



BRILHO

*Impulsionamos empresas
Iluminamos vidas*

***Cabo Delgado
Province Profile***





Introduction

BRILHO is a five-year programme, 2019 - 2024, that will catalyse Mozambique's off-grid energy market in order to provide clean and affordable energy solutions to the country's off-grid population.

The objective of the BRILHO Programme is to improve and increase energy access for 1.5 million people and businesses, leverage the private sector's innovation and investment capacity, resulting in market growth of clean cooking solutions, solar home systems and mini-grids.

The Research and Dissemination Component aims to improve the availability of relevant information to the private and public sector on topics associated with off-grid energy in Mozambique. The information provided in the following slides presents baseline information based on secondary data which is publicly available. With the development of the Programme, additional data will be gathered to deepen the knowledge related to the sections presented in this Provincial Profile.

Mozambique and the BRILHO Programme

Mozambique is located in southeastern Africa bordered by Eswatini to the south, South Africa to the southwest, Zimbabwe to the west, Zambia and Malawi to the northwest, Tanzania to the north and the Indian Ocean to the east. As of 2018, the country has a population size of 27 909 799. Mozambique has a large power generation potential from untapped coal, hydro, gas, wind and solar resources. Despite the outsized potential, only 28% of the population has access to electricity, which leaves millions of households reliant on inefficient lightning and energy solutions.

For additional information at country level, visit the BRILHO website: www.brilhomoza.com. On the Resources section, there are three documents that present useful information regarding the context of Mozambique, existing strategies and frameworks, policy actions, current coordinated support, amongst other topics as well as detailed information and guidelines for application for the BRILHO Programme.

The screenshot displays the BRILHO website's Resources section. The navigation bar includes links for HOME PAGE, ABOUT US, HOW TO APPLY, NEWS AND STORIES, RESOURCES (highlighted), and SIGN IN. Logos for BRILHO, UKaid, and SNV are also present. The main heading is "Documents". Three document cards are featured:

- Energy Africa Compact for Mozambique:** The card features a photograph of a community at night with many small lights. The text includes "ENERGY AFRICA MOÇAMBIQUE MOZAMBIQUE", "COMPARTE E PLANO DE ACÇÃO COMPACT AND PLAN OF ACTION", and "Novembro November 2017". A PDF icon is shown in the bottom left corner.
- BRILHO Energy Africa Mozambique Market Development Fund Guidelines for Applicants:** The card features an illustration of a woman in a yellow dress holding a document, with a man working on a roof in the background. The text includes "BRILHO Energy Africa Mozambique Market Development Fund" and "Guidelines for Applicants". A PDF icon is shown in the bottom left corner.
- BRILHO Flyer:** The card features an illustration of a village with a school ("ESCOLA") and a health center ("CENTRO DE SAÚDE"). The text includes "BRILHO" and "BRILHO Flyer". A PDF icon is shown in the bottom left corner.



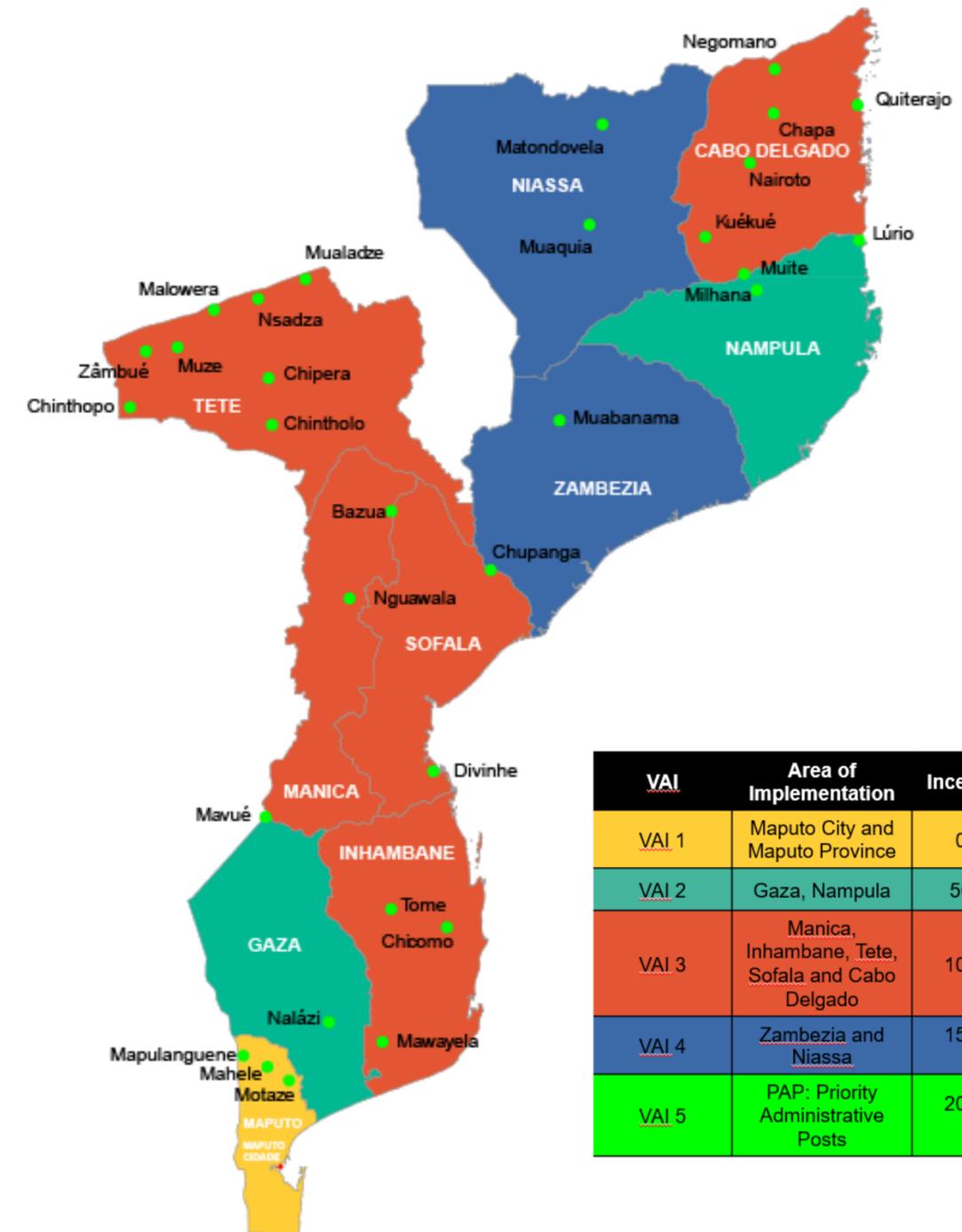
BRILHO - AREAS OF IMPLEMENTATION

AREAS OF IMPLEMENTATION

The Areas of Implementation are presented based on a Vulnerability Access Index (VAI). This index was developed using official public data on socio-economic characteristics and market infrastructure conditions of different Provinces in Mozambique. To stimulate engagement of businesses in challenging and underserved localities in Mozambique, BRILHO aims to reward businesses with higher incentives for products sold in those areas.

The VAI ranks and scores Provinces on socio-economic risk factors and infrastructural conditions, as a basis to establish a geographic differentiation in incentive levels. At its core, the calculation of the VAI is based on harmonizing both socio-economic risks and market infrastructure factors that have been expressed by businesses as directly influencing their decision making in market investments.

These have been integrated to the Results Based Financing (RBF) incentive valuation methodology to ensure that incentive values are highest in Provinces with the greatest level of socio-economic vulnerability and the lowest level of market infrastructure. Conversely, regions with the lowest VAI scores (low socio-economic vulnerability and more developed market infrastructure) will receive the lowest incentive values. Taken as a whole, the VAI can further provide a discreet roadmap to broad market context for use by current and incoming businesses to the MDF. The present document refers to Cabo Delgado Province, which falls under VAI 3.



