



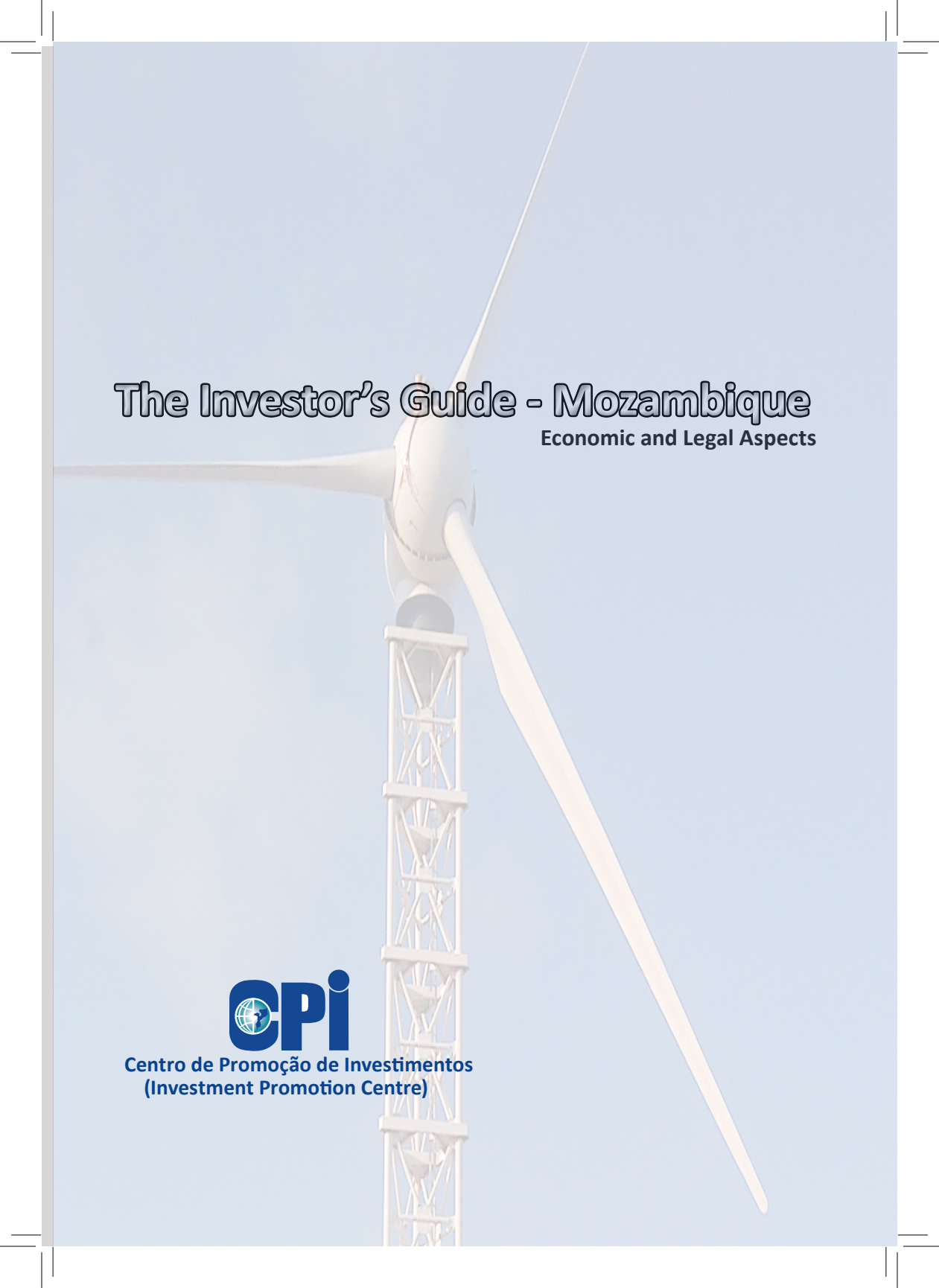
Centro de Promoção de Investimentos
(Investment Promotion Centre)

The Investor's Guide - Mozambique

Economic and Legal Aspects

2013





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Economic and Legal Aspects



**Centro de Promoção de Investimentos
(Investment Promotion Centre)**

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TECHNICAL TEAM

Serviços de Informação e Marketing

OWNERSHIP

Centro de Promoção de Investimentos

DIRECTOR: Lourenço Sambo



Welcome





to the Indian Ocean Pearl

We would like to invite the business community from all around the globe to invest in Mozambique in various sectors with extraordinary potential such as mineral resources, agriculture and industry, banking and insurance, tourism, transports and communications, civil construction, ports and railway, energy generation, among other booming sectors of our economy.

The climate of peace and macroeconomic stability Mozambique has enjoyed in recent years, as well as the ongoing improvement of the country's business environment, focused on key vectors such as the simplification of business start-up procedures, simplification of requisites and procedures for the licensing of economic activities, adoption of international norms, simplification of procedures for import and export operations, labor law reforms and infrastructure development and a wide range of fiscal benefits, have been crucial in attracting and retaining foreign investment.

Mozambique is also signatory to investment promotion and protection agreements with several countries around the globe, including the United Kingdom, Portugal, France, Republic of South Africa, Germany, Belgium, China, Cuba, Denmark, Egypt, United States, Finland, Indonesia, Italy, Mauritius, the Netherlands, Sweden and Vietnam.

