

# 1. Background on Mozambique's Main Features:



- **Independence Date** June 25<sup>th</sup> of 1975
- **Land Area** 799.380 km<sup>2</sup>
- **Population** 22.3 millions (2011)
- **Population Density** 28/km<sup>2</sup>
- **GDP (2011)** USD10 billion
- **GDP Growth Rate (2011)** 7.3%
- **Inflation (2011):** 5.5%
- **Currency** METICAL (MT)
- **Exchange Rate (2012)** 29 MT/USD
- **International Reserves** 4.5 import months
- **Main Economic Sectors** Agriculture, HidroEnergy, Extractive Industry, Transport Services, Commerce and Tansformation Industry
- **Total Imports (2011)** .....
- **Main Imports** Industrial and Investment Equipment, Consumer goods
- **Total Exports (2011)** .....
- **Main Exports** Aluminium products, hydroenergy, coal, transport services, sugar and agriculture commodities (timber, cotton, tobacco, cashewnuts)

**Mozambique**

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# Main Motivation for PPP Engagement

- To attract private investment for developing and improving public infrastructures and public basic services provision while also accelerating economic growth and Mozambique's people and social welfare in the country.
- To contribute for a more effective and efficient public and private economic value/value for money resources utilization through engagement of both public and private sector actors in viable economic projects
- Fair and equitably shared risks and benefits among public and private entities, based on *economic value/value for money* and the *User's fee payment* principles.

## 2. PPP Legal Framework - *PPP LAW Purpose*

**PPP Law enacted in 2011** and in force from 12 July 2011.

**Main Purposes of the PPP Law:** To enable

- Adjusting/ascertaining the process of contracting, implementing and monitoring the PPP undertakings as well as of Large Scale Projects (Megaprojects) and Entrepreneurial Concessions;
- Fostering greater involvement of private partners and investors in pursuing investments in the country under Public-Private Partnership undertakings;
- Enhancing greater efficiency, effectiveness and quality in the use of public domain assets as well as of natural and other national public property assets aiming at providing efficient services and goods to the society;
- Sharing equitably the emerging economic and social development opportunities as well as the economic and social benefits therefrom; and
- Institutionalizing the accountability requirement to the Public in general and to the Parliament on PPP Undertakings.

### 3. PPP Regulatory Framework – *PPP Regulations*

**PPP Regulations** enacted in August 2011.

**Main Purpose of PPP Regulations:** To establish the guiding procedural rules to be observed and followed along the process of:

- Designing (policy issues);
- Competition/Bidding;
- Contracting;
- Implementing;
- Operating;
- Monitoring; and
- Exit/Returning

of the PPP undertakings (and Large Scale Projects & Entrepreneurial Concessions), including the equitable sharing of risks and

- the benefits therefrom.

## 4. Types of PPP Project Undertakings

- PPP Undertakings in public domain infrastructures and/or in public basic services provision, for any form of PPP (BOT, DBOT, DBFOT, ROMT, LOMT, etc).
- Large Scale Project (Megaproject) undertakings of investments contracted or authorized by Government exceeding 12,500 million Meticals (equivalent to USD 500 millions)
- Entrepreneurial Concession Undertakings for prospecting, exploration, extraction and utilization of natural resources and any other public property assets.

### 3. PPP Institutional Framework

1. PPP (oversighting) Unit operational within the Ministry of Finance.
2. The PPP Unit performs the following functions and duties:
  - a) To follow up and cooperate in the design and elaboration of technical environmental, economic and financial feasibility studies;
  - b) To follow up and participate in the evaluation of procurement tenders for awarding PPP and other concessions;
  - c) To follow up and appraise/analyze and advice, in particular, on the economic and financial feasibility studies of PPP, Large Scale Projects and Entrepreneurial Concessions, including the expected PPP financing sources as well as the risks and benefits therefrom;
  - d) To follow up and participate in the negotiation of PPPs, Large Scale Projects and Entrepreneurial Concessions contracts and the related investments agreements;
  - e) To ensure the publication of the main PPP contractual terms and the annual PPP financial reports and balance sheets;
  - f) To follow up and ensure the monitoring and supervision of economic and financial performance of PPPs, Megaprojects and Entrepreneurial Concessions, including the actual accrued benefits (and risks) therefrom.
3. Regulatory (and contractual compliance) Authorities, as *permanent arbitrators and quality surveyors* among the Government/Public Partner and Private Partner; and
4. The PPP Implementing Unit, being a permanent real company throughout the concession period (and not a temporary SPV).