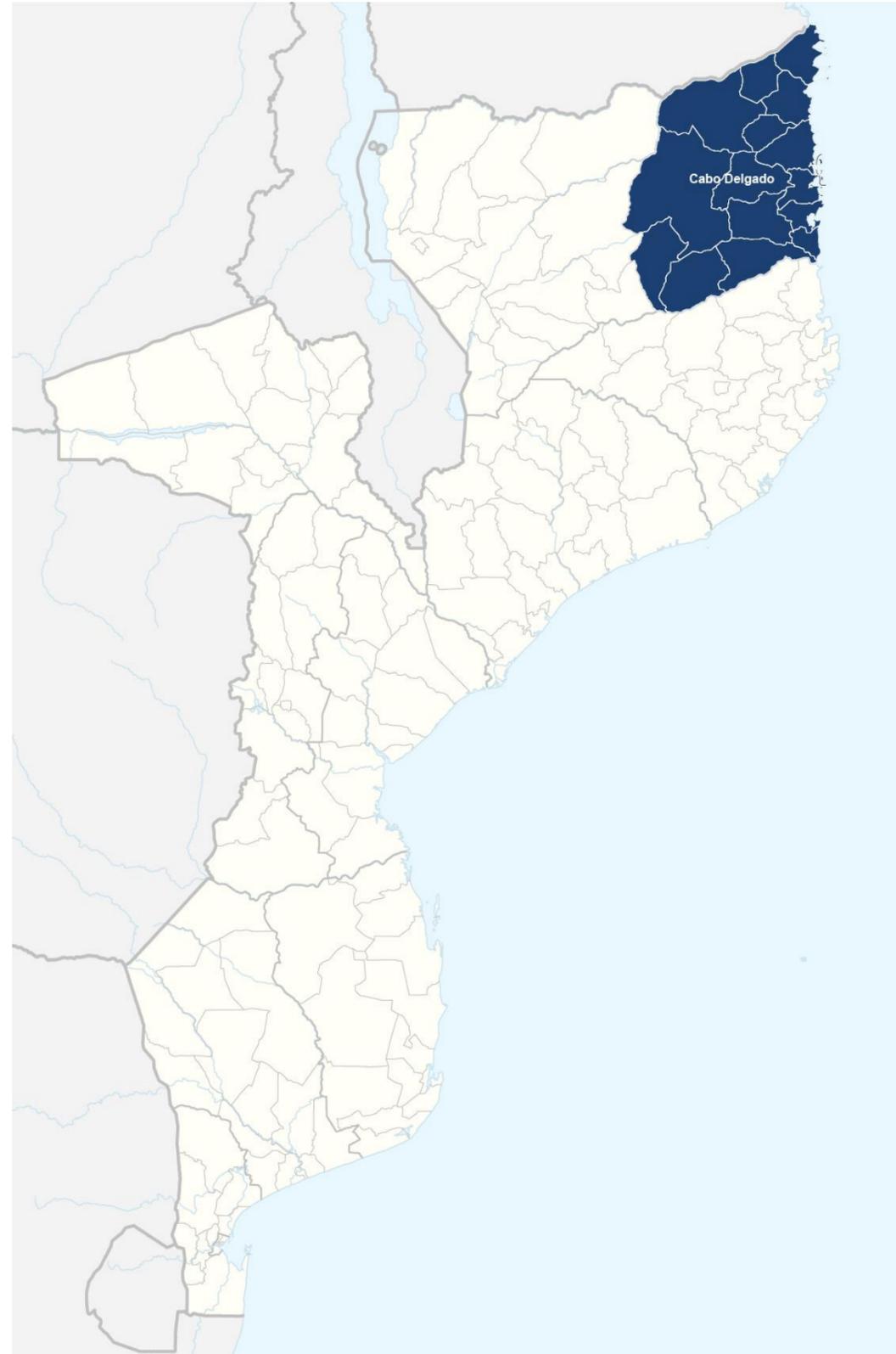


PROVINCIAL PROFILE OF CABO DELGADO

Geography and Administrative Division and Governance

Cabo Delgado Province is located in northern Mozambique, bordered by Tanzania to the North, Niassa Province to the West, Nampula Province to the South and the Indian Ocean to the East. It has an area of 82,625 Km², with Pemba as its capital city.

Cabo Delgado Province is divided into seventeen Districts - Ancuabe, Balama, Chiúre, Ibo, Macomia, Mecúfi, Meluco, Metuge, Mocímboa da Praia, Montepuez, Mueda, Muidumbe, Namuno, Nangade, Palma, Pemba, Quissanga and five municipalities: Chiúre, Mocímboa da Praia, Montepuez, Mueda and Pemba.



Population Size and Density

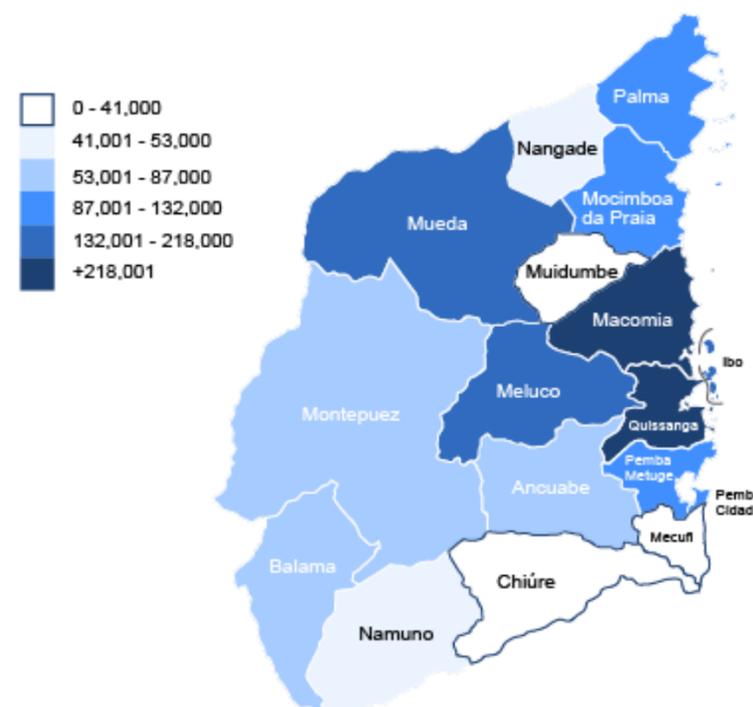
According to the most recent national census (2017), the Province has a total population of 2 333 278 people, which corresponds to approximately 8% of the total population of Mozambique, with a mean density of 28 inhabitants per km².