The country's geographic location also makes Mozambique a privileged recipient of foreign direct investments as it provides importers and exporters in the region with the closest access to the trade routes of the Indian Ocean and the shortest distance to East Africa, the Arabia Peninsula, South Asia, East Asia, and in particular to the emerging markets of China.

Moreover, in Mozambique you can produce goods and services not only to the growing domestic market of 23 million consumers but also to preferential markets such the Southern African Development Community (SADC) with about 250 million consumers, the European Union, United States of America and China.

Mozambique is open for you and we are ready to assist in all the necessary steps for the establishment of your business.

We also hope that during your stay in Mozambique you will also enjoy our tropical weather; magnificent beaches and paradisiacal islands, diversified gastronomy and the warm hospitality of our people, which have always made visitors to want to come again and again.

General Information

Mozambique is situated on the southeastern coast of Africa. It borders on Tanzania to the north, Zambia, Malawi and Zimbabwe to the west and South Africa and Swaziland to the south. This location puts the country into a strategic position in the Southern African region with its ports being the first choice for regional importers and exporters as they give easier access to international markets.

Mozambique has 11 provinces from north to south: Cabo Delgado, Niassa, Nampula, Tete, Zambézia, Manica, Sofala, Inhambane, Gaza, Maputo Province and Maputo City.

Capital: Maputo

Area: Mozambique has an area of 799,390 Km², of which 786,390 Km² are firm land and 13,000 Km² of interior waters.

Population: Mozambique has a population of 23,049,621 of whom 11,108,128 are men and 11,941,493 are women (2007 Census, INE).

Languages: The official language is Portuguese. English is widely spoken in the main cities, as a business language.

População: Moçambique tem uma População de 23.049.621 habitantes (2007, INE).

Currency: Metical (MT)

Hour: GMT + 2 hours

Religions: Christian (Catholic and protestant), Islam, Hinduism and Traditional Religions.

Legal System: The Mozambican legal system belongs to the Roman-Germanic ("civil law").

Code for international calls: +258

Climate

The climate varies from sub-tropical to tropical (south to north). The temperature varies from 18, 3°C to 20, 0°C during the dry season (May - September) and from 26, 7°C to 29, 4°C during the rainy season (October - April).

Visas

The entry visa can be obtained from Mozambican embassies and consulates in various countries in Africa, Europe, America and Asia.

Mozambique has introduced a border visa, which can be obtained at the main entry points. This visa is valid for 30 days and is renewable for the same period.

The visa can also be requested from the National Immigration Directorate, Av. Ho Chi Min nº 316, in Maputo City, Tel +258 21 320 472. Fax: +258 21 321 075 or +258 21 320 395.

Under bilateral agreements, citizens and bearers of passports from the Republic of South Africa, Botswana, Swaziland, Mauritius, Malawi and Zambia are exempted from entry visas.

Business Hours

Public Sector: Monday to Friday from 7:30 to 15:30 hours.

Private sector: Monday to Friday from 8:00 to 12:30 hours, and from 14:00 to 17:30 hours.

Shops open from 08:00 to 18:30 hours on weekdays and on Saturdays from 08:00 to 13:30 hours.

Banking

More than 40 commercial banks and insurance companies with participation of both local and foreign capitals operate in Mozambique with their headquarters located in Maputo and branches in the rest of the country.

In addition, several microfinance banks, credit cooperatives, financial leasing companies.

Economic Outlook

Mozambique is one of the fastest growing economies among non-oil exporting countries, with an average annual growth of 7.6 % over the last five years, based mostly on sectors such as, agriculture and agro-industry, hotels and tourism, fisheries and aquaculture, transport and communications, banking and insurance, public works and construction, services and mineral resources and energy, among others.

The continuation of high foreign direct investment (FDI) inflows, mostly in extractive industries, together with strong agricultural growth and infrastructure investment will drive growth to two digits in the next decade.

The year 2011 marked a turning point in the country's economy, with the first overseas export of coal marking the birth of Mozambique as a world exporter of minerals, and paving the way for the country to secure its future fiscal sustainability through yields from natural resources.

Key Economic Indicators

| Indicators | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | Set 2012 | 2012 target |
|-------------------------------------|-------|-------|------|-------|-------|-------|-------|----------|-------------|
| Real GDP | | | | | | | | | |
| Real GDP (Annual Growth as %) | 8.4 | 8.7 | 7.3 | 6.8 | 6.3 | 7.1 | 7.3 | 8.0 | 7.5 |
| GDP Per capita (in USD) | 335 | 363 | 394 | 469 | 457 | 423 | 450 | - | - |
| Inflation | | | | | | | | | |
| Inflation (end of period) | 10.3 | 9.4 | 4.2 | 6.2 | 5.5 | 16.6 | 5.5 | 1.23 | 5.6 |
| External Sector | | | | | | | | | |
| Current Account (% of GDP) | -11.6 | -11.2 | -9.9 | -12.4 | -12.6 | -13.5 | -13.2 | - | - |
| Foreign D. Investment (% of GDP) | 1.6 | 2.2 | 5.3 | 6.2 | 9.2 | 10.7 | 17.1 | - | - |
| Coverage Months | 4.6 | 4.43 | 5 | 4.3 | 5.6 | 5.75 | 5.16 | 5.33 | 5.2 |
| Other Indicators as % of GDP | | | | | | | | | |
| Credit to the Economy | 13.2 | 14.7 | 14.9 | 18.7 | 26.8 | 29.3 | 27.5 | - | - |
| Public Investment | 8.5 | 13.9 | 14.5 | 11.6 | 13.1 | 14 | 14.2 | - | 15.8 |
| Private Investment | 10.1 | 6.9 | 6.2 | 6.9 | 6.3 | 7.4 | 9.6 | - | 10.1 |
| Budget Deficit after Grants | 2.2 | 2 | 2.9 | 2.6 | 5.5 | 4 | 6.3 | - | 6.4 |

