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# Trading Across Borders in Mozambique

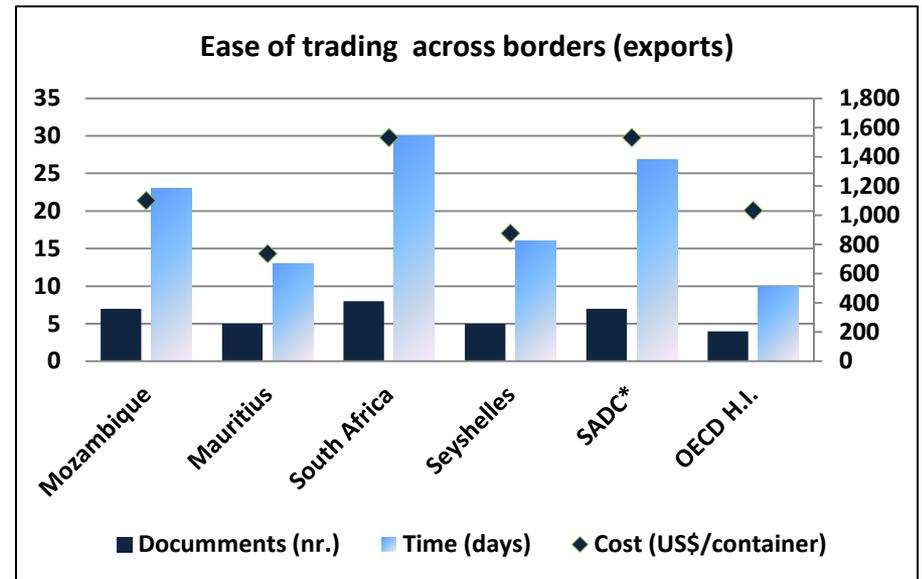
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**Maputo,  
August 2012**

# Ease of trading across borders

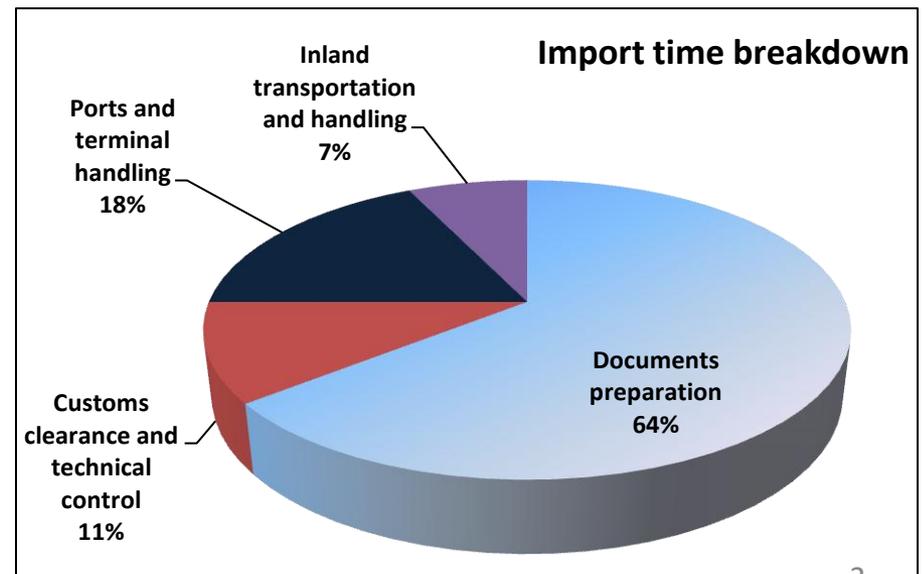
## Ease of exporting

- The number of documents required to export is two times higher than in Madagascar and Seychelles;
- It takes 23 days against 13 and 18 in Mauritius and Tanzania;
- The cost of exporting is above the OECD average and 2 times higher than in Mauritius.



## Ease of importing

- The number of documents required to import is two times higher than Seychelles and Tanzania;
- It takes 28 days against 13 in Mauritius;
- The cost of importing is above the OECD average and 3 times higher than in Mauritius.



