



**REPUBLIC OF MOZAMBIQUE**  
MINISTRY OF ECONOMY AND FINANCE

# PME

**PACOTE DE MEDIDAS DE  
ACELERAÇÃO ECONÓMICA**

english

# The Economic Acceleration Stimulus Package

**On August 9, 2022, the Government of Mozambique announced the launch of the Economic Acceleration Stimulus Package.**

In recent years, the performance of the Mozambican economy has been affected by successive, unprecedented internal and external obstacles, which have been conditioning its growth rate.

Among these drawbacks was the suspension of foreign support to the State Budget, motivated by undeclared debts. This financial cut took more than eight hundred million dollars a year away in resources, which were instrumental for the country's ability to make investments.

Other factors include terrorist violence in Cabo Delgado, which, to this day, has caused the displacement of over 850,000 people in the country. As well as the health crisis caused by the pandemic, and the increase in frequency and intensity of natural disasters, with more than nine cyclones registered in the last four years, a state of affairs that has engendered both material and human loss as well as extensive damage to public and private infrastructure, with direct annual costs exceeding 100 million US dollars.

All factors combined resulted in the abrupt deceleration of economic growth while adding an immeasurable amount of pressure on the ever-complex chal-

lenges which already burden Mozambique's financial management. Besides, the weakened economic landscape of the country, has emphasized structural economy deficiencies such as chronic budget deficits, historical imbalances in the payments balance, low competitiveness and soaring public debt.

Consequently, GDP growth has decelerated from an average of 7.3% per year - between 2006 and 2014 - to an average of 2.8% in the last seven years, therefore representing a serious impediment in the Government's ability to carry out the socio-economic development objectives initially set.

The conflict in Ukraine, which broke out earlier this year, worsened the global macroeconomic situation, causing inflationary pressures on a global scale with successive increases in the prices of essential goods, particularly food and fuels.

This situation generated a significant increase in the cost of life for Mozambican families and puts a strain on the prospects for economic evolution in a post-pandemic landscape.

Mozambique has many competitive advantages to reverse this scenario, and the Government is responsible for making adjustments to its strategy in order to facilitate the revamp of its economy in the face of successive challenges, so that it can hon-

our the commitments made to the people, within the framework of its governance program. It is in this context that the Government intends to proceed with a structured package of reform measures that will place the private sector at the centre of the country's economic transformation and development, in order to promote the diversification of productive activities, enhance opportunities for their expansion, as well as to guarantee the use of the unexplored potential of the country.

The readjustments and incentives of the Economic Acceleration Stimulus Package will create the appropriate environment for key sectors of the economy to thrive, through the attraction of greater investment and the creation of new jobs, ensuring an improvement in macroeconomic stability and the sustainability of the fiscal system in the mid and long term.

The package of measures incorporates strong components to improve the business environment, transparency and governance, with specific actions to increase productivity and the dynamics of the public sector through approaches that allow the Mozambican state to have better regulation, greater efficiency, improved financial sustainability, assertive action by institutions in the fight against corruption and the provision of better services for its citizens.



His Excellency  
**FILIPE JACINTO NYUSI**  
President of the Republic of Mozambique

The Economic Acceleration Stimulus Package is based on 20 reform measures focused on two areas of intervention that form the basis for the resumption of economic growth, namely fiscal and economic stimulus measures and others aimed at improving the business landscape, transparency, governance and the acceleration of strategic infrastructure projects.



**PAE 1**

## **VAT rate reduction from 17% to 16%**

With the necessary approval from the Assembly of the Republic, the measure will aim to gradually reduce the tax burden, stimulating the economy and improving the purchasing power of families.



## **VAT Exemption for imports on the productive sectors of agriculture and electrification**

This measure aims at the decrease of the cost of agricultural inputs in order to increase production and competitiveness and to promote more investments in renewables to accelerate electricity access, particularly in rural areas.

The background of the slide shows the interior of a public transport vehicle, likely a bus or train, with rows of grey seats. A blue circular logo is visible on the side of one of the seats.

**PAE 3**

**Lower the Corporate Income  
tax rate from 32% to 10%, in the  
agriculture, aquaculture and  
urban transport sectors**

This measure aims to improve the competitiveness of the indicated sectors, making them more attractive to private investment while reducing its deficit as well as the cost of public transport for the populations.