Foreign Trade

Exports: In 2011, the traditional commodities with the most significant growth, as well as the respective growth rate were cotton (27,0 per cent) tobacco (17,0 per cent) and wood (35,2 per cent).

Still during the period in review, under the segment of megaprojects, it was initiated the extraction and export of coal, which revenues amounted to USD 21,2 million.

On the other hand, exports from the Moma heavy mineral sands projects grew by 78,8 per cent, natural gas by 21,1 per cent and aluminum by 17,0 per cent. Other exports include aluminium, electricity, natural gas, titanium, coal, prawns, sugar and cashew nuts.

Legal Aspects Related to Investment

Private investments realized in the Republic of Mozambique enjoy a set of benefits, which include Corporate Tax and Customs duties deductions among others.

Foreign Direct Investment

The minimum value of foreign direct investment resulting from the inflow of own capital from foreign investors, is set at the equivalent of 2.5 million MT for the specific purposes of transfer of profits abroad and the re-exportable invested capital.

The real value of foreign direct investment, for registration and eligibility for guarantees and incentives established for this purpose shall consist of the sum of the values of equity, shareholders' loans without interest and / or supplementary capital provided by investors themselves, as well as exportable profits that might have been reinvested in the country.

Guarantees to Investment:

The guarantees envisaged in the legislation in force comprise:

- Legal protection on property and rights, including industrial property rights;
- No restriction of borrowing and payment of interest abroad;
- Transfer of dividends abroad;
- Arbitration according to ICSID or ICC rules for the resolutions of disputes on investments;
- MIGA and OPIC services on issues related to investment risk insurance.

Investment Incentives

The Investment Law grants certain tax and customs benefits depending on the amount, location and sector of investment activity. The incentive schemes applicable in Mozambique are as follow:

Generic Fiscal and Customs Benefits

The investments carried out under the Investment Law are exempt from payment of customs duties and VAT on capital goods classified in Class K of the Customs Tariff and related accompanying parts and accessories.

Tax credit per investment

Investments carried out in the City of Maputo benefit, for a period of five tax years, from a deduction (not to exceed the tax payable in respect of the investment project activity) from Corporate Income Tax (IRPC) that is equal to 5% of the total investment actually realised.

In the case of investment projects carried out in the other provinces, the percentage, as established in the preceding paragraph 1, is 10%.

Apart from these there are other specific regimes for:

- Agriculture and Fisheries
- Trade and Industry in Rural Areas;
- Transforming and Assembly Industry;
- Creation of Basic Infrastructures;
- Industrial Free Zones;
- Tourism and Hotels;
- Large Scale Projects
- Rapid Development Zones;
- Investments under the Mining Law;
- Investments under the Petroleum Law
- Special Economic Zones
- Science and Technology Parks

Procedures for obtaining Fiscal benefits

The beneficiary of fiscal benefits shall comply with the following general prerequisites for obtaining fiscal benefits, without prejudice to other specific requirement establishment by law:

- Tax registration, namely acquisition of a personal tax identification number (NUIT);
- Have organized books and accounts in compliance with the General Accounting Plan and requirements of the Corporate Income Tax Code (IRPC) and the Personal Income Tax Code (IRPS);
- Not have committed any infraction of a tax nature

Fiscal System

The Taxation System in the Republic of Mozambique integrates national and municipal taxes. The taxes of the National Taxation System are classified as direct and indirect, acting at various levels, namely (i) direct taxation on income and wealth and (ii) indirect taxation on expenditure. The direct taxation on incomes is made through the following system of taxes: Corporate Income Tax (IRPC) and Personal Income Tax (IRPS).

The indirect taxation, which comprises taxes on expenditure, integrates: Value Added Tax (VAT), Specific Consumption Tax (ICE) and Customs Duties.

The Corporate Income Tax (IRPC) – is taxable on gained incomes, during the taxation period, from tax payers, namely commercial or civil companies, cooperatives, public companies and other corporates both public and private, entities with no legal personality, whose incomes are not subject to taxation in the form of IRPS or IRPC.

- The rate for IRPC is 32%.
- The agricultural and aquaculture will benefit from an 80% rate reduction until 31/12/2015 and from 2016 top 2025 will receive a 50 % reduction.

The Personal Income Tax (IRPS) – is taxable on the global annual value of income; is paid by singular persons residing in the Mozambican territory and by those not residing in the country but gaining income from it.

The Value Added Tax (VAT) - taxable on the sale of goods and provision of services in the national territory by a tax payer acting as such, as well as on importation of goods. The applicable rate for VAT is 17%.

The Specific Consumption Tax (ICE)- is taxable, in a selective manner, on the consumption of certain goods, produced or imported. The general rate of customs duties on consumption goods is 20%.