The key factors that influence the population growth rate are:

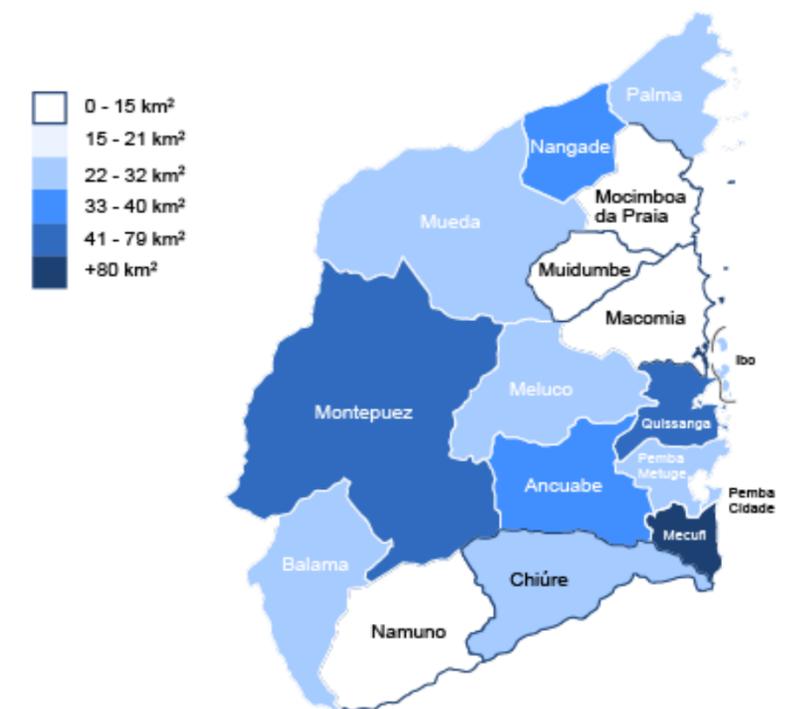
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	Mozambique	Cabo Delgado
Birth Rate (%)	6.73	3.6
Death Rate (%)	1.18	1.55
Infant Mortality (%)	3.79	6.41
Life Expectancy	53.7	49

Population size



Population density

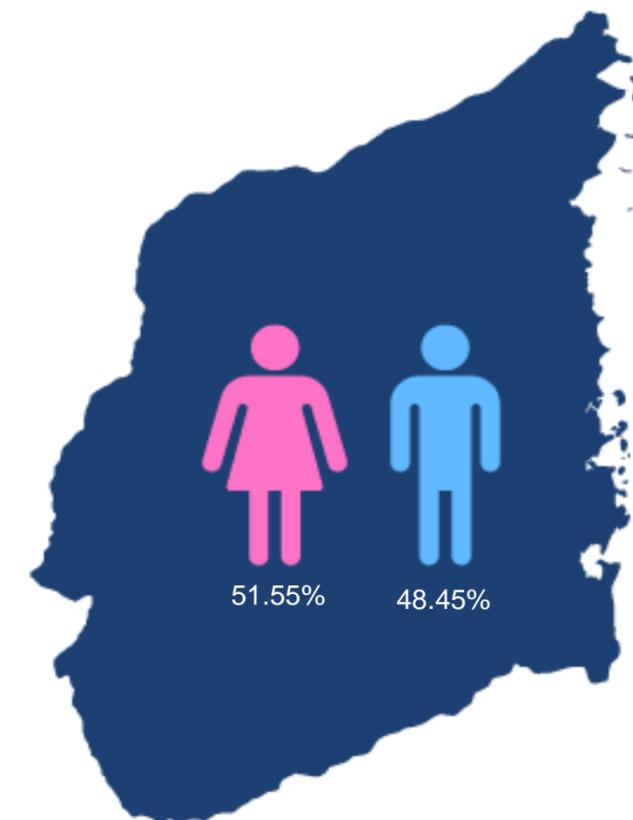


Population and Gender Dynamics

The national census indicates that the percentage of women in Cabo Delgado is slightly higher than men.

In the northern and central regions matrilineal descent systems predominate, whereas in the southern region patrilineal descent is the norm. In Cabo Delgado, the matrilineal descent system predominates. Matrilineal descent traces kinship and affiliation through the mother's line. In matrilineal societies, goods are generally passed on from one generation to the next through the mother's relatives and thus remain a part of the mother's kin group. Matrilineal descent does not mean that women have formal power, as the decision-making power is vested in the mother's brother who retains the right to distribute assets and resources.

In Cabo Delgado, 32% of the households are headed by women. It is inferred that female-headed households are less likely to have access to energy than a male-headed household. The linkages between energy, gender and poverty indexes will be assessed through primary data collection.



Governance

The governing structure at the Provincial level follows a hierarchical organizational structure headed by a political figure (that no longer represents the central government), the Provincial Governor, who is elected by national citizens living in the territorial constituency of the Province. It is envisioned that this position aims to respond to the challenges of decentralization, which ensures that power is brought closer to citizens.

According to the new Decentralization Law No. 7/2019, 31 May, the Secretary of State (appointed by the President of the Republic) and the Council of the Provincial Services of State Representation are representative bodies of the state at Province level. The Secretaries of State must deal with matters linked with state sovereignty such as defense, security and public order. Several sector institutions such as environment, agriculture, fisheries, tourism, health, education, mineral resources and energy. It is relevant to mention that the Secretary of State must ensure the licensing of low and medium voltage power generation and distribution.



Governance

The Council of Provincial Services of State follows a hierarchical organizational structure, where the Infrastructure Provincial Service and the Environmental Provincial Service are relevant to this study.

The Infrastructure Provincial Service, which embraces the energy sector, has the following responsibilities: (i) collaborate on the identification of natural resources for the use and increase of the electric energy production capacity; (ii) authorize the production and commercialization of electrical energy with a capacity below 1 MVA; (iii) authorize electrical installations; (iv) issue permits for establishment and operation of electrical installations for category 6 and 9 to 10; (v) collaborate in the promotion of energy efficiency and the sustainable use of bioenergy.

The Environmental Provincial Service has the following responsibilities in relation to the land sector: (i) to participate in the licensing and supervision of activities in the land sector, in accordance with the law; (ii) update the land management and information system; (iii) participate in the elaboration of territorial planning instruments; (iv) ensure the distribution of cartographic, photographic and other land related documents.

aforementioned law has recently been taken into effect, therefore the implications for the business development at Province level are in the process of being assessed.



Electricity Access

At present, approximately 28% of the Mozambique population is electrified. In Cabo Delgado, the electricity access rate is approximately 14.90%, the second lowest in the country (INE, 2017). There are 61,932 homes in Cabo Delgado with access to grid electricity; leaving 489,561 homes relying on other energy sources (INE, 2017). There is a strong government interest in off-grid development and its role is recognized in major national strategies and plans. The Energy Fund (FUNAE) has significant experience since it has developed a number of off-grid solar power infrastructures across Mozambique.

In relation to on-grid sector, Cabo Delgado is part of the central-northern system and there are plans for the reinforcement of the transmission lines across the Province. Currently, there are efforts amongst public sector institutions to minimize the risks of grid arrival to off-grid power sites. The availability of a national grid extension plan with status and construction timelines is not readily available.



