



Informal Cross-border Trade between Mozambique and South Africa: responses and challenges to the impact of COVID-19

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Presentation structure

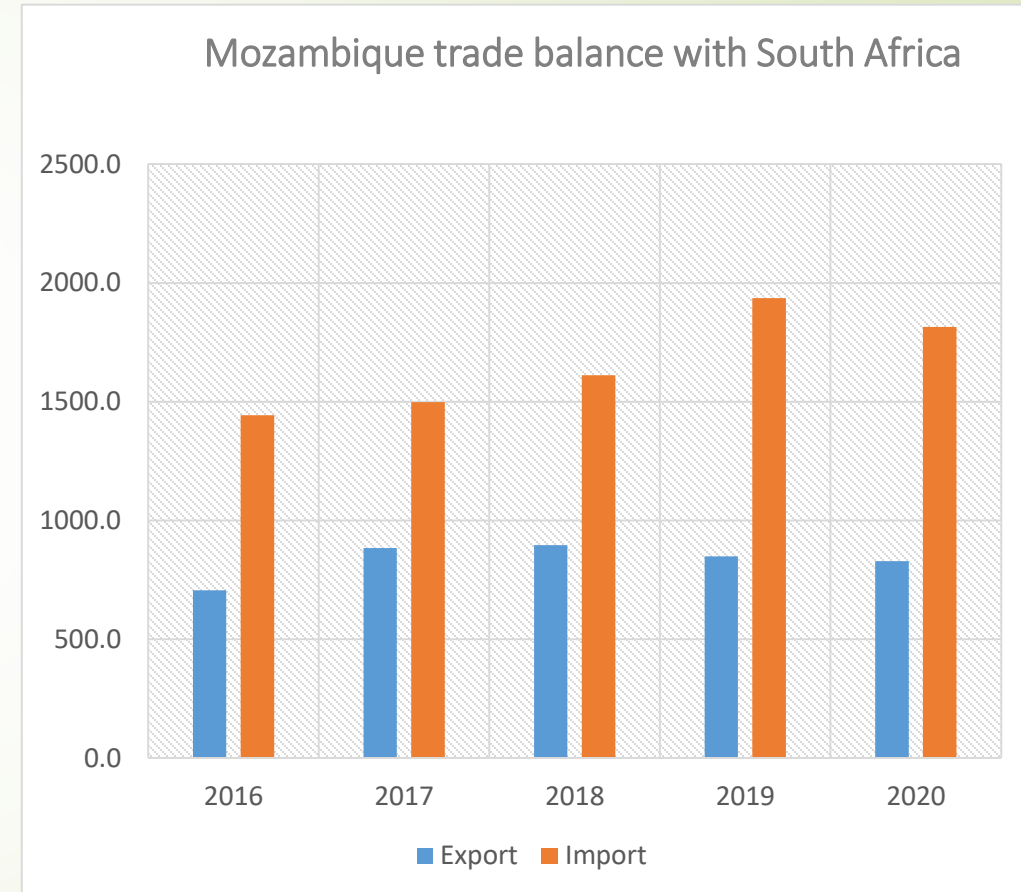


1. Research context
2. Research problem
3. Methodology
4. Findings
5. Key challenges
6. Lessons



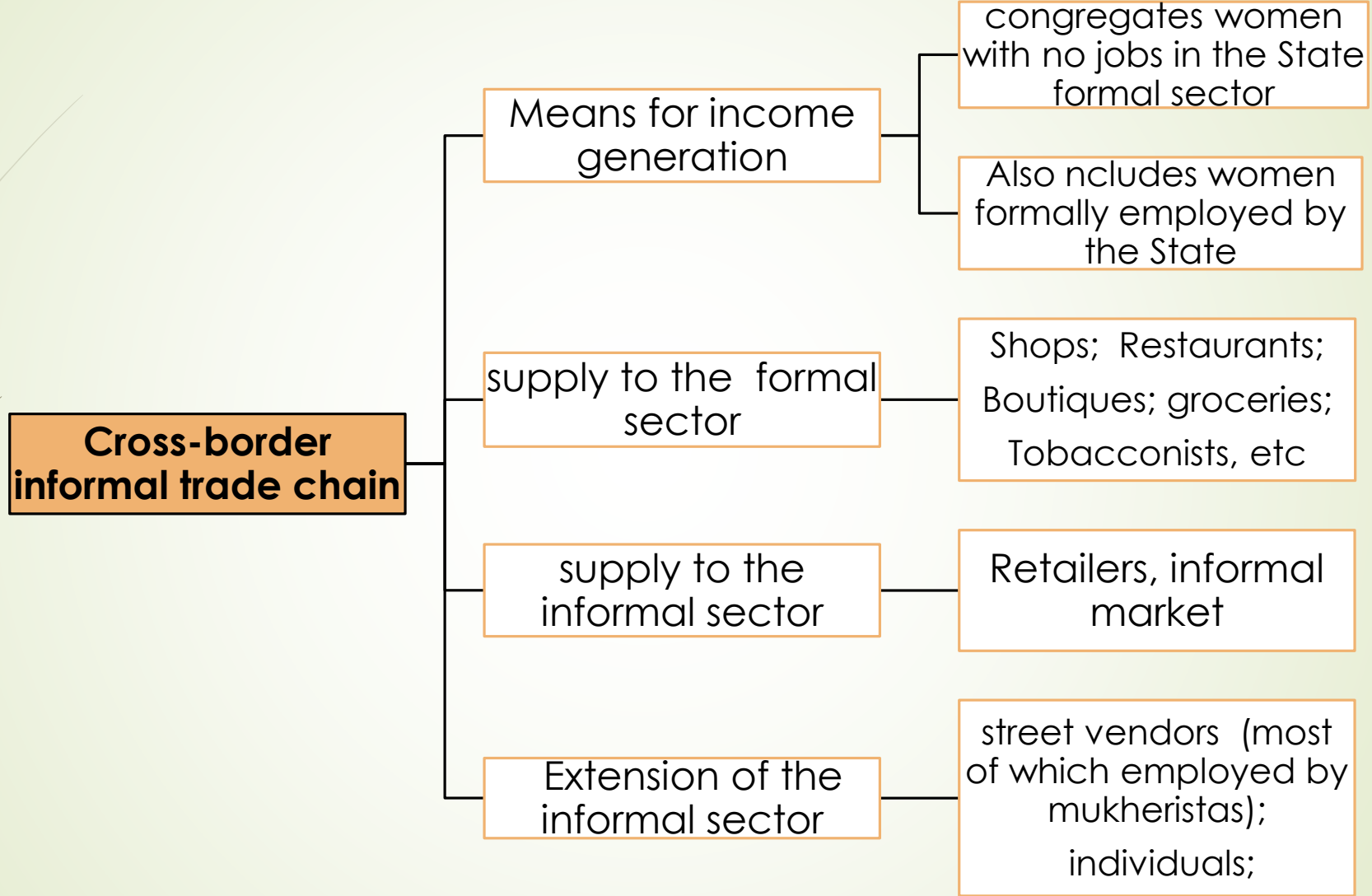
Research context (International trade relations)

- **Mozambique is a net importer in the trade chain with South Africa and the rest of the world;**
- **ICBT plays a significance role for small income importers in mozambican society;**
- **Government's reliance on tax collection on internal and external trade;**





Context (ICBT chain)





Research Problem

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- COVID-19 pandemic has posed negative impacts on economic performance in the global world:
 - Stagnation of regular production and marketing chains of goods and services;
 - Restriction of movement of people across international borders;
 - Close of Ressano Garcia Border between Mozambique and South Africa.
 - **How was the close of Ressano Garcia border due to COVID-19 addressed in relation to ICBT between Mozambique and RSA?**



Methodology

Desk review	Statistic data analysis	Field interviews
<p><i>To understand the effects of COVID-19 on international trade in general and on cross-border trade in particular.</i></p>	<p><i>Trade balance of Mozambique with South Africa based on revenue performance on foreign trade in 2019 and 2020.</i></p>	<ul style="list-style-type: none"> - <i>Formal and informal importers in Maputo and Ressano Garcia border;</i> - <i>Tax officials from the Directorates General of Customs and Internal taxes</i>



Key discussions around ICBT

- Alternative to formal employment in many Africans' countries;
- Improvement of families' income and their quality of life