Customs Duties – taxable on imported and exported goods in the customs territory, whose values vary in the following manner:

- 2,5% for raw materials;
- 5% for capital goods (class K);
- 7,5% for intermediary goods;
- 20% for consumption goods.

Under the SADC trade protocol implementation framework various products from the SADC region countries benefit from exemptions from payment of customs duties.

The Taxation System is completed by other taxes, namely the Seal Tax, Tax on Successions and Donations, SISA, Special Tax on Gambling, National Reconstruction Tax, and Vehicle Tax and other legally established taxes and specific charges.

Social Security

The registration of workers and their respective employers with the National Social Security System is mandatory.

The fee for social security is 7%, being 4% paid by the employer and 3% by the employee.

Foreign Exchange Law

Foreign direct investment shall be subject to registration with the Bank of Mozambique, which shall be effected within a period of 90 days, counting from the date of the authorization of the competent entity, or of the effective entry of the investment amount. The registration of the investment, for the purposes of forex control, shall be effected by completing the respective form provided by the Bank of Mozambique, and attaching the following documents:

- a) identification documents, and a copy of the bank bordereau issued by the investor's bank, proving the receipt of foreign currency by the enterprise, when the investment is made by way of the entry of foreign currency;
- b) identification documents and proof of the definitive entry of goods, when the investment is made by way of the import of equipment, machinery or other material goods set out in the respective terms of authorization, and the respective value shall be determined with reference to CIF prices, in terms of applicable investment legislation;
- c) For the purposes of registration, in those cases in which the investment is made by way of the right to utilize patented technologies and registered trademarks, its value shall be determined on the terms set out in the respective authorization;
- d) A failure to register the investment within the time period set out shall result in the non

Transfer of income from foreign direct investment

Forex registration of the transfer of income from foreign direct investment, in the form of profits or distributed dividends, shall be effected against the presentation, by the interested party, to the intermediary bank, of the following:

- a) Identification of the parties involved;
- b) Proof of registration of the investment with the Bank of Mozambique;
- c) Declaration, issued by an independent auditor, confirming that the profits flow from the financial year or years in question, and from operations relating to the activities of the company, explaining whether the profits were determined prior to or after any transfers required by Law;
- d) Proof of the consent of the competent corporate body, or, in the case of the transfer of dividends, a resolution of the General Assembly meeting which decided upon the division of profits;
- e) Proof that tax owing, in respect of the transaction, has been paid or guaranteed.

Transfer of income from portfolio investments

Forex registration of the transfer of income from portfolio investment returns, in the form of interest, dividends or capital gains, shall be effected against the presentation by the interested party to the intermediary bank of the following:

- a) Identification of involved parties;
- b) Proof of entry of funds into the country;
- c) Certificate pertaining to the amount to be transferred, namely, coupon, statement or other;
- d) Proof that tax owing, in respect of the transaction, has been paid or guaranteed.

Transfer of income flowing from loans or shareholder's loans

Forex registration of the transfer of income flowing from loans or shareholders' loans granted by a non-resident entity, in the form of interest, shall be effected against the presentation, by the interested party, to the intermediary bank, of the following:

- a) identification of interested parties;
- b) proof of forex authorization for the loan, or shareholders' loan;
- c) proof of registration of the disbursement;
- d) repayment plan, or debit note;
- e) proof that tax owing, in respect of the transaction, has been paid or guaranteed.

Transfer of income from bank deposits, made within the country by non-resident entities

Forex registration of the transfer of income from bank deposits made within the country by non-resident entities, in the form of interest, shall be effected against the presentation, by the interested party, to the intermediary bank, of the following:

- a) identification of the parties involved;
- b) proof that tax owing, in respect of the transaction, has been paid or guaranteed.

Transfer of income flowing from other forms of capital investment

Forex registration of the transfer of income flowing from other forms of capital investment by a non-resident entity shall be effected against the presentation, by the interested party, to the intermediary bank, of the following:

- a) identification of the parties involved;
- b) proof of forex authorization for the capital operation;
- c) proof that tax owing, in respect of the transaction, has been paid or guaranteed.

Real estate investment

Applications for authorization for the making of real estate investment by a resident, abroad, or by a non-resident, in the country, shall be effected by completing the standard form provided by the Bank of Mozambique, duly substantiated by the following documents:

- a) identification documents of the parties involved;
- b) property registration documents, duly authenticated;
- c) promissory agreement, containing the terms and conditions on which the transaction is intended to be conducted;
- d) document evidencing income or payment methods of the buyer;
- e) proof of compliance with tax obligations pertaining to the transaction.

Opening and transacting of accounts

Opening and transacting of accounts with offshore financial institutions

The opening and transacting of accounts by resident entities with offshore financial institutions shall be subject to the authorization of the Bank of Mozambique.

The application for authorisation shall be effected by completing the standard form provided by the Bank of Mozambique, duly substantiated by attachment of the following documents:

- a) identification documents;
- b) proof of justification for the opening of an account offshore, as well as funding sources.

An account to be held by a resident entity offshore shall preferably be opened with a financial institution which corresponds to a bank authorised to operate in Mozambique.

The holder of the account shall inform the Bank of Mozambique of the number and domicile address of the account so opened within a period of thirty days, counting from the date of its opening, and shall provide an account statement, reflecting the transactions effected thereon, on a quarterly basis.