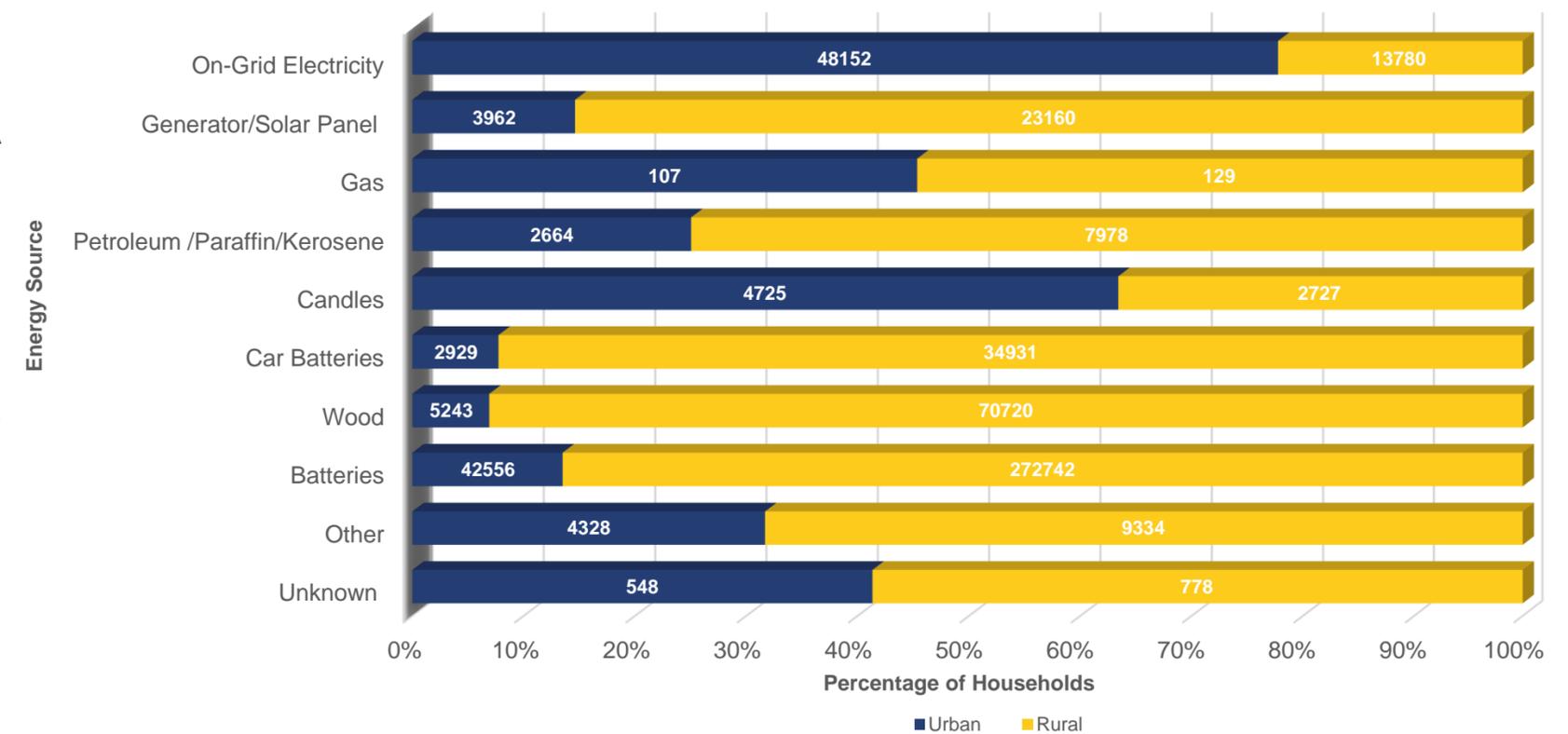
Household Energy Sources

Households with on-grid electricity are mainly located in urban areas. In rural settings, other alternative sources are mostly utilized by the local communities. A recent study suggests that in Mozambique, peri-urban households spend approximately \$13 in energy expenses, while rural households spend approximately \$12. Monthly expenditure on energy varies according to income, as it was found that in both peri-urban and rural areas, low- to upper-middle income households mostly use battery torches, while for high-income households, EDM, solar energy, and car batteries are the most popular sources of light (ECA and GreenLight, 2018).

The diagram suggests that in rural Cabo Delgado, batteries, wood, car batteries and generators/solar panels are the most used household's energy sources. Communities are heavily reliant on biomass to fulfill their vital domestic needs of lightning and cooking. The full extent of charcoal production and its impacts on woodland resources remain largely unknown, mainly due to the sparse data on all aspects of the charcoal industry, which is largely informal.

Information to be collected in the next phase includes disaggregation of data of energy used for lightning and energy used for cooking at Provincial level.

Household Energy Sources in Cabo Delgado Province



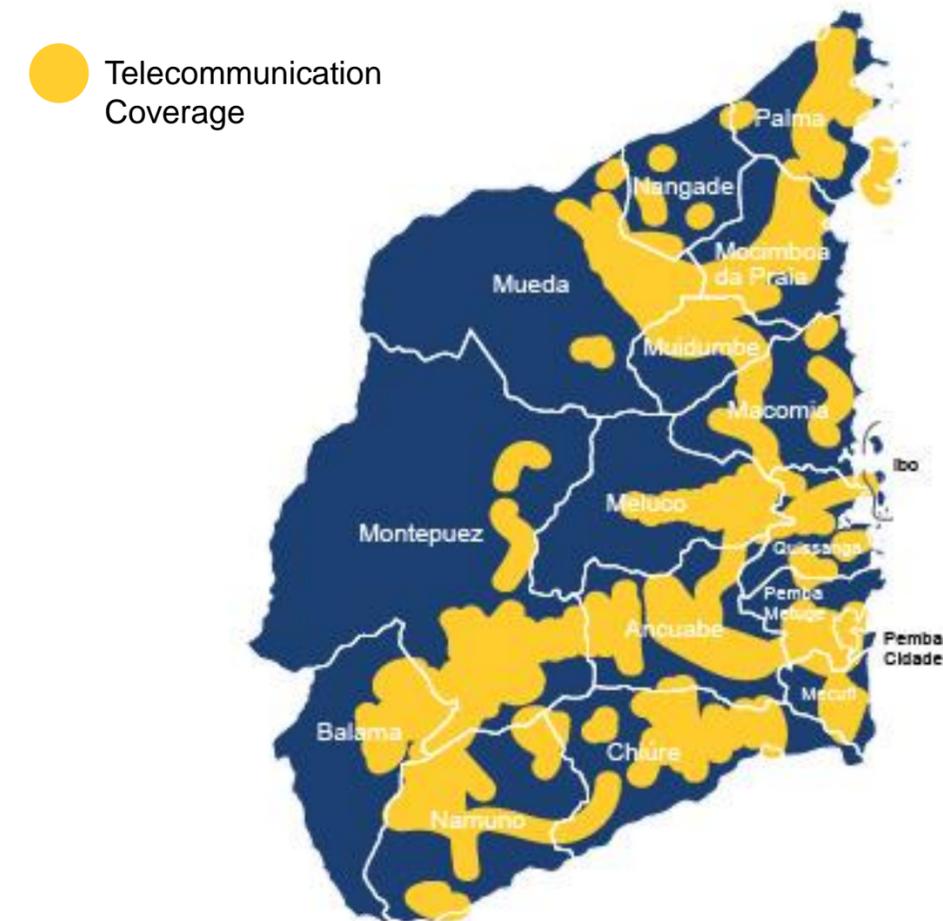
Telecommunication Coverage and Mobile Money Presence

There are three mobile communication networks operating in Cabo Delgado: TMcel, Vodacom and Movitel. The map presents aggregate data from the three telecommunication companies.

Mueda and Montepuez are areas that have the least coverage in comparison to the rest of the Province.

In terms of mobile money, there are a total of 1282 agents from the three telco companies - M-pesa (Vodacom), M-kesh (TMcel) and E-mola (Movitel). Although Cabo Delgado has the second lowest number of agents, there has been a great increase since 2015.

Information to be collected in the next phase includes mobile money customers and average revenue per user for telecom services.

