



# **Study of Legal Options for New TVET Facilities in Mozambique**

Report

16 December 2015

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## **Glossary**

**ANEP** means the Autoridade Nacional Educacao Profissional (the National TVET Authority - not yet established)

**COREP** means the Executive Committee of Reform of Professional Education

**DINET** means the National Directorate of Technical Education

**FNEP** means the National Fund for Professional Education - a skills development fund to be operated by ANEP in accordance with the provisions of the TVET Law

**INEFP** means the Instituto Nacional de Emprego e Formacao Profissional (the National Institute for Employment and Vocational Training)

**ISDB** means the Instituto Superior Dom Bosco

**IVQ** means the international vocational qualification certificate issued by City & Guilds

**LDA** means a Mozambican incorporated private limited liability company

**MCTESTP** means the Ministry of Science, Technology, Higher Education and TVET

**MDY ToRs** means the terms of reference for this assignment agreed between DFID and MDY Legal

**MiTESS** means the Ministry of Labour, Employment and Social Security

**NGO** means non-governmental organisation

**PIREP** means the Programe Integrado de Reforma do Esino Profissional (the TVET reform project funded by the World Bank)

**PUS** means public utility status applicable to not-for-profit organisations established in Mozambique

**QNQP** means the proposed National Qualifications Framework

**RQF** means the SADC-wide Regional Qualification Framework

**S4E** means DFID's new Skills for Employment Programme which will run from 2015 to 2020

**SA** means a Mozambican incorporated public limited liability company

**SADC** means the Southern African Development Community

**SADCQA** means the SADC Qualifications Agency

**TVET** means technical and vocations education and training

**TVET Framework** means the legal and regulatory framework applicable to the provision of TVET in Mozambique

**TVET Institution** means an institution which provides TVET in Mozambique

**TVET Law** means the regulations relating to TVET in Mozambique set out in Law 23/2014 of 23 September

## 1. Introduction

### 1.1 Background

According to the November 1990 Constitution of Mozambique, education is a right and a duty of each and every citizen. This is intended to translate into equal opportunities of access to education for all citizens to the various types and various levels of education. It is further understood that the Government of Mozambique views education as to the main instrument for training and preparing young people for their participation in the process of developing the country.

DFID Mozambique has recently approved a financial commitment of £17 million for a new Skills for Employment (**S4E**) Programme in Mozambique which will run from 2015 to 2020. It is intended that S4E should increase the income of marginalised youth through improved access to quality, affordable and market relevant skills training. All such training will be combined with employment services with the objective of leading to formal or self-employment for the students. S4E will focus on non-state (private sector and NGO) training provision.

As a preliminary “quick win” for S4E pending its operationalisation and following the establishment in 2014 of the new legal framework for the organization, structuring and functioning of technical and vocational training (**TVET**) in Mozambique, DFID Mozambique has asked MDY Legal to undertake an assessment of the legal options for the establishment of new TVET facilities in Mozambique and to consider the qualifications that might be offered by such facilities once up and running.

It is understood that DFID Mozambique intends that the outputs of this study will serve as reference material for those interested in opening new TVET Institutions in Mozambique by providing an introduction to the options that are available to them as to the legal structure of, and qualifications that may be offered by, such institutions.

### 1.2 Notices

As part of this assignment, we have consulted with a number of TVET stakeholders a list of which is set out Schedule 2.

This report sets out our findings for the benefit of DFID Mozambique.

Please note that the applicable legislative framework for the provision of TVET in Mozambique (the **TVET Framework**) is a matter of Mozambican law (and is available only in Portuguese and not in English translation) therefore MDY Legal, as English lawyers only, not able to comment upon the interpretation of the TVET Framework under Mozambican law. Therefore, Tomas Timbane Associates Advogados Lda (**TTA**), a leading commercial law firm in Mozambique which operates in association with the Lusophone international legal network established by the

leading Portuguese law firm, PLMJ, has been engaged in order to help us to work through the TVET Framework and its interpretation.

We have also worked with Mozambican educational expert, Peter Beck, in particular in order to tackle the question as to the qualifications that may be offered by new TVET facilities and in order to provide an overview of the status of the employment and economic activity in Mozambique as a necessary backdrop to this study.

This report contains the results of our work undertaken in accordance with the terms of the Terms of Reference agreed between MDY Legal and DFID Mozambique for this assignment (the **MDY ToRs**). It has been prepared for DFID Mozambique in accordance with the MDY Legal ToRs and for no other purpose.

This report is for DFID Mozambique's exclusive use and is not to be relied upon by any other party without our prior written consent.

This report is not intended to be a comprehensive review of all potentially relevant issues relating to the establishment and operation of TVET facilities in Mozambique. It is intended to draw attention to those issues which we, in our absolute discretion and in accordance with the MDY Legal ToRs, consider to be material.

Unless expressly stated to the contrary, this report has not been, and will not be, updated beyond the date hereof and may therefore not contain the most recent up-to-date information. MDY Legal is under no obligation to seek to update the information contained in this report.

This report is not intended to act as a recommendation as to whether or not DFID Mozambique or any other person should proceed (whether directly or indirectly) to establish, or to fund the establishment of, TVET facilities in Mozambique or elsewhere or whether such facilities, if established in accordance with the structuring options set out herein, will meet DFID Mozambique's or any such other person's policy, financial or other objectives.

We do not accept any duty of care to any person other than DFID Mozambique in respect of this report.

We have aimed to conduct our work on a diligent and careful basis and we do not accept any liability to DFID Mozambique for any loss arising out of, or in connection with, this report whether in contract, tort, by statute or otherwise, except in the event of our own gross negligence or wilful misconduct.

**MDY Legal**  
**16 December 2015**

## 2. Summary of the Key Points

### *Legal and regulatory framework*

- The principal regulations relating to TVET are those set out in Law 23/2014 of 23 September (the **TVET Law**) and this establishes the overarching legal framework for the organization, structuring and functioning of institutions providing TVET. As such, this law will cater for, and apply to, all types of institutions that undertake TVET in Mozambique regardless of whether they are public sector, private sector, public-private partnership, cooperative or communitarian entities.
- Note, however, that the TVET Law is very new, is still in the process of being finalised, is completely untested and incomplete - the latter in the sense that it is understood that: (i) the new TVET law was recently back with the Council of Ministers considering 3 changes which have been requested by the Ministry of Science, Technology, Higher Education and TVET; (ii) the TVET Law provides that much of the detail in respect of the legislation will be set out in subordinate regulations (issued by the Council of Ministers we understand) none of which, so far as we are aware, has yet been enacted and the timing of which is highly uncertain; and (iii) a new body with far reaching oversight functions (ANEP) is to be established and mandated. This therefore means that, at the present time, there is inevitably a significant degree of uncertainty as to the precise mechanics of the TVET Law and as to the regulatory framework pursuant to which TVET may be provided in Mozambique.
- It is understood that the legal framework applicable to the establishment of TVET Institutions which preceded the TVET law (and, given the implementation challenges for the new TVET law noted above, which is effectively still in place) is extremely vague and unclear and, in effect, each process for the establishment and oversight of a new institution follows its own path.
- It is understood that the TVET Law does not itself make specific provision for the legal form of the institutions which themselves provide TVET but, as described above, merely makes reference as to whether or not they are of a private or of a public nature as determined by reference to the nature of their owners/funders. It is thought that further legislation may be forthcoming at some point in the future which tackles the issue as to the legal form of the TVET Institutions themselves which in theory creates some uncertainty as to the parameters within which TVET providers may operate at the present time.
- However, in practice and given the clear policy direction set out by the Government of Mozambique, it appears to be reasonable to assume that there is great flexibility as to the legal form of a non-state entity (or indeed a joint venture with the state) which seeks to provide TVET in Mozambique.

- Options for the establishment of TVET Institutions therefore include not-for-profit structures - Associations and Foundations - and for-profit structures - limited liability companies and cooperatives. Which of these options is appropriate in any given case will depend upon the aims and objectives of the relevant promoters.
- The TVET Law sets out certain specific requirements to ensure stakeholder (e.g. employees, teachers and students) representation in the management/consultation obligations of TVET Institutions following an underpinning “democracy principle”.
- Determination as to the most appropriate legal and governance structures for TVET Institutions will depend upon a number of factors/drivers in the context of any proposed intervention which, in effect, will create a form of “decision tree” which will need to be applied in each and every case (e.g. for-profit or not-for-profit, nature of funds flowing to the Institution, desire/ability of the promoters/funders to participate in the management and control of the Institution, attitude of the promoters/funders to taxation etc.).

### *Qualifications*

- It is understood that the TVET Law does not impose any restrictions on the curricula/courses/qualifications that may be offered by a TVET Institution. However, the TVET Law does refer to a series of mechanisms which are proposed to be approved by the Executive Committee of Reform of Professional Education (the **COREP**) regarding the assessment process of the curricula/courses/qualifications to be implemented, which, so far as we are aware, have not yet been drafted and/or implemented. It is assumed that this will set out guidance which will then be implemented to ANEP in the discharge of its functions.
- There is a comparatively wide range of domestic Mozambican courses and qualifications available but, in general, these are very much adapted to the historic mainstream sectors of the Mozambican economy which is characterised by low, and/or in general already outdated, technologies rather than to the new boom sectors (e.g. oil and gas and extraction etc.).
- Further, the quality of the domestic Mozambican courses and qualifications that are currently on offer are perceived as being very low by experienced providers of TVET (note that it remains to be seen what the impact of ANEP will be in this respect as to the discharge of its new mandate).
- Whilst a significant amount of effort has been put into the development of mechanisms which seek to stimulate and to facilitate the mutual recognition of professional qualifications and competencies throughout the SADC region, at the present time there is no SADC-wide regional TVET qualifications.

- We understand that City & Guilds is the only accrediting body offering a wide range of internationally recognised technical and vocational qualifications. There are a number of other bodies which offer such TVET qualifications in respect of certain specific sectors only.

#### *TVET Instructor accreditation*

- It is understood that the TVET Law does not clearly set out a process by which a person may become an accredited instructor within a TVET institution and this whole area is currently rather fragmented. We have therefore sought to provide some background to, and describe the training process offered by, Mozambique's principal provider of training for TVET instructors - the Instituto Superior Dom Bosco (**ISDB**) (note that we understand that the principal teacher training institute, the Pedagogical University of Eduardo Mondlane appears to offer very little (if any) TVET training tending instead to focus on training general education teachers).
- However, the TVET Law does nevertheless provide an overarching principle that it will be necessary for a person to obtain a specific licence in order that they might perform TVET activities and provides that a series of mechanisms will be approved by the Council of Ministers regarding the accreditation of instructors, teachers and assessors, which, so far as we are aware, has not yet been drafted and/or implemented.

### 3. Legal framework for TVET

#### 3.1 Introduction

Technical and vocational education and training is an important tool of public policy. It can support economic growth and poverty alleviation; facilitate the transition of young people to decent work and to adulthood; improve the productivity of existing workers; allow for the reinsertion of the unemployed into work; and promote social inclusion.

In the context of the SADC region (the regional economic community to which Mozambique belongs), the value of TVET has been long recognised in the work of SADC which is governed by the SADC Protocol on Education and Training (1997). Nevertheless, a 2010 study commissioned by SADC revealed that there were major concerns regarding the state of TVET throughout the region and an overwhelming need to develop better policies and procedures in each of the SADC member states.

In recent years some countries across the SADC region, including Mozambique, have revolutionised their attitude towards private sector (i.e. non-public) TVET provision and have moved from a position of hostility to genuine attempts to integrate private sector provision into a single national TVET system. Nevertheless, across the SADC region, there remains a strong need for a better understanding of the possibilities of all types of TVET provision and for further thinking as to how the state should best interact with them.

**An overview of economic and employment activity in Mozambique by way of establishing the backdrop to the report is set out in Schedule 1.**

#### 3.2 Legal concept of TVET facilities

TVET Institutions are institutions whose purpose is to ensure access to high quality technical and vocational training of the citizens, in order to respond to the demands of the economic, social and cultural development of that country. Accordingly, the courses offered by TVET Institutions relate to economic activities linked to trade, industry, agriculture and rural development and encompass three levels:

- Elementary – including elementary courses of arts, crafts and agriculture (equivalent to upper primary – completion of the 5<sup>th</sup> or 7<sup>th</sup> grade is mandatory in order to enter – training is typically for 2 to 3 years);
- Basic - including industrial, commercial, agricultural and arts regular courses (corresponds to the first cycle of secondary education for training skilled workers – completion of 7<sup>th</sup> grade is mandatory – the courses will endure for 3 years); and

- Medium – including industrial, commercial, agriculture and arts medium courses (equivalent to the second cycle of secondary education for training professional technicians).

TVET includes the provision of training to those who do not have existing qualifications and profession (e.g. night school) as well as to those who do not (full time education).

According to Dom Bosco Rural Development Mozambique, in 2006 (admittedly now rather historic information) more than 80% of the vacant TVET places were at the basic level. Dom Bosco is an NGO which, in 2007, at the request of the Government of Mozambique, started the first institution in Mozambique (ISDB) to train TVET instructors, teachers and managing staff (please refer to the further information on ISDB which is set out in section 7 below).

### 3.3 Overall legal framework

TVET in Mozambique has hitherto been primarily offered through Government schools and training centres the management and oversight of which has been split between a number of Government ministries (note that this is unlike in the context of the other education sub-sectors e.g. primary, secondary and higher education which are generally managed and overseen by a single ministry). These are, principally:

- the Ministry of Education has historically been the largest single provider of TVET which manages and oversees public and private technical schools (professional schools, basic and medium level industrial institutes) through the medium of the National Directorate of Technical Education (**DINET**); and
- MiTESS which runs and oversees the professional vocational training sector through the medium of the National Institute for Employment and Vocational Training (**INEFP**) which manages a national network of vocational training centres (**CFP**) which include a number of centres which are established pursuant to agreements between the public and the private sector (and, to a much lesser degree at present, of purely privately run CFPs). INEFP's mandate also includes assuming responsibility for the public employment centres (**CE**) in the country (there are now some 25 such State run centres and a further 30 private employment centres). INEFP now has 13 Professional Training Centres up and running and has plans to open more such centres including by means of public-private partnership.

This division of responsibility within the TVET sector between a number of ministries has proved a significant obstacle to achieving the required flexibility to stimulate a continuous upgrading of skills to respond to changing labour market needs or opportunities. Further the centralised decision making process in the formal TVET system combined with generally weak management capacity at school and training institution level has contributed to an historically inefficient use of resources and, crucially again, prevented the largely public sector TVET

Institutions from meeting the specific needs of target groups and of the local economic environment.

The overall legal framework applicable to TVET facilities in Mozambique is wide ranging in its scope. A list of all of the regulations which have been examined in undertaking this study is set out in Schedule 3.

At the present time, therefore, it is understood (and this is borne out by the experiences and views of stakeholders currently providing TVET in Mozambique) that the current legal and regulatory framework and the processes for the establishment and accreditation of TVET Institutions (and also the process for the accreditation of teachers and other key staff) is unclear and rather *ad hoc* (save that it is considered to be of significant importance to ensure that INEFP remains “on-side” as to any TVET activities undertaken in Mozambique and that relations with this overseeing body remain robust) and as a consequence can be far from straightforward to undergo.

INEFP is the designated national government agency responsible for the licencing and oversight of private TVET providers. We have sought to piece together key aspects of current licencing process as we understand it under INEFP in section 3.5 below.

