed to collect main guiding issues to be addresses in a national strategy for agribusiness competitiveness.

In Nampula, the interaction involved mainly 9 people and, in Manica, 6 people, and the attendance to a meeting of an association.

In Nampula, the main results were that priority should, *currently and in the near future*, be given to:

- a) The development of a **business culture**, assisting emergent farmers and input suppliers of specific value chains in developing business plans and improving their bargaining power in relating with their clientele, financial and government institutions.

The preparation of business plans is usually seen as a requirement of banks and sources of funding and they are not used primarily as a guide for the whole business. Nampula has already a good base to get advice on technical as well as legal matters for agribusinesses. It seems that knowledge management may perform an important role to make agribusiness an important drive of Nacala Corridor development.

- b) The **horizontal linkages**, i.e., *fora* of similar producers in terms of core activity and size.

The recognition that the competitiveness of the national agribusiness system will gain from strategic collaboration is not generalised. It is recognised for limited purposes, such as to get access to funds or to get a better priced product. Professional associations and platforms would boost the exchange of knowledge and improvements in the overall dialogue environment.

There is local experience with cashew and tea **branding** in response to end-market preferences. The requirements to get access to a brand in terms of quality are also well accepted. Persevering and nurturing linkages with end-markets will help competitiveness of the local agribusiness.

- c) The **vertical linkages** of farmers, from input related service providers to traders, and from these to the global market, namely in what refers to concessions and contract farming.

Nampula and Zambézia have a long history of concessions in the cotton and tobacco value chain and of regional demarcation of priority crops. An intense, at times bitter, competition occurs among traders of small-farmers produce. This as two sides – on the one hand, the enforcement of the concessions encapsulates in the policing of produce

circulation in the borders of the concessions, with disregard for the effectiveness of the assistance provided to farmers and also in invasive or retaliation actions by the holders of the concession. On the other hand, it created the tradition of linking the farmers to a trader, who also is a supplier, since early in the season, Reliability and quality, as well as long term sustainability may be generated through these vertical linkages.

The issue is also valid when looking further in the chain, that is, product certification and transport and port handling.

- d) The **quality** of products, starting from the seeds and genetic material, changing the supply chain approach to a value chain approach, i.e., taking the end-market first.

It all starts in the table of the consumer, be it domestic or abroad. But the current drive is to produce as much of possible irrespective of quality and then ask for traders to come and buy, with little capacity to bargain in the price. Groundnuts as sesame have their seeds degenerated and in need of replacement. Cashew also suffers from age and variety limitations. Seed production contract farming and seedling greenhouses are promoted, and the use of improved technologies and adequate access to credit may leverage opening grounds for contract farming and possibly to make viable *empresas de fomento*. Currently, seeds and seedling quality certification is limited, while there are initiatives to improve existing lab facilities.

- e) Trade information.

Local **production and trade** related **information** exchange is already done. There is, however, ample room for improvement, to include information about global markets and influence infrastructure development, agro-processing and warehousing and transport planning.

In Manica, the identified *current and near future* priority issues are:

- a) The **cost of capital**, particularly in terms of interest rates and adequacy of financial products for multiannual crops.

There are several sources of finance for agriculture. As for the commercial banking operations are concerned, considering the risky nature of the activity and the low profit margins, and although lower than for other sectors, the interest rates of credit for agriculture are still high in the range 18-24% p.a.

Some funders have agreements with commercial banks whereby some conditions are set forth in terms of controlling the interest rates. Some agree on a fixed rate (10% is the agreement BCI-USAID). Some are indexed to the FPC (Permanent Credit Facility, in substitution for MAIBOR), which currently operates at rates of 14.5%. There is, in fact, an exception for exporters, for whom interest rates are indexed to the LIBOR, amounting to around 6% (2005-BancoMoc-GoV-20May). This issue require a concerted effort among funders and the agribusiness, and the Central Bank.

- b) Access and security of **Land Tenure**.

The issue is regularly discussed in the dialogue between the Government and the Private sector, studies have been made and recommendations have been produced. Positive developments have been seen from the side of the government agencies. A basic issue, however, is the delay with which DUAT requests and claims have been treated. This can be particularly difficult for foreign investment related and or large scale operations. At least in one case, in Manica, while the Government commit itself to clear DUATs in 90 days, a request is delayed for 1,5 year. Also, the size of land

holdings need to be related with care, noting that even if only 15-17% of agricultural land is in use, that does not mean the remaining 80% plus is available.