## 5. PPP Competitive Contracting Modalities and Transparency Process

- The main PPP contracting modality is through the Public Tender/Bidding.
- The following tendering/bidding modalities may apply:
  - a) The normal (one phase) tendering/bidding process;
  - b) The tendering/bidding process with pre-qualification phase;
  - c) The tendering/bidding process comprising two tendering phases;
  - d) Competition/auction on a private proposal initiative/unsolicited proposal, (if in a public domain).
- Publication of the main PPP contractual terms, as provided for in the Law and in the Regulations;
- Publication of the annual financial reports and balance sheets; and
- Annual reporting on PPPs to the Parliament (included in the Budget Proposal).



## 6. PPP Undertaking's Regulated Process Steps

- PPP Conceptual designing (policy issues);
- PPP Project feasibility studies (technical, environmental and economic feasibility), based on a predefined Application Form and Financial Model;
- PPP Competitive tendering/bidding (if in public domain)
- PPP Concession Evaluation and Awarding;
- PPP Contractual Clauses Negotiation;
- Government approval of the PPP Contract (or Investment Authorization);
- PPP Contract Signing;
- Transfer of the contracted PPP undertaking to the concessionaire;
- Implementation of the PPP Undertaking;
- Management, operation and maintenance of the Undertaking;
- Monitoring and evaluation of the PPP Undertaking; and
- Exit and Return of the PPP Undertaking.

# 7. PPP Undetraking's Risks Sharing

## **Government/Public Partner Responsibility (to avoid and mitigate the effects)**

- Political, legislative and regulatory change risks;
- Institutional conflict of interest risks;
- Public authorities' misbehaviour and non-compliance risks;
- Land leasing and public planning associated risks;
- Budget funds and Government guarantees facilitation risks.

## **PPP Private Partner Responsibility (to avoid and mitigate the effects)**

- Business and private entrepreneurial conflict risks;
- PPP design, engineering, implementation & management risks;
- Market and commercial (including market demand and price) related risks;
- Financial and currency exchange risks;
- Fiduciary risks on PPP borrowed and allocated funds and on Government facilitated financial access guarantees.
- Tax evasion and PPP assets residual depletion value risks.

## 8. PPP Surety & Performance Guarantees/Bonds

The contracted Party for a PPP Undertaking must provide surety and performance financial or collateral guarantee/bond, for securing:

- Good faith and seriousness of its offer and participation in the tender/bidding, valid until signing the contract;
- Correct and full implementation of the PPP Undertaking, valid until starting the operation;
- Good operation and maintenance of the PPP Undertaking, valid until the return of the undertaking; and
- Exit/Return of the PPP Undertaking in good conditions of maintenance and operation at ending/expiration of the contract, valid for one year.

# 9. PPP Investment Guarantees & Incentives

Mozambique Government extends to the Investors in PPP undertakings the investment guarantees and incentives provided for in the Investment Law and its Regulations, namely the following:

- Guarantee of private property ownership as well as guarantee against expropriation or nationalization of investment undertakings and relevant assets, including the borrowed financing;
- Facilitation of Investment Insurance against political risks with Multilateral Investment Guaranty Agency (MIGA);
- Guarantee for Investment Dispute Resolution resorting to International Center for Settlement of Investment Disputes (ICSID);
- Guarantee of the right for exporting foreign investment profits and borrowed financing interest and capital as well as the right to repatriate the “investment decapitalization earnings” at termination of the investment Undertaking, if any;
- Enjoying investment incentives provided for in the Code of Investment Benefits to Investments made in Mozambique.

## 10. Sharing Principles of PPP Undertaking's Benefits

The fair and equitable sharing of financial and socio-economic benefits, explicitly provided for in the contract in terms of its dimension and distribution among the contracting parties, taking into due account the protection of the rights of the PPP undertaking's funders, of the Mozambique State, of the national economy and of Mozambican society, in particular, the following items:

- The quantity and quality of resources made available by each party to the PPP Undertaking and the relevant social and opportunity cost therefrom;
- The degree of responsibility of each party in enabling, implementing and bringing into reality the various phases of the PPP Undertaking;
- The protection of the Country's economic competitiveness and of the business environment favorable to attract both national and foreign investment, and
- The preservation of the benefits equally for both the current and the future generations.