Further, it is understood that ongoing quality assurance and oversight and monitoring by INEFP is perhaps more theoretical that something which is actively and practically applied to existing providers of TVET.

Accordingly, in 2006, the Government of Mozambique launched the first phase of a comprehensive reform of the professional education sector (known as PIREP and funded by the World Bank, DGIS, GTZ and other international co-operating partners). The objective of PIREP is to “facilitate the transition to a demand-led training system and provide the beneficiaries with more market relevant skills and improved economic opportunities”. As such, PIREP consists of the following four key components:

**A** - Development of an institutional framework for TVET;

**B** – Introduction of a standards-based qualifications and training system;

**C** – High quality improvements in TVET Institutions; and

**D** – Establishment of a skills development fund - the National Fund for Professional Education (**FNEP**) which is to finance vocational training with resources flowing from a mandatory 1% levy on Mozambican businesses (see the notes set out below).

Accordingly, a new legal framework setting out the principal regulations relating to TVET was put in place by Law 23/2014 of 23 September (the **TVET Law**). This establishes the overarching framework for the organization, structuring and functioning of TVET Institutions providing TVET

in Mozambique. This law will apply to all types of TVET Institutions regardless of whether they are public sector, private sector, public-private partnership, cooperative or communitarian entities or undertaking vocational or technical training.

Whilst the scope of the TVET reform process that is required to be undergone in Mozambique should not be underestimated, the new TVET Law represents a solid step forward in aiming to tackle a comparatively broad range of issues. The TVET Law includes within its ambit the following principal objectives:

- the establishment of a new single governing body for TVET called the National Professional Education Authority (**ANEP**) which will be implementing the QNQP noted below and managing the FNEP noted below - We set out some specific notes to the mandate of ANEP in section 3.4 below;
- the introduction of a National Qualification Framework (**QNQP**) which will include the recognition of competencies acquired through non-formal educational pathways;
- the provision of TVET by public-private-partnerships;
- the establishment of a system of firm internships;
- the establishment of a credit system (**SATCEP**);
- TVET Institutions shall carry out their activity under the umbrella of a framework agreement to be entered by and between such institutions and the Ministry of Science, Technology, Higher Education and TVET (**MCTESTP**) and overseen by the Council of Ministers. Amongst other features, such framework agreement shall make reference to the manner in which the schools shall integrate with education policy of Mozambique, the functioning particulars of the school, control regulations and external assessment, procedures to be adopted in case of breach and others. There is currently little clarity within the TVET Law as to the precise nature of such framework agreements (i.e. in particular will they be required to follow a standard prescribed form or will they be negotiated and agreed as between the MCTESTP and each TVET Institution on a case by case basis etc.);
- the development of an evaluation and certification system for learners and for technical trainers; and
- the establishment of the FNEP, a national professional training fund (which will be funded, at least in part, by a levy equal to 1% of each private sector company's payroll and will have the objective of providing financial support to expand the TVET system and to raise the quality and relevance of TVET provision both from public and from non-state providers - it is understood that draft regulations detailing the operating

mechanisms and the management and governance arrangements for this fund were released by COREP on 30 November 2015 for stakeholder consultation).

Note, however, that the TVET Law is very new, comparatively untested and incomplete. Although the TVET Law only came into force and effect in December 2014 it is understood that revisions to the TVET Law were approved by the Council of Ministers on 18 August 2015 and were, we understand, expected to be approved by Parliament before the end of 2015. The revised law considers 3 changes which have been requested by MCTESTP - in particular that the parent ministry should be changed from the Ministry of Education to MCTESTP and that the scope of ANEP's activities should be amended (i.e. should it prepare TVET strategy and policies or merely implement what MCTESTP directs?). The TVET Law provides that much of the detail in respect of the legislation will be set out in subordinate regulations (issued by the Council of Ministers we understand) the timing of which remains highly uncertain. Inevitably, therefore, there is a significant degree of uncertainty as to the precise timing and scope of the new regime.

It is understood that draft regulations establishing ANEP and setting out the operating mechanics, the management and the governance arrangements for FNEP were released by COREP for stakeholder consultation on 30 November 2015. The precise process for the finalisation, approval and implementation of both of these sets of regulations remains uncertain.

Accordingly, and pending the outcome of the Council of Ministers' review, much of the change that will be brought about by the TVET Law is still in the process of being, or is yet to be, finalised and implemented in whole or in part. Accordingly, the precise mechanics of the TVET Law and as to the regulatory framework pursuant to which TVET may be provided in Mozambique both at the present time and looking to the future currently remain uncertain.

Amongst stakeholders, whilst the TVET Law (such as it currently is) is welcomed, there remain strong fears that it might simply become too bureaucratic and too vague (in particular as to the mandate and operation of ANEP and as to the governance and management arrangements for the FNEP) to be effective in particular in meeting the needs of business. In response to such concerns, the Government has committed to reviewing the TVET Law in order to ensure that it focuses upon the requirements of the private sector and also to ensure that the contributions to the FNEP are utilised effectively and are not mismanaged.

Therefore, at the present time, the TVET system in Mozambique remains a state dominated and state run system (under the oversight and control of INEFP and DINET) where ANEP is intended to become (but has not yet become) the platform for private sector involvement in the area of qualification standards, curriculum development, certification and harmonisation within the overarching framework of the SADC Qualification Framework.

### 3.4 ANEP

There follows a brief note as to the anticipated mandate of ANEP (as noted above, the precise scope of its role and therefore how ANEP will discharge its duties is still in the process of being determined). According to the TVET Law (Article 45 - and this is reflected in the draft regulations for the establishment of ANEP which were released by COREP for consultation on 30 November 2015), ANEP's mandate is to be as follows (note that nowhere in the TVET Law is there specific reference to any specific role as the "overseer" of the TVET sector although this must be considered, by implication, to be its overall practical function in place of INEFP and DINET):

- Ensure implementation of TVET strategies and priorities;
- set a national plan for developing human resources in line with needs of Mozambique;
- develop a three-year strategy of TVET which is to be reviewed and approved annually by the Government of Mozambique;
- manage the QNQP and oversee the implementation of all relevant mechanisms;
- ensure that new investments in the field of education are consistent with the policy and strategy of TVET education;
- manage the FNEP;
- establish and list the skills and qualifications standards, and manage the QNQP, in the prescribed manner;
- assume responsibility for the registration and accreditation of providers and assessors of TVET;
- establish the information management and registration system of candidates and the registration of training activities of TVET Institutions;
- certify teachers of TVET;
- certify graduates of TVET;
- implement the quality assurance system of TVET;
- establish relations with the labour market information system (i.e. the National Employment Observatory); and

- manage, process and opine as to applications for the creation of TVET Institutions (it is understood that the precise process for application and registration is to be determined by the Council of Ministers but, so far as we are aware, no such process has yet been laid out and/or approved and/or implemented).

### 3.5 **Licensing of non-state TVET Institutions under the current regulatory regime (i.e. pre-TVET Law)**

Non-state TVET Institutions currently fall under the oversight and control of INEFP which is their licencing body and is responsible for quality control. It is understood that the process for obtaining a licence, which will vary from case to case, generally takes approximately one month to conclude. From anecdotal evidence, it is understood that although a process for the licensing and ongoing oversight of private providers of TVET is set out in Decree 31/2001 of the 6 November, there is no clear guidance as to the process that must be followed in practice and that engagement with INEFP, not least due to the resource constraints identified above, can be a little “hit and miss” (both during the establishment process and in terms of ongoing oversight). It is also understood that INEFP’s record keeping and data collection systems are hopelessly outdated resulting in INEFP not knowing what who is actually “out there doing what” in the context of providing TVET. Nevertheless, it is generally understood that INEFP will need to approve the following in respect of each applicant:

- List of courses to be offered;
- Curricula to be followed in respect of each such course;
- Evaluation mechanics that are to be employed;
- Form of certification to be offered;
- Statutory documents establishing/incorporating the centre;
- List of the equipment and facilities to be utilised;
- CV of the director of the centre;
- Qualification profile of the trainers who will be employed by the centre; and
- Criminal register of the owner of the centre.

It is understood that of a total of 220 private training centres that have been accredited to date by INEFP, 155 have already ceased to exist and/or lost their licences and that INEFP has now actually stopped licencing private training centres. It is further understood (from consultation with the INEFP professional training directorate in May 2015) that INEFP has indicated that one of the reasons for this rather dramatic fall-out rate is the failure of private sector providers to

comply with their ongoing post-accreditation obligations to INEFP (e.g. principally reporting obligations) which are imposed upon them as conditions to the granting of accredited status.

### 3.6 **Regulatory governance requirements for TVET Institutions**

Please refer to section 4.7 below.

## 4. Options for the legal form of TVET Institutions

### 4.1 Introduction

Article 4 of the Regulations of Professional Schools (Ministerial Order 4/2006, of 11<sup>h</sup> January) lays the foundations by providing that professional schools may be of a public, private or communitarian nature.

In the context of TVET, so far as we are aware there is no restriction under the current (i.e. pre-TVET Law) framework upon the legal structure of entities which may seek to become TVET Institutions.

Further, in respect of the new law, Article 17 of the TVET Law confirms that facilities providing TVET may be owned by public or private individual or collective persons (i.e. incorporated structures) with their own legal capacity and may, in particular, include:

- Public TVET Institutions: this captures entities that are owned by the state, by local authorities and other public bodies or institutions; and
- Private TVET Institutions: this captures entities that are owned by individual or collective persons i.e. entities which are established in the form of commercial, cooperative and community companies. It is the view of TTA that the specific references to “companies” as the entity by which a private TVET Institution may be owned is illustrative only in the sense that this does not serve to exclude other alternative legal forms which might be available to the private sector in Mozambique (notably the principal not-for-profit structures – an association and a foundation).

We note too, to provide further clarity as to the policy direction of the Government of Mozambique, that Article 7 of the TVET Law expressly provides that the Government seeks to promote and encourage partnerships as between public sector entities and private sector entities enabling the undertaking of TVET through the medium of joint venture structures (i.e. public-private-partnerships). Indeed, through our consultations with stakeholders, we are aware of public-private-partnerships entered into between private sector providers of TVET and the Government of Mozambique (e.g. Capital Outsourcing Group/INEFP gas centre established in Pemba; Anadarko and ENI have plans to set up new training facilities in association with INEFP to train their own employees; the CB&I consortium building an LNG plant also has plans to build a vocational school in Palma; and Sasol is seeking to build a gas vocational school in Inhassouro, Inhambane Province).

However, it is understood that the TVET Law does not itself make specific provision for the legal form of the institutions which themselves provide TVET but, as described above, merely makes reference as to whether or not they are of a private or of a public nature. It is thought that further legislation may be forthcoming at some point in the future which tackles the issue as to

the legal form of the TVET Institutions themselves which in theory creates some uncertainty as to the parameters within which TVET providers may operate in the future.

However, in practice and given the clear policy direction set out above, it appears to be reasonable to assume that there will be considerable flexibility as to the legal form of a non-state entity (or indeed a joint venture with the state) which seeks to provide TVET in Mozambique.

As such, we therefore set out below the options for the not-for-profit (first) and for-profit (second) legal structures available in Mozambique to be established as a provider of TVET together with some of the key characteristics of each.

## 4.2 **Not-for-profit 1/3: Foundation**

Note that there is no specific charity regime in Mozambique.

### 4.2.1 *Background*

A foundation is a stand-alone not-for-profit legal entity with its own legal capacity to, amongst other matters, conclude contracts, sue and be sued in its own name.

As such, a foundation has its own constitution setting out details of the purpose for which it has been established and the applicable governance structure.

A foundation is required to be established for, and operated at all times in the furtherance of, a specific “social purpose”.

Foundations are established under, and subject to, the Mozambican Civil Code Decree-Law 47344 of 1966. Such entities are managed in accordance with the objectives and principles of its “settlor”, which can be an individual or a collective person, capable of contributing assets to the foundation in order to fund its activities. One of the principal distinctions as between a foundation and an Association, as considered in section 4.3 below, is the fact that a foundation is “settlor”, rather than “member”, led in terms of its incorporation and establishment.

Generally speaking, a foundation is liable for its acts and omissions to third parties only to the extent of its assets.

### 4.2.2 *Likely Governance Arrangements*

The applicable legal framework in theory provides complete freedom for a foundation’s stakeholders to establish and put in place such governance structure, with such allocation of duties and responsibilities, as they see fit.

However, in practice, the flexibility as to the governance arrangements is generally curtailed by the requirement that the foundation’s constitutional documents be approved by the

Mozambican Ministry of Justice and by their general preference for a standard format structure. As a consequence of this, and in order to seek to ensure good and robust corporate governance, we understand that foundations tend to have very similar governance structures as those applicable to associations and to limited liability companies.

The standard format governance structure is generally constructed along the following lines:

*General Assembly of Members* – this is akin to the shareholders of a company. The General Assembly of Members oversee the activities of the Board of Directors (see below) and have the right to make certain key decisions relating to the structure, management and governance of the Foundation (including, without limitation, the right to appoint and remove members of the Board and the right to amend the constitution of the Foundation).

The members are generally not subject to any fiduciary or other duties or responsibilities in the context of the Foundation and generally speaking they do not have any personal liability for the acts and omissions of the Foundation (save in circumstances where they have expressly given personal guarantees etc.).

*Board of Directors* – this is akin to the board of directors of a company. The Board generally has formal responsibility for the day-to-day management and supervision of a Foundation and has the authority to make all decisions relating thereto within the scope of the authority provided to it by the Foundation’s constitutional documents. The duties to which the Board is subject may include the following:

- a duty to manage the affairs of the Foundation;
- a duty to act within their powers and to seek the approval of members as and when required so to do by law;
- a duty to disclose any personal interest in any contract to which the Foundation is party;
- a duty to act with care in skill and care; and
- fiduciary-type duties including: a duty to act in the best interests of the Foundation; a duty to exercise their powers as directors for proper purposes; and a duty to disclose any conflict between their duties as a director and their personal interests.

Generally speaking, the Directors of a Foundation will only run the risk of incurring personal liability for the acts and omissions of the Foundation in circumstances where they are in breach of the duties, obligations and responsibilities to which they are subject as outlined above. Whilst the Foundation would itself remain primarily liable for any such acts and omissions, in circumstances where such liability arose from breach of duty by a director, it is likely that the Foundation would seek reimbursement from the relevant director in order to make good any loss that it suffers.

*Executive Committee* – this is generally a sub-committee of the Board of Directors consisting of those Directors to whom specific authority is delegated to conduct the day-to-day operation of the Foundation.

The liability analysis for the Executive Committee will be the same as for the Board of Directors as set out above (only heightened given their greater participation in the day-to-day operations of the Foundation save in circumstances of joint or collective liability amongst all of the members of the Board).

#### 4.2.3 *Registration Process, Timing and Establishment Costs*

The registration process for a foundation requires the following steps:

- Approval of the foundation and its constitution by the Ministry of Justice
- Execution of a public deed of incorporation of the foundation
- Publication of the foundation's constitution in the Government Gazette
- Registration of the foundation at the Legal Entity's Registration Office
- Registration of the foundation at the Tax Department
- Registration of the foundation and its employees at MiTESS and at the Social Security Institute
- Lodging the relevant declaration for initiation of activity by the foundation as and when it is about to commence its operations in the relevant country

Note that key concerns of the Ministry of Justice in approving applications for foundation status will be to ensure that: (i) the purpose of the foundation is of social interest; and (ii) the assets assigned to the foundation will be sufficient for the pursuit of the foundation's proposed objectives.

