



Mozambique Compact Water Sector Projects 2008 – 2013

Cassia Carvalho-Pacheco: MCC Resident Country
Director

Evan Freund: MCC Deputy Resident Country
Director

Emilio Muchanga: MCA Deputy Director

Programme to Promote Business, Investment and Employment in Mozambique



MCA Mozambique Programme

Agreed with

Millennium Challenge Corporation (MCC)

(Programme Presentation)

9 October 2008

MCC Overview

Overview of the Infrastructure Projects

Procurement Structure

Financial Management / Payment Mechanism

Doing Business In Mozambique

Millennium Challenge Corporation





The Millennium Challenge Corporation (MCC) is a United States Government corporation designed to work with some of the poorest countries in the world.

Established in July 2004, MCC is based on the principle that aid is most effective when it reinforces good governance, economic freedom and investments in people. MCC's mission is to reduce global poverty through the promotion of sustainable economic growth.

The MCC focuses specifically on promoting sustainable economic growth to reduce poverty through investments in areas such as transportation, water and industrial infrastructure, agriculture, education, private sector development, and capacity building.

Over \$3.1 Billion in Compacts for African Countries

Country	Date Signed	Total Funding
 Benin	February 2006	\$307 million
 Burkina Faso	July 2008	\$540 million
 Cape Verde	July 2005	\$110 million
 Ghana	August 2006	\$547 million
 Lesotho	July 2007	\$362 million
 Madagascar	April 2005	\$110 million
 Mali	November 2006	\$461 million
 Morocco	August 2007	\$698 million
 Mozambique	July 2007	\$507 million
 Namibia	July 2008	\$305 million
 Senegal	TBD	\$255 million proposed
 Tanzania	February 2008	\$698 million

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Quick Facts on Mozambique

Population	20.1 million (2006 est.)
Life expectancy at birth	41.8 years (2005 est.)
HIV/Aids prevalence (adult)	16.1% (2005 est.)
GDP (PPP)	US\$ 27 089 million (RSA: US\$ 566 805 million)
GDP per capita (PPP)	US\$ 1 494 (RSA: US\$ 13 018)
Natural resources	Coal, titanium, natural gas, hydropower, tantalum, graphite

The Mozambique Compact



Water and Sanitation Project (\$203.6 M)

Transportation Project (\$176.3 M)

Land Tenure Services Project (\$39.1 M)

Farmer Income Support Project (\$17.4 M)



Compact Status

Status..... Compact Signed

Compact Information

Compact Amount \$506.9 million

Compact Duration.....5 years

Country Information

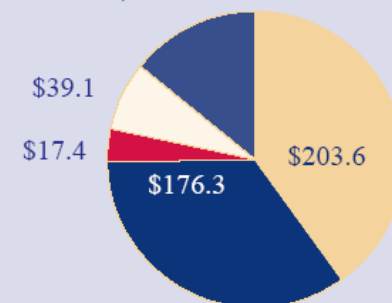
Population 19,792,300

GNI Per Capita\$310*

Program Components

in millions

\$70.5



- Roads
- Water/ Sanitation
- Agribusiness
- Land Tenure
- Admin., Oversight, Monitoring and Evaluation

Water Supply and Sanitation Project (\$203.6 MM)



Activity	Amount
Improving water supply networks & sanitation of Nampula, Pemba & Quelimane	\$86.9 million
Constructing/ rehabilitating water supply and sanitation systems in Nacala, Gurue, and Mocuba , under delegated management	\$60.0 million
Technical assistance and capacity building	\$21.0 million
Constructing or rehabilitating water supply systems in Montepuez and Monapo	\$15 million
Repairing and raising the Nacala Dam and reservoir, the main bulk water source for the city	\$11.7 million
Installing and rehabilitating approximately 600 rural water supply points in Nampula and Cabo Delgado provinces	\$9.0 million

Road Rehabilitation (\$176.3 MM)

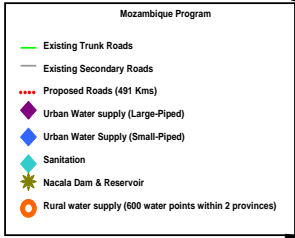
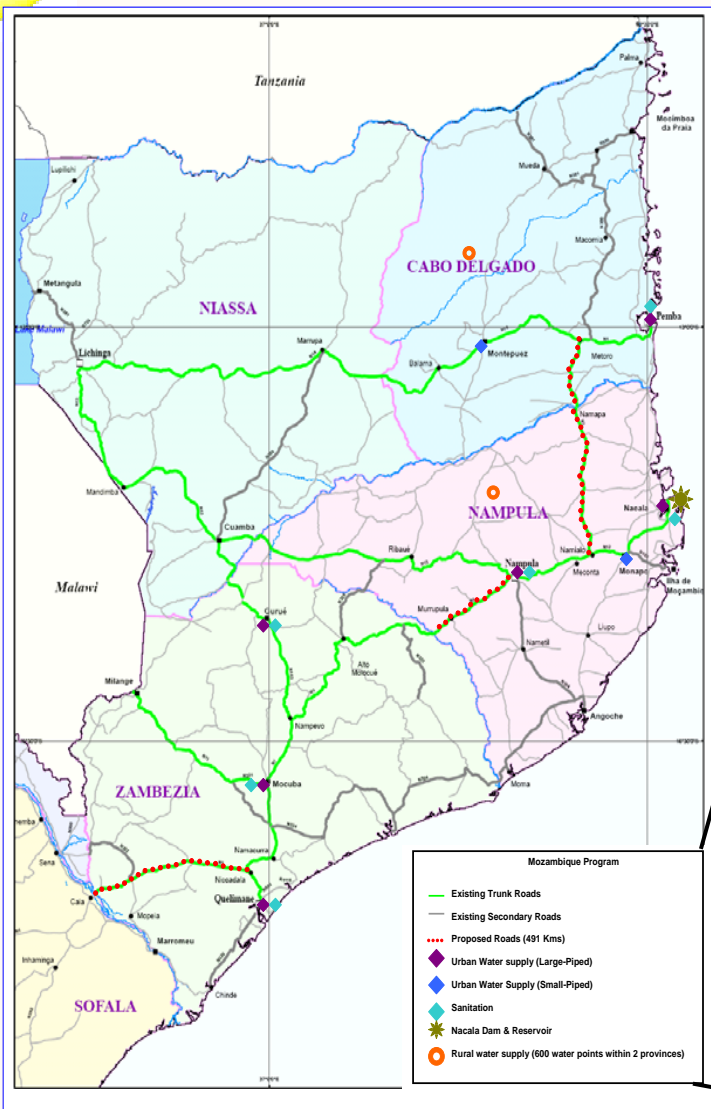