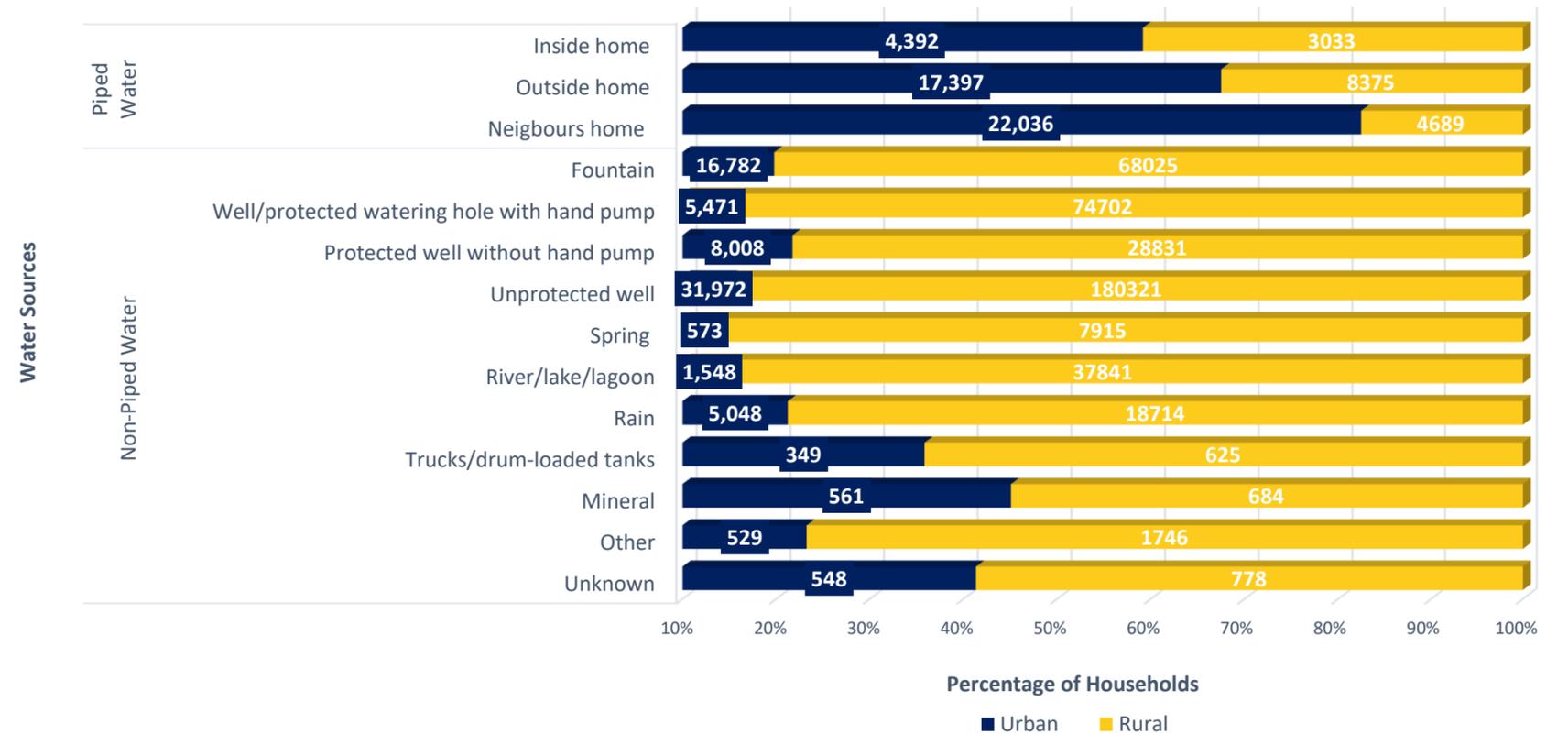


Household Water Sources

In Mozambique, access to piped water can be inside households, outside households or through water vendors. Water vendors are generally owners of private systems that were built for personal use, but due to external pressure they end up allowing others to connect to their system or selling water in small quantities (20 to 25 ℓ). There are 59,922 homes with access to piped water leaving 491,571 homes relying on other means of collecting water.

In terms of non-piped water sources, there are 9 sources identified by the Government of Mozambique. It is important to note that in the rural setting, the most common water source is an unprotected well and the large majority of the households do not treat drinking water, which increases the risk of water borne diseases. This is followed by a well with hand pump, fountain and protected well without hand pump.

Household Water Sources in Cabo Delgado



Transport Infrastructure

The road network across the Province is mostly concentrated to the east, leaving Mueda, Montepuez, Balama and Namuno districts with fewer roads. There are 2,914 km of roads in the Province with only 14% being primary roads and the majority being tertiary roads. A large percentage (73.6%) of the roads are not paved, which could affect ground transportation during the rainy season.

The two primary roads linking the Province to the rest of the country are N1 and N14. N1 links Cabo Delgado Province with the southern and central parts of the country and connects the Province with Nampula Province. The N14 links Cabo Delgado Province to Niassa Province. The closest port to Cabo Delgado is located in Nacala, in Nampula Province, which is 431 Km from Pemba.

In terms of air travel, the Province has one primary airport in Pemba, with mostly national and regional flights. There are also smaller airports throughout the Province; however, they have very little connectivity.



Economic Activities in Cabo Delgado Province



The economy of the Province is dominated by subsistence agriculture. A few of the cash crops include cashews, sesame seeds and cotton.



Small-scale fisheries are the largest contributor to this sector. Artisanal fishers fish for household consumption and sell the surplus locally. Industrial and semi-industrial fishers focus on shallow-water shrimp, deep-water shrimp and line fishing. Industrial tuna fishing is also present in Cabo Delgado.



Tourism is an important contributor to the provincial economy. There are two main areas of interest, which are Pemba City and the Quirimbas National Park.



Other important activities include livestock production, manufacturing of goods and trade. Concerning the extractive industry, the Province is home to a graphite operation in Balama District. Many of the natural gas discoveries in the Rovuma Basin, made to date, have placed Mozambique amongst the top ten countries with the most natural gas reserves in the world.



Conclusion

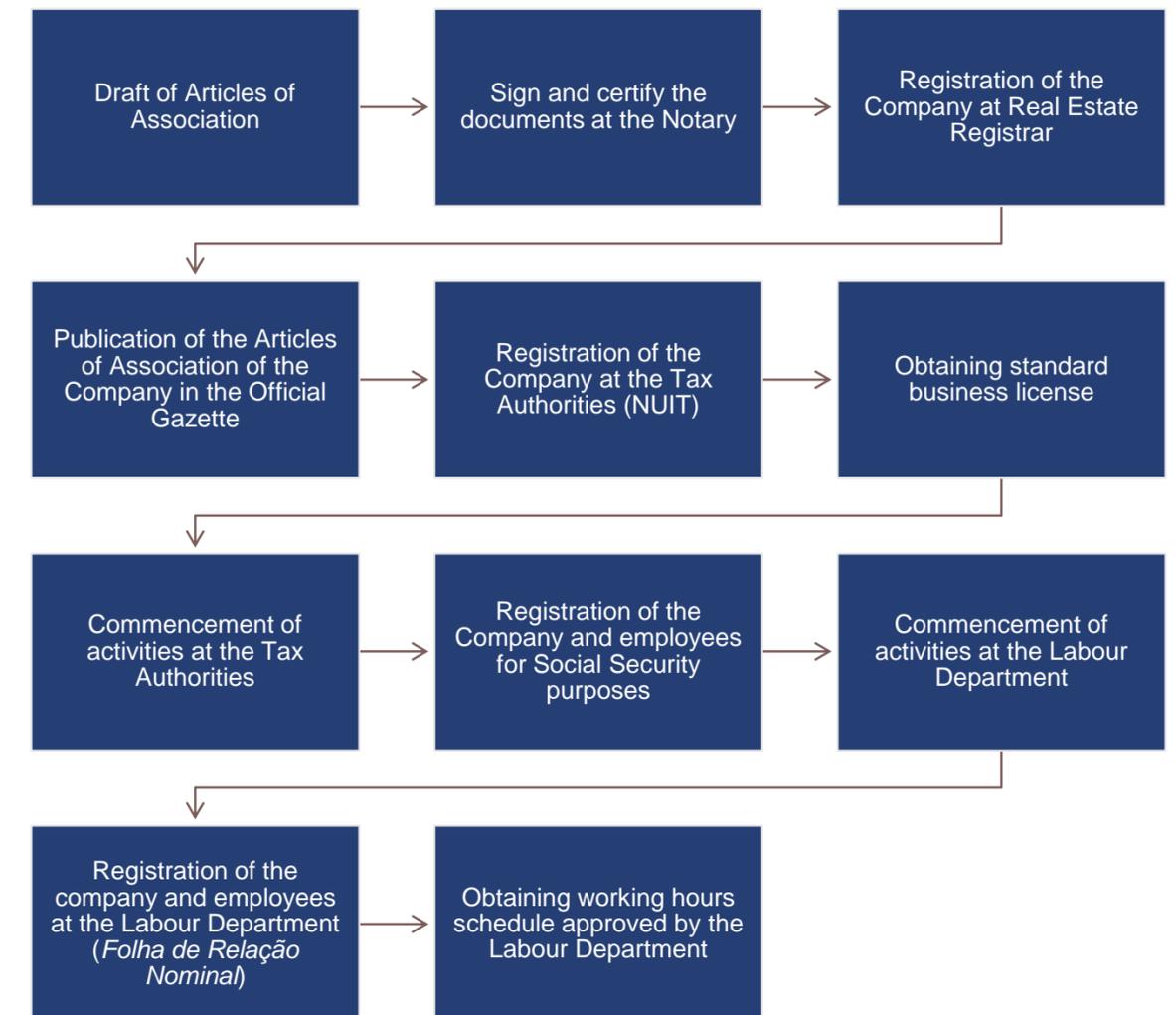
The Provincial Profiles are “live documents” that will be updated with the market information that is collected during the Programme lifetime. The following section presents information on how to set up a business in Mozambique and specific information on licensing of the technologies that will be financed by the BRILHO Programme.