## Background

1. Scanning is a modern technology used for non-intrusive customs inspections aiming at:
  - Enhancing security;
  - Ensuring revenue protection;
  - Controlling of contraband;
  - Facilitating trade by speeding up the customs clearance process.
2. In Mozambique scanners were introduced in 2006;

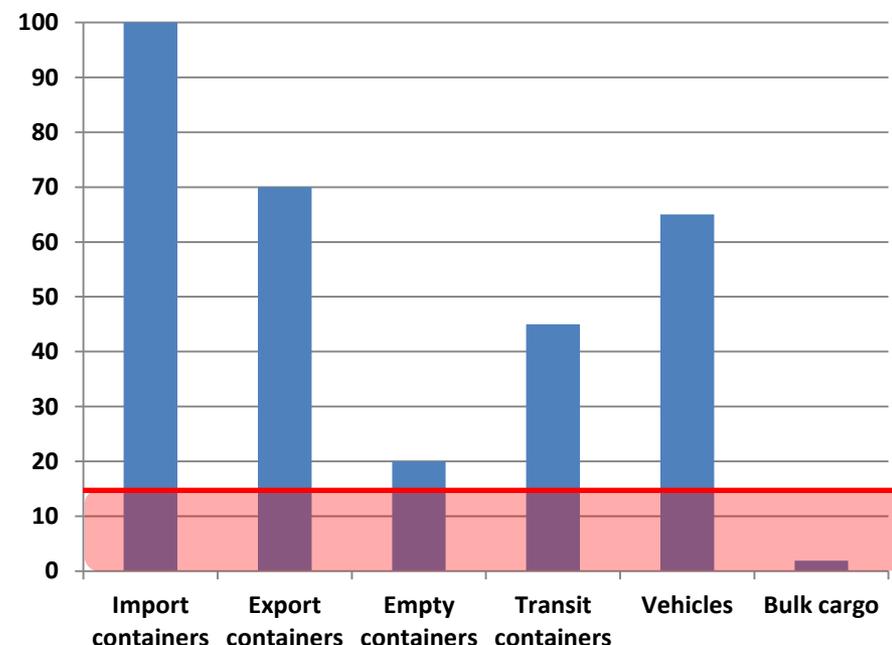
## Key concerns

### 1. Scanning charges

Scanning charges in Mozambique are extraordinarily high;

Argument behind that:

- High cost of procuring and operating the scanning equipment;
- The concession holder has to recover the cost of the scanning operations by charging a fee to the shippers.
- Need of subsidizing the installation of equipment in non-profitable areas



## Key concerns

### 2. Who pays?

- **All shippers pay:**  
Fees are levied on 100% of the shipments, including empty containers and bulk cargo, irrespective of whether the shipment is inspected;
- **Only shippers pay:**  
Treasury should bear at least part of the cost (public financing), since the decision of introducing scanners was driven by security and revenue protection concerns

## Key concerns

### 3. Who operates?

#### **KUDUMBA**

1. It is not an arms-length contractor because the ownership includes:
  - interests associated with the government;
  - persons involved in trade transactions;
2. The concession was not based in a competitive and transparent bidding;
3. Does outsourcing the scanning services lead to a reduction of the cost?

## What is PSI?

PSI is a control method for checking goods' quality and price while clients buy from the suppliers.

It was introduced in Mozambique in 1998

## PSI in Mozambique

1. PSI is mandated by law for specific commodities on the **“positive” list** (used vehicles, chemicals, pharmaceuticals, detergent, and some food products);
2. In general, it takes **15 days**;
3. Mozambique and Angola are the only SADC countries with PSI;

## Debate on PSI

1. Mozambican Customs believes PSI increases revenue collection by aiding correct valuation of imported goods;
2. No consensus within PS:
  - In general, PS advocate the elimination of PSI;
  - The industrial sector sees PSI as a protectionist mechanism.