Although uncertain, we understand that it generally takes approximately 6 months to conclude the process of registering a foundation in Mozambique. The bulk of this estimated timetable is, we understand, attributable to the time that is typically taken by the Ministry of Justice in considering and approving an application for foundation status.

Save for the preliminary step of engagement with the Ministry of Justice (which, as noted above, we understand to be of unpredictable duration), we understand that the timetable and costs of establishment follow those set out in Schedule 8.

#### 4.2.4 *Duration*

Absent any express limitation that may be set out in the foundation's constitution (note that there is no requirement to impose any such restriction), there will be no limitation on the duration of a foundation.

#### 4.2.5 *Ability to make a profit*

A foundation is able to both issue grants and utilise returnable instruments (e.g. make loans, subscribe for shares etc.) and can therefore itself make a profit for so long as any such profits are only used for the purposes of reinvestment in the foundation's activities (i.e. in particular, they cannot be distributed to any of the foundation's stakeholders).

#### 4.2.6 *Applicable regulation - Public Utility Status*

Once established, a foundation may (but is not obliged to) seek further registration with the Ministry of Justice to achieve public utility status ("**PUS**"). In order to achieve such status, a foundation must provide evidence of agreements and/or protocols entered into with the Government of Mozambique in respect of the objectives of the foundation (i.e. close links to the Government are necessary) which should be of "general interest" and should agree to cooperate (note that the concept of "cooperation" is not clearly defined) with the Government in the development of such activities.

The principal advantage of PUS is that such status automatically confers tax exemptions for income tax, stamp duty and property transfer tax (see section 8 below for further high-level information on tax).

The principal disadvantages of PUS are the ongoing reporting and compliance requirements and, in short, the extent to which the Government may seek to participate in, and require cooperation (as noted above) with, the TVET structure (i.e. such status comes at a price). In particular, note the following ongoing requirements:

- submission of annual report and accounts to the Ministry of Finance and to the Administrative Court (also applies to non-PUS foundations);
- provision to the Ministry of Justice of all such information as it may request from time to time;
- co-operation with the State of Mozambique and Municipalities within the scope of the foundation's operations; and

- allow the Government and other related entities to utilise the foundation’s premises as and when required for undertaking activities similar to those carried on by the foundation.

PUS status generally takes between 3 and 6 months to obtain and a further 1 to 2 months in order for its establishment to be published in the National Gazette and thereby formalised.

#### 4.3 **Not-for-profit 2/3: Association (e.g. ADPP, Young Africa)**

##### 4.3.1 *Background*

Associations are established and governed by the Mozambican Civil Code, approved by Decree Law number 47344 from 25 November 1966, as well as by law number 8/91 dated 18 July, which regulates the right to free association.

In summary, an Association is a group of people who join together in order to pursue a non-profit objective. An Association, once established, becomes a juridical person with legal personality of its own which is separate and distinct from that of its promoters and from that of its members and funders - i.e. a stand-alone legal entity. In order to be established, an Association must be recognized by the Ministry of Justice and such recognition may only be granted in circumstances where the following key criteria are met by the proposed Association:

- Having not fewer than 10 founder members;
- Their articles of incorporation being in accordance with the Association’s Law and Civil Code law (as a minimum, the articles of incorporation must contain the following provisions: full identification of the founding members; the objects of the Association; the initial share capital; aspects related to the functioning of the Association’s corporate bodies; its structure and composition; and any other matters the members may wish to include); and
- It shall prove that it has the necessary resources (principally financial) in order to enable it to operate to achieve the objectives for which it is established in accordance with the provisions of its articles of incorporation (i.e. whether satisfied by means of quota charges, levies, donations or assets owned by other public or private, local or foreign entities etc.).

##### 4.3.2 *Likely Governance Arrangements*

The establishing regulatory framework provides that the governance arrangements for an Association will consist of the following:

*General meeting of members* - as in the context of a Foundation, this is akin to the shareholders of a limited liability company - i.e. the effective “owners” of the Association and the highest

level of governance. In practice, the precise rights and obligations of the members will be set out in the Association's constitutional documents however the key duties will include the election of other membership of the other elements of the Association's governance arrangements, the approval of the plans and strategies for the determination and development of the Association's activities and decisions as to the winding up of the Association (again, which will all be subject to the specific provisions of the Association's constitutional documents - e.g. specific rights may be reserved by certain members which will be enshrined in the constitutional documents).

*Board of directors* - this is akin to the board of directors of a company. The Board generally has formal responsibility for the day-to-day management and supervision of an Association and has the authority to make all decisions relating thereto within the scope of the authority provided to it by the Association's constitutional documents.

*Supervisory board* - the function of the supervisory board is to ensure full compliance of the activities of the Association with the objects for which the Association was established and with the various resolutions taken by the general meeting of the members from time to time.

#### 4.3.3 *Registration Process, Timing and Establishment Costs*

As in the context of a foundation, an Association is also required to be approved by the Ministry of Justice. Accordingly, the estimated timelines and costs of establishment of an Association broadly mirror those for a foundation as outlined in section 4.2 above.

#### 4.3.4 *Duration*

As with a foundation, absent any express limitation that may be set out in the Association's articles of incorporation (note – there is no requirement to impose any such restriction), there will be no limitation on the duration of an Association. This is subject to the caveat that should the membership of an Association fall below 10 in number for a period in excess of one year then such Association may (at the discretion of the Ministry of Justice) be declared to have been dissolved.

#### 4.3.5 *Ability to Make a Profit*

As with a foundation, an Association is able to both issue grants and utilise returnable instruments (e.g. make loans, subscribe for shares etc.) and can therefore itself make a profit for so long as any such profits are only used for the purposes of reinvestment in the Association's activities (i.e. in particular, they cannot be distributed to any of the foundation's stakeholders).

#### 4.3.6 *Applicable regulation – Public Utility Status*

An Association may seek to register as a Public Utility Association following precisely the same process as that detailed in respect of a foundation in section 4.2 above.

#### 4.4 **Not-for-profit 3/3: A foreign registered NGO**

An NGO is not, of itself, a stand-alone legal entity in Mozambique but must be established as a not-for-profit legal entity in another country which is itself engaged in emergency, rehabilitation or development programmes and which is then registered as an NGO in Mozambique (the relevant Mozambican legislation is Decree 55/98 of 13<sup>th</sup> October) in order to enable it to undertake not-for-profit activities in Mozambique.

As such, this adds significantly to the complexity of the structure. It will, as a preliminary step, be necessary to identify the most appropriate jurisdiction and legal structure for the establishment of the not-for-profit legal entity which will subsequently be registered as an NGO. Possible candidate jurisdictions might include South Africa, Kenya and the UK and quite apart from the outcomes of the due diligence exercises that would be required to be undergone in order to identify the most appropriate jurisdiction and structure, stakeholders will be likely to have “political” views as to favoured jurisdictions (and indeed whether or not they would be willing to channel funding earmarked specifically for Mozambique through another country and how this might potentially impact Official Development Assistance (**ODA**) scoring etc.).

Subject to the regulations applicable to the chosen not-for-profit legal entity, it will most likely be necessary to have some presence in the country of incorporation (which might, for example, be limited to a requirement to have merely a registered office or which might extend to a requirement to have a meaningful operational presence and/or local officers and directors etc.) in addition to the requirements for a presence in Mozambique.

In addition, depending upon the chosen jurisdiction and legal structure, the “cross border” nature of the structure might give rise to additional tax, customs and/or other complexities and liabilities.

As such, the option of an NGO does not appear to be desirable in the context of the establishment of a TVET Institution and, as a consequence, is not explored further in this report.

#### 4.5 **For-profit 1/2 - Commercial limited liability company (e.g. Capital Outsourcing Group)**

Per the provisions of Article 82 of the Commercial Code of Mozambique (together with the Regulations of the Legal Entities Registrar Office this makes up the regulatory framework applicable to limited liability companies) a company is deemed to be commercial when its activities are of a commercial nature and when it is established as one of four types of company structures (of which only the following two types are currently utilised):

- *Private limited liability companies (LDA)* - this is a legal entity which is distinct from its quota-holders (shareholders) and officers and the liability of whose shareholders in respect of the liabilities and obligations of the LDA is limited to the nominal value of the shares that they hold (i.e. the amount that they have agreed to pay-up in respect of such shares - save in circumstances in which a shareholder actively intervenes in the day-to-day decision making and management of the LDA in which case such shareholder may (and we understand that this area of Mozambican law (which relates to “shadow” or “de facto” directors) is not particularly well developed at the present time) find itself subject to additional liabilities in the context of the LDA (i.e. liabilities more akin to those to which a director of an LDA may find itself to be subject); and
- *Public limited companies (SA)* - as above save that an SA is empowered to issue shares to the public (i.e. to issue shares more widely than in the context of an LDA).

Further detail as to the structure of an LDA and as an SA is set out in the table in Schedule 10.

The Commercial Code sets out certain minimum requirements to be set out in the Articles of Association of a commercial company including: full identification of shareholders (save in the context of an SA); the objects; the share capital; the mechanisms as to the functioning of the company’s corporate bodies and their structure and composition.

Subject to the minimum requirements detailed above, a “freedom to contract” principle applies to the drafting of a company’s articles of association (i.e. providing significant freedom for shareholders and the company to regulate their relationship between themselves as they see fit). Note that it is understood that it is not possible, as a matter of Mozambican company law, for an LDA or an SA to bind itself such that it is unable to make distributions.

We set out in Schedule 8 details as to the estimated timings and costs of the establishment of an LDA or an SA.

We also note that it is mandatory that, as at the point of incorporation of an LDA or of an SA, the paid-up share capital is actually paid in cash by the shareholders into a bank account to be opened at any Mozambican credit institution in the name of the relevant company. It should be further noted that, in circumstances where the company’s shareholders are foreign, then the prior authorisation of the Central Bank will be required to be obtained in order to proceed with the deposit of the relevant funds (it is understood that no such approval is required in respect of Mozambican resident entities).

We further note that there is no minimum amount of share capital that any company must have.

#### 4.6 For-profit/not-for-profit 2/2 - Cooperatives

Established under the provisions of the Cooperatives Law (Law 23/2009 of 8 September), cooperatives are stand-alone legal entities which are legally distinct from their officers and members and which are established with full autonomy, free constitution, variable capital and composition in which its members agree to contribute resources for the undertaking of a common economic activity. Cooperatives consist of the following types:

- *First ranking cooperatives* - being cooperatives incorporated by individual or collective persons whose objects are limited to the benefit of the cooperative's members - there must at no point be fewer than 5 members; and
- *Second ranking cooperatives* - being cooperatives incorporated by individual or collective persons (i.e. unions or federations of cooperatives) whose objects are limited to the coordination and organisation of activities which are of benefit to each of the affiliated groups - there must at no point be fewer than 2 members.

The key distinguishing feature of a cooperative is that its activities must be directed for the benefit of its members or of the relevant affiliated group (as the case may be - see the notes in respect of first and second ranking cooperatives as noted above).

A cooperative may be established with “multi-purpose” objects with the aim of the development of activities across multiple sectors.

The number of members of a cooperative may vary and is unlimited in number.

A cooperative generally features a two tier governance structure: the members and the board of directors. As in the context of a corporate structure: the liability of the members is limited to the extent of their capital contributions to the cooperative (save in circumstances where it is agreed in the constitutional documents that the liability of the members shall be unlimited (*responsabilidade ilimitada*) - in which case the name of the cooperative will make this clear); the members appoint and remove the board of directors; the board of directors assumes responsibility for the day-to-day activities of the cooperative and is subject to fiduciary duties to ensure that they seek to act at all times in the best interests of the cooperative.

The establishment, operational and oversight mechanics of a cooperative are set out in its constitutional document - the articles of association - which is drafted subject to the “freedom to contract” principle equally noted in the context of the constitutional documents for a limited liability company above.

The establishment process, costs and timeframe outlined for a limited liability company in section 8 below is equally applicable in the context of the establishment of a cooperative (i.e. the timing, process and costs are broadly the same).

#### 4.7 Specific requirements for the governance arrangements for TVET Institutions

The provisions of Article 24 of the TVET Law require that the internal structure and governance arrangements of a TVET Institution must comply with an overarching “democracy principle”. In practice this means that TVET Institutions shall be required to ensure that there is representation within the management structures of all TVET stakeholders (i.e. employees, students, teachers etc.) and as such there should be a committee constituted in order to join the views of all such parties together.

Further, there are a number of specific management and consulting bodies which are required to be established in the context of a TVET Institution including:

- Management bodies: schools council; executive directors; pedagogic deputy director; administrative deputy director; administrative deputy director; boarding deputy director (to the extent applicable); production deputy director; chief of staff.
- Consulting bodies: board of directors; pedagogic council and teachers’ council; employees’ council; and general assembly.

On the face of it, this provides for a considerable number of elements constituting the required governance structure of a TVET Institution as these statutory requirements will need to be worked into the existing legal and governance structure of such legal entity as is selected as the vehicle within which the relevant TVET Institution is to be housed (e.g. a Foundation, Association, LDA or SA etc.) and which will be set out in its constitutional documents. It is understood that it is anticipated that a TVET Institution’s existing constitutional requirements will prevail as to the overall management and oversight of such institution for so long as the specific requirements of the TVET Law (as outlined above) are considered to be adequately addressed.

## 5. Determination as to the appropriate legal and governance structure for TVET Institutions

### 5.1 Factor for consideration in each case

Given the options set out in section 4 above, determination as to the most appropriate legal and governance structures for TVET Institutions will depend upon a number of factors/drivers in the context of any proposed intervention which, in effect, will create a form of “decision tree” which will need to be applied in each and every case.

