

MATRIX OF RECOMMENDATIONS FOR FORMALIZATION OF AGRICULTURE: THE WELL-FUNCTIONING OF THE VAT COMPENSATION SCHEME AND PROMOTION OF INVESTMENTS

Set up a working group composed of MARDWA, MoF, MEDTTE, and GTD to carry out an in-depth study of the process in an intensive agricultural area with a high percentage of registered farmers, considering all the production chain in one agriculture subsector. The study will focus on: VAT compensation scheme; subsidy schemes and its relation to VAT; factors impeding or supporting formalization process (i.e. issues related to inputs). The working group should analyse the efficiency, economic and social impact of the formalization process.

– Short Term

PILLAR	ISSUES	RECOMMENDATIONS	RESPONSIBLE INSTITUTION	TIME FRAME
I. DECISION MAKING/POLICY-ACTIONS	1. Incorrect data: Farmer's register & its agricultural activity. What: Farmer Card – TIN – ID – Farm Register?	Registration of Farm & Farmers. Connection of the Register with TIN and with an efficient system of VAT compensation. Get finalised ASAP calibration of statistics in agriculture with the support of EUROSTAT. To be defined the vision on the steps to be taken forward by the authorities i.e.: if there will be any linkage between TIN and farmer's land.	MARDWA, MoF, INSTAT, MSIPA	Mid-Term to start ASAP
	2. Different perceptions on VAT compensation scheme beneficiaries.	Simplification of subsidy schemes for farmers enabling access through submitting the auto-invoice.	MARDWA/ARDA MoF	Short-Term
	3. Cash transaction limit still considered low. Difficulties	Cash limit remains subject of discussions. However, a review is	MoF, MARDWA	Long Term

	<p>reported on farmers' access to financial services (banks in rural areas).</p> <p>Simplification of the VAT compensation scheme.</p>	<p>recommended after a period of 1-2 years aiming to verify the effectiveness of the current threshold.</p> <ol style="list-style-type: none"> 1. Electronic verification of farmers' status by the regional tax directorates 2. Agreement between parties (buyer of agricultural product and farmer) be printed out at the moment the transaction is put into practice. Amendment of article 8 of the instruction on VAT compensation scheme, should be taken into consideration. 		
	<p>4. Although increased in the last 2 years – subsidy budget is still limited.</p>	<p>Increase the amount and number of the subventions schemes</p>	<p>MARDWA, MF</p>	<p>Short-Term</p>
	<p>5. Heavy application procedures (criminal record certificate, NRC extract, insurance, etc.)</p>	<p>Simplification of procedures and online verification for farmers among the governmental agencies.</p>	<p>MARDWA, Ministry of Urban Development, MoF MoJ, etc.</p>	<p>Short-Term</p>

II. ADMINISTRATION	1. Lack of food safety and traceability in the whole value chain.	Formalization to be closely linked to traceability, from final products to inputs and services. MARDWA/NFA to monitor the application of standards and technological cards in the whole value chain.	MSLG, MARDWA/NFA, Municipalities	Mid-Term
	2. Informal markets are considered as the main factors leading to unfair competition.	Enforcement of the regulatory and monitoring functions, coordination among the relevant institutions.	Municipalities, NFA, GDT	Short-Term
	3. Lack of property titles and land fragmentation remains a critical obstacle for sustainable investments.	Active role and cooperation of responsible actors to accelerate the process of land registration.	MSLG, MoJ/IPRO, Municipalities and MARDWA	Mid-Term
III. AWARENESS	1. Insufficient information on: <ul style="list-style-type: none"> VAT compensation scheme, for farmers' awareness & education of farmers - a critical impact on scheme efficiency. Procedures for collectors, processors and traders have an impact on the scheme and increases skepticism; Agricultural, fiscal, financial advice for farmers. 	Special platform (window) of assistance and information to agricultural sector (clarification and awareness on the TIN). Increase dissemination of information and raise awareness among the farmers.	MARDWA, NFA, MoF, GDT	Mid Term

OTHER

	OTHER RECOMMENDATIONS	Comments by Members
1.	In order to promote investments in agriculture, VAT reimbursement should be applicable in all values chain including production cycle (refer to specific subsectors).	
2.	The prerequisites for benefitting from the subsidy schemes should be based on unbiased and cold criteria. All the eligible winners should be declared as winners and should receive subsidy despite the amount.	
3.	The Government to reduce the reference prices for the purchase of the agricultural land by the investors. The reference prices are considered as abusive since they do not correspond to the actual and market price of land.	
4.	Farmer/farm registration and farmer's card could be considered as initial points of mass formalization.	
5.	Banks to consider their presence closer to rural businesses through their local branches and dedicated services for agriculture and rural development.	
6.	MEDTEE to prepare and make available for investors an inventory of public properties. This inventory could be used as information for investors and municipalities to define suitable places for construction of collection points and market places.	

Matrix of Recommendations for **Formalization of Agriculture: Well-functioning of the VAT Compensation Scheme and Promotion of Investments** (The Matrix) is the outcome of the Technical Note drafted by the Investment Council Secretariat during May – June 2016. The purpose of the Matrix is to provide a summary of the proposed Recommendations and Solutions. Besides, the Matrix serves as the Secretariat's Internal Monitoring Plan so that it follows up on the implementation of Recommendations as per the following terms:

- **Short-term**- from 1 month to 6 months.
- **Mid-term** – from 6 months to 1 year
- **Long-term** - over one year.

ABBREVIATIONS:

AARD – Agency for Agricultural and Rural Development

GTD – General Tax Directorate

RAD- Regional Agricultural Directorates

INSTAT – Institute of Statistics

IPRO – Immovable Property Registration Office

MARDWA - Ministry of Agriculture, Rural Development and Water Administration

MEDTTE – Ministry of Economic Development, Tourism, Trade and Entrepreneurship.

MoF- Ministry of Finance

MoJ – Ministry of Justice

MSIPA- Ministry of State for Innovation and Public Administration

MSLG- Ministry of State for Local Governance

NBC – National Business Center

NFA- National Food Agency

TIN - Tax Identification Number

VAT – Value Added Tax