- c) Assisting farmers in **accessing benefits** that are or will be legally approved, particularly those oriented to cost reduction in the adoption of more productive technologies, such as irrigation.

From time to time, and as a result of advocacy and the dialogue between the Government and the Private Sector, measures and legislation are put in place to benefit the development of the agribusiness. A recent example is the exemption of tax on power to irrigation schemes. The Code of Fiscal Benefits also offers grounds to substantially reduce the costs of agricultural investments. The dissemination of both the information and knowledge about the right procedures to be followed would impact upon the agribusiness competitiveness.

- d) The **horizontal linkages** of farmers with different sizes and levels of expertise and knowledge of the market, by the way of assisting emergent farmers with mentor responsibilities.

Like in Nampula, horizontal linkages which do not preclude local competition are recognised as an advantage to improve the bargaining power of the agribusiness system. Apart from developing associations, specific programmes, like the one of mentor farmers in Manica, may also assist in reaching levels of standard fulfilment to the benefit of the whole value chain.

- e) **Transport and trade information**, between the farmers and other intermediate operators, such as railway and seaports.

As in Nacala Corridor, the Beira Corridor is privileged in terms of transport and communications. However, the prompt circulation of information is much appreciated. In a meeting in Messica, the presence of a representative from the Beira Seaport manager provided, inter alia, information on shipping time, cold room facilities and bulk cargo facilities. Although it is recognised that not all information is of use to all operators in the value chain, there are some that could and should be widely spread.

- f) Develop **public-private partnership** to deal with regional integration, particularly in what refers to the settlement of SPS issues.

Currently, South and Zimbabwe have banned fruit imports from Mozambique on the grounds of SPS, specifically the fruit fly. There are, however, options that could be followed to limit the impact of such position and which should be negotiated with the assistance of the governments. This is just an example of how effective a partnership could be in improving the sustainability and competitiveness of an emergent agribusiness in Manica, taking the advantage of a physical presence of CEPAGRI, IPEX, and the Beira Agricultural Growth Corridor Initiative.

These observations raise the nature of public institutions and projects which will be dealt with in the next section.

It is interesting to compare the priorities identified in Nampula and Manica with the Matrix for Agribusiness of the Confederation of Business Associations – CTA. The identified issues in this matrix are:

- Energy for the agricultural sector;
- Zoning of land;
- Advanced Agrarian Development Areas;
- Quality standards;

- Factors and production costs;
- PROAGRI II – delivery of public services;
- Funding; and
- Public-Private partnerships.

It is expected that the process of discussing this review with focus groups will assist in further systematise the priorities in these and other regions.

5. THE INSTITUTIONS

Institutions play an important role in shaping the business environment and, ultimately, the agribusiness competitiveness.

We suggest a simple typology, given the state of development and specificity of the field at hands. We suggest that institutions be classified under either facilitation institutions, those with a role of promoting development and linkages for value chain oriented agribusinesses, and Regulatory Enforcement, those in charge of enforcing laws, regulations and standards. Some of them may have a dual role, as certification may work to facilitate as well as to enforce norms, standards and legislation.

5.1. Facilitation institutions

5.1.1. Government institutions

The main institutions we listed under this item dedicated to basic technology support were that of Research (IIAM, Agricultural Universities and Colleges: UEM, UNILÚRIO, ISPM and ISPG) and Extension.

The selected institutions dedicated to promote business development and specifically agribusiness are CEPAGRI, FDA – Fundo de Desenvolvimento Agrário, INCAJU and IMEPE.

ICM and IPEX were listed as institutions to promote trade, both domestic and across the border.

Some of them are represented regionally. More detailed information on these institutions can be accessed through their web pages or those of their parent ministries, although some are not updated.

CEPAGRI is the one organization that we chose to single out. It is worth noting the presence of CEPAGRI in the Central region of the country. This institution has a track history of value chain development, that of sugar, in the beginning and is sensitive to agribusiness. CEPAGRI is developing an Agricultural Credit Programme, which is expected to engage Participating Financial Institutions.

Note that with the partial exception of fruits, the commodities enjoying priority and support programmes do not coincide with the chosen value chains.