These will include the following factors/drivers which may be grouped as follows:

#### 5.1.1 Who are the promoters of the TVET Institution and what are their objectives for the Institution and for their participation in it

- The nature and identity of the proposed promoters/funders of the TVET Institution - *NB in particular is it to be a public-private-partnership in which case there will be a need to consider the issues of control in order to ensure that each investor's investment in the Institution is “protected”;*
- The number of funders/promoters in respect of any proposed TVET Institution - *NB unless there is a minimum of 10 funders/promoters who are willing (or in respect of whom it is appropriate that they become) members of an Association then an Association will not be a viable option;*

#### 5.1.2 Will the TVET Institution be for-profit or not-for-profit?

- Proposed business model of a TVET Institution (i.e. in particular will it develop a source of revenue generation such as the levying of fees for students which may allow for the generation of profits within the institution) - *NB is a for-profit structure even viable?*
- The desire of the promoters as to the sharing of any profits generated by the TVET Institution and as to a return of investment capital - *NB are any profits arising within the institution/investment capital to be distributed to the promoters (in which case a for-profit structure will be relevant) or are they simply to be ploughed back into funding the operating costs of the TVET Institution in perpetuity (in which case a not-for-profit structure will be relevant)?*
- The nature of the funding that is to flow into the TVET Institution - *NB will it be seeking to attract non-grant capital at any point in time (if yes then an ability to make distributions will be required - see the notes in respect of the immediately preceding point)?*

**5.1.3 To what extent will the funders/promoters wish to actively participate in the TVET Institution?**

- The extent to which the funders/promoters wish to participate in the governance and oversight of the TVET Institution (i.e. will they be seeking direct or indirect control?) - i.e. will they wish to participate solely in the high-level strategic decision making or will they wish to participate (either actively or “negatively” (in the sense of no-objection rights)) in the day-to-day decision making in respect of the Institution - *NB in respect of the former, it will be necessary to consider participation at member/shareholder level - in respect of the latter, it will be necessary to consider participation at the board level;*
- To what extent will the funders/promoters be able to participate in the formal governance structure of the TVET Institution - *NB in circumstances where the funders/promoters will be unable to so participate (e.g. perhaps for constitutional or policy/risk reasons of their own linked to a desire to ensure that they do not incur potential fiduciary liability of any nature in respect of any institution in which they participate) then it will be necessary to consider whether how best to structure the governance arrangements (e.g. contractual rights linked to the financing arrangements, the establishment of non-formal additional governance layers such as a funder committee with the benefit of certain high-level oversight and control rights) so as to ensure that such non-participating funders/promoters are able to have adequate and appropriate oversight and control over the activities of the TVET Institution;*

**5.1.4 Who are the intended beneficiaries of the TVET Institution?**

- Whether or not the “outputs” of the TVET Institution are intended to be for the sole benefit of its members and/or their affiliates - *NB if not, and the services of the Institution are to be offered much more broadly, then a cooperative is unlikely to be a viable option;*

**5.1.5 What is the attitude of the funders/promoters to the payment of taxation in respect of the TVET Institution?**

- The attitude of the funders/promoters to taxation in the context of the TVET Institution (*i.e. the extent to which minimisation of any potential tax liability (in particular in Mozambique itself) and the obtaining of applicable tax exemptions is considered to be significant*);

**5.1.6 What is the intended duration of the TVET institution?**

- The intended duration of the TVET Institution and the extent to which, and the mechanism by which, funders/promoters would wish to exit - *NB should the funders/promoters wish to exit then it will be necessary to ensure that there are mechanisms in place which allow them to do so (e.g. a mechanism to allow for the*

*transfer of shares (in the context of a for-profit structure) or for a membership interest to be surrendered (in the context of a not-for-profit structure);*

#### 5.1.7 What will manage the TVET Institution on a day-to-day basis?

- The desired arrangements for the provision of management services - *NB will the TVET Institutions be managed internally or will the management be outsourced to a third party services provider in consideration for the payment of a management fee?*

### 5.2 General guide as to likely structure

As a general guide, however, given the characteristics and the pros and cons of the various legal structures considered for the establishment of a TVET Institution in section 4 above, we would anticipate that the most appropriate legal structure:

- in the context of a not-for-profit TVET Institution will be a **foundation** (although, as noted above, there is comparatively little to choose between this and an **association** - the principle difference being that an association is “member led” and must have a minimum of 10 members from the outset who must control the association - it is principally because of the potential impracticality of the minimum membership that a foundation is preferred over an association - a foundation is preferred over an NGO given the complexity of needing to establish a not-for-profit entity in one country and then register it in Mozambique); and
- in the context of a for-profit TVET Institution will be a **private limited liability company** (there will be unlikely to be any requirement to issue shares in the capital of the company to the public and, hence, a private rather than a public company is more appropriate - a private limited company also appears to offer greater flexibility than a cooperative and, perhaps significantly in the context of facilitating the establishment of TVET Institutions, is likely to be a more readily recognised and understood structure from the perspective of potential funders than a cooperative).

Notwithstanding the above notes, it will, of course, be necessary to run through the “decision tree” process set out in section 5.1 above in full in respect of each and every proposed TVET intervention in order to ensure that the proposed structure of any TVET Institution meets the expectations and requirements of its stakeholders.

## 6. Qualifications

### 6.1 Introduction

In this section we consider the options for the qualifications that may be offered by a TVET Institution. These are considered at 3 levels: Mozambican qualifications; SADC-wide regional qualifications; and international qualifications.

It is understood that the TVET Law does not impose any restrictions on the curricula/courses/qualifications that may be offered by a TVET Institution. However, the TVET Law does refer to a series of mechanisms which are proposed to be approved by the Executive Committee of Reform of Professional Education (the **COREP**) regarding the assessment process of the curricula/courses/qualifications to be implemented, which, so far as we are aware, have not yet been drafted and/or implemented. It is assumed that this will set out guidance which will then be implemented by ANEP in the discharge of its functions noted above.

What must be central to any and all qualifications to be designed in the context of Mozambican TVET is the fundamental need to ensure that all qualifications are developed in conjunction with, and so as to meet the needs and requirements of, the Mozambican private sector.

It is understood from discussions with stakeholders engaged in the provision of TVET in Mozambique that the current TVET regime overseen by INEFP and DINET requires that all curricula and teaching should be offered in Portuguese. Clearly, if this requirement is to remain under ANEP's stewardship, this may pose an additional hurdle that would need to be jumped over in terms of ensuring that any international qualifications are appropriately translated (note that it renders simpler the transition of TVET experience developed in Brazil or other Lusophone countries).

### 6.2 Mozambican qualifications

The TVET qualifications regime is currently subject to overhaul as noted in the context of the TVET Law examined in section 3 above not least in the context of the role that is to be performed by ANEP in the context of oversight and approval of qualifications and overall quality assurance. Consequently this area remains something of a work in progress which is subject to ongoing evolution and development.

From our consultations with stakeholders engaged in the provision of TVET in Mozambique it is clear that there are big question marks as to the quality and standards of the nationally recognised Mozambican TVET qualifications are currently available from INEFP and DINET and therefore as to their value not least in facilitating young people's search for work. As a consequence of this, we understand that there are circumstances in which TVET providers have sought to have their qualifications accredited by INEFP to South African standards which are widely acknowledged as being higher than Mozambican standards. Given the proposed mandate of ANEP (not least in the context of the development of qualification frameworks and

quality assurance) and also assistance in improving curricula that has been offered by ILO, it is possible that this may change in the future but this remains to be seen and the scale of the task should not be underestimated.

This section divides into two: technical education and professional vocational training. The distinction between the two is subtle but is perhaps best described as vocational training is limited to the skills and knowledges applying to a single particular occupation whereas technical education goes further to include a focus not just as to how a job is done but also why it is done in a particular way (i.e. a greater theoretical emphasis and courses are therefore generally significantly longer in duration).

### 6.2.1 Technical education

#### (a) *Public providers*

The Ministry of Education, operating through DINET, (although note that DINET has now been moved across to MCTESTP) is the country's largest provider of technical education. DINET offers more than eighty (3 year) technical course programmes which all sit within three broad disciplines - industry, commerce and agriculture - through a network of 76 schools. Whilst most of the basic and medium level institutions are operated by the State, the overwhelming majority of the professional schools are (according to the DINET Director) run by private associations e.g. The Salesians running the Dom Bosco Higher Institute in Maputo.

A list of DINET run technical schools is set out in Schedule 4 together with a note as to the DINET accredited courses which are offered by such institutions. DINET is understood to be conducting a process of mapping all public and private technical schools but the results of this process have not yet been disclosed.

It is understood that there are a number of other Government ministries which also offer technical training such as the Ministry of Agriculture which offers agricultural training. Similarly, the Ministries of State Administration, Tourism, Transport, Public Works and others each have their own training facilities offering basic skills training in a limited number of course programmes for a small number of learners and have developed and follow their own qualification standards. Very little information is available as to the number of trainees benefitting from such courses or as to the precise nature of the content of the qualifications offered.

It is further understood that, as a result of the PIREP reform process, the technical school system is in the process of being restructured. As part of this restructuring it is anticipated that basic technical schools (where the majority of all technical students are enrolled) will be either upgraded to technical institutes and/or transformed into professional schools.

(b) *Private providers*

It is understood from DINET (note, as referenced in (a) above, DINET is currently in the process of seeking to map both public and private technical providers) that there are a wide range of privately run technical schools (mostly professional schools) where the providers are mostly non-profit organisations. It is further understood that there are also private schools that are mostly focused upon offering non-technical “white collar” occupational courses.

6.2.2 Vocational training

(a) *Public providers*

INEFP training centres respond to two different types of training demands consisting of the following:

- Basic initial professional training (pre-employment vocational education and training) for school graduates through vocational courses of an average duration of 3 months which (free of charge) deliver basic level 1 and 2 qualifications in accordance with the National Professional Qualifications Framework; and
- Advanced training (continuing vocational education and training) for already employed staff which is paid for either by the trainees themselves or by their employers. The duration of the courses will depend upon the complexity of the relevant skills training.

The range of courses that are on offer are mainly targeted at core industrial trades - mechanical, electrical, plumbing, masonry, blacksmith, locksmith and building construction occupations. Note also that the INEFP training centres also offer courses that are clearly oriented to empowering people to start themselves in self-employment such as tailoring, shoemaking, hairdressing and cooking courses (also offering start-up kits).

Set out in Schedule 5 is a table which, using the INEFP professional training centre as an example, illustrates professional training courses normally offered by INEFP training centres for school leavers and for the unemployed. For the most part, the courses all lead to level 1 and level 2 qualifications according to the National Professional Qualifications Framework.

As can be noted from the information set out in Schedule 5, the range of courses and qualifications that are offered by INEFP is still very much adapted to the mainstream sectors of the Mozambican economy which is characterised by low, and/or in general already outdated, technologies. The industrial business association, AIMO, in 2010 noted that more than 60% of Mozambican firms use technical equipment which is over 20 years old.

As a general note, it appears that INEFP is ill-equipped to effectively play its roles both as the provider of State TVET and as the regulating body for the TVET sector. It is severely

underfunded which materially impacts upon all areas of its activities. For example, all INEFP run professional training and employment centres are understaffed, are poorly equipped with outdated equipment and, overall, are very poorly managed and therefore limited in their effectiveness. In particular, it is understood that this affects INEFP's ability to offer advanced training courses to already employed trainees due to a lack of competent teachers and equipment.

It was intended that the PIREP programme would, as one of its initial objectives, seek to address these challenges but, to date, save in the context of a limited number of CFPs, it is understood that little has changed. There remains, therefore, a pressing need for additional funding to improve the quality of these institutions and their outputs.

*(b) Private providers*

Privately organised training is divided into two elements: first, accredited professional training; and secondly, non-formal functional education.

The first of these falls under the oversight and control of INEFP which is the licencing body for private training centres. It is thought that approximately 20% of private providers are accredited with the remainder being informal. Given that many (although not, by any means, all) of the private providers are commercial for-profit enterprises, they tend to focus upon solvent clients who are seeking training or a skills upgrade in areas such as management, accounting, information technology, computer literacy and languages.

We have sought to obtain, from INEFP and PIREP, a list of all current providers of non-state vocational training in Mozambique of which they are aware. To date, however, we have not been provided with a copy of this information. As noted above, it is understood that INEFP's record keeping and data collection systems are poorly maintained resulting in it having limited clarity as to precisely who is doing what in this sector and where.

*(c) On-the-job/in-house training*

In recent years there has been a move by some of the larger enterprises within Mozambique to seek to conduct in-house skills training for their own employees without following any specific prescribed course (driven, it is understood, in part at least, by concerns as to the quality of the TVET provided by DINET and INEFP). In some cases, most notably in the context of the sugar plants located in central Mozambique, employers have even established and are operating in-house training centres for their employees (in the case of the sugar plants, in order to provide training in the electrical and mechanical skills required in order to maintain the large industrial sugar mills).

A number of enterprises linked to the mining, oil and gas and forestry sectors have also been exploring the means by which they might seek to develop their own training centres. As a consequence, a number of such firms have recently entered into arrangements with INEFP

pursuant to which the INEFP facilities will be utilised in order to host tailored training for the firms' employees. Such partnership arrangements appear to represent an outcome which is consistent with the views of the wider private sector: private firms do not consider technical and vocational training to be a priority for them (indeed it might be argued that a narrowing of employees' skills is an effective means of reducing their mobility) and, on the contrary, generally consider that the State should be obliged to provide technical and vocational skills in such a way as will allow them to be readily adapted and upgraded through in-house training programmes thereby enabling employees to meet the productive and operational requirements of their respective employers. This view is clearly concretised further in the introduction, as part of the new TVET Law, of FNEP which is to be funded with mandatory contributions from private sector firms (see the notes set out in section 3 above).

(d) *Public-private partnerships*

As a consequence of the lack of resources/appetite noted above, the public and private sectors are both exploring the possibilities that might exist for them to work together in order to improve the quality and, in particular, the utility of the TVET that is available in Mozambique and to seek to bridge skill gaps that are not yet addressed by the existing TVET offering.

As a consequence, industry associations are contemplating the establishment of a model professional training centre to be used as a mechanism not only to satisfy unmet labour market demands for skilled labour but also to seek to set quality standards for the provision of professional training. It is understood that the newly created Project More Employment ("*Mais Emprego*") recently launched by the ILO, UNDP and MiTESS seeks to achieve similar objectives in seeking to increase the number of training centres that are to be located in close proximity to areas of significant economic activity (e.g. in the north and east of Mozambique including in Zambezia).

Accordingly, it is only now through such partnerships that training is becoming available which is linked to Mozambique's recent extractive industry boom. In the context of mining and oil and gas extraction, the skills which are in particular demand range from mining engineers, metallurgists, quarry and mine workers to workers engaged in providing mine support services integral to the mining process (e.g. cementing oil and gas castings, directional drilling, mining draining and pumping) as well as heavy truck or tanker drivers and general labourers. A study has recently been undertaken by ILO seeking to assess the labour market impact of the mining, oil and gas sectors in Tete and Cabo Delgado provinces by researching the job creation potential along selected associated supply chains.

Set out in Schedule 6 is a table which illustrates examples of the public-private partnerships which are already in existence in respect of the extractive industry sector in the 3 provinces of Tete, Cabo Delgado and Nampula.

In Mozambique, as noted above, a National Vocational Qualifications Framework (which itself forms part of a larger National Qualifications Framework) is in the process of being established as part of the TVET Law.

### 6.3 SADC-wide regional qualifications

As part of its regional integration mandate, SADC has issued several protocols on TVET and on Qualification Frameworks focusing, in particular, upon the harmonisation of qualifications, upon mutual recognition of national qualifications and qualification levels and upon TVET planning and monitoring systems as well as labour market observation through the promotion of international workshops and exchange programmes between member states.

The overarching objective is to seek to build a SADC-wide regional qualification framework (**RQF**) which defines norms and standards and which the 15 Member States of SADC would be expected to apply when seeking to develop their own National Qualification Frameworks for TVET. According to SADC, the RQF is expected to serve as “a regional framework that consists of a set of agreed principles, practices, procedures and standardised terminology intended to ensure effective comparability of qualifications and credits across borders in the SADC region, to facilitate mutual recognition of qualifications amongst Member States, to harmonise qualifications wherever possible and to create acceptable regional standards where appropriate”.

The purpose of the SADC Qualification Framework is to be a regional mechanism in order to meet the demands of the SADC Protocol on Education and Training, in particular the demands for harmonisation, standardisation and equivalence or, in other words, “to move vocational education and technical training systems towards harmonised, equivalent and eventually standardised certification”.

For the purpose of harmonisation a SADC Qualifications Agency (**SADCQA**) was created composed of a regional steering committee and an implementation unit whose role is to “help Member States to develop and to implement their [National Qualification Frameworks], to harmonise the [National Qualification Frameworks] amongst the different countries involved, to provide guidelines to review and to strengthen national assessment and accreditation systems and to facilitate agreement on the pre-requisites for accessing higher education”.