SETTING UP A BUSINESS.

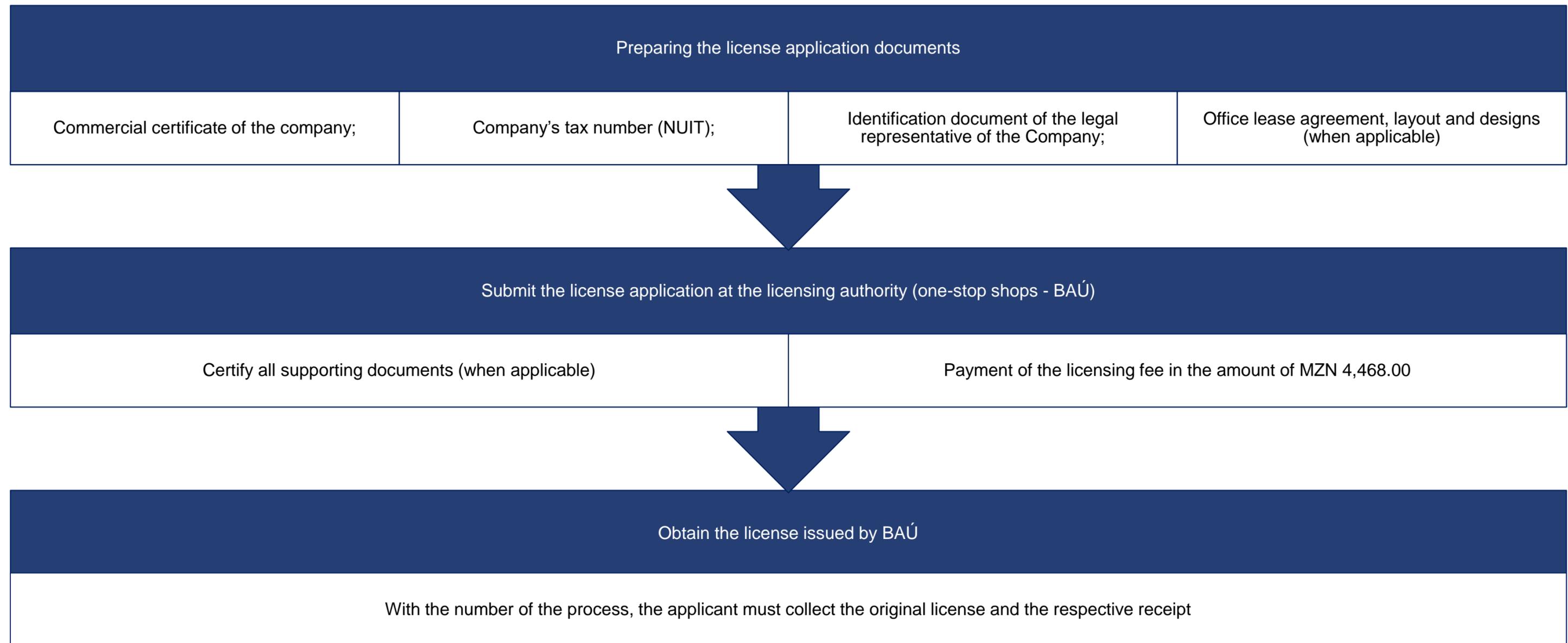
Incorporation of a Company

- Obtaining the company name certificate of the Company with the Legal Entities Registry of Maputo - 1 to 2 business days;
- Drafting the Articles of Association - 5 to 10 business days;
- Drafting and execution before a notary public of the appropriate resolutions and powers-of-attorney of the Company's shareholders – 3 to 5 business days;
- Legalizing the Company's corporate shareholders' (i) updated company registration certificate; (ii) Articles of Association; and (iii) resolutions and powers-of-attorney - 3 to 15 business days;
- Obtaining sworn translations of the corporate shareholders' (i) updated company registration certificate; (ii) Articles of Association; and (iii) resolutions and powers-of-attorney of the corporate shareholders – 3 to 4 business days;
- Execution of the Incorporation Deed before a Notary Public and registration of the Company with the Legal Entities Registry of Maputo – 1 to 3 business days;
- Publication of the NewCo's Articles of Association in the Mozambican Official Gazette - Application and payment are made upon registration of the Company, but the publication may take 2 to 3 weeks;
- Registration of the Company with the Tax Authorities and obtaining its taxpayer number (locally called "NUIT") – 1 to 5 business days;
- Obtaining a business license from the Ministry of Trade and Industry – 5 to 10 business days;
- Declaring the Commencement of Activities with the Tax Authorities, Directorate of Labour and Social Security – 3 to 4 business days



Note: Other Provinces have a delay to publish the Company's articles of association in the official gazette because the national printing press is located only in Maputo City, which means that investors across the country must send a hard copy of the publication extract via post as well as provide a digital copy, adding two weeks to the process.