## Recommendation

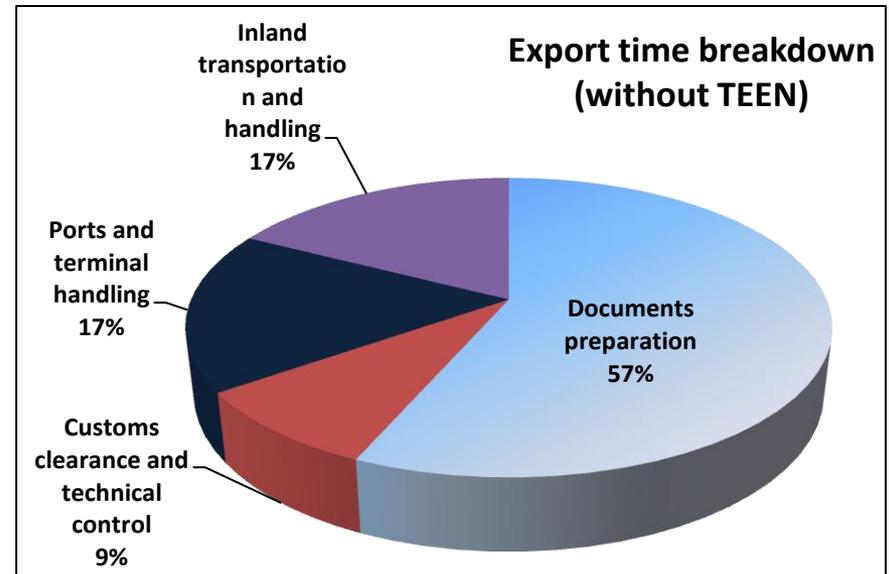
### Abolish the PSI

1. Why?:
  - PSI is a non-tariff barrier;
  - Valuation is a legitimate Customs responsibility and Customs should address the problem of undervaluation directly on all commodities;
  - An huge investment to improve customs services (capacity building) has been made in the last 10 years.
2. Exit strategy: Because of the significant reliance on PSI, phase out should be incremental, commodity by commodity, with clear deadlines;
3. Build inspection capability and capacity in Customs

# Port and terminal handling (TEEN)

## Why TEEN?

- Decongest the old terminal (Terminal Internacional Maritimo de Nacala);
- Improve the port terminal efficiency.



## Key concerns

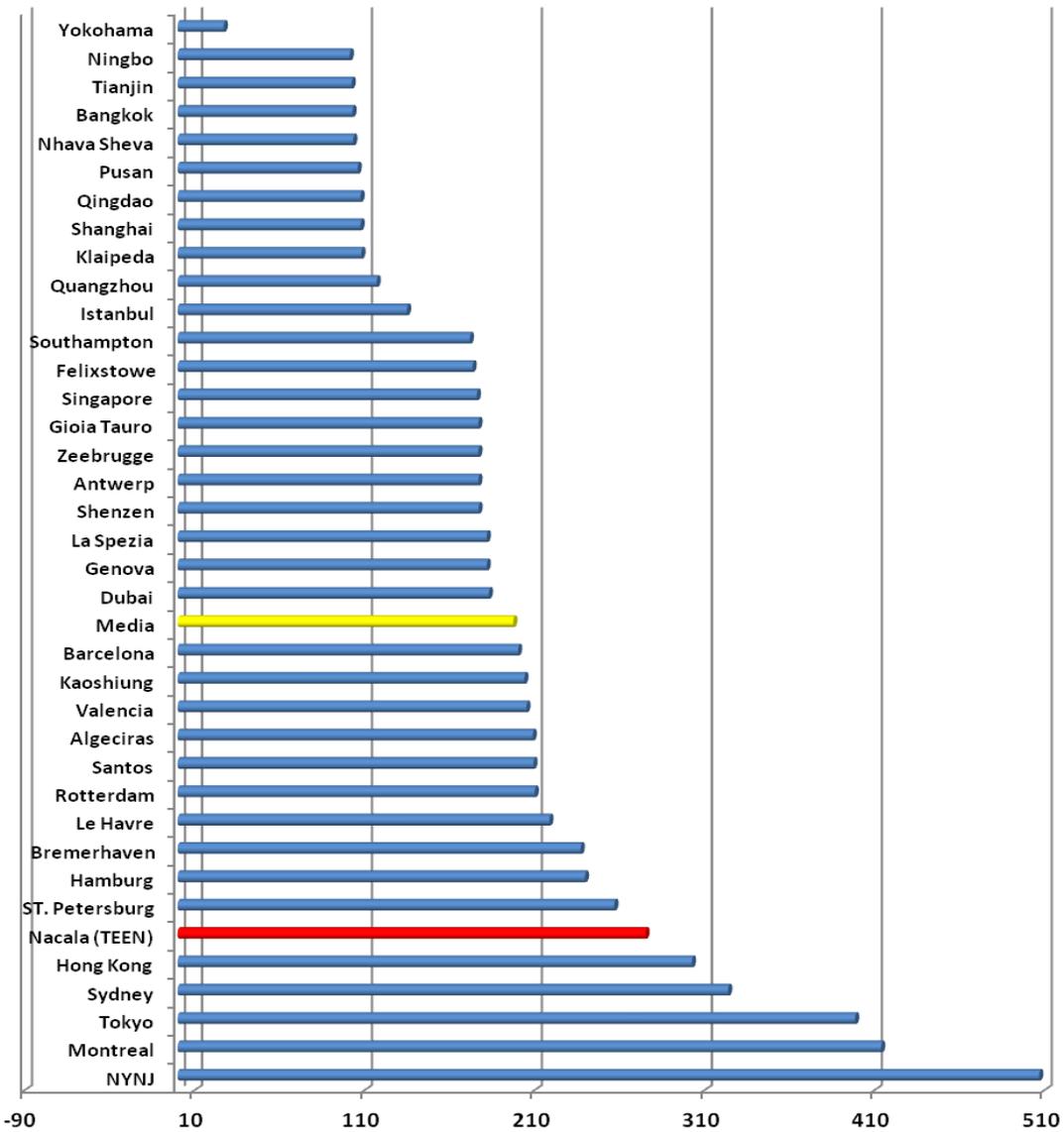
### Mandatory use of TEEN vs weak services provided