However, progress to date has been limited and the action plan adopted for the SADCQA in 2012 remains very modest in its scope and ambition focussing principally upon promoting exchange and co-operation between Member States and upon strengthening research and monitoring and evaluation (for example, it is understood that the SADC office in Maputo has little visibility as to SADC’s regional vision for TVET).

In conclusion, therefore, there are currently no regional TVET qualifications. SADCQA remains a mechanism for stimulating and for facilitating the mutual recognition of professional qualifications and competencies as between Member States and at international level.

## 6.4 International qualifications

### 6.4.1 Introduction

We understand (following wide ranging consultation across the TVET sector) that City & Guilds is considered to be the principal accrediting body offering a wide range of “ready-made” internationally recognised technical and vocational qualifications.

It is understood that other TVET qualification possibilities exist, such as the offering of qualifications which are recognised by the Australian Qualification Framework (**AQF**) but these are not considered in further detail in this report given the prominence of City and Guilds in this field.

There are also a number of other bodies which offer such TVET qualifications in respect of specific sectors only (e.g. the National Centre for Construction Education and Research (NCCER) (construction), Edexcel/Pearson (national vocational qualifications (NVQs)), National Examination Board in Occupational Safety and Health (NEBOSH) (health and safety); OPITO (oil and gas)). These other bodies might be potential competitors for City & Guilds for certain specific sectors/occupations but, given the comparatively limited nature of their scope, these are not considered in further detail in this report.

It is further understood that specific qualifications for the extractive sector (the principal certification will be that of technician in natural resources for oil and gas and coursework will include: HSE, geological surveys, applicable regulations, basic English, basics maths, machine and mine operations, processing plans and “on the job” training) have been developed under PIREP in collaboration with industry and with the Australian professional body, SkillsDMC. It is understood that these qualifications are yet to be endorsed by industry and, accordingly, are not yet in approved form.

Key starting questions (and this will need to be determined on a case-by-case basis) in the context of the use of any potential international qualifications (without prejudice to the key question noted in the context of City & Guilds as to the availability of the range of qualifications for offer in Mozambique) will be:

- the extent to which (notwithstanding the apparent flexibility of the domestic TVET regime e.g. in the context of the Mozambican TVET Law) government policy is prepared to allow and approve international (as opposed to purely domestic) qualifications; and
- the extent of the flexibility of the qualification programme that may be offered and whether or not it will be appropriate to meet the needs and requirements of the

Mozambican context (e.g. US oil and gas qualifications offered by the National Centre for Construction Education and Research (**NCCER**) were considered to be unlikely to offer sufficient and appropriate flexibility in order to be workable in the context of the proposed oil and gas centre to be established as a Capital Outsourcing Group/INEFP public-private-partnership in Pemba).

By way of Mozambican context, we understand that INEFP has confirmed that “none of the 104 licensed public and private professional vocational training centers is currently offering internationally recognized qualifications”.

#### 6.4.2 City & Guilds

##### (a) *Introduction*

City & Guilds is renowned as a leader in vocational skills development throughout the world. It operates in over 80 countries and has, over the course of more than 130 years of operation, built unrivalled experience and expertise in the design of qualifications and in providing learners with the real life and practical skills that they seek.

During the course of the past 20 years, more than 20 million learners received a City & Guilds certificate from over 10,000 approved training organisations throughout the world.

Further, City & Guilds international qualifications are widely recognised throughout the world by governments, universities, employers, industry associations and professional bodies for progressing into higher education, employment, professional development or as a recommended benchmark for skills development. All such recognising organisations and institutions in respect of each qualification are featured in recognition lists maintained by, and obtainable from, the City & Guilds website - [www.cityandguilds.com](http://www.cityandguilds.com).

##### (b) *Range of qualifications offered*

City & Guilds offers a wide range of vocational qualifications - over 500 awards across a wide range of industries, and progressing from entry level (Level 1 International Vocational Qualification (**IVQ**) certificate - broadly equivalent to UK GCSE grades D-G) to the highest levels of professional achievement (Fellowship - broadly equivalent to a post-graduate Doctorate).

A list of the sectors covered by City & Guilds qualifications is set out in Schedule 7. Whilst the list is long, clearly only a fraction of these sectoral qualifications would be likely to be of interest/relevance in the context of Mozambique at the present time (and there may also, even within relevant sectors, be concerns as to the level (i.e. too high) and precise scope (i.e. not addressing the practical requirements of the Mozambican context) of the course material). One such sector which may be of application to Mozambique might be the Oil and Gas qualifications and we consider these in a little more detail below in order to provide a sense as to the potential offering from City & Guilds.

The Oil and Gas qualifications (Level 3 IVQ - broadly the equivalent of A-levels in the UK) focus on the “development of the underlying principles and practical skills required in the oil and gas industry. The qualification is designed to deliver a high level of occupational capability and provide a sound foundation for progression”. The aims of these qualifications are to:

- meet the needs of learners who work or want to work in the oil and gas industry;
- provide a broad background understanding of the oil and gas industry and the practical skills and knowledge required;
- allow learners to learn, develop and practice the skills required for employment and/or career progression in the oil and gas industry;
- provide an awareness of the range of jobs and work settings in the oil and gas industry;
- introduce learners to the disciplines of the workplace;
- enable learners to make an informed assessment of their own aptitude for work in the oil and gas industry and to make informed decisions about careers, returning to work, career development options or possible career change;
- encourage learners to reach a level of knowledge and skills that will facilitate progress in employment in the oil and gas industry or to further learning; and
- encourage learners to value continued learning and to remain in the learning process.

Assuming that a training centre is approved by City & Guilds (please refer to the details of the approval process set out below) and is approved to offer the Oil and Gas qualification (note that this is illustrative only) then a wide range of “ready to go” resources will be made available to the relevant training provider making the operationalisation of each course a comparatively painless process:

- Recognition lists;
- Assessment guidelines;
- Qualification handbook (setting out: the aim of the qualification, its structure, materials and assistance available, candidate entry and progression, the requirements for the relevant training centre to offer the qualification, course design and delivery and detailed course materials in respect of each of the “units” of the course etc.);
- Equipment requirements to run the course; and

- Pro forma course certificates.

Note that not all of the full range of City & Guilds qualifications will be available to be offered in all regions of the world. As a first step, it would therefore be necessary to seek to work with City & Guilds to identify the extent to which it might be possible to offer the range of qualifications in Mozambique. We note from the City & Guilds website that the City & Guilds Southern Africa representative office provides support to approved centres in South Africa, Botswana, Lesotho, Swaziland, Namibia and Zimbabwe but not, at the present time, to Mozambique. It would therefore be necessary, as a first step, to engage in preliminary discussions with the Southern Africa office to identify what might be possible.

It is understood that, in terms of a track record in Mozambique, in 2012 City & Guilds quality assessed and endorsed Maputo based and INEFP run the professional training centre “Electrotecnia” as a provider of internationally recognised vocational qualifications notably in the fields of mechanics, welding and electricity.

*(c) Process for seeking approval by City & Guilds*

In order to offer City & Guilds qualifications, it will be necessary for a provider to become an approved City & Guilds centre. Once established as an approved City & Guilds centre, a provider will need to seek further approval from City & Guilds in order to offer additional qualifications.

In order to deliver any City & Guilds qualifications or examinations a potential training provider must demonstrate that it can meet City & Guilds’ criteria in four key areas of operation being as follows:

- Management and administrative services;
- Physical and staff resources;
- Assessment; and
- Quality assurance.

City & Guilds has therefore produced a detailed “Centre Guide - Delivering International Qualifications” (which is freely available on its website) in order to provide full details of such criteria together with step-by-step procedures in order to help potential training providers to apply to become an approved City & Guilds centre and to gain approval to offer specific qualifications and also to provide ongoing guidance on the delivery of those qualifications on the administrative, assessment and quality assurance requirements necessary to ensure compliance with City & Guilds’ approval criteria.

Prior to making an application for centre and/or qualification approval it is possible to request an advisory visit from City & Guilds in order to seek detailed information as to the relevant approval criteria and/or to identify specific areas of centre operations that require improvement.

When submitting applications for centre and qualification approval, applicants are asked to identify who will be undertaking various key roles in the assessment, verification and examination processes (such roles include: assessment manager, examinations secretary, internal verifier, specialist teachers/tutors, invigilators, assessors etc.). These should be appropriate to the number of qualifications to be/being run and the level of assessment activities to be undertaken.

*(d) Ongoing obligations*

Once centre and qualification approvals have been granted, there is an ongoing requirement to update City & Guilds as to key changes in the information, facts and circumstances on the basis of which such approvals were granted in order that City & Guilds might satisfy themselves as to the ongoing ability of the centre to satisfy the relevant approval criteria. It is important that this obligation is fully and properly discharged as failure to notify City & Guilds of any changes may result in the withdrawal of centre and/or qualification approval.

Key matters which will require ongoing update will include the following:

- policies, practices or procedures for managing and administering qualifications and/or for assessment and internal verification;
- details of changes in the staff involved in the administration and/or delivery of qualifications;
- key changes in premises, procedures and/or premises impacting the delivery of qualifications; and
- other key information relating to the delivery of any particular qualifications.

Once granted, centre approval lasts for 2 years (subject to ongoing assessment and review) at which point a simpler application process may be commenced in order to seek renewal. Note that the simpler reapplication process will not be applicable in circumstances where a centre has either: (i) not provided examinations or assessments for a viable number of candidates for each of the immediately preceding two years; or (ii) has had approval withdrawn because the centre approval criteria were no longer being met.

Note that there are certain key changes of circumstance, the occurrence of which, may result in the withdrawal of centre and/or qualification approval. A key example of this in the context of

proposed TVET Institutions is circumstances amounting to a change of control of the TVET Institution.

*(e) High-level notes as to key costs in the approval process*

It is understood from telephone discussions with the City and Guilds office in South Africa (which would be the relevant area office for the establishment of an approved centre in Mozambique) that the principal costs that would be incurred in the approval process are as follows (note that the costs are subject to change each year):

- Initial centre approval fee: 12,450 South African Rand (**ZAR**)
- Initial approval fee for each course to be offered: 4,000 ZAR (note that this fee will cover an entire course - i.e. all levels of qualification in respect of any given numbered course from Level 1 (entry level) upwards)
- Centre renewal approval fee (after 2 years): 4,500 ZAR
- Each course renewal fee (after 2 years - i.e. concurrent with the centre approval): circa 2,500 ZAR

It is understood that there are also a range of additional costs, fees and expenses that are levied by City and Guilds including, without limitation, a registration fee for each candidate who is to undertake any course and an examination fee for each candidate who is to sit an examination in respect of any course.

We understand that a full list of the 2016 international fees is not set out on the City and Guilds website but is available from City and Guilds South Africa Office on request. We have requested a copy of such a list from City and Guilds but it has not yet been received.

## 6.5 UNESCO-UNEVOC

Although not a provider of international qualifications, it is worth noting the role played by the UNESCO-UNEVOC International Centre which is a UNESCO's specialist TVET centre and a key component of UNESCO's international programme on technical and vocational education and training.

The UNESCO-UNEVOC International Centre has three specific goals:

- to improve TVET by promoting and fostering international collaboration;
- to develop the capacities of UNEVOC Centres and associated TVET practitioners by providing various forms of assistance; and

- to share good practices and innovations in TVET.

UNESCO-UNEVOC undertakes its activities through (and as such acts as the hub for) a worldwide network of UNEVOC Centres (the **UNEVOC Network**) in more than 165 countries worldwide.

The UNEVOC Network links institutions working in the area of TVET from all over the world. With its Network, UNESCO-UNEVOC aims to improve technical and vocational education and training by providing an environment for exchange and mutual assistance among TVET experts and institutions that are faced with similar challenges in different parts of the world.

## 7. Accreditation of TVET instructors

### 7.1 *The legal framework*

It is understood that the TVET Law does not establish, with total clarity, a clear and precise process by which a person may become an accredited instructor within a TVET Institution. However, it is understood that TVET instructors will be expected to have a degree (or the equivalent of that) in their relevant subject area or have undergone the competency-based training currently offered by ISDB as noted in section 7.2 below.

Further, the TVET Law does nevertheless provide an overarching principle that it will be necessary for a person to obtain a specific licence in order that such person might perform TVET activities.

Moreover, the referred law also mentions, in abstract, a series of mechanisms to be approved by the COREP regarding the accreditation of instructors, teachers and assessors, which, so far as we are aware, has not yet been drafted and/or implemented.

As noted above, once the mechanisms and processes are determined, this will fall within the scope of ANEP's mandate for overview and regulation.

At the present time, as noted above, it is understood that INEFP requires information as to the key instructors to be engaged in the context of an application for registration by a proposed private TVET provider and requires that they should have an appropriate background and qualifications.

### 7.2 *Training of TVET Instructors*

The training of TVET instructors in Mozambique has proved to be extremely challenging and historically the facilities available have ranged from inadequate to non-existent.

Accordingly, in 2007 at the request of the Government of Mozambique and with the benefit of donor funding, the Catholic association of Salesianos de Dom Bosco (who have great experience of TVET and are working worldwide) established the first institution in Mozambique to train TVET instructors, teachers and managing staff.

The institution, known as "Instituto Superior Dom Bosco" (ISDB), offers a combination of in-service distance pedagogical training and pre-service technical teacher education in some of the key focus areas of TVET notably industrial maintenance, accounting/management, hospitality and hotels, electrical expertise and mechanical expertise.

It is understood that the training courses offered by ISDB last for between 3 and 4 years and that it currently has approximately 700 enrolled students.

It is further understood that courses are charged at approximately US\$100 per month (for 10 months in each year).

We understand that the ISDB offers two types of training:

- 6+1 semester studies (*Licenciatura*) for teachers and trainers in various vocational areas including mechanics, electronics, receptionist, tour guide, accountancy and management. These courses differ from normal engineering courses in that they include didactic modules (for example, competency based teaching methods (CBT) - see the below notes for more information on this); and
- certificate A (for pedagogical managers and co-ordinators) and certificate B (for trainers) courses for graduates from technical and engineering courses where no didactic modules are included.

In respect of the former of these types of training, the entry criteria are not entirely clear (it is possible that they will be identical to all other higher education institutes but it is unclear whether or not entry tests are applied - perhaps just when inscriptions exceed capacity) although it is noted that ISDB does offer the possibility of on-line subscription for CBT courses.

In respect of the latter of these types of training, it is understood that the entry requirements are a higher degree in technical education or the equivalent (e.g. a medium technical cycle completed at a technical institute and a letter from the candidate's employing training institution).

We understand that the ISDB implements a competency-based training system (that was introduced by the PIREP reforms in 2014) meaning that it places a heavy emphasis on what a person will be able to do in the workplace following the completion of the relevant training programme (i.e. aiming to allow students to demonstrate competent performance per industry approved competency standards).

The governing board of ISDB is understood to consist of representatives of the Government of Mozambique, Donors, Industry, the Salesianos of Mozambique, ISDB students and ISDB staff.

**8. High level taxation overview for different Mozambican legal entities**

A high level overview of the taxation regimes applicable to different Mozambican legal entities is set out in Schedule 9.