Although CEPAGRI concentrate a substantial money power and promote important initiatives and programmes to assist in the development of the private sector, their collaboration and coordination with similar institutions, like IPEX and FDA, is at times lacking. A general feature of these institutions is that their interface with the private sector of all sizes and dimensions is at will and not structured. To a certain extent, the existence of PSD programmes reflects this environment, to provide the private sector with a window to express their views and see their needs in services and exchange of information addressed.

5.1.2. Private Sector Institutions

Several private institutions contribute to improve the business environment and agribusiness competitiveness.

One that can be singled out is **CTA** – the Confederation of Business Associations – which integrates most of the formal businesses. They are organised into working groups per industry, and these working groups are guided by priority matrixes. Above we have described the issues identified in the Agribusiness working group, which are then broken down into expected results and information on the current status. It is interesting to note that the composition of the Chapter for Agribusiness is made-up mainly of agribusinesses operating mainly in the southern region of the country.

CTA is represented at regional level and Regional Conferences are held annually. A key factor to be represented in CTA is to be part of a business association, federation or union. The fact that CTA is the preferred interlocutor for the government in what dialogue with the private sector is concerned cannot be underestimated. However, at the present level of organization of the agribusiness, the intermediate levels – regional and value chain federations, unions, and/or associations - seem more realistic for most of the agribusiness organizations.

Most of the commercial banks (such as ABC, Barclays, BCI, BMI, GAPPI, FNB, Millenniumbim, Standard, UCL, etc.) are represented in the Mozambican Banking Association. Other banks are not known to have yet registered their membership under an umbrella organization. AMOMIF is an organization of Microfinance Institutions, some of them listed in MixMarket.com.

Both types of institutions are well represented at provincial level, if not at district level. Direct dialogue with these organizations is possible and may yield results tailored to the specific regional/corridor needs. Almost all of them have transactions with the agribusiness.

The existence of a dozen of parastatal Sector Development Funds create an alternative for start-ups although in several instances they compete directly with the private financial mechanisms, with much lower performance and have not a graduation criterion in place. However, an improvement in the performance of FDA and a new approach in the organization of FARE send positive signs for further collaboration.

Other private sector institutions that influence agribusiness competitiveness include private research institutions, market research companies and Corridor Development Companies and Initiatives.

5.1.3. Other Institutions

For the influence they have in the development of agribusiness, Private Sector and Farmers Associations Development programmes need to be taken into account. Several donors fund this type of projects and programmes, and there are becoming parts of an (unsustainable) supporting services network. Other programmes are implemented by international NGOs and PVOs that then adapt the programmes to their own agendas. Examples are ADIPSA, and projects managed by CLUSA, Technoserve, SNV, AGRA.

Most of them offer BDS and funding facilities and it is not rare to see competition, rather than collaboration, between with each other, with differences that are so slight that become unperceived by the end-users.

5.2. Regulatory enforcement institutions

These are mainly government institutions, linked to Ministries and autonomous bodies. Tax Authority and Customs inspections, Labour and Health, and quality related inspections, within the system of INNOQ, are oftentimes blamed as administrative burdens. However, it happens

that to the same tune that there are signs of corruptions, there are also unprofessional and irresponsible approaches by businesses that prefer to negotiate under-the-table fees rather than correct the problems detected by inspections, to implement legislation that protects workers and the public at large; and, sometimes, even abuse the importance that the government attaches to the private sector by behaving improperly and attracting harassment. Indeed, corruption has two sides, both powerful. And while the government is required to combat corruption and harassment by public service agents, very little effort is seen on the part of the private sector to auto-regulate in this matter.

There are some cases where umbrella organizations protect a brand or the access to an end-market, and, to that goal, undertake some enforcement measures against a non compliant member. These cases need to be properly disseminated and examples followed.

Civil society organizations also play a role in this respect. Labour unions collaborate to enforce regulations on labour, environmental organizations collaborate to enforce environmental legislation, PROCONSUMER and similar organizations, like the Association for Public Health collaborate to enforce legislation protecting the consumers and the public at large.

Mapping and securing the participation of these institutions in the shaping of an agribusiness competitiveness strategy is deemed indispensable, if the goal is to involve the society in the development of the agribusiness system.

5.3. How does the agribusiness environment in Mozambique compare with SADC and Sub-Saharan African countries?

Ranking a country's agribusiness system among potential competitors is a common practice. Although there are several methodologies to achieve this objective, in Mozambique the government revealed preference for the Doing Business ranking reports. The following table presents a summary adapted from Snodgrass-USAID-2008.