Labour Law

Contracting foreign workers

The contracting of foreigners by national and foreign employers is subject to authorization by the Minister who oversees the area of labor, or the entity to which the Minister delegates, except in cases foreseen in Article 5 of the Labour Law.

General conditions for the contracting of foreigners

Employers must do the most they can to create conditions for the integration of Mozambican workers in positions of greater technical complexity and in management and administrative positions in companies.

Contracting under the quota system

Under the quota regime the employer may employ foreigners subject to communication to the Minister of Labor, or entities delegated by the Minister, within fifteen days of having admitted the foreign employee. The communication of admission, a model of which is annexed to the regulation, must indicate the degree of realization of the quota.

In the calculation of the number of foreigners to be admitted under the quota the rounding up of numbers is not permitted.

Small companies may employ one foreign citizen, even if the total number of national workers is less than ten

Quota regime

Based on the classification of the company, the employer may employ foreign citizens, in accordance with the following quotas:

- a) Five percent of the total workforce, for large companies (employing more than one hundred workers)
- b) Eight percent of the total workforce, for medium companies (employing more than ten and up to a maximum of one hundred workers)
- c) Ten percent of the total workforce, for small companies (employing up to ten workers)

The number of workers to be considered corresponds to the average number of workers employed during the previous calendar year. In the first year of activity, the number of workers to be considered is the number on the day of start-up of activity.

Contracting under the quotas provided in investment projects

In investment projects approved by the Government which provide for the employment of foreigners in greater or lesser number than the quota regime, a work authorization is not required, and is replaced by the requirement to communicate the employment of a foreigner within 15 days of their entry into the country.

The previous provision is without prejudice to special regimes in force in industrial free zones.

Short term work

Formalities and regime

Short-term work is considered to be work for periods not longer than 30 consecutive or interspersed days, in the same year, by foreign citizens including those already under contract to the parent company or its subsidiaries in other countries.

Short-term work is exempt from work authorization.

The employer or its representative must submit, in advance, to the entity responsible for labor in the province where the foreign citizen is to work, a communication in duplicate including the identity and qualifications of the employee, the reason for contracting the employee, the activities they will perform, and the precise start and end dates for their activities.

Short term work does not fall within the quota system and is exempt from payment of fees.

When duly justified by the employer the short term work period may be extended but never for longer than 90 days in one year.

The contracting of foreign citizens is done by means of an application addressed to the Minister responsible for labor.

Land Law

In the Republic of Mozambique land is the property of the State and cannot be sold or otherwise alienated, mortgaged or encumbered.

Foreign individual and corporate persons may be holders of the right of land use and benefit, provided that they have an investment project that is duly approved and the following conditions are observed:

- a) in the case of individual persons, provided that they have been resident in the Republic of Mozambique for at least five years;
- b) in the case of corporate persons, provided that they are established or registered in the Republic of Mozambique.

The right of land use and benefit shall be extinguished:

- a) By failure to fulfill the exploitation plan or investment project without justifiable reasons within the time limits established in the application approval, even if tax obligations are being complied with;
- b) By revocation of the right of land use and benefit for reasons of public interest, proceeded by payment of fair indemnification and/or compensation;
- c) Upon the expiry of its term or a renewal thereof;
- d) By renunciation by the titleholder.

Private investment projects

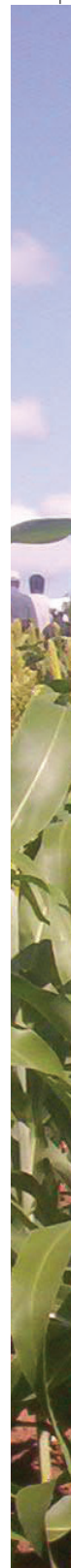
1. For the purposes of private investment projects that involve the acquisition of the right of land use and benefit, the land shall be subject to prior identification, which shall involve the Cadastre Services, the local administrative authorities and the local communities and shall be documented in the sketch and descriptive report. The opinion of the District Administrator shall refer to the existence or otherwise of rights of land use and benefit acquired by occupancy in respect of the area applied for. In the event that the area applied for is subject to other rights, the opinion shall contain the terms under which the partnership between the applicant and the holders of the right of land use and benefit acquired by occupancy shall be governed.

Provisional authorisation

1. Once the application process is completed, the Cadastre Services shall submit the proposal to the Governor of the Province for decision, in cases within the competency of the Governor.
2. In all other cases, after review by the Governor of the Province, the application process shall be sent to the Central Cadastre Services, who shall submit it to the competent authority for decision.
3. In both cases, the authorisation issued shall be provisional. In the case of Mozambican citizens, the authorisation shall be valid for a period of five years and for foreign citizens the authorisation shall be valid for two years.

Transformation of a Provisional Authorisation into a Definitive Authorisation

Upon expiry of the term of the provisional authorisation or, if the interested party so requests, even before the end of this term, an inspection shall be carried out to verify the fulfillment of the proposed undertaking or exploitation plan in accordance with the approved schedule. Once the fulfillment of the undertaking or the exploitation plan has been ascertained, the definitive authorisation of the use and benefit of the land shall be given and the respective title shall be issued.





Public-Private Partnerships

Legal regime for contracting PPPs

The general legal regime for contracting PPP undertakings is the public tender, and the rules governing the public procurement shall apply on a subsidiary basis.