The background of the slide is a composite image. On the left, there is a colorful line graph with red, green, and blue lines. In the center, a silver compass is shown with its needle pointing towards the top right. To the right of the compass is a close-up of a clock face with numbers 0, 20, 40, 320, and 340. The background is filled with a grid of numbers, likely from a financial report or stock market data, in various colors like green, red, and blue.

**PAE 4**

## **Tax incentives for new investments in key sectors carried out in the next 3 years**

These tax incentives will cover both new private initiatives and the expansion of current investments, which extends installed production capacity in the sectors of agriculture, agro-processing, manufacturing, tourism and urban transport.

The tax incentives consist in the acceleration of the amortizations of paid-in capital to half the period established in the current tax code, for investments made in facilities and equipment related to the productive activity of companies, provided that they result in the creation of at least 20 new permanent jobs.



**PAE 5**

## **Simplification of capital repatriation procedures**

This measure aims to facilitate capital flow, to attract more foreign investment and to reduce the costs of capital repatriation, considered essential to complement the efforts of national companies as well as to increase and diversify national production.



## PAE 6



### **Strengthening supervision of natural resource export operations**

This measure aims to ensure greater efficiency in the taxation of exports through better control of quantities, specifications and associated values, reducing underinvoicing of exports.

This measure will be accompanied by a more vigorous and effective action in the reduction of fiscal risks and in the fight against smuggling, with the introduction of independent controls and supervision of the respective processes.

A wooden model of a house is shown in the background, constructed from light-colored wood. The house has a gabled roof and a rectangular window. The background is a colorful geometric pattern with shades of red, green, and yellow.

**PAE 7**

## **The promotion of housing and the dynamization of the national construction materials industry**

This measure will reorient the mission of the Housing Promotion Fund to focus on land infrastructure for citizens and private investors, as well as to promote investments in local production of construction materials.

This action also promotes a housing construction market, with the aim of reducing construction costs and ensuring greater access to decent housing for the population.



## **Allocate 10% of tax revenues from natural resources to the development of provinces where extraction takes place**

This measure aims to ensure that extracted resources have a direct connection with the improvement of the livelihood of the communities based in the extractive areas.

The allocated revenue should be used exclusively for the financing of infrastructure projects and development programs with a multiplier effect on the local economy.



**PAE 9**

## **Creation a mutual guarantee fund**

This measure seeks to address one of the main obstacles to the development of small and medium-sized Mozambican companies: access and high cost of financing.

To respond to this challenge, for the first time, a Mutual Guarantee Fund will be created in the country, initially valued at US\$250 million.

This fund will allow national banks to provide financial resources to strengthen investment capacity at accessible interest rates for micro, small and medium-sized companies operating in the agriculture, fish farming, commercialization and agricultural processing, tourism and housing sectors.



**PAE 10**

## **Mandatory blending of imported fuels with biofuels**

In order to generate more jobs and stimulate more private investment in the agricultural production value chain, this measure will make mandatory for importers and distributors of liquid fuels to off-take the entire stock of bio-fuels produced in Mozambique for blending, in order to partially replace imports, promote employment and mitigate the effects on the environment.



**PAE 11**

## **Improve competitiveness of national airports and logistics corridors**

This measure aims to increase the flow of people and the volume of goods into and through Mozambique, reinforcing the contribution of this important sector to the national economy.

In this framework, the associated procedures will be simplified to make them more efficient. Transshipment incentives will be introduced for operations in the main ports, and procedures to improve efficiency at the main border posts and the competitiveness of the tariffs applied by airports, ports and logistical corridors.



**PAE 12**

## **Stimulate the local production of goods acquired in scale by the State**

This measure aims to generate an incentive for goods that are frequently acquired in scale by the Government to be produced locally.

In this framework, public procurement rules will be adjusted to ensure that local production carries a higher value in public tenders' criteria.

A close-up photograph of a Mozambique border stamp and passport page. The stamp is circular and contains the text 'REPÚBLICA DE MOÇAMBIQUE' and 'ALTO DE FRONTEIRA'. The passport page is green and features a colorful, abstract pattern. The text 'REPÚBLICA DE MOÇAMBIQUE' and 'ALTO DE FRONTEIRA' is visible on the stamp.