Table 1

| CHARACTERISTIC | DOING BUSINESS | GLOBAL COMPETITIVENESS | ECONOMIC FREEDOM | EIU BUSINESS ENVIRONMENT | GLOBAL ENTREPRENEURSHIP MONITOR |
|---|---|---|---------------------------------|--|--|
| Starting Year | 2004 | 1979 | 1995 | ??? | 1999 |
| Definition of business enabling environment | Private cost of gov. regulations. 10 topics | 12 "pillars" of competitiveness | 10 measures of economic freedom | 10 criteria or categories | Regulations affecting new or growing business |
| Source of information | Local lawyers and accountants | Published statistics - executive opinions | Published statistics | Published statistics. Analysis. Forecasts. | Survey of at least 2.000 individuals per country |
| Type of measure | Cost in money and time | Scalar ranking | Scalar ranking | Scalar ranking | Scalar ranking |

Source: adapted from Snodgrass-USAID-2008.

In all indexes, according to their latest reports, Mozambique overall ranking is low:

- Doing Business 2010: 135 of 183, in SADC ranks higher than Zimbabwe, Angola and RD of Congo (WB-IFC-2009-Doing Business 2010-SADC).
- Global Competitiveness Report 2009-2010: 129 of 134, in SADC ranks only higher than Zimbabwe (Sala-i-Martin, X. et al.-WEF-2009).
- Index of Economic Freedom: 111 of 179, above Malawi, Angola, RD of Congo and Zimbabwe, as is classified as "mostly unfree" (HeritageF-WSJ-2010).

The following figure provides a snapshot of the Mozambique rankings and its evolution, according to different indexes and methodologies.

| # | Indicator | Rank | | | | | Scale | Score | | | | | | | Trend over past year ¹ | |
|---|--|-------------|--------------|--------------|--------------|--------------|--------------------|-------|------|------|------|------|------|------|-----------------------------------|------|
| | | 2010 | 2009 | 2008 | 2007 | 2006 | | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | | 2003 |
| 1 | Business Environment Index EIU - Global Outlook Report | | | | | | 1-10 | | | | | | | | | |
| 2 | Control of Corruption Indicator World Bank Group | | | 132 (202) | 128 (201) | 127 (201) | -2.5-2.5 | | | -0.6 | -0.6 | -0.6 | -0.6 | -0.7 | -0.7 | ↔ |
| 3 | Regulatory Quality World Bank Group | | | 131 (202) | 131 (200) | 132 (200) | -2.5-2.5 | | | -0.5 | -0.4 | -0.5 | -0.6 | -0.5 | -0.4 | ↔ |
| 4 | Country Credit Rating Institutional Investor | | 131 (178) | 114 (174) | 112 (174) | 115 (173) | 0-100 | 27.4 | 29.0 | 28.5 | 27.1 | 25.7 | 23.4 | 19.8 | ↓ | |
| 5 | Index of Economic Freedom The Heritage Foundation and the Wall Street Journal | | 113 (179) | 104 (157) | 109 (157) | 131 (157) | 0-100 | 55.7 | 55.4 | 54.7 | 51.9 | 54.6 | 57.2 | 58.6 | ↔ | |
| 6 | Political Risk Rating (ICRG) PRS Group | 55 (140) | 60 (140) | 63 (140) | 63 (140) | 66 (140) | 0-100 | 70.5 | 69.5 | 69.5 | 69.0 | 68.5 | 64.5 | 63.0 | 63.5 | ↑ |
| 7 | Doing Business Ranking World Bank Group | | 135 (183) | 140 (183) | | | 1-183 ² | | | | | | | | | |
| 8 | Quality of National Business Environment Ranking World Economic Forum - Global Competitiveness Report | | | | 121 (127) | 101 (111) | 1-127 ² | | | | | | | | | |

View Comparison Chart

Notes:

Please Note: As each of these rankings is collected and published on a different schedule, we associate the data with the year it was published. For Doing Business, the data is also associated for the year it was published (not the year of the report). For example, the data for 2007 was published in 2007 (yet from the Doing Business 2008 report).

¹An up/down rating requires a change within the last 2 years with available data of at least 1%

²These two sources only provide rankings, not an underlying score. We do not report trends for these two, as trends on rankings cannot be compared with the trends on scores.