## Schedule 1

### *The backdrop: overview of employment and economic activity in Mozambique*

#### **1. Distribution of economically active persons by type of employment**

Mozambique has a population of about 23 million (2013) of which approximately 45% are aged below 15 years. The economically active population (**EAP**) is estimated to amount to 11.5 million people. Of these, 7.1 million (i.e. 69.8% of the EAP) are registered as being ‘employed’ but, in actuality, only 13% to 15% are actually engaged in wage employment in public and private sector organisations with the balance being self-employed (for the most part) or undertaking unpaid family work mostly in subsistence agriculture (this is thought to account for approximately 18% of all employment). Self-employment is largely located in the informal economy and covers a wide range of economic activities.

The informal self-employment “sector” is where the number of unskilled (i.e. no schooling) and low skilled (i.e. 1<sup>st</sup> grade schooling level) people is by far the highest. Almost 75% of self-employed people have had no schooling at all.

The current available data does not allow disaggregation as between occupations and skill levels nor does it monitor labour flows in and out of employment and those who are between different types of employment. The absence of such data underlines the consistently poor condition of employment market statistics in Mozambique.<sup>1</sup>

#### **2. Literacy rates**

According to the Mozambican industry association, AIMO, which represents some 200 industrial undertakings, approximately 50% of the Mozambican population remains illiterate and approximately 80% possesses no qualifications of any nature.

Accordingly, approximately 90% of job seekers entering the employment markets have less than 9<sup>th</sup> grade of schooling.

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<sup>1</sup> ILO (2010) Avaliação de meio-termo rápida da Estratégia de Emprego e Formação Profissional (EEFP) 2006 – 2015, Delphi Research & Consulting, Maputo 01/03/2011. Labour market statistics are still unprepared to collect data on labour flow and skills demand by occupations and qualification levels; that is of key data to build upon any skills provision planning.

### **3. Unemployment**

According to the latest INCAF report dating from 2012/2013, national unemployment rates stood at 22.5% of the EAP with urban unemployment standing at 34.9% and rural unemployment standing at 17.2%. Female urban unemployment is higher standing at 41.4% whilst youth (between 15 – 19 years of age) unemployment is higher still standing at 46.6% for youth (unemployment for the age group between 20 - 24 years of age stands at 31.6%).

Mozambique's demographic development, with annual growth rates of over 2%, serves to place additional stress upon the country's education, training and employment markets in seeking to accommodate such new generations.

### **4. Regional distribution of employment**

Although the trend is similar, there are severe imbalances across Mozambique in the regional distribution of wage labor as illustrated below:

- In the Northern region (Niassa, Cabo Delgado and Nampula) only 2.3% of jobs are paid in wages whereas unpaid family work accounts for some 83% of all employment with the remaining 15% being self-employed.
- In the Central region (Tete, Manica, Zambezia and Sofala) 10.5% of jobs are paid in wages whereas unpaid family work (mostly in agriculture) accounts for some 71% of all employment with the remaining 15% being self-employed.
- It is in the Southern region, mostly as a consequence of the impact of Maputo/Matola, where more than 50% of Mozambique's wage employment is concentrated. In this region approximately 22.6% of jobs are paid in wages whereas unpaid family work (overwhelmingly subsistence agriculture) accounts for 65.5% of all employment with the remaining 12% being self-employed.

In order to provide further context as to this, it should also be noted that, nationwide, the overwhelming majority of wages employment is paid at very low rates frequently giving rise to a need for waged employees to combine their formal activities with informal activities.<sup>2</sup>

## **5. Employment distribution by economic activity sectors**

Amongst all employment types (i.e. wage employment, self-employment and unpaid employment) agriculture is by far the biggest sector employing some 72% of all EAPs (although this figure is largely accounted for by subsistence farmers - commercial farming accounts for about 4 to 5% only of this total).

Processing industries and the construction sector come next employing 11% and 10% of EAPs respectively.

Extractive industries and mining account for just 2% of EAPs at the present time (see below).

The Mozambican Government's strategic plan 2012 to 2016 for education<sup>3</sup> recognizes this fact in stressing that the Mozambican employment market is segmented and consists of three different types:

- the still very small formal employment market which is characterised by low labour absorption rates (and low turnover rates) despite the recent investments in the mining sector and which consists mostly of medium-level technicians and university graduates;<sup>4</sup>
- the informal labour market, mostly in urban areas, where basic and semi-skilled workers work in the areas of commerce, manufacturing and find their niche either in form of self-employment and/or as dependent workers; and

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<sup>2</sup> A 2009 labour market desk study, using data from 2005 Labour force survey IFTRAB, calculated that the average salary for 50% of all waged labour was at 1,098 MT (being 1,250 MT in urban areas and 600 MT in rural areas). In other words the study concluded that 50% of wages would be around actual minimum wages that, at that time were at about [5] USD/day. Mozambican workers' union, OTM, commented that this wage rate was "covering only 50% of basic needs of a family of five". Source: GTZ (2009) taking stock: labour market statistics and instruments – now and then, Revised desk study report 09/2009

<sup>3</sup> Ministry of Education (2013) Strategic plan 2012 - 2016

<sup>4</sup> See also the 2012 Worldbank policy paper further down

- the subsistence agriculture sector where most of the rural based low and unskilled workers are to be found.

## **6. Employment by company type**

In 2009 total (formal) employment in the private sector stood at 293,470,<sup>5</sup> of which 52,567 were women and 2,484 were non-Mozambican nationals. The public sector accounted for a further 208,192 (formal) jobs making a grand total of approximately 500,000 formal jobs.

In the private sector, the biggest 1% of Mozambican companies (313 in total) employ 55% of the whole Mozambican workforce. By way of context, 89% of Mozambican registered companies (23,416 companies in total) employ fewer than 10 employees.

## **7. Economic Sectors by capital Investment and GDP creation**

In terms of attracting capital investment (as at 2012), transport and communications led the charge between them accounting for some 39% of all investment. This was followed by services with 15%, energy with 11%, hospitality and tourism with 10% and industry with 9%. Agriculture and Agro-industry come last with 7% of all investment.

Nevertheless, agriculture remained the biggest contributor to GDP in 2012 with 24%, followed by industry and transport and communication with each contributing some 12%, followed by trade contributing 11% and banking and real estate contributing 6% each. In terms of its contribution to GDP, the mining sector stood at only 2%.

## **8. The still 'young' extractive industry and mining sector**

A word on extractive industry sector (so far notably gas, oil, gems, coal, iron ore, heavy mineral sands, graphite, gold and probably rare earths) that is the driving forces behind Mozambique's recent economic growth rates and which attracted

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<sup>5</sup> Without financial institutions

more than USD4 billion of direct investment in 2012 and 2013 alone<sup>6</sup> but which still only employs approximately 0.5% of the total Mozambican workforce.<sup>7</sup> In short, the capital intensive nature of the extractive and mining sector projects does not lead to the creation of many jobs.

It is possible, therefore, to conclude that, at the present time, the Mozambican economy is not generating very much employment in the private sector. Further, employer surveys and labour market studies in formal sector enterprises repeatedly points to a mismatch as between the labour supply and the evolving needs of the labour market which require more skilled workers.

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<sup>6</sup> GIZ et, all: Resource Sector Mozambique

<sup>7</sup> This fact appears to be typical for extractive industries as they are generally not labour intensive and employment growth is mostly temporary and concentrated in the construction phases of capital projects. Source: Holly Wise & Shokol Shtylla: The role of extractive sector in expanding economic opportunity, Harvard University, 2007. In New Zealand, for example, overall employment in all segments of extractive industries amount to 0.33% of the total workforce. Any sustainable positive impact on levels of employment would be expected to come from sectors which support such extractive industries e.g. construction services. Source: Ministry of business, innovation and employment: Employment and Skills Snapshot – Mining, Gas and Oil Extraction, New Zealand, March 2010, and also, with regard to specific professional profiles, the New Zealand Qualifications Authority 2014. A similar pattern can be observed in the Ugandan mining sector where the direct employment market impact of the extractive industries is low compared to the expected indirect impacts. Source: Worldbank: Science, technology, and skills for Africa’s development – human capital for the oil, gas and minerals’ industry, March 2014

**Schedule 2**

*List of consultees*

<b>Institution</b>	<b>Interview partner</b>	<b>Job title</b>
INEFP	Candido Manasse	Head of professional training department
DINET	Gilberto Botas	National Director
OTM	Lucilio Bule	Coordinator
AIMO	Amos Ubisse	Economic Advisor
Fan	Orlando de Conceicao	Fund manager
CTA	Eduardo Sengo	Economic Advisor
AHK/GIZ	Ilse Fuernkrantz Deroua	Economic Development Advisor
UPA	Manuel Viriato	Program coordinator
ESSOR	Rodrigo Madariaga	Director
PIREP/College Can	Alex Stephens	Assessor
Acis	Denise Cortes	Coordinator
Capital Outsourcing Group	Audrey van Onselen	International Human Resources Development Manager

ADPP	Annette Castella	Executive Director
HUMANA	Olga Guerrero	Education Programme Manager, Mozambique
Aga Khan	Agostinho Mamade	Knowledge Manager, Educational Programmes

### Schedule 3

#### ***Overall legal framework applicable to TVET***

Presidential-Decree 14/2015, of 16<sup>th</sup> March, establishes the duties of the Ministry of Science and Technology, Higher Education and Tech and Vocational

Presidential-Decree 12/2015, of 15<sup>th</sup> March, establishes the duties of the Ministry for Education and Human Development

**Law 23/2014, of 23<sup>rd</sup> September, establishes the Framework for Organization, Structure and Functioning of the Professional Education**

Decree 35/2013, of 2<sup>nd</sup> August, approves the Regulations of the Pre-Professional Internships

Ministerial Order 84/2013, of 24<sup>th</sup> July, approves the Regulations of the Vocational Training Schools and Institutes

Diploma Ministerial 198/2012, of 29<sup>th</sup> Agosto, approves the Internal Regulations of the National Directorate of the Vocational and Professional Training

Decree 16/2007, of 17<sup>th</sup> December, creates the Commission for the Reform of Professional Education, designated by CIREP and creates the Executive Commission of Reform of Professional Education, designated by COREP

Law 23/2007, of 1<sup>st</sup> August, approves the Labour Law

Ministerial Order 4/2006, of 11<sup>th</sup> January, approves the Regulations of Professional Schools

Law 27/2009, of 29<sup>th</sup> September, approves the Regulations of the Higher Education in Mozambique

Law 6/92, of 6<sup>th</sup> May, approves the Legal Framework of the National Education System

Law 8/91, of 18<sup>th</sup> July, approves the Right to Free Association

Decree 37/2000, of 17<sup>th</sup> October, approves the requirements for the Declaration of Public Utility Associations

Decree-Law 1/2006, of 3<sup>rd</sup> de May, approves the Regulations of the Legal Entities Registration Office

Civil Code of Mozambique

Resolution 8/95, of 22<sup>nd</sup> August, approves the Policy of the Education Sector

Law 3/93, of 24<sup>th</sup> June, approves the Investment Law

Law 4/2009, of 12<sup>th</sup> January, approves the Code of Fiscal Benefits

Law 32/2007, of 31<sup>st</sup> December, approves the Value Added Tax Code (and any amendments thereto)

Law 34/2007, of 31<sup>st</sup> December, approves the Corporate Income Tax Code (and any amendments thereto)

Decree 6/2004, of 1<sup>st</sup> April, approves the Stamp Duty Code (and any amendments thereto)

Decree 63/2008, of 30<sup>th</sup> December, approves the Municipality Taxes Code

Schedule 4

*List of technical education providers and the courses offered by province (source DINET 2015)*

Maputo city

Level	Technical school	Courses
	Escola Profissional de Albazine	Management
		Blacksmith
Básico	Escola Industrial 1º de Maio	Blacksmith and Mechanics
		Electricity
		Analytical Chemistry
		Construction supervisor
		Milling machine operator
	Escola Comercial de Maputo	Accountancy
	Escola Comercial de Lhanguene	Accountancy
	Escola Comercial de Katembe	Accountancy
Médio	Instituto Industrial de Maputo	General Mechanics
		Industrial electricians
		Industrial electricians
		Civil construction
		Hydraulics construction
		Analytical Chemistry
		Construction of highways and bridges
		Industrial electricians
	Instituto Industrial 1º de Maio	Industrial electricians

		Analytical Chemistry
		Civil construction
		General Mechanics
		Industrial chemistry
	Instituto Comercial de Maputo	Accountancy
		Customs specialist
		Receptionist
		Management
		Tour guide
		Barman
		Accountancy

### Maputo Province

School Type	Institution	Course list
Profissionais	Escola Profissional da Moamba	Agriculture and Agrobusiness
		Mechanical blacksmith
		Construction electricians
		Blacksmith
	E. Profissional de Magude	Agriculture and Agrobusiness
	Escola Profissional São Francisco de Assis Mumemo	Mechanical blacksmith
		Electrical installation
		Agriculture and Agrobusiness
		Bricklayer
		Mode designer
Hotel and Bar		
Básicas	Escola Agrária de Umbeluzi	Agriculture and Agrobusiness

	Escola Industrial e Comercial da Matola	Accountancy
		Industrial electricians
		Cooling system specialist
		Mechanical blacksmith
		Diesel mechanic
		Automobile mechanic
		Analytical Chemistry
		General Electricity
Médias	Instituto Industrial e Comercial da Matola	Accountancy
		General mechanics
		Electronic systems
		Analytical chemistry
		Accountancy and audit
	Instituto Industrial e Computação Armando Emílio Guebuza - Beluluane	Accountancy
		Electrical maintenance
		Mechanical maintenance
		Accountancy and audit
		Communication
		Management
	I. Agrario de Boane	Agriculture and Agrobusiness
	Inst. Agro-Industrial de Salamanga	Agriculture and Agrobusiness
		Tour guide

### Gaza Province

	School	Course
Profissionais	Escola Profissional de Inhamissa	Blacksmith
		Car repair

	Escola Profissional de Maciene	General carpentry
		Construction electrics
	Escola Prof. de Chokwe	General carpentry
	E.P. F. Rural Manjacaze	Agriculture and Agribusiness
Básicas	Escola Industrial e Comercial 7 de Set. Xai-xai	Electrics
		Mechanical blacksmith
		Carpentry
		Accountancy
ET 25 de Junho - Massingir	Blacksmith	
	Agriculture and Agribusiness	
Médias	Instituto Industrial e Comercial 7 de Set. Xai-xai	Accountancy
		Industrial Electrics
		Mechanical Maintenance
		Accountancy
Instituto Agrário de Chokwe	Agriculture and Agribusiness	

### Inhambane province

	School	Course
Profissionais	Escola Profissional Domingos Sávio	Mechanical blacksmith
		Construction electrics
		General carpentry
		Bricklayer
	Escola Prof. Família Rural de Homoine	Agriculture and Agribusiness
		General carpentry
	Escola Prof. Mucodoene	Agriculture and Agribusiness
	Escola Profissional de Massinga	General carpentry

		Mechanical blacksmith	
		Waiter and barman	
	Escola Profissional de Cambine	Agriculture and Agribusiness	
		General carpentry	
	Escola Profissional de Mabote	Agriculture and Agribusiness	
		General carpentry	
		Bricklayer	
	Escola Prof. Família Rural Panda	Agriculture and Agribusiness	
	Básicas	Escola Industrial Estrela do Mar	Mechanical blacksmith
			General carpentry
Mode designer			
E Agrária de Inhamussua		Agriculture and Agribusiness	
Esc. Ind. e Com. Eduardo Mondlane I'bane	Accountancy		
	Electrics		
Médias	Instituto Industrial e Comercial Eduardo Mondlane I'bane	Accountancy	
		Cook	
		Receptionist	
		Waiter and barman	
		Accountancy	
	I Agrária de Inhamussua	Agriculture and Agribusiness	

