



AGRICULTURE COMPONENT BRIEF | JUNE 2019

Facilitating Investment and Competitiveness in Agriculture

LIFE OF ACTIVITY

August 2016 through August 2020

TOTAL USAID FUNDING

USD 11.2 million

PARTNERS

Ministry of Agriculture and Food Security (MASA)

Ministry of Land, Environment, and Rural Development (MITADER)

National Cashew Institute (INCAJU)

Association of Cashew Processors (AICAJU)

Basic Seed Unit (USEBA) of the Agriculture Research Institute (IIAM)

Mozambique Institute of Cereals Management (ICM)

Confederation of Business Associations (CTA)

Commercial, Industrial and Agricultural Association of Nampula (ACIANA)

Reflection Group for the Land Consultation Forum (GRFCT)

Agriculture Donor Working Group (AgRED)

IMPLEMENTED BY

DAI Global and Nathan Associates

OVERVIEW

Agriculture contributes 24 percent of Mozambique's gross domestic product (GDP) and employs about 80 percent of the active labor force. Despite potential competitive advantages in climate, seasonality, and proximity to large markets, agriculture in Mozambique remains predominantly subsistence, with limited competitiveness regionally or internationally. Policy and regulatory issues create a drag on the agricultural sector, including market distortions in the cashew export sector, tax burdens on smallholder production, and insecure land tenure and weak land administration. SPEED+ works with counterparts to establish sound, non-distorting policy, legal and regulatory reforms and to build institutional capacity to create an enabling environment that facilitates private investment, creates jobs, and enhances the competitiveness of Mozambique's agribusiness.

GUIDING FRAMEWORKS FOR AGRICULTURE POLICY REFORM

SPEED+'s framework for agriculture policy reform is based on USAID's Feed the Future (FTF) priorities and the Mozambican agriculture development agenda expressed in the Strategic Development Plan for the Agriculture Sector 2010-2019 (PEDSA), the National Agriculture Investment Plan (PNISA) and Operational Plan for Agricultural Development 2010-2019 (PODA). The SPEED+ approach ensures that supported reforms are gender sensitive and eliminate barriers to women's successful engagement in private sector agriculture.

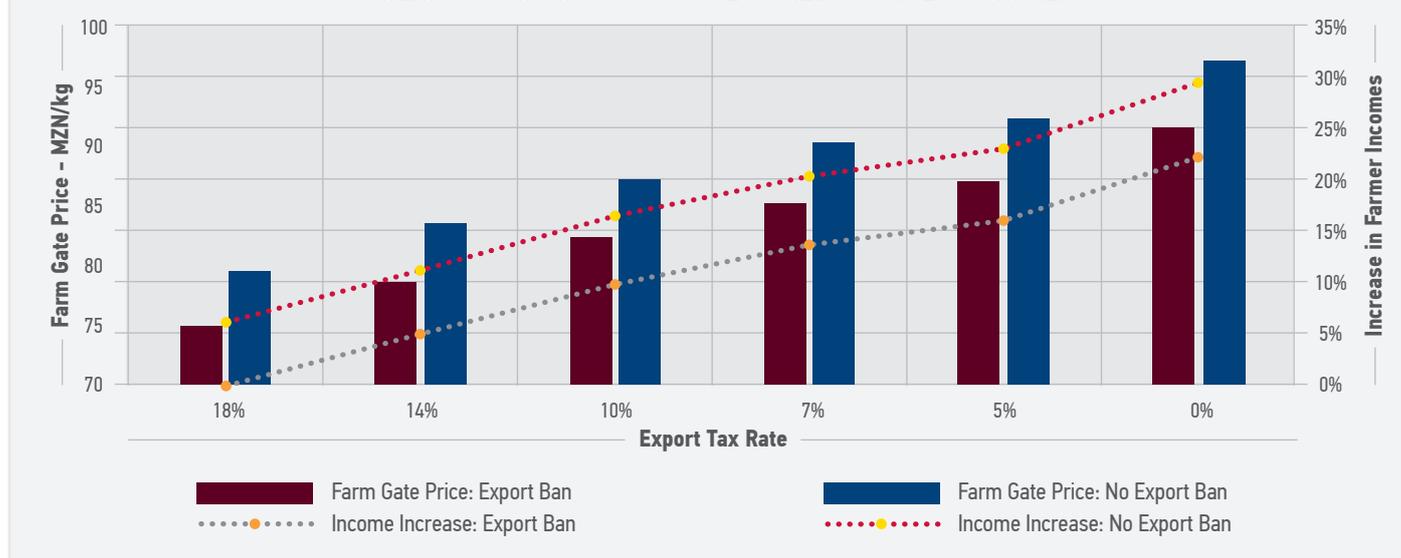
INCREASED COMPETITIVENESS FOR CASHEW SECTOR