Figure 5: Mozambique Business Environment Snapshot.
Source: WB-IFC-2010-Business Environment Snapshots: Mozambique

When putting this review into perspective, even if some improvement can be made in the above mentioned indexes, the issue seems to be that the national agribusiness system is still very weak, build upon a weak entrepreneurship culture foundation. It seems that what is needed is to go back to basics. Re-educate and promote an entrepreneurial mentality on the basis of the existing successes and role models, by exchanging experience and learning from each other and from entrepreneurs of competing agribusiness systems; a mentality that can take advantage of careful knowledge of the environment to a point to be able to influence it, and take full advantage of the achieved developments. A mentality that nurture planning for success and to overcome obstacles.

Agribusinesses seem to be in need of help to build an array of knowledge centres – sometimes individual farms and companies – as well as broad-based learning networks, to understand and learn to recognise the moving border between the interests of domestic competition and rivalry and the advantage of collaboration between those competitors to achieve competitiveness of the national system they operate in. The value of alliances, partnerships, organization, dialogue and perseverance is what can be learnt from the literature review and institutional scoping. And this is a goal well within reach for AgriFUTURO to grasp and make sustainable.

6. RECOMMENDATIONS ON THE CATEGORIES AND ISSUES OF THE COMPETITIVENESS STRATEGY TO BE DEVELOPED

Based on the literature review and field staff interviews, some recommendations can be drawn to the benefit of the competitiveness strategy formulation.

- 6) **Field staff and agribusiness managers should be involved in the strategy formulation from the very beginning in the process.** There are a number of ongoing initiatives to promote Private Sector Development at large, and agribusiness development in particular.

The present status of development prompts for a vast array of activities to address the constraints and gaps and it is easy to develop an action plan that becomes intractable because of its extension, variety and management requirements. Field staff and agribusiness managers would assist in identifying the top priorities. Provided that these priorities will remain so for the near future (2-3- years), a list of such priority objectives will benefit from being kept short.

- 7) ***A formal agribusiness gap analysis, using a good practice methodology, such as CLIR, should be done as a first stage of the competitiveness strategy formulation process.*** As mentioned above, a host of gaps and constraints are already identified in the agribusiness system in Mozambique. Their systematization under a generally accepted framework would not only support the setting of priority issues of concern to the agribusiness managers, but would also put into perspective those issues that need to be postponed. That is, in analysing the formulated strategy, the reader needs to be informed that non-prioritised issues were identified but are not included in the main goals for a reason. An AgCLIR diagnostic for Mozambique should then be part and parcel of the national agribusiness competitiveness strategy formulation process.
- 8) ***The strategy should be adjustable to different priorities per region.*** Although it is recognised that there are issues that are relevant at national level, the fact that the agribusiness development approach adopted in Mozambique combines value chains with clusters (particularly the Nacala and Beira Corridors) needs to be reflected by way of designing action plan(s) that consider the most urgent and persistent gaps and constraints in each of the corridors. As an example, reliability of supply and quality of produce is a priority in all regions, but the gradual replacement of the concessions culture (practiced in cotton and tobacco but influencing other crops) by contract farming, auctions and other vertical relationships, more in line with competition field levelling, is a priority for Nampula but not as much for Manica.
- 9) ***Horizontal linkages and a structured collaboration and partnership with government institutions, should be a key issue in the national agribusiness competitiveness strategy.*** Initiatives, programmes, projects, legislation and dialogue combined have developed a wealth of knowledge and resources that need to be harnessed to leverage the agribusiness in Mozambique. They remain, however, disperse and access to it is not straightforward. It is then recommended that a knowledge management approach be adopted in formulating the strategy to achieve a steady development of a competitive agribusiness system in Mozambique. A direct result of this approach should be the system-wide application for fiscal and other cost reduction opportunities. While domestic rivalry is a positive factor, prompting for ease of entrance and closing of businesses as well as for innovation and technology adoption, issues that are dealt with in the general business environment, the value of collaboration among agribusinesses will strengthen the competitiveness of the national system, vis-à-vis other national systems. Solid regional professional associations and unions will better participate and have a stronger voice in higher level federations and confederations, such as CTA, and a more relevant and effective collaboration with government of public-private institutions and partnerships.

It is a well established fact that the regulatory business environment affects the competitiveness of the system. It is then to the advantage of the private sector that government institutions that can become preferred partners for the agribusinesses, such as ***CEPAGRI, IPEX, FDA, IMEPE and the Extension Services***, benefit from added capacity, with adequate and trained staff and resources, both a central and at regional level. Secondment may well be an initial stage to gradually have a better two-way communication between government and private agribusiness.

