



LIMPOPO CORRIDOR

STUDY ON AGRO-INDUSTRIAL PROCESSING IN THE LIMPOPO CORRIDOR

Summary of the Main Results

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The business people interested in investing in the agro-industrial sector in the Limpopo Corridor

All PRIVATE or PUBLIC entities who assist their clientes in this task.



What does this study offer?

- A pre-feasibility evalution of agro-industrial processing projects in the Limpopo Corridor; projects resting,
- On the one hand, on selecting some of the commercial opportunities identified in earlier studies;
- On the other hand, in recognising projects which, although in na advanced stage of implementation, are faced with a range of difficulties.

The context of the study



It is different from the context of earlier studies for two main reasons:

In terms of framework for its strategic planning, and
In the socio-economic circumstance in which it arose.

The main strategic framework – the so-called

Spatial Development Initiative (SDI);

As to the circumstances:

The new economic environment and

The exist commercial risk factors in the country.

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