The legal and regulatory framework for the cashew industry, particularly the 18% export tax on raw cashew nut (RCN), the peak season raw cashew export ban and the National Cashew Institute's (INCAJU) interventionist role, has limited the competitiveness of Mozambique's cashew industry for decades. SPEED+ collaborated with the government and private sector on two key studies: *Economics of the Cashew Sector* (focused on the export tax); and *Revision of the Cashew Regulation*. These two studies detailed how current policies and laws distort the cashew market, reduce the competitiveness of Mozambique's cashew industry and limit the expansion of cashew production. As a result, changes are underway for both the Cashew Law and Regulation.

Developed through an extensive participatory consultative process, the proposed Cashew Law revision agreed among most stakeholders mandates an immediate reduction of the export tax with complete elimination over 5 years. The Law remains under discussion, but the benefits to smallholder farmers of reducing the export tax and eliminating export restrictions are clearly shown.

The Cashew Regulation reform, fully approved and published as Decree n° 78/2018, shifts from using a mandatory minimum price to a reference price, eases the peak season export ban, and changes INCAJU's role from direct service provision towards regulation and coordination. These reforms improve the efficiency of the market system and create the right incentives for farmers to invest in production.

POLICY IMPACT ON FARM GATE PRICES & FARMER INCOMES



ADDRESSING TAXATION OF SMALLHOLDER PRODUCERS

The Autonomous Tax (Tributação Autónoma) is an automatic 35 percent tax levied on all purchases from sellers that are not registered in the tax system. This is a strong disincentive for formal sector agribusinesses to buy from most of Mozambique's 5 million unregistered smallholder producers. Through joint field research with the Tax Authority and CTA, SPEED+ has drafted proposals to exempt purchases from small-scale producers not able to issue invoices, and to add a clear definition of "small agriculture and livestock activity". The solution remains under consideration by the Tax Authority and SPEED+ will continue to educate stakeholders and promote reforms that facilitate agriculture sector development.

STRENGTHENING LAND TENURE AND LAND ADMINISTRATION

Creating a more liquid and secure market for land use rights is a necessary foundation for enabling agriculture investment and rural development. The land market is a highly sensitive political issue in Mozambique, and all of SPEED+ work is conducted with deep and broad public consultation and leadership from key stakeholders across government and the private sector. SPEED+ is supporting the Ministry of Land, Environment and Rural Development (MITADER) to improve land administration and governance of Land Use and Benefit Rights (DUAT).

SPEED+ has drafted an updated set of technical standards for assigning DUATs, addressing both individual DUAT applications (pedido) and systematic regularization of existing informal use rights (RDUAT). SPEED+ has also provided recommendations to inform new regulations on land use planning for DUATs that allow more flexibility to adapt land use to changing market conditions, eliminate DUAT revocations for minor land use deviations, and reduce opportunities for corruption.

SPEED+ also drafted two technical notes as a basis for developing regulations guiding community engagement: *DUAT Community Consultation* and *Community Representation Mechanisms in Land*. The findings will be explored during nationwide public consultations at regional, provincial and district levels led by SPEED+ trained facilitators from civil society, academia, private sector and government. Subsequent drafting of legal instruments will establish the processes for community consultation for land delimitation and for DUAT attribution from the community to a third party and outline the mechanisms of internal governance for community representation and decision-making. Ultimately, the regulations will help to ensure that investors and those seeking land title engage in meaningful consultations with local communities so that when DUATs are issued the agreements are considered valid and fair by all parties.

INSTITUTIONAL CAPACITY BUILDING

SPEED+ is building capacity for public institutions that play critical roles in agriculture market system development. Support to the Mozambique Institute of Cereals Management, the Agriculture Research Institute Basic Seed Unit, and the MASA Agricultural Market Information System help to align the institutions' structure and activities with the requirements of a market-driven, private sector-led agriculture production and marketing system. SPEED+ is also supporting the MASA Plant Protection Department to establish the legal and regulatory framework for phytosanitary management in line with international best practices and non-distorting trade principles.