# PAE 13

## Revision of the Visa regime for entering the country

This measure aims to improve the business environment while increasing the country's competitiveness in the attraction of foreign direct investment, leisure and business tourism. Thus, visa exemption will be introduced for citizens of countries with low risk of immigration.

The country will also grant investment visas with longer periods to foreigners holding investments in Mozambique and convert short-term tourist visa into a mixed tourist and business visa. To facilitate visa issuance, electronic visas will be introduced for citizens of countries not covered by the visa waiver.



**PAE 14**

## **Labour and Investment Laws adjustments to make them more attractive to foreign investment**

This measure aims to create stable and qualified jobs while promoting the transfer of skills and knowledge to Mozambican workers.

It includes the establishment, for the first time in the country, of an insurance fund for cases of involuntary personnel reduction.

These adjustments will also result in the reduction of impacts on workers in the event of cyclical unemployment associated with economic cycles and will increase the resilience of companies in the event of a crisis.



**PAE 15**

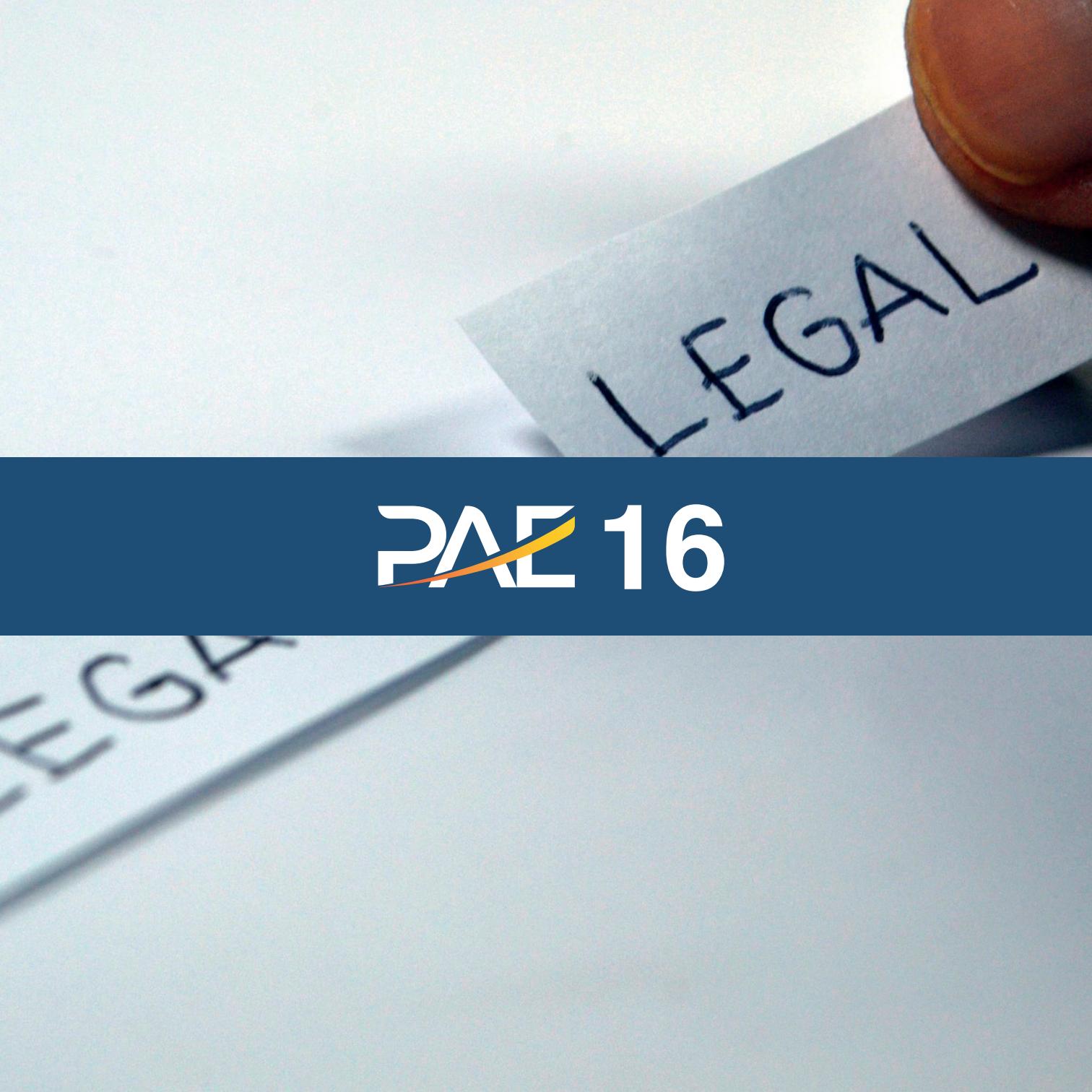
## **Simplification of administrative processes in the relations between the state, companies and people**

