



## ASSOCIATION OF EUROPEAN ENTREPRENEURS IN MOZAMBIQUE

Refª : 11/EuroCam/PCD/2022

Maputo, August 10<sup>th</sup>, 2022

**Subject: Economic Acceleration Programme**

*Dear Sirs,*

On August 9<sup>th</sup>, 2022, the Government of Mozambique launched the Programme of Economic Acceleration Measures (PAE). The Programme comprises a package of 20 reform measures focusing:

- Fiscal measures and measures to stimulate the economy; and
- Measures aimed at improving the business environment, transparency, governance and accelerating strategic infrastructure projects.

Of the 20 measures announced, 9 directly address the concerns and proposed solutions advocated for by Eurocam on its Matrix developed under the European Investor Support Platform (PAIE), presented and discussed with various government entities and in various public-private dialogue fora.

Below, we present, in parentheses, the corresponding point of our Matrix for each announced measure:

1. Reduction of the VAT rate from 17% to 16. On this point, EuroCam advocated the reduction of VAT to 15% (3.2 of the Matrix);

2. VAT exemption in the import of inputs for agriculture and electrification. On this point, EuroCam advocated the creation of tax incentives for specific activities such as agriculture by reducing fuel costs and stimulating quality; for industries that substitute imports, the reduction of fees for imports of raw materials that are transformed within Mozambique, reduction of port fees and the elimination of payment by the importer to Kudumba (4.1 of the Matrix);
3. Lowering the IRPC (company tax) rate from 32% to 10% in agriculture, aquaculture, and urban transport. EuroCam advocates reducing the IRPC to 20% for all companies to make them more competitive (3.3 of the Matrix);
4. Establish tax incentives for new investments in key sectors made in the next 3 years. EuroCam advocates tax exemptions or reductions for investments that enhance the creation of demonstrably skilled labour; encourages the government to be more pragmatic in approving investments made to transform domestic raw material and grant tax advantages for periods until the point of return on the investment made is reached (4.1 of the Matrix);
5. Improving the competitiveness of national airports and logistics corridors. On this point, EuroCam argues that the revision of Decree 53/2006, 26 December, and the proposed Decree Approving the Regulation of Maritime Cabotage Transport and the proposed Decree Approving the Regulation of Maritime Local Traffic Transport, should: i) promote integrated solutions, ii) reduce restrictions and iii) increase competitiveness in the logistics sector by removing the restrictions introduced; and iv) safeguard the principle of the protection of confidence and legal certainty during the updating of the legal framework (5. of the Matrix);
6. Stimulating local production of goods procured at scale by the State. On this point, we hope that during the adjustment of public procurement rules, EuroCam's proposals regarding the Tax Clearance Certificate will be considered. (2. of the Matrix)
7. Review the general visa regime for entry into the country, to promote greater flow of tourists and businessmen. The government's proposals here are in line with points 1.1 and 1.2 of the Matrix;
8. Adjust the Labour and Investment Laws to make them more attractive to foreign investor. Eurocam matrix contains concrete measures for the adjustment of the Labour and Investment Laws towards the achievement of the desired objective (1.2-1.7 of the Matrix). It should be noted that the draft Private Investment Law is in the process of revision and EuroCam is leading the preparation of the private sector position paper.
9. Greater simplification in the public administration architecture. EuroCam defends the reduction of bureaucracy and the number of intervening parties in the approval processes for national and foreign investments, as well as the harmonisation of the different diplomas that regulate the exercise of activity for APIEX-authorized Investors.

In addition to measures that respond directly to EuroCam's proposals, the government has presented other bold measures to improve the business environment:

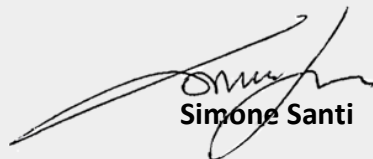
1. The creation and implementation of the Mozambique Sovereign Wealth Fund;
2. Reform of some elements of the system of administration of justice;
3. The creation of a Mutual Guarantee Fund in the initial amount of \$250 million; and
4. The simplification of procedures for repatriation of capital.

EuroCam congratulates the government on the adoption of bold, innovative and progressive measures, while recognising that their implementation, in 3 years' time, represents a challenge for government and partners. It is in this regard that EuroCam, as part of the PAIE implementation under the Advocacy and Partner Dialogue Vector, will continue to engage with government to ensure the regulation and implementation of the announced measures.

We therefore urge all members to continue channelling their concerns to their respective bilateral chambers of commerce or directly to EuroCam so that, we continue to engage with government to further facilitate the business environment under the PAIE platform.

Warmest regards,

**The President**



**Simone Santi**