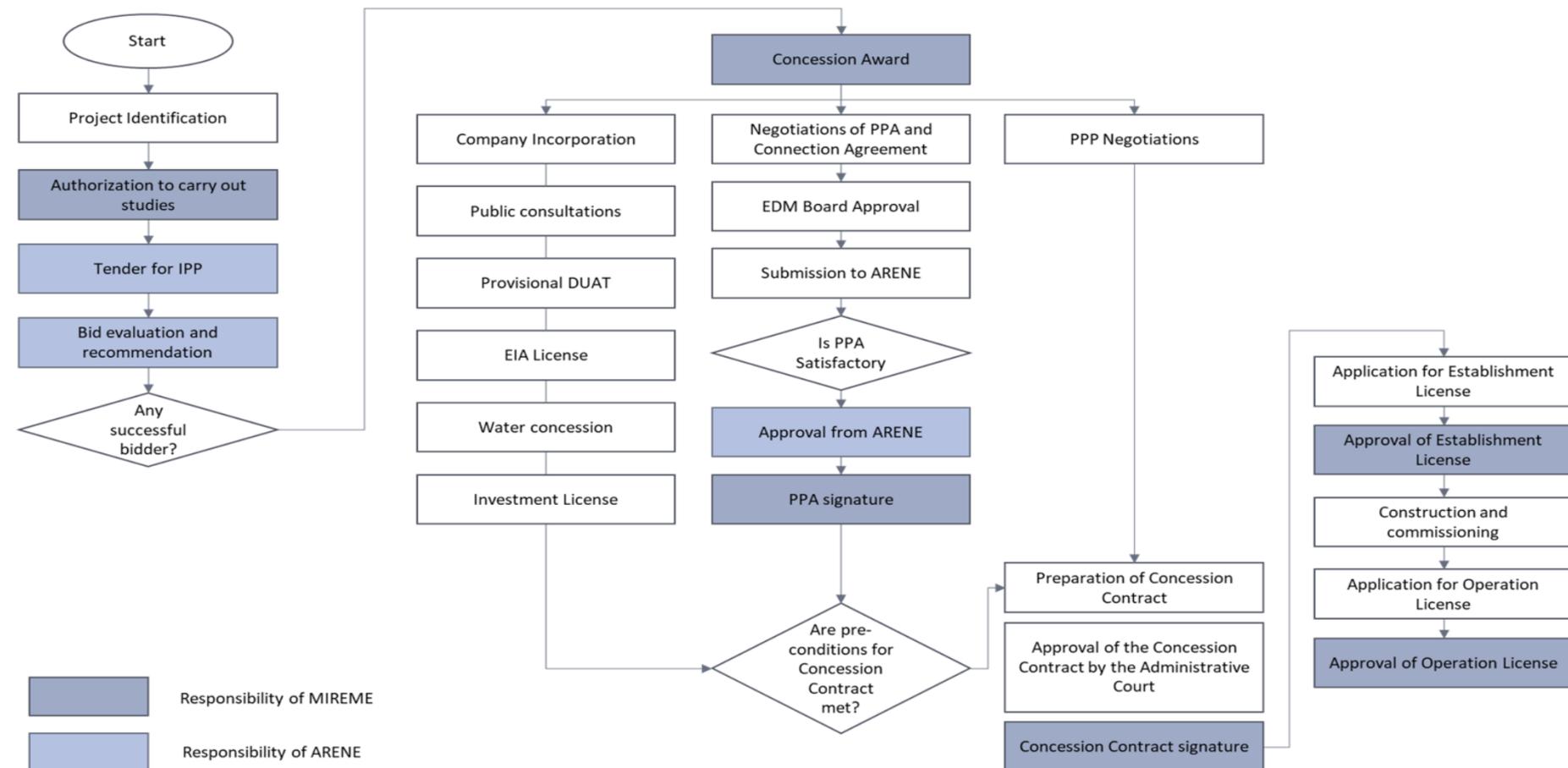
LICENSING OF ACTIVITY (Standard business license)



DEVELOPMENT PROCESS AND INVESTMENT IN RENEWABLE ENERGY PROJECTS

The workflow provides an overview of the steps and procedures that need to be followed to conduct an electricity generation project from the initial idea stage to its implementation and operation.

Since there is no current legal framework for mini-grids, grid connected mini-grids must adhere to the national grid codes consequently should follow a similar process as per workflow above. The only difference is that, the approval to establish and operate should be issued by the local authority but since the local authority lacks experience on the subject, in practice, the license to establish and operate the electricity generation project is issued by the Minister of MIREME.”



INVESTMENT LAW

The Investment Law and ancillary regulations establish the minimum foreign direct investment required for the approval of an investment project at MZN 2,500,000.00. Once an investment project is approved, the State of Mozambique guarantees that the foreign investor will be allowed to transfer abroad:

- exportable profits resulting from profit export eligible investments;
- royalties or other income relating to remuneration of indirect investments associated with the transfer or use of technology;
- repayment of principal and interest on loans contracted in the international financial market and applied in investment projects in Mozambique;
- the proceeds of compensation from expropriation of assets and rights privately owned by the foreign investor in Mozambique;
- re-exportable foreign capital invested, irrespective of whether the corresponding investment project is eligible for-profit export;
- sums corresponding to the payment of obligations towards other non-resident entities.



INVESTMENT AND FISCAL BENEFITS

It should also be considered that, in addition to the above, the State of Mozambique also guarantees that:

- the importation of certain goods and equipment for the conduct of its operations is exempt from customs duty and VAT provided that such goods and equipment are classified under Class K of the Customs Tariff Schedule;
- the legal security and protection of ownership of assets and rights, including the intellectual property rights comprised in the scope of the investments authorized;
- the assets and rights privately owned within the scope of foreign investor's activity may only be expropriated for a public interest reason and subject to the payment of fair compensation;
- if more than ninety days have lapsed after the filing of a written complaint with the relevant authority and the same has not been resolved, and if such an event causes or has caused financial losses arising out of the immobilization of capital invested, or if there occurs a change to the banking fiscal regime or any other aspect set out in the banking legislation, the relevant investors shall have the right to fair compensation for the losses incurred for which State institutions are exclusively responsible.



FISCAL BENEFITS

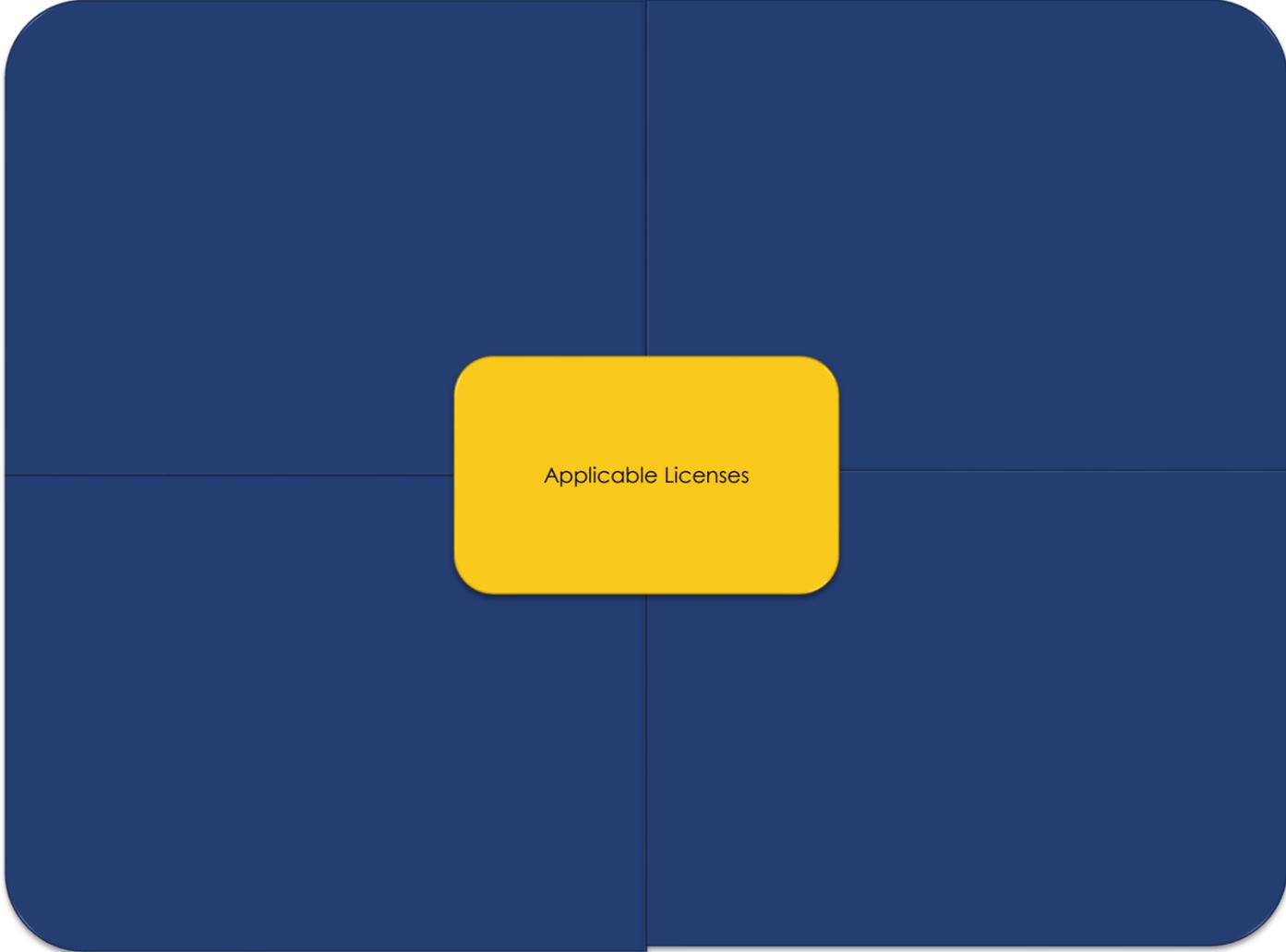
The following benefits may be applicable upon the approval of the Client's foreign investment project under the general regime set forth by Articles 14 through 19 of the Code of Fiscal Benefits:

- exemption from payment of customs duties and VAT on the import of equipment classified as class "K" in the Customs Tariff Schedule, including the accompanying spare and accessory parts;
- Investments carried out in the City of Maputo benefit, for a period of five (5) tax years, from a deduction (not to exceed the tax payable in respect of the investment project activity) from IRPC that is equal to 5% of the total investment realized;
- Investments carried out in other Provinces benefit, for a period of five (5) tax years, from a deduction (not to exceed the tax payable in respect of the investment project activity) from IRPC that is equal to 10% of the total investment realized;
- Acceleration in fifty percent (50%) of the standard rules applicable to depreciation of new immovable assets used in the conduct of the investment project as deductible costs for the purpose of determination of taxable income for IRPC;
- The cost of investments in professional training of Mozambican employees is deductible from taxable income for the purposes of the calculation of IRPC, during the first five years dating from the date of commencement of operations up to a maximum amount equal to five percent (5%) of taxable income;
- In the case of professional training in the utilization of equipment considered to be new technology, as referred to in the preceding paragraph, the maximum amount deductible from taxable income for the purposes of the calculation of IRPC, is equal to ten percent (10%) of taxable income.



LICENSING FOR MINI-GRIDS

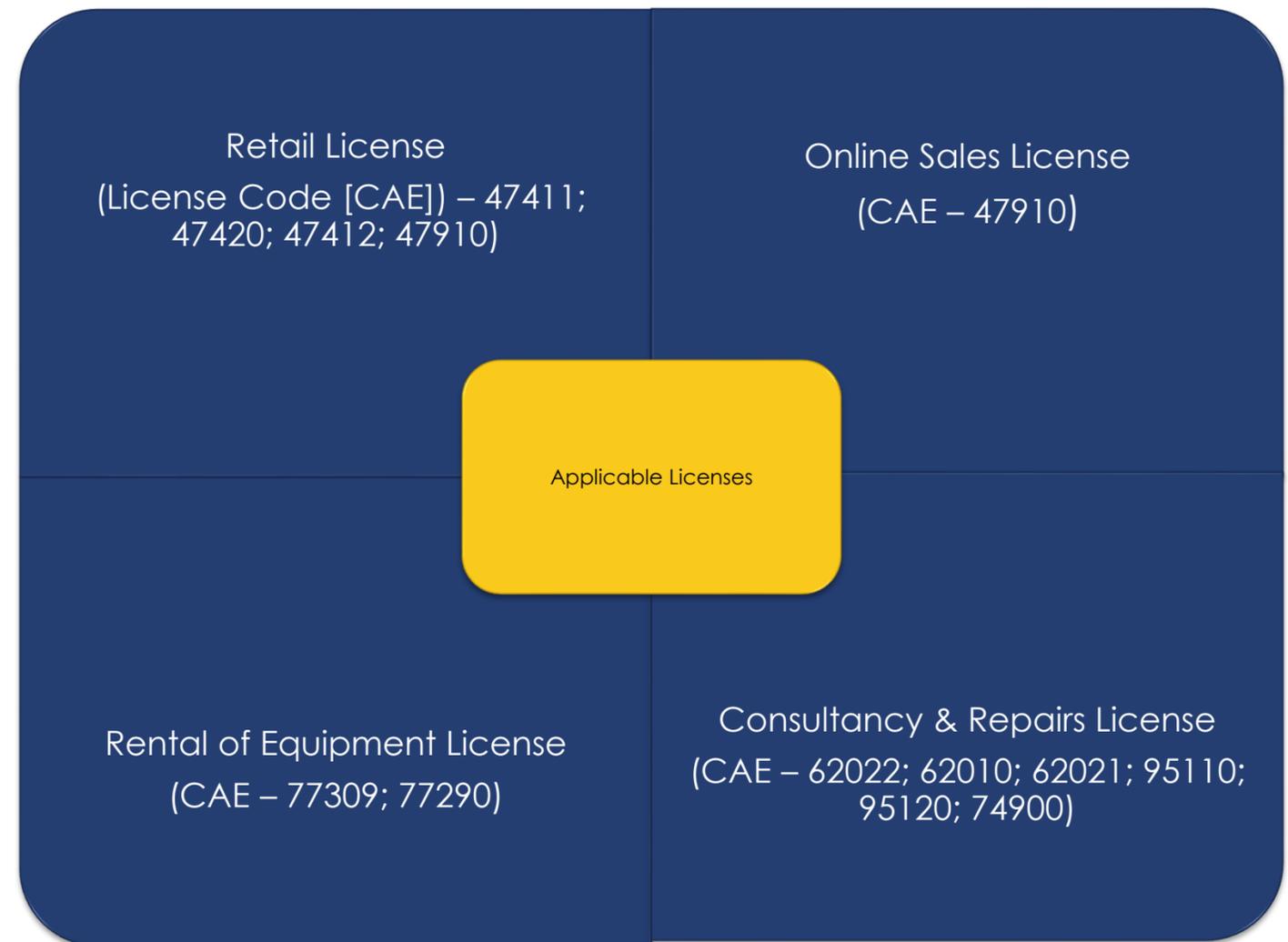
- No current legal framework for mini-grids;
- Mini-grid projects cannot set tariffs higher than EDM in practice. Previous mini-grids stranded by grid extension have been made to charge the same rate as EDM;
- The national tariff rates, tiered by consumption and customer type, are fixed regardless of location; The current rates can be found on the EDM website (www.edm.co.mz);
- Grid connected mini-grids must adhere to the national grid codes; and
- MIREME is responsible to issue the concession agreements for projects between 1MVA and 100MVA, and other relevant local authority for project under 1 MVA.



Applicable Licenses

LICENSING OF SOLAR HOME SYSTEMS

- Since the Electricity Law in force doesn't regulate the Solar Home Systems activity, the same is considered as a retail activity under the Mozambican Legislation;
- To develop the activity, the company must obtain commercial licenses (under the decree no. 34/2013 of 2 of August) for retail, online sales, rental of equipment and consultancy & repairs services ;
- Fiscal benefits can only be granted if the Company is implementing Rural Commerce and Industry by building a storage facility and business centre in the rural area; or
- Implementing a Manufacturing and Assembly Industries.



LICENSING FOR MANUFACTURING AND SALE OF IMPROVED STOVES

- Improved stoves' activity entails licenses for retail and manufacturing;
- The investor may be granted fiscal benefits such as exemption of customs duties and VAT on the import of equipment classified as class "K" in the Customs Tariff Schedule tax, corporate tax reduction for the first five years of the project and other benefits stated in the Code of Fiscal Benefits; and
- Environmental studies and license will be required to establish the Manufacturing Industry.



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Implemented by:



Em parceria e colaboração com:
In partnership and collaboration with:



CATALYST
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Obrigado / Thank You

 **BRILHO**

*Impulsionamos empresas
Iluminamos vidas*

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