### Manica Province

	School	Course
Profissionais	Escola Profissional de Chiomio	Bricklayer
		Gardener

		Horticulturalist
		Blacksmith
		General carpentry
	Escola Profissional de Machaze	Blacksmith
		General carpentry
		Agriculture and Agribusiness
Escola Prof. de Marere	Agriculture and Agribusiness	
Básica	Escola Industrial e Comercial Joaquim Marra	Electrics
		Mechanical blacksmith
		Accountant
Médias	Instituto Médio Prof. Agrário de Chigodole	Agriculture and Agribusiness
		Hotel and tourism
		Management
		Communication
	Instituto Agrário de Chimoio	Agriculture and Agribusiness
		Forest worker
		Wildlife specialist
	Instituto Ind. Comercial Joaquim Marra	Accountant
		Customs officer

### Sofala Province

	School	Course
Profissionais	Escola Prof. de Baradas	Agriculture and Agribusiness

	Escola Prof. de Magunde	Agriculture and Agribusiness
	Escola Prof. de Estaquinha	Agriculture and Agribusiness
	Escola Prof. de Gorongosa	Agriculture and Agribusiness
	Escola Prof. de Muraça (Caia)	Agriculture and Agribusiness
	Escola Prof. de Machanga	Agriculture and Agribusiness
Básica	Escola Industrial e Comercial 25 de Junho - Beira	General Electrics
		Mechanical blacksmith
		Welding
		Plumbing
		Construction supervisor
		Car Mechanics
		Electrical installation
Média	Instituto Industrial e Comercial da Beira	Car Mechanics
		Accountancy
		Customs officer
		Industrial electrics
		Highways and bridges
		General Mecanics
		Industrial Electronics
Civil Construction		

### Tete Province

	School	Course
Profissionais	Escola Profissional de Songo	Electrics and recycling
		Blacksmith
	Escola Profissional Dom Bosco	Car Mechanics

		Bricklayer
		Welder/blacksmith
		Mode designer
Básicas	Escola Agrária Borroma	Agriculture and Agrobusiness
	Escola Industrial de Matundo	General Electrics
		Mechanical blacksmith
		Construction supervisor
	E. C. Mártires Wiriamo	Accountancy
Médias	I. C. Mártires Wiriamo	Accountancy
	Instituto Médio de Geologia e minas	Geologist
		Mining specialist/driller

### Zambezia Province

	School	Course
Profissionais	Escola Profissional de Mugeba	Bricklayer
		Construction Electrics
		General carpentry
Básicas	Escola Técnica de Quelimane	Mechanical blacksmith
		General carpentry
		Administration
	E. Agrária de Milevane	Agriculture and Agrobusiness
	E. Agrária de Caombe	Agriculture and Agrobusiness
	Escola Industrial de Guruè	General Electrics
		Mechanical blacksmith
	Escola Industrial e Comercial 1º de Maio Quelimane	Accountancy
Industrial Electrics		

		Mechanical blacksmith
		Cutting and milling
		Car Mechanics
Médias	Instituto Industrial e Comercial 1º de Maio Quelimane	Accountancy
		Civil Construction
		Industrial electronics
	Inst. Agrário de Mocuba	Agriculture and Agrobusiness
	Inst. Agrário de Guruè	Agriculture and Agrobusiness

### Nampula Province

	School	Course
Profissionais	Escola Profissional da Ilha de Moçambique	Bricklayer
		Blacksmith
		Administration
		IT
	Escola Profissional de Murrupula	Bricklayer
		Agriculture and Agribusiness
	E. Profissional de Marera	Agriculture and Agribusiness
	E. Profissional de Mueria	Agriculture and Agribusiness
	E. Profissional Nataleia	Agriculture and Agribusiness
	E. Profissional Malema	Carpentry

Básicas	Escola Agrária de Ribaué	Agriculture and Agribusiness	
	Escola Industrial de Carapira	Car mechanics	
		General carpentry	
		Cutting and milling	
	Escola Industrial e Comercial 3 de Fevereiro	Electrics	
		Accountancy	
		Blacksmith	
		Car mechanics	
	Médias	Escola Industrial e Comercial 3 de Fevereiro	General mechanics
			Accountancy
Accountancy			
Civil Construction			
Car repair			
Industrial Electrics			
Industrial Mechanics			
Industrial Electrical systems			
General Mechanics			
Inst. Agrária de Ribaué		Agriculture and Agrobusiness	
Escola Industrial de Carapira	Car Mechanics and repair		
	General Mechanics		

### Cabo Delgado Province

	School	Course
Profissionais	Escola Profissional de Montepuez	Construction supervisor
		Mecahnical blacksmith
		Carpentry
		Cutting and milling
	Escola Profissional de Ocua	Carpentry

		Agriculture and Agrobusiness
	Esc. Profissional Mariri	Agriculture and Agrobusiness
	Escola Profissional de Macomia	Construction Electrics
		Blacksmith
		Carpentry
Básicas	E. Comercial de Pemba	Accountancy
	E. Agrária de Bilibiza	Agriculture and Agrobusiness
Médias	Inst. Agrária de Bilibiza	Agriculture and Agrobusiness
	Instituto Comercial de Pemba	Accountancy
		Management
		Cook
		Receptionist
	Waiter and Barman	

**Schedule 5**

***Illustration of vocational training qualifications (based on the INEFP professional training centre in Tete)***

<b>Course</b>	<b>Duration in hours</b>	<b>Entry condition</b>	<b>Course fees (Mt)</b>	<b>Enrolment Capacity</b>
Basic Construction electrics	360	8th grade	12,350.00	48
Basic car electrics	500	10th grade	4,680.00	48
Basic car mechanics	500	10th grade	4,718.75	48
Car repair and car painting	500	Read and write	4,687.50	48
Blacksmith	500	10th grade	9,000.00	48
Refrigeration	369	10th grade	6,000.00	48
Plumbing	360	7th grade	3,500.00	60
Cell phone repair	369	10th grade	4,062.50	48
Cook	300	10th grade	3,500.00	48
Waiter and Barman	300	10th grade	4,000.00	64
Kitchen and Bar service	300	10th grade	17,000.00	64
Receptionist	300	10th grade	5,000.00	48
Basic construction worker	300	Read and write	3,500.00	48
Building block production	160	Read and write	800.00	48

Carpentry	360	7th grade	14,500.00	48
Bricklayer	360	7th grade	13,500.00	60
Painting	360	7th grade	4,200.00	48
Agriculture	320	Read and write	12,500.00	32
Chicken farming	600	Read and write	10,000.00	48
Tailor	300	Read and write	3,500.00	64
Embroidery	300	Read and write	3,500.00	48
Hairdresser	300	5th grade	3,750.00	48
Basic handicraft	300	Read and write	3,500.00	48
Business management	30	Read and write	1,500.00	1560

**Schedule 6**

**Examples of TVET PPPs in Tete, Cabo Delgado and Nampula provinces**

<b>Tete Province</b>		<b>Cabo Delgado Province</b>		<b>Nampula province</b>	
PPP	PF-Activities	PPP	PF-Activities	PPP	PF Activities
Kentz -& Tete CFP	Welding & locksmith workshops rehabilitated back in 2012. Training of welders and locksmiths.	Fluor & Pemba CFP	Professional training in various fields of craftsmanship supplying manpower for a projected liquid gas production firm projected to start in 2018.	Odebrecht & CFP Nacala Porto <sup>8</sup>	Professional training in the fields of informatics, blacksmith and carpentry.
Odebrecht & Tete CFP	Setting up of a Training Centre in Carpentry, masonry machine operation, with a training capacity of over 1.000 youngsters.	In preparation: Anadarko – CFP in Palma (Palma district)	Professional training in various fields of craftsmanship notably in the area in and around civil construction, with an expected 3.500 jobs to be created in these professions <sup>9</sup>		
Rio Tinto	Training of trainers				

<sup>8</sup> Source: <http://www.odebrechtonline.com.br/edicaoonline/2013/06/15/o-poder-das-boas-vibracoes>. Nacala Porto has also a public training centre for customs officers, import export officers, transit police and harbour inspectors. Source: Janela Unica electronica, <https://www.mcnet.co.mz/About-MCNet/Training-Center.aspx>

<sup>9</sup> The 3.500 jobs expectation stems from private university ISCTEM having organized a workshop on extractive industries. This number quite significantly differs from number promoted by CBE consultancy firms, expecting the creation of over 10.000 jobs starting in 2015. This example illustrates the war of numbers and underlines the weakness in particular with regard to labour market statistics..

<p>&amp; Tete CFP</p>	<p>from INEFP CFP from CFP in Maputo Province &amp; City, Beira, Nampula, Cabo Delgado and Tete, in electricity, mechanical, instrumentation and metalwork.</p>				
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## Schedule 7

### *Range of sectors covered by City & Guilds qualifications*

**Beauty and Complementary Therapies** - beauty therapy, salon management, retail knowledge etc.

**Building Services Industry** - electrical installation, plumbing, refrigeration, air-cooling, gas installation etc.

**Built Environment Services** - energy, cleaning, environmental services, housing, waste management, recycling etc.

**Business Skills** - business administration, customer service, accounting, health and safety, legal, marketing etc.

**Children** - early years' education, playwork, youthwork, children's care, learning and development etc.

**Construction** - carpentry, joinery, plastering, wall and floor tiling, formwork, insulation and thermal heating etc.

**Creative** - fashion design, balloon artistry, sugarcraft, music technology, sound engineering, interior design etc.

**Engineering** - welding, aeronautical engineering, railway engineering, fabrication, installation etc.

**Hairdressing** - hairdressing and barbering, creative hair and beauty studies, salon management etc.

**Health and Social Care** - dental nursing, mental health, care, community, pharmacy services, learning disability etc.

**Hospitality and Catering** - professional cookery, culinary skills, barista skills, butlers, patisserie and confectionery etc.

**International English** - ESOL, English for business communications, English language teaching etc.

**IT** - word processing, spreadsheet processing, software development, home technology etc.

**Land Based Services** - animal management, horticulture, floristry, equine, environment, countryside and conservation etc.

**Learning** - career guidance, teaching, training, development, learning support, counselling etc.

**Manufacturing Industry** - printing, graphic communications, CAD, production, CAM, maintenance etc.

**Media and Photography** - media techniques, photo imaging, sound recording, sound engineering, studio facilities etc.

**Oil and Gas** - carbon management, process technology, process engineering maintenance etc.

**Professional Recognition Awards** - these are for those at the highest professional levels within their chosen careers

**Retail and Warehousing** - mail services, warehousing and storage, retail knowledge, distribution etc.

**Security Industry** - parking, public services, security, emergency services, traffic management etc.

**Skills for Work and Life** - functional skills, employability, maths, English, unit warehouse, ESOL etc.

**Sport and Recreation** - sport and active leisure, exercise, fitness, spectator safety, coaching, leisure management etc.

**Transport Maintenance** - aeronautical engineering, marine construction, rail services, automotive etc.

**Travel, Tourism and Aviation** - travel and tourism, gambling operations, aviation operations, air cabin crew etc.

**Schedule 8**

***Estimated timeframes and costs of registration of a limited liability company (see the notes in section 4 of this report as to the general application of this timetable in the context of the establishment and registration of co-operatives, associations and foundations)***

<b>Act</b>	<b>Entity</b>	<b>Timings</b>	<b>Costs</b>
<b>Name reservation</b>	CREL	1 day	MT 75,00
<b>Incorporation</b>	Notary Office	After delivery of all documents to the Notary – 2 to 3 days	Deed: minimum amount MT 1.300,00 (depends on the amount of share capital) Certification of signatures: MT 20,00
<b>Registration</b>	CREL	3 days	Minimum amount: MT 645,00 (depends on the amount of share capital)
<b>Publication of Articles</b>	National Press	30 days	Minimum amount: MT 1,500,00 (depends on the volume of the articles)
<b>Tax registration (NUIT)</b>	Tax Department	7 days	N/A
<b>Licencing / Business Licence</b>	Competent Ministry (at the Government One Stop Shop - <i>Balcão Único</i> )	5 days for the Licence Declaration. Up to 30 days for the issuance of the final Business Licence. 4 days for the simplified licence.	Depends on the activity to be performed
<b>Declaration of Commencement of Activity</b>	Tax Department	3 days	N/A

<b><i>Labour registration of the company and employees</i></b>	Labour Department	Within 4 days after declaration of commencement of activity	N/A
<b><i>Social Security registration of the company and employees</i></b>	National Social Security Institute	Up to the end of the month following the declaration of commencement of activity	N/A

## Schedule 9

### *High level taxation overview*

#### 1. Commercial companies

##### 1.1 Corporate tax

###### *(a) Scope of application*

This direct tax (also known as “*IRPC*”) is levied upon the year-end profit of resident entities – commercial companies and representative offices - even if it derives from unlawful acts performed by such entities. Such taxable profit also includes profits, gains and other income generated abroad and received by the resident companies (note that taxable profit does not include grants and donations received by a commercial company).

On one hand resident entities (legally established in Mozambique) are taxed upon their worldwide income, whereas on the other hand, non-resident entities (that do not have a legal presence in Mozambique) are also subject to IRPC on any income generated in Mozambique or from a Mozambican source (i.e. service providers established abroad who provide services to locally registered entities).

There are no exemptions from IRPC except for the State itself, Municipalities, and Federations of Municipalities, social security institutions and associations of public interest.

###### *(b) IRPC rates*

The general IRPC rate is 32% levied upon the taxable profit (operating profit after tax adjustments).

The additional IRPC rate is 35% levied upon non-documented (without supporting documents acceptable under the Law for tax purposes) and illicit or confidential expenditure.

###### *(c) International double taxation*

In terms of income received by the company and paid by non-resident entities and that has been subject to tax according to the tax laws of other jurisdictions, the amount of tax paid by the company in such foreign jurisdiction can be deducted from the taxable amount at year-end, provided the income received from abroad was considered for purposes of assessment of the company's taxable profit in Mozambique.

*(d) Assessment of taxable profit*

The taxable profit is computed from the sum of the net financial year result (operating profit) and the positive and negative asset variations occurred in the same tax period, with the necessary corrections/adjustments done in accordance with applicable law. Capital gains are one of the items considered for purposes of computation of the taxable profit of Mozambican entities.

The normal tax year runs concurrently with the calendar year, however, it is possible to obtain authorisation to use a different tax period, by means of an application to the Ministry of Finance.

The law sets forth certain rules on transfer pricing and thin capitalisation which confer broad powers upon the Tax Authority to adjust and correct the taxable income of resident entities as they deem more appropriate (according to market conditions).

In terms of transfer pricing, the Law is very broad in respect of this matter and it simply establishes that the Tax Authority may correct the taxable amount as it deems appropriate, whenever, due to existing "special relations"<sup>10</sup> between the taxpayer and another entity, contractual conditions have been agreed upon by the parties that differ from "normal" contractual conditions that would have been agreed in a similar case in case the parties had not had such special relations.

In regards to the thin capitalization rules, the Tax Authority has full power to adjust taxable profits, in circumstances where a taxpayer has excessive levels of indebtedness outstanding to a non-resident entity with whom the taxpayer has special relations

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<sup>10</sup> The Tax Law defines the existence of "special relations" whenever:

- a) An entity holds a direct or indirect shareholding participation in the taxpayer of at least 25%;
- b) An entity without such percentage of shareholding participation exercises a significant influence in the management of the taxpayer;
- c) Both entities of the transaction are under the control of one same entity, whether directly or indirectly.