- 10) We recommend that additional key areas to focus in the national agribusiness competitiveness strategy should include the following:
- a) **Quality based seed production and availability.** Quality seed and seedling production and availability are already seen as key issues in agribusiness development. These issues deserve a continued effort, by improving the role of agribusiness in the agenda setting of the National Seeds System and commodity specific institutions such as INCAJU and the choice of services to be delivered by the extension workers, such as training on produce grading. Service providers, such as input suppliers, traders, agro-processors and end-market wholesalers and retailers, both for domestic food security and export, should have a say in this exercise. Some seeds are becoming degenerated (sesame, groundnuts), other are more adequate for subsistence farming, some varieties will need more fertilizers than others, but both are needed, and some contribute more for the competitiveness of the agribusiness system than others.
 - b) **Vertical integration and service provision.** Value chains will benefit from an improved vertical integration in both ends of the chain, from farmers to traders, and from exporters to global markets. The agribusiness competitiveness strategy might benefit from activities to promote, among agribusinesses, contract farming arrangements and monitoring of futures stock exchanges in neighbouring countries, to gain experience on contract enforcement, reliability and timeliness of supporting service provision and markets.
 - c) **Land management service provision.** Land is surely a sensitive and highly politicised issue. There are, however, commitments by the government and there is room to reduce the costs in acquiring and securing land rights. The implementation of such commitments, such as the 90 days limit to get a response to an application for a DUAT, should deserve attention in the strategy. Together with the planning of implementation of some of the measures already being advocated (Bruce-Nathan-USAID-2007; CTA-access 2010-Aug), actual land use and development should remain a trust of the farmers. Irrigation equipment and infrastructure should deserve financing facilities.
 - d) **The certification support infrastructure.** Seed quality certification and produce quality and safety certification will have impact on productivity, profitability and on trade across the border. There is already some laboratory infrastructure to support this objective and an effort should be that agribusinesses resort to such facilities regularly and receive a reliable and expeditious service. As already demonstrated in Nampula, with the partnership with UniLurio partnership, laboratories need to be operated by independent institutions which follow the approved standards and norms and that can be recognised by both the regulations enforcement institutions and the end-market as providing an unbiased judgement on quality and safety.
 - e) **The cost of capital.** Resorting to work already done by the Agribusiness Chapter of CTA (CTA-access 2010-Aug), on the creation of a risk-capital for agribusiness, managed in a credible way, and performance based access, is recommended as a priority activity. Together with a more flexible policy with respect to T-Bills, this initiative has a great potential to impact upon the business environment in the near future. This would also ease the political pressure to include targeted and subsidised credit in agribusiness programmes and projects, and the option of applying subsidies to equalize interest rates may also be considered (CastroER&TeixeiraEC-UFViçosa-EAAE-2005).

- f) **Market information and Trade facilitation.** Reducing market information asymmetry will improve competitiveness and trade facilitation will leverage the capacity of national agribusiness in accessing across the border markets. Regular general and specialised information on monetary markets, prices, warehousing and transport capacity and operators is to be made accessible both to the general public and agribusinesses, preferably free-of-charge. There is already a good basis on which to build, like *SIMA* and *INFOCOM*, being more aggressive in reaching the intended target, using both traditional media, like radio and TV, and mobile phones.

Dissemination should also include available information related to global market integration such as rules of origin, trade protocols and calendar of regional and global events. In collaboration with IPEX and CEPAGRI, it would be beneficial to ensure a regular participation of agribusinesses across the country (not only from Maputo or CTA) in international fairs, symposia and conferences.

7. CONCLUSIONS

The present report summarises the literature review to support the process of formulation of an agribusiness competitiveness strategy. While major and more frequent issues addressed in the literature were identified and an exercise was undertaken to assist the formulation mission in focusing on those that have the potential to earn the most benefits in the short and medium term, the goal shall be to set up a framework that allows for regular (2.5 to 5 years) review of a limited number of priority issues to be addressed by the strategy, which is recommended to be formulated in collaboration with interested parties.

It has been shown that there is a substantial interest from the government to respond to the concerns of the private sector. The internal coordination has an ample room to improvement.

It is was shown that it is now the time to concentrate efforts to promote a better organisation and collaboration among the agribusinesses, under a knowledge management approach, as they are the ones who matter the most in any competitiveness strategy.

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