- Tax avoidance
- Fake invoices
- False declarations
- Smuggling
- Women's exploitation

Erosion of state's fiscal basis

Findings: categories of Informal Cross-border importers



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- **Legally established associations and Cooperatives;**
 - Pay low parking rates for their vehicles within the cargo terminal premises;
 - Benefit of free duty or reduced rate for their goods against presentation of a Certificate of Origin;

Categories of Informal Cross-border importers



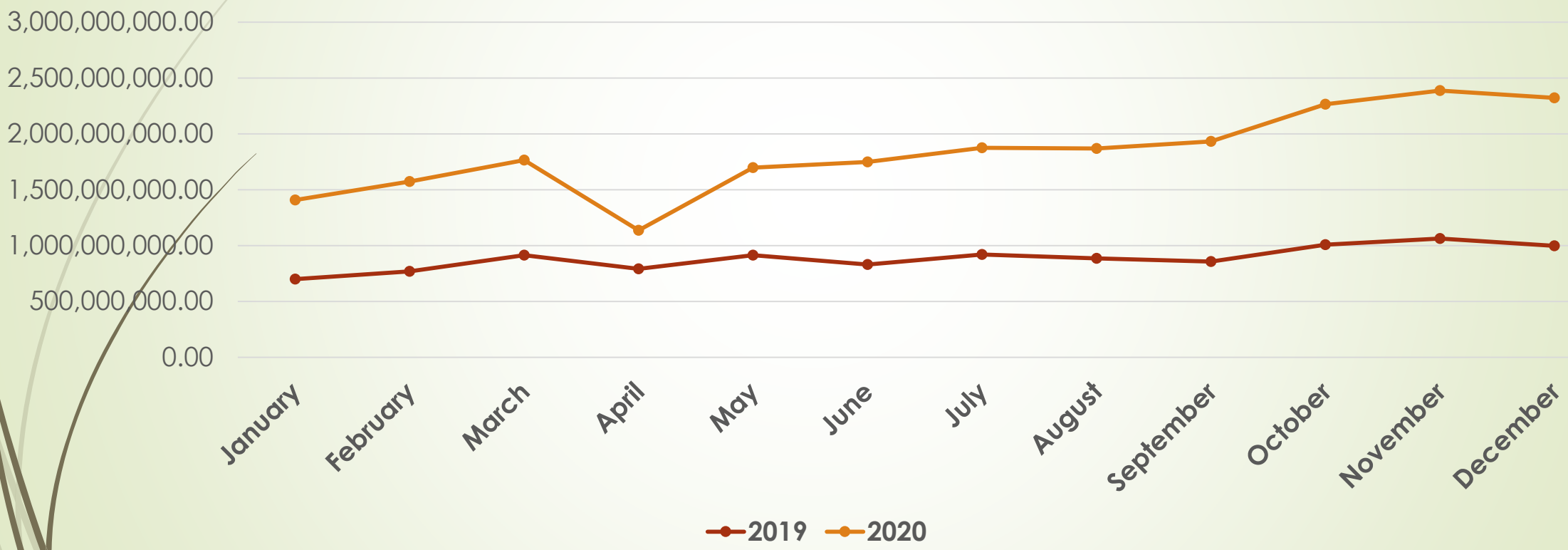
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- **Non-association informal operators;**
 - Regarded as the illegal group; not formally registered;
 - Normal regime of taxation with a limited franchise of 12.500, 00 Mt set by law;
 - They cross through the tourist border



Findings: Impact of closing the border on duty collection

Customs revenue collected at Ressano Garcia border in 2019 and 2020



Decrease in number of trucks importing goods to Mozambique, from 900 to 60 (93.4 %)