("excessive indebtedness" exists whenever the debt owed to a non-resident entity, at any given time of the fiscal year, is greater than the double the amount of the participation of the non-resident entity into the own capital (i.e. effectively the equity) of the taxpayer).

Rules on deduction of costs for tax purposes are also clearly established and, for example, limitations apply to deduction of: i) financial provisions; ii) costs incurred with marketing and publicity campaigns; iii) financial lease costs; iv) contributions to complementary social security schemes and insurance policies related to personal accidents and illnesses, as well as life insurance policies; v) costs with acquisition of vehicles (only deductible up to 800.000,00 MT); vi) *per diem* costs (50% non-deductible); vii) representation expenses (80% non-deductible); and viii) taxes paid on behalf of third parties for which the company is not liable.

*(e) Tax losses carried forward*

Tax losses may be deducted against taxable profits up to the fifth financial year after they were assessed. Tax losses cannot be carried back.

*(f) Tax on capital gains on sale of shares*

The capital gain arising out of the sale of shareholding participations is assessed by the balance between the realization value and the acquisition value of the shareholding participations.

where:

- (a) the realization value is the consideration paid by the purchaser for such acquisition; and
- (b) the acquisition value is the consideration paid by the seller when it first acquired such participation from a previous third party.

The balance mentioned above is only considered in:

- (a) 75% of its value, when such participation has been purchased by the seller up to 12 months prior to the sale transaction;

- (b) 60% of its value, when such participation has been purchased by the seller from 12 to 24 months prior to the sale transaction;
- (c) 40% of its value, when such participation has been purchased by the seller from 24 to 48 months prior to the sale transaction;
- (d) 30% of its value, when such participation has been purchased 60 months prior to the sale transaction.

The capital gain assessed in terms of the previous paragraphs will then be subject to Corporate Tax at the general rate of 32%.

## **1.2 Withholding Tax**

The Law establishes that any and all payments (abroad) – except for payment of imported goods - to entities without a legal presence in Mozambique and that do not here have a representative office/branch formally established, is subject to 20% withholding tax, except for income: i) received in light of provision of international transport and telecommunication services; ii) from the development and rehabilitation of infrastructures related to the production, transportation and distribution of electricity in rural areas (within the scope of public projects of rural electrification); iii) from lease of vessels for fisheries and coastwise shipping purposes; and vi) from bonds and shares listed on the Stock Exchange, are taxed at 10%.

Some payments as between resident entities are also subject to withholding tax, such as the case of payments to individuals in respect to provision of services and payment of dividends at the rate of 20% and rents at a reduced rate of 14%.

For example, should a company hire or contract with foreign entities that do not have a legal presence in Mozambique, any amount due and payable to such foreign entity will be subject to withholding tax at the flat rates of 20% or 10%, depending upon the service provided to the company. As such, in practice, foreign service providers typically negotiate net prices, which entail the payment of any taxes due to the State in respect of such provision of services, to be done by the company, or, they opt to gross-up their invoices in a way that they receive exactly the same amount of money that they would initially receive should taxes not be applicable to the transaction.

## **1.3 Value Added Tax (VAT)**

As a general rule this indirect tax is levied upon supply of goods and services, carried out in Mozambique by resident entities, as well as to the importation of goods. Exceptionally this tax is levied upon provision of services by non-resident entities to resident entities.

VAT charged on the provision of services carried out by non-residents can be immediately deducted by the resident entity – VAT self-assessment - thereby effectively amounting to a zero-rated transaction.

The Law establishes some exemptions applicable to internal and external transactions, which must be analysed on a case by case basis, but amongst which, the following shall be noted:

- Sale of goods and rendering of services related to professional and vocational training;
- Rendering of services which object is education, as well as sale of goods and connected rendering of services, when carried out by private or public entities integrated in the National Education System and recognized by the MCTESTP;
- Rendering of services which object is professional training, as well as sale of goods and connected rendering of services, such as housing, food, educational and training materials, carried out by public and private entities; and
- Rendering of services in respect to individual training/learning of school or higher education subjects.

The VAT general rate is currently set at 17% and input VAT can be deducted from output VAT, subject to certain limitations provided for in the Law.

#### **1.4 Municipal Tax on Economic Activities**

This tax is due for the exercise of commercial or industrial activities, including provision of services within the Municipality territory. The rates are established on a yearly basis by the Municipal Assembly of each territory and cannot exceed twenty times the minimum salary.

#### **1.5 Real Estate Municipal Tax**

The holder of any Mozambican property rights is subject to the payment of this tax. This tax is levied upon the asset value of buildings – as recorded at the relevant Tax Department - located in the respective Municipality.

The rates vary from 0.4% to 0.7% of the asset value of the property and are established on a yearly basis by the Municipal Assembly.

### **1.6 Property Transfer Tax (SISA)**

This tax is due in respect to the transfers (sale) of property rights and the rate currently established by the Government is 2% upon the sale price, or the market value of the property, as it may be assessed by the authorities.

This tax is payable in a lump sum before the transfer of the property takes place.

### **1.7 Stamp Duty**

Stamp Duty is assessed on all documents, agreements, books, papers and deeds designated in the Law and the rates vary depending on the type of transaction and taxpayers involved.

## **2. Cooperatives**

From an overall perspective, the same taxation rules set out above applicable to commercial companies are also applicable to cooperatives, except for the following:

The **Corporate Tax Code** does not establish any general exemptions for this type of entity (except for cooperatives engaged in agricultural, arts and crafts and cultural activities enjoy a reduction of 50% of IRPC rate). However, provides there is a full exemption from IRPC – subject to prior approval from the Ministry of Finance - to entities of public interest, of social or cultural objectives, duly recognized by the competent authorities, provided they do not pursue any commercial, industrial or agricultural activities.

The **VAT** exemptions mentioned above for the commercial companies pursuing educational and training activities also apply to cooperatives.

In terms of the **Real Estate Municipal Tax**, the Law establishes a five year period full exemption to be granted – by formal request addressed to the President of the relevant Municipality – to humanitarian associations, or similar entities, that pursue not-for-profit activities of public interest, provided the property enjoying such exemption are used for those activities.

In terms of the **Property Transfer Tax (SISA)**, humanitarian associations and similar entities that pursue not-for-profit activities of public interest, focusing on social assistance, health, education, culture, sports, charity and recreation, may apply for full exemption to the President of the relevant Municipality.

Full exemption of **Stamp Duty** in the incorporation act and any amended to its articles of association, provided the association is of public interest or pursues scientific, cultural and charity objectives.

### **3. Associations**

Please refer to the notes as to the taxation exemptions that may flow to Associations in the context of achieving public utility status set out in section 4.3.6 above.

Otherwise, the taxation regime outlined above applicable to companies will apply.

#### **3.1 Foundations**

Please refer to the notes as to the taxation exemptions that may flow to Foundations in the context of achieving public utility status set out in section 4.2.6 above.

Otherwise, the taxation regime outlined above applicable to companies will apply.

**Schedule 10**

***Detailed note as to the structure of a public limited company and of a private limited company***

Item	Private Limited Liability Company (LDA)	Public Limited Liability Company (SA)
1	Company's members are known as "quota holders".	Company's members are known as "shareholders".
2	Minimum number of quota holders: two.	Minimum number of shareholders: three. If the State or a public entity is a shareholder, the minimum number of shareholders may be one.
3	Quota holders are liable up to the value of the quota held individually and are also jointly and severally liable for the total amount of the company's registered share capital.	The limit of the shareholder's liability is up to the value of the shares respectively held.
4	<p>The share capital of the company is represented and divided into quotas (each with the respective nominal value, which may vary pursuant to the respective quota holder's share of the share capital ownership).</p> <p>The quotas are not physically represented in certificates and their respective ownership and share capital represented (held) amount is set forth in the notarized Articles of Association and registered at the Legal Entities Register Office. This means that information in relation to quota transfers is public.</p> <p>Quotas may be encumbered and serve as guarantee for loans and other financial commitments.</p>	<p>The share capital of the company is divided into shares (each with the respective nominal value, the number of shares held by each shareholder varying pursuant to the respective ownership of the share capital). Shares are physically represented in share certificates which are issued by the Company and delivered to its shareholders.</p> <p>The shareholders names and the shareholding structure do not have to be stated in the Articles of Association but nominative shares are registered in the "Shares Registry Book" of the company.</p> <p>Transfer of shares is not subject to registry at the Legal Entities Register Office, but it is subject to registration in the Shares Registry Book.</p>

Item	Private Limited Liability Company (LDA)	Public Limited Liability Company (SA)
		Shares may be encumbered and serve as guarantee for loans and other financial commitments.
5	At incorporation each quota holder can only have one quota, the value of which depends on the contribution of the quota holder to the initial share capital; further acquisitions of capital are expressed by separate quotas, which shall be subsequently merged into one.	There is no legal limitation as to the number of shares each shareholder can hold – this is determined by the nominal value of the shares and the portion of the share capital owned by each shareholder.
6	There is no minimum legally determined value for the nominal value of each quota. The number of votes of a quota holder is determined according to the percentage of the share capital represented by his respective quota.	There is no minimum legally determined value for the nominal value of each share. Each share corresponds to one vote, although it may be (as per the Company’s by-laws) determined that a certain number of shares is required to hold one vote.
7	<p>There is no minimum capital for a company but the company is required to be incorporated with a sufficient amount of share capital in light of its corporate purpose (as stated in the Articles of Association).</p> <p>Although there is no minimum share capital required by law, banks usually require a minimum of MZN 20,000 (approximately USD 500) to open a company’s bank account.</p>	<p>There is no minimum capital for a company by shares but the company is required to be incorporated with a sufficient amount of share capital in the light of its corporate purpose (as stated in the Articles of Association).</p> <p>Although there is no minimum share capital required by law, banks usually require a minimum of MZN 20,000 (approximately USD 500) to open a company’s bank account.</p>

Item	Private Limited Liability Company (LDA)	Public Limited Liability Company (SA)
8	<p>The share capital is divided into quotas belonging to each quota holder and there are no distinctions between the different quotas in terms of rights and obligation besides the number of votes according to the percentage of the capital represented by the quota.</p>	<p>Through the Articles of Association it is possible to establish different types of shares with different rights and obligations and, in doing so, allocate special rights or privileges to certain shares, e.g. preferential dividend rights; etc.</p>
9	<p>The organisational structure in this type of company is lighter, and comprises the following mandatory statutory governing bodies: (i) a General Assembly consisting of all the quota holders of the company and (ii) management to be exercised by one or two directors.</p> <p>The Board of Directors and the Audit Committee / Fiscal Council (internal auditing committee) are not imposed by Law (these bodies may exist should the quota holders so wish and, as such, establish it in the Articles of Association).</p>	<p>There is a more onerous organisational structure in this type of company.</p> <p>This type of company must mandatorily have: (i) a General Assembly consisting of all the shareholders of the company; (ii) a Board of Directors including all the directors of the company as members; and (iii) the Audit Committee / Fiscal Council (internal auditing committee).</p>
10	<p>The powers of the General Assembly (as stated by law):</p> <ul style="list-style-type: none"> <li>• Appointment and removal of the Directors of the company;</li> <li>• Approval of year-end accounts;</li> <li>• Application of profits and distribution of dividends;</li> <li>• Approval of shareholders loans;</li> <li>• Amendments to the articles of association;</li> <li>• Increase and reduction of share capital;</li> <li>• Mergers, de-mergers and transformation of the company;</li> <li>• Winding-up and liquidation; and</li> </ul> <p>Any other power which by law or as per the articles of association are not given to any other body of the company.</p>	<p>The powers of the General Assembly (as stated by law) are the same as those provided opposite in the context of an LDA</p>

Item	Private Limited Liability Company (LDA)	Public Limited Liability Company (SA)
<b>11</b>	<p>The “constitutional quorum” is composed by such number of shareholders between them holding such number of shares as is required by the provisions of the articles of association.</p> <p>The “deliberation quorum” is by simple majority of votes of those present.</p>	<p>The same as for LDA Companies.</p>
<b>12</b>	<p>In terms of conflict of interests between an LDA and its shareholders and/or its directors, as a general rule such shareholders or directors cannot vote in the decision making of a transaction which originates a conflict of interest between them and the LDA. Further to the above, in case of acquisition or disposal of goods, from or to the shareholders, such goods must be evaluated by an independent evaluator in order to confirm the true “arm’s length” value of the goods in question.</p>	<p>The same as for LDA Companies.</p>
<b>13</b>	<p>The management of the Company shall be exercised by one or two directors or by a Board of Directors (minimum of three members). Members of the Board may be either individuals or legal entities (in this latter case, duly represented by a designated individual).</p> <p>Directors of an LDA are subject to fiduciary duties in order to ensure that they act at all times in the best interests of the LDA.</p>	<p>The management of the Company shall be exercised by a sole Director – without the need for a Board or a Board of Directors. Members of the Board may be either individuals or legal entities (in this later case, duly represented by a designated individual).</p> <p>Directors of an SA are subject to fiduciary duties in order to ensure that they act at all times in the best interests of the SA.</p>

Item	Private Limited Liability Company (LDA)	Public Limited Liability Company (SA)
14	<p>The duration of the office of a director depends on the term of office determined in the Articles of Association or, in case the Articles are silent on this point, the duration of the term shall be four years.</p> <p>Note that, the mandate is revocable at any time by the General Assembly. A director may be re-elected for the subsequent term of office.</p>	<p>The duration of the office of a director depends on the term of office determined in the Articles of Association (up to a maximum of four years) or, in case the Articles are silent on this point, the duration of the term shall be four years.</p> <p>Note that, the mandate is revocable at any time by the General Assembly. A director can be re-elected if so allowed by the Articles of Association.</p>
15	<p>The management may be appointed by quota holders or other third parties, i.e., individuals / entities and the directors may be appointed in the Articles of Association, upon incorporation, or elected thereafter by the General Assembly through a General Meeting recorded in minutes of the same.</p>	<p>The Board of Directors may have as members shareholders or other third parties, i.e., individuals / legal entities and the Directors may be appointed in the Articles of Association, upon incorporation, or elected by the General Assembly through a General Meeting recorded in minutes of the same.</p>
16	<p>General Assembly's meetings are convened by letter addressed to the quota holders fifteen calendar days prior to the date to which the meeting is scheduled unless otherwise stated in the Articles of Association.</p>	<p>General Assembly's meetings must be convened by notice published in the local newspaper at least thirty calendar days prior to the date to which the meeting is scheduled.</p>

Item	Private Limited Liability Company (LDA)	Public Limited Liability Company (SA)
17	<p>The dividends policy is established by the shareholders, as per provisions and rules of the articles of association and/or shareholders agreement or by a General Assembly resolution.</p> <p>20% of the company's profits shall be allocated to the statutory legal reserve (up to the maximum of 20% of the total share capital of the company) but other reserves may be created/approved by the shareholders.</p>	<p>This type of company is required to distribute at least 25% of its profits as dividends (compulsory dividend). However, in some very specific situations the compulsory dividend may not be required to be distributed to the shareholders.</p> <p>5% of the company's profits shall be allocated to the statutory legal reserve (up to the maximum of 20% of the total share capital of the company) but other reserves may be created/approved by the shareholders.</p>