- Mandatory use for exports since January 2012;
- High terminal charges;
- Inefficiency (no minimums conditions required for terminals);
- Weak PPD
- The concession to NCL-Africa was not based in a competitive and transparent bidding;

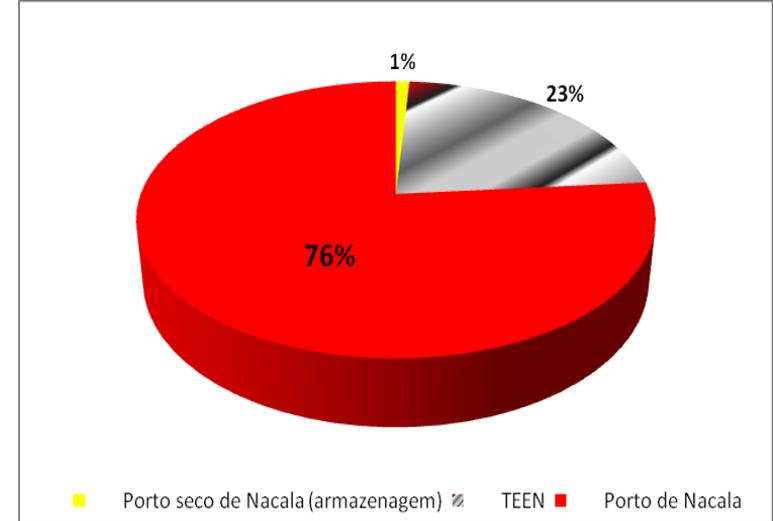
# Port and terminal handling (TEEN)

## Key concerns

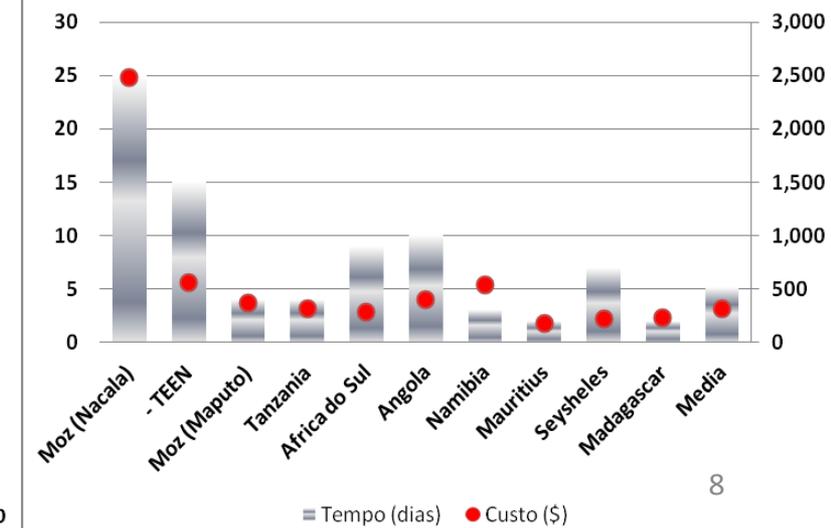
High fees and length of time



Estrutura de custos no manuseio portuário (Nacala)