Considering the public interest and once the requirements legally provided are met, the contracting of a PPP may take the modality of tender with prior qualification or a two-stage tender.

Proposals of PPP undertakings at private initiative are subject to public tender intended to determine or ensure the technical and quality terms, the price and further conditions offered by the proponent, which shall benefit from the right and preference margin of 15% in the assessment of the technical and financial proposals resulting from such tender and without any right to compensation for costs incurred in the preparation of the proposal.

Maintenance of State ownership

The public domain property assets that are part of the PPP undertaking, including, where applicable, the land resource assigned to the undertaking, as the fundamental asset exclusively owned by the State, via its respective DUAT, remain the inalienable property of the State and cannot be given as security, without prejudice to the enjoyment of the right of use and usufruct contractually granted to the contracted party.

General principles on prevention and mitigation of risks

The prevention and mitigation of risks by the contracting parties constitutes their permanent obligation in the entire process of the PPP undertaking.

The Government and the contracting party shall ensure the prevention and the mitigation of occurrence of the following risks:

- a) Political and legislative risks, arising from the unilateral adoption, by the Government or public institutions, of measures or the practice of acts with negative and adverse effects on the normal implementation, operation and management of the PPP undertaking or its competitiveness and economic and financial feasibility;
- b) Conflict of interests of an institutional nature arising from the full or partial concentration or accumulation, in the same public entity, of the functions of regulatory authority and granting authority, as well as of quota holder or shareholder of the contracted party;
- c) Related to the granting of land and public planning.

The Government shall further assume, as applicable, the implications arising from the granting or facilitation of access by the PPP undertakings to financial guarantees or facilities allowed under the terms of articles 10, 11 and 20 of this Law.

Contractual modalities of PPP undertaking

- a) Concession contract;
- b) Assignment of operation contract;
- c) Management contract.

The concession contract may assume one of the following sub-modalities of concession:

- a) Build, Operate and Transfer (BOT);
- b) Design, Build, Operate and Transfer (DBOT);
- c) Build, Own, Operate and Transfer (BOOT);

- d) Design, Build, Own, Operate and Transfer (DBOOT);
- e) Rehabilitate, Operate and Transfer (ROT); or
- f) Rehabilitate, Own, Operate and Transfer (ROOT).

For Large-Scale Projects

Main purpose of the LSPs

LSP undertakings have as their main purpose to develop, in the Country, national capacity for efficient operation and use of resources and other national or imported goods and factors of production, with a view towards the provision of goods or services for the fulfillment of internal or external market need, enabling the generation or saving of financial and foreign exchange resources for the Country.

Free initiative of business and LSPs' contractual modality

1. Potential investors and concessionaires enjoy the right to free private initiative in carrying out LSP undertakings, except in cases expressly reserved to the ownership or exclusive operation of the State or the investment initiative of the public sector and those in respect of which the law requires the conduct of a public tender.

For Business Concessions

Main purpose of the BCs

The BC undertakings have as their main purpose to develop, in the Country, national capacity for the efficient operation and use of natural and labor resources and other national property assets, with a view towards the provision of goods or services to meet internal or external market needs and enabling the generation or saving of financial and foreign exchange resources for the Country.

Legal regimes and modalities for contracting BCs

The contracting of BC undertakings is subject to compliance with the rules and contracting modalities provided in the sector-specific legislation as well as the general principles applicable to public contracts.

The contracting of a BC undertaking, which includes LSPs involving concession of the use of natural resources, takes one of the following contractual modalities:

- a) Concession contract, under one of the following sub-modalities of concession:
 - (i) Build, Operate and Transfer (BOT);
 - (ii) Design Build, Operate and Transfer (DBOT);
 - (iii) Build, Own and Operate (BOO);
 - (iv) Design, Build, Own and Operate (DBOO);
 - (v) Rehabilitate, Operate and Transfer (ROT); or
 - (vi) Rehabilitate, Operate and Own (ROO).
- b) Assignment of operation contract, in the modality of assignment of operation of rights and obligations which are the object of the contract;

- c) Management contract of the undertaking, infra-structure and property assets of the State or other public entity;
- d) Any other form of title of rights granted by the Government for prospecting, exploration and extraction or use of natural resources or other national property assets.

Sharing of Benefits

Types and sharing of benefits

1. The benefits applicable, taking into account the particularities of each PPP, LSP and BC undertaking, include financial benefits and socio-economic benefits.
2. The sharing, with equity, of financial and socio-economic benefits is conducted by assessment and establishment, in the relevant contract, of their dimension and distribution between the contracting parties, taking into due consideration the protection of the rights inherent to the funders, the State, the national economy and Mozambican society, in particular:
 - a) the quantity and quality of the resources made available by each party and the respective opportunity cost;
 - b) the degree of responsibility of each party in enabling and implementing the various phases of the undertaking;
 - c) the degree of risk, objectively assessable, incurred by each party, associated with the guarantee of returns and profitability of the resources invested;
 - d) the protection of the Country's economic competitiveness and of a business environment favorable to attract national and foreign investment; and
 - e) the need to preserve benefits for current and future generations.