Response measures undertaken by customs authorities

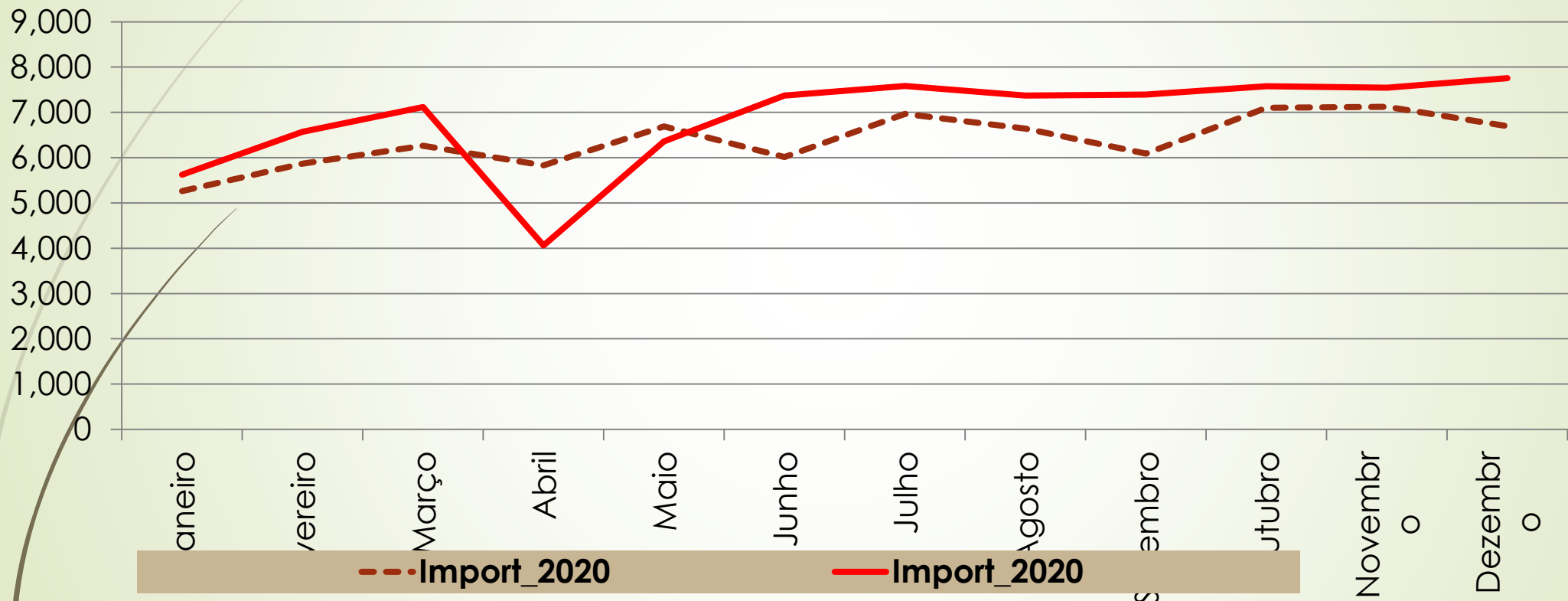


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- Improvement of control measures against smuggling of goods across the border and along the routes towards the border;
- Strengthening of control measures on physical examination of goods;
- Pre-clearance on importation of goods was allowed;
- Temporary importation of luggage with no need to produce physical request was allowed



Impact of closing the border to the import chain



43% decrease on imports in April 2020';

Slight price rise in Maputo city around 0.55% (food products and non-alcoholic beverages);

Total monthly inflation of about 0.21%.



Impact of closing the border to ICBT

- Goods owners could not travel to South Africa (only drivers);
- Long waiting hours at the border for customs clearance;
- Deterioration of fresh imported goods;
- Restrictions on the regular supply of goods to the domestic market.

- Negotiations with customs authorities on the ground of existing Memorandum of Understanding signed with the Mozambique Authority;
 - *Prioritize the clearance of goods at the border;*
- The adoption of a tiered import system;



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Key challenges



- The production and supply chains were heavily affected, with direct impact on stock management, price variation and collection of tax;
- Requirement of an internal capacity system for production and supply of fresh products;
- Exclusive management of the Single Electronic Window system (JUE) by MCNET;
- Lack of interoperability of JUE with other stakeholders;



Lessons

- ▶ Any situation affecting the normal functioning of the border has immediate impact on the supply chain, with direct consequences to stock management and price changes;
- ▶ The close of Ressano Garcia border in the context of COVID-19 has exposed the vulnerability of the ICBT to all kinds of shocks;
- ▶ The illegal dimension of ICBT is a discourse that laps together both the associated and non-associated informal importers, which in the end hinders the debate on policy reforms in this sector.



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Thank you!

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