This measure consists of simplifying administrative processes in the relations between the state, companies and people, to facilitate the creation of private companies and increase their competitiveness; to facilitate the lives of the population and reduce their cost in accessing public services.

Highlighted within this measure is the simplification of notarial acts, with police stations certifying the simplest notarial acts free of charge for citizens. Certified lawyers will be authorized to certify more complex notarial acts, allowing for more expeditiousness and cost reduction for companies.

This measure includes an important innovation for the private sector: the elimination of selected permits in some business sectors.

The measure also improves the productivity of economic activities inspections, introducing greater predictability in their performance, adopting a less punitive and more educational nature, with a view to improve the provision of companies and the protection of citizens' interests.



**PAE 16**

## **Reform of selected elements of the justice administration system**

This measure aims to promote a better business legal landscape. In particular, the review and simplification of procedural legislation; modernization of processes through digital solutions, strengthening and training the sector's human resources, expanding training centres and recruitment in order to respond to the challenge of accumulating processes; and massify alternative means of dispute resolution.

# PAE 17

## **Strengthen oversight procedures of social security funds and complementary funds**

This measure will strengthen the oversights procedures of social security funds and complementary funds to focus on greater diversification of investments and reinforcement of taxpayer portfolio protection.

It includes the review of the mandatory investment so that the funds and revenues generated are better safeguarded, directing them to a more robust and diversified portfolio, guaranteeing greater protection of taxpayers' interests, and increasing the contribution of these funds to the development of the country.

Under this measure, all pension funds, including the INSS, will be supervised by the Insurance Supervision Institute. The management of the INSS will be updated, through the change of its governance model and the establishment of an independent committee to approve and evaluate the performance of all investments, and change the criteria for selecting members of the board of directors to comply with the best international management practices.



**PAE 18**

## **Simplification in the architecture of public administration**

This measure will result in the simplification of public administration, improving efficiency and increasing the quality of the services provided to citizens.

This will be achieved through the merge of institutions of public administration that have redundant activities, the use of digital platforms and the introduction of greater interoperability between systems to better serve the general public.

We want a public administration that does more with less.



**PAE 19**



## **Creation and implementation of the Sovereign Wealth Fund of Mozambique**

This measure is focused on the creation and implementation of the Sovereign Wealth Fund of Mozambique, which will have a robust regulatory framework to ensure that oil and gas revenues are used transparently while protecting the economy against the effects of volatility and external shocks, contributing to the promotion of socio-economic development and generating benefits both for current and future generations.

The Fund must be operational before the beginning of the revenue stream that will come from the liquefied natural gas production projects located in the Rovuma Basin.

As part of the implementation of these measures, the Government will also deepen and accelerate the reform of the State's business sector, to improve its performance and to prepare the privatization of non-strategic companies, reducing their fiscal risk, the pressure on public accounts and to eliminate at the same time economic distortions and unfair competition that some of these companies creates to selected competitive markets.



## PAE 20



## Reform of the state's internal audit subsystem

Addressing the continuous need to improve governance, transparency, and accountability in the state administration, this measure will reform the state's internal audit subsystem.

It will align the structure and model of governance, control and risk management to international standards oriented towards the consolidation of the State's financial administration system, aiming to contribute to the against corruption and the diversion of public funds.





**REPUBLIC OF MOZAMBIQUE**  
MINISTRY OF ECONOMY AND FINANCE

<http://mef.gov.mz>