Financial benefits

The financial benefits for the Country from each PPP, LSP and BC undertaking shall be expressly referred to in the contract to be concluded between the contracting party and the contracted party, namely:

- a) the participation reserved for sale, via the stock market in favor of the economic inclusion on commercial market terms, preferably of Mozambican natural persons, in the share capital of the undertaking or in the joint venture equity, whether or not foreign investment is involved, guaranteed by:
 - (i) the State or other public entity appointed thereby, in a percentage not less than 5% nor greater than 20% of the referred capital; or
 - (ii) the entity implementing the undertaking, of the same level of participation, for unconditional sale, under the same terms and conditions provided in
- b) the opportunity for Mozambican public or private corporate persons to participate in the share capital of the undertaking or the equity of the joint venture, under terms to be negotiated and agreed by the parties, without prejudice to the provisions of (i) and (ii) of the preceding clause a).
- c) the generation of positive exchange effects on the balance of payments, whether by means of generation of exchange resources or savings for the Country;
- d) the generation of tax revenues and positive contribution to the public treasury;
- e) the generation and distribution of profits or dividends, under the terms resolved by the corporate bodies of the undertaking's company; and

f) the equitable sharing of the extraordinary direct benefits, protecting the Country's economic competitiveness and under the contractually agreed terms and in any one or a combination of the following forms:

- (i) carrying out of reinvestment in the national territory;
- (ii) constitution of a reserve for carrying out additional investments or to cover extraordinary losses of the undertaking;
- (iii) financial applications carried out and maintained in the Country.

Socio-economic benefits

The PPP, LSP and BC undertaking concession contract shall also contain clauses expressly specifying the socio-economic benefits to be provided by each undertaking, at its own expense, for the national economy and Mozambican society, namely, the benefits related to:

- a) creation, rehabilitation or expansion of infrastructure for production or provision of services, in connection or associated with the undertaking;
- b) offer of work posts and professional training programs for Mozambican employees;
- c) programs and actions of technical-professional training and transfer of technology and know-how to the Country;
- d) increase and maintenance of the production and export capacity and of the capacity to supply internal market needs;
- e) contribution to the development of Mozambican small and medium enterprises, via business and technological linkages between the undertaking and such enterprises;
- f) carrying out programs of activities or social responsibility projects, development and social sustainability projects with the local communities, for the account of the undertaking.

Bilateral Treaties and Agreements

Investment Promotion and Reciprocal Protection Agreements

The country has signed investment promotion and reciprocal protection agreements with the following countries: South Africa, Germany, Algeria, Belgium, China, Cuba, Denmark, Egypt, USA, USA (OPIC), Finland, France, Indonesia, Italy, Mauritius, Netherlands, Portugal, Sweden, United Kingdom, Vietnam and Zimbabwe.

Agreements to Prevent Double Taxation and Fiscal Evasion

Mozambique is signatory to agreements with Portugal, Mauritius, United Arab Emirates, and the Autonomous and the Special Administrative Region of Macau.

Investment opportunities

Mozambique with about 800.000 Km² is endowed with enormous investment opportunities in various sectors, notably the following, in order of their importance and potential and competitiveness.

- **Agriculture:** This sector offers vast opportunities for the production of cereals, fruits, flowers, vegetables, for the local market and for export. The country has been exporting various products, notably baby-corn, flowers, citrus, cashew nuts, various fruits, pimento and paprika, to competitive markets in Europe. The Zambezi valley represents an excellent opportunity for the agricultural sector, according to pre-feasibility studies.
- **Fisheries and Aquaculture:** This sector has been developing with the presence of local and foreign companies and has seen a strong growth and strong present in European and Asian markets in terms of prawns, and various sea products. The country has an enormous potential all along its 2,800 km Indian Ocean coast line, combined with the excellent natural conditions favourable for aquaculture;
- **Industry:** One of the country's biggest challenges is adding value to its primary products and thus maximizing its natural resources. This sector offers investment opportunities almost all over the country. The textile industry, agro-industry, the aluminium, iron and steel, coal and gas are some examples to take into consideration;
- **Tourism and Hotels:** This sector has been growing steadily in recent years given the major potential that the country has and the public investments made in terms of infrastructures and means allowing access to previous inaccessible locations. The country offers unique investment opportunities in national parks and reserves, the possibility of investment in private game farms in the interior of the country, benefiting from fauna and flora, combined with beach tourism along the 2,700 km coast, and on islands and archipelagos. The historic and cultural tourism, and business tourism has been growing in recent years representing a very viable option in many regions of the country;
- **Public Infrastructures:** The Government of Mozambique in partnership with the private sector has been investing in the development of public infrastructures, namely roads, bridges, telecommunications, energy, among other sectors. Consequently various opportunities abound in these sectors and investors are therefore challenged to create innovative ways of investing in these sectors and ensure turnover of their capital as well as profit, through BOT, or other mutually advantageous manners.
- **Mineral Resources:** The diversity and vastness of unexploited mineral resources that the country is endowed with represent major investment opportunities for the exploration, extraction, processing and utilization of various types of resources, of which the most important are natural gas, coal, gold, titanium, ilmenite, zircon, rutile, tantalite, marbles, and precious stones.
- **Energy:** With the start of commercial extraction of natural gas, rehabilitation and construction of new hydroelectric dams, start of the exploitation and foment of alternative and renewable energies such as solar, oleic, and biofuels (bioethanol, biodiesel e biogas), the country has expanded its energy generation capacity potential to more than 16,000MW. Taking into account

Opportunities in the Nacala Special Economic Zone (ZEEN)

The Nacala Special Economic Zone is situated in the north of Mozambique – Nampula Province, about 200 km from the provincial capital Nampula, 500 km in direct line from Mozambique's border with Tanzania, about 1,800 km from the country's border with South Africa, and about 620 km from the Eastern border with Malawi.