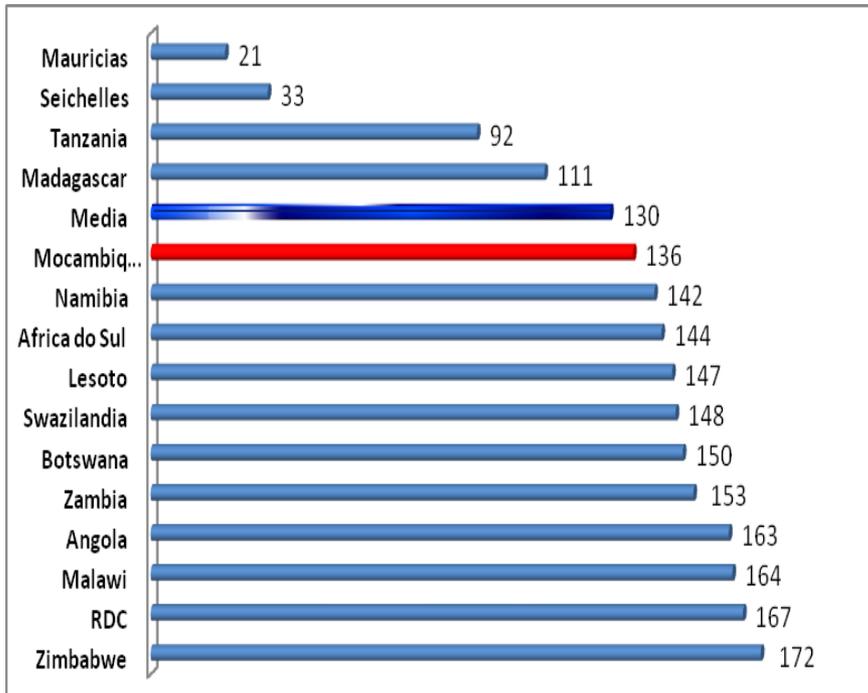


Manuseio portuário (incluindo nas terminais)