Route	Distance	Amount
Rio Lúrio – Metoro	74 km	\$23.5 MM
Nampula – Rio Ligonha	102 km	\$37.5 MM
Namialo - Rio Lúrio	148 km	\$50.0 MM
Nicoadala - Chimuara	167 km	\$60.1 MM



Map of Proposed MCC Investments

Focused on the Northern Mozambique provinces of Zambézia, Nampula, Cabo Delgado and Niassa



Legend

- Existing Trunk Roads
- Existing Secondary Roads
- Proposed Roads
- Urban Water Supply (Large-Piped)
- Urban Water Supply (Small-Piped)
- Sanitation
- Nacala Dam & Reservoir
- Rural Water Supply (600 points total)

Timeframe for Implementation



Engineering, socio-economic and environmental impact studies, detailed design of projects, and management services

Procurements projected for 2008-9

Institutional Capacity Building and Technical Assistance Services
Procurements projected for 2008 to 2013

Construction and Supervision
Procurements projected for 2009 to 2012

Procurement Opportunities in Mozambique Compact



Consultancies & Services

- **Engineering / design, socio-economic and environmental impact studies;**
- **Water and sanitation management services in various cities;**
- **Maintenance of roads, bridges, water and sanitation systems;**
- Rural extension services;
- **Construction supervision;**
- Agro-processing services;
- Transportation services;
- **Training and technical assistance in technical and social areas, administration.**

Construction Contracting

- Construction of Roads;
- Construction of Water Supply Systems
- Construction and Rehabilitation of Wells;
- Construction for Drainage and Sanitation.

Supplies and Equipment

- Materials;
- Various Equipments and Systems;
- Chemical Products for Agriculture and Water Supply.

Direct and Indirect Labor / Contractors

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Economic Snapshot

- Strong economic growth, in excess of 7%, is expected to continue.
- Scaling up of government investment coupled with generous donor support, and improvement in energy and transport infrastructure enhance productivity.
- High oil prices remain a risk to the inflation outlook.
- Metical will continue to be supported by donor inflows, FDI and export revenue.
- Concerted efforts by authorities to improve business environment should attract investment supporting diversification initiatives.
- In the construction industry, large infrastructure projects and mining investments contribute to **11.8% y/y** growth in the industry

Centro de Promoção de Investimentos (CPI)

- CPI is a Government body to promote and assist investors.
- Minimum direct investment (investor's own capital investment) is USD 50,000 for foreign investors.
- Foreign investors who comply with the minimum amount of direct investment are allowed to remit profits out of the country.

Business Vehicles

- No restrictions on foreign individuals or entities to set up business in Mozambique.
- Two main forms of limited liability entity available under Mozambican Commercial Law: a **branch** or a **limited company**.

Registering a branch:

- Branches have to be registered with Ministry of Commerce and Industry.
- Objective of a branch is to execute a specific contract and the activities permitted under the license granted are restricted to the contract (s). The license is valid for three years, renewable.
- A **branch** is more appropriate for short duration ventures.

Incorporation of limited liability company:

- Most commonly used limited liability Mozambican business are Sociedade por Quotas (Limitada = private companies) and Sociedade Anónima de responsabilidade Limitada (SA = public companies)

Operating License

- All companies require an operating license (“Alvará”), and it is normally not complicated to obtain.
- Civil construction business have specific requirements (e.g. financial capacity; minimum technical staff)

Taxation

Direct taxes

These consist of

- (A) Individual Income Tax (IRPS)
- (B) Corporate Income Tax (IRPC)

Other taxes

Indirect Taxes - e.g. Value Added Tax (IVA)

Municipality Taxes – e.g. Personal Municipal Tax

Double Taxation Treaty

A DTT between Mozambique and South Africa has been signed but not yet ratified by the two parliaments.

This will have significant effects on investors' choice of the optimum investment structure.

Value-Added Tax

Main aspects of Mozambique VAT

- VAT is levied on the supply of goods or services
 - Mozambique's VAT rate is 17%
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- Custom and Duties