Its position on the Mozambican coast, its natural conditions and the existence of a deep water port determine the importance of Nacala, as a strategic hub for the development of country and the southern Africa. - The port of Nacala is the third largest deep water port on the eastern coast of Africa.

The Nacala Special Economic Zone is the end of the transport corridor formed by the road that links the provincial capital (Nampula), the interland countries, in particular Malawi and Zambia, known as the Nacala Development Corridor (CDN) which makes the area a highly potential hub of economic and social development.

There are enormous opportunities in the following areas among others:

Agro-processing

Given the agricultural potential of the region in which Nacala is located (North of the Country), the area of agro-processing also constitutes a huge opportunity for investment, highlighting the need for processing products such as: (i) Maize (ii) Peanuts, (iii) sesame (iv) Cassava (v) Beans, (vi) vegetables, (vii) cashew nuts, (viii) Cotton, (ix) tobacco, (x) Wood, (xi) tropical fruits, especially bananas and mangoes, among others.

Technology Parks

Nacala offers opportunities for the establishment and development of technology parks for the production, assembly, improvement and technological innovation in all areas.

Tourism

Nacala has an enormous tourist potential. Occupying one of the top places in terms of attracting foreign investment, its strategic tourist products are: sun, sea, sand, ecotourism, culture, sports, among others. As an exotic tourist destination, investment opportunities and business in the tourism sector are endless, mostly in the construction of Hotels, Restaurants, Water Sports, Exploitation of marine parks, and more.

Services

Nacala is an excellent investment opportunity in services, including transportation, in its various aspects, communications, industrial maintenance and repair, financial services, technical assistance, among others.

Infrastructure

Being the construction of infrastructure one of the pillars of development and necessary condition to make the economy competitive, there are great business and investment opportunities in the construction, expansion and maintenance of roads and bridges, condominiums, industrial plants and industrial science and technology parks, among others. Corporation, the Industrial Development Corporation of South Africa and the State of Mozambique.

Public and Private Institutions Facilitating Investments

Ministry of Planning and Development

Av. Mártires de Inhamitanga 336, Maputo

C.P. 276, Maputo

Telephone: +258-21430152/5

Fax: +258-21431028/+258 - 21424109

www.mtc.gov.mz

CEPAGRI – Centre for the Promotion of Agriculture

Rua da Gávea nº33 - 1ºandar Maputo –
Moçambique

(+ 258) 21 300 626/ (+258) 21 30 62 35/ (+258)
21 30 79 57

(+258 21 42 74 36)

www.cepagri.gov.mz

CPI - Investment Promotion Centre

Rua da Imprensa, 332 R/C

Caixa Postal 4635, Maputo

Tel: (+ 258) 21 313310; (+ 258) 21 313375

Fax: (+ 258) 21 313325

E-mail: cpi@cpi.co.mz

Website: www.cpi.co.mz

IPEME – Institute for the Promotion of Small and Medium Enterprises

Av. 25 de Setembro No. 152, 1st Floor

Maputo

Telephone: (+258 21430272)

Fax: +258 21532669

www.ipeme.gov.mz

GAZEDA – Free Zones & Economic Special Zones Office

Av. 24 de Julho No. 3549 3rd Floor

Maputo

Telephones: + 25821400632/635

25821300626

Fax: +25821400632

Cell phone: + 2580823253570

www.gazeda.gov.mz

IPEX – Export Promotion Institute

Av.25 de Setembro No.1008, 2nd Floor, Maputo

Telephone: +25821307257/8

Fax: +25821307256/300193

www.ipex.gov.mz

CTA – Confederation of Economic Associations of Mozambique

Rua Fernando Ganhão, N. 120

Maputo

Telephone: + 258 21 49 19 14/64 or + 258 21 49
19 30 89

Fax: + 258 21 49 30 94; www.cta.org.mz

Ilmenite - Moma - Nampula Province



Centro de Promoção de Investimentos
(Investment Promotion Centre)

CPI is a government agency with a mandate to attract and facilitate the establishment of private domestic and foreign direct investment. We are a One-Stop-Shop for investors and provide the following services.

- Institutional assistance to investors in the approval and implementation of investment projects;
- Ensure investors get access to fiscal incentives provided by law for the establishment of their projects;
- Promotion of business linkages between domestic and foreign companies, SMEs and large enterprises;
- Identification of potential financial partners and/ or technology for the establishment of joint ventures;
- Identification and dissemination of investment opportunities;
- Promotion of business development assistance programmes, particularly for domestic investors;
- Institutional assistance in the acquisition of business licenses;
- Capacity building programmes for local suppliers;
- Monitoring and follow up of the implementation of projects and identification of constrains.



Entrance to the Port of Nacala - Nampula Province



სე-მონტი
კონსტრუქციის
სამშენობლო
საინჟინერო
საპროექტო
სადასრულო
სამსახური

Mozambique

Also Ideal for Leisure

Mejumbe Island

An aerial photograph of Mejumbe Island, a small, crescent-shaped island with a sandy beach and a lighthouse, surrounded by turquoise water under a blue sky with clouds.