# 11. Sharing of PPPs Financial (Direct) Benefits

The PPP concession contract must contain clauses expressly specifying the financial benefits from such PPP Undertaking to Mozambican Beneficiaries namely:

- A. “Reserved people’s economic inclusion equity participation warehousing” of 5% to 20% of the share capital of the undertaking or joint venture, (via State or other public entity or via the venture itself), for sale on commercial market terms, through the stock exchange market, in favor of economic inclusion, preferably to the less favored Mozambican natural persons; or
- B. The opportunity for Mozambican public or private corporate persons to participate in the share capital of the Undertaking or in the equity capital of the joint venture, under the terms negotiated and agreed upon by the parties;
- C. Payment of the entry, fixed and variable concession fees (or *royalties* in minerals and petroleum/gas concessions);
- D. Fair sharing of normally expected benefits (those forecasted and agreed upon by the Parties in the PPP Undertaking’s Financial model);
- E. Fair sharing of extraordinary benefits (those not forecasted nor agreed upon by the Parties in the PPP Undertaking’s Financial model).

## 12. Sharing PPP Extraordinary (Direct) Benefits

- Establishment of the reserve/fund for ensuring the Undertaking's economic stabilization;
- Distribution of the extraordinary annual benefit value occurred, as proportionately agreed upon among the parties;
- Carrying out investment projects in terms agreed upon among the parties;
- carrying out social responsibility programs as agreed upon among the parties and the beneficiary communities.

## 13. Country's PPP Socio-Economic (Indirect) Benefits

The concession contract must also contain clauses expressly specifying the socio-economic benefits deriving from the PPP Undertaking to the national economy and the Mozambican society, namely, the:

- Creation, rehabilitation or expansion of infrastructure for production or provision of services, in connection or associated with the PPP Undertaking;
- Employment opportunities and professional training programs for Mozambican people citizens;
- Programs and activities of professional training and of transferring of technology and know-how to country's citizens;
- Increasing and maintenance of country's production and local market supply as well as export capacity;
- Contribution to developing local small and medium enterprises, via business and technological linkages among each undertaking and such enterprises.



# 14. Some Examples of PPP Projects in Mozambique

## Some PPPs Already Implemented:

- The Ports of Maputo, Beira, Nacala and Quelimane
- Sena Rail Line (to Tete Cola Mines) & Machipanda Rail Line (to Zimbabwe)
- Nacala corridor
- N4 Toll Road Construction and Operation (from Nelspruit in RSA to Maputo)
- Tete Toll Road & Bridge Rehabilitation & Operation (Linking Zimbabwe/Mozambique/Malawi)
- Drinking Water Supply (for Maputo, Beira, Nampula & Quelimane Cities)
- Polana Hotel (for Rehabilitation, Modernisation and Operation this Country's Symbol)

## Some PPPs in Process of Being Contracted:

- Gas Electricity Generation at Ressano Garcia
- Coal Electricity Generation at Moatize
- Mphanda Nkuwa HydroPower Generation
- HiTec Tete Hospital
- Circular Toll Road Network Around Maputo City
- Ponta D'Ouro/Maputo Toll Road & Maputo Bay Crossing Bridge

# Main Features of the N4 Toll Road (Maputo – Witbank)

## TEMPORARY EASTBOUND OFF-RAMP TO NELSPRUIT NOW OPEN



- Design and Development of a modern Toll Road linking Maputo (Mozambique) to Witbank (South Africa)
- Long approximately 250km with 4 Toll Gates
- **Private Sector to: Design, Construct, Finance, Operate and Transfer to Government at Termination of Contract.**
- **Investment: R 6.3 billion**
- **Contract Period: 30 years**
- **Construction Period: 4 years from 1997 to 2000**
- **Toll Road Operation started from 2001**
- **State Participation: None**
- **The forecasted vehicle flow more than tripled.**

## Main Features of the **MAPUTO PORT** Rehabilitation, Expansion & Operation



- Rehabilitation, operation and Development of a modern Port in Maputo Bay with two main port areas (**Matola Bulk Terminal** and **Maputo General and Dedicated Cargo & Containers Terminals**)
- Investment: US \$ 1.8 billion
- Contract Period: 15 years, renewable for 5 years
- Operation Start: 2003
- State Participation: 49% through Public Enterprise CFM (Ports & Railways Company)
- The forecasted Port cargo handling almost doubled.



**THANK YOU**