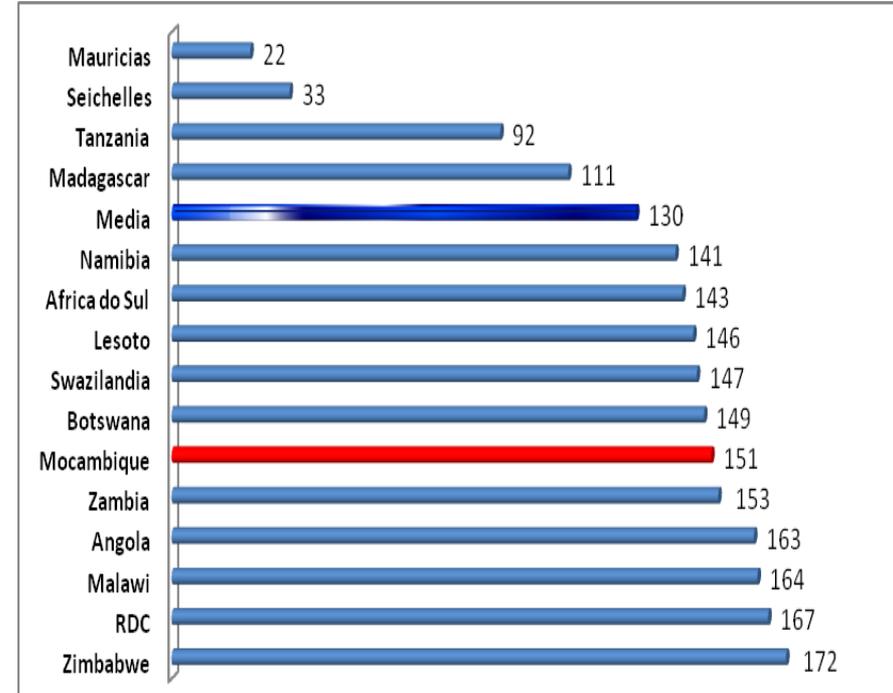


## Simulating the impact on Doing Business

DB 2012 ranking



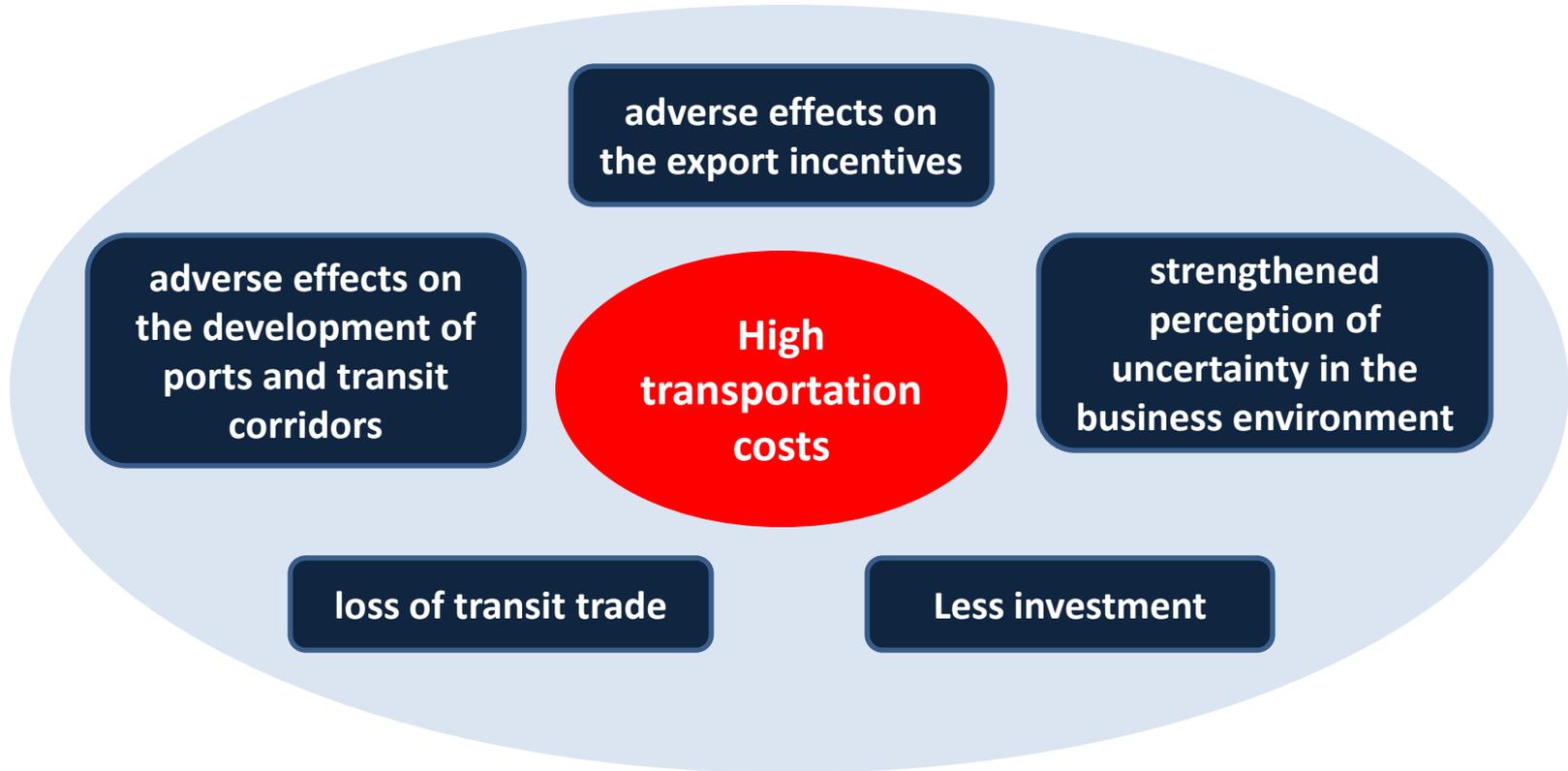
DB 2012 ranking – with TEEN times and costs



## Recommendations

- Liberalize the sector
- Increase the investment in port terminal (and other) facilities, if Mozambique is to become a regional hub

# Economic effects of high transportation costs



## Other issues being discussed under the PPD

- Diploma Ministerial 26/2008 that aproves the “Regulamento do Regime Aduaneiro Especial de Cabotagem”;
- Código Aduaneiro da SADC;
- Review of the “Regulamento do Desembaraço Aduaneiro (Diploma Ministerial 262/2004)”;

## Ongoing reforms

- Authorised Economic Operator;
- Single window (Janela Única Electrónica);

## USAID/SPEED support

- Internet Publication of all customs legislation, procedures and declarative models and customs management instruments;
- Pre-arrival processing: Provide simplified mechanisms to ensure the quick release of goods from clearance premises to operators' premises;
- Pre-shipment inspection.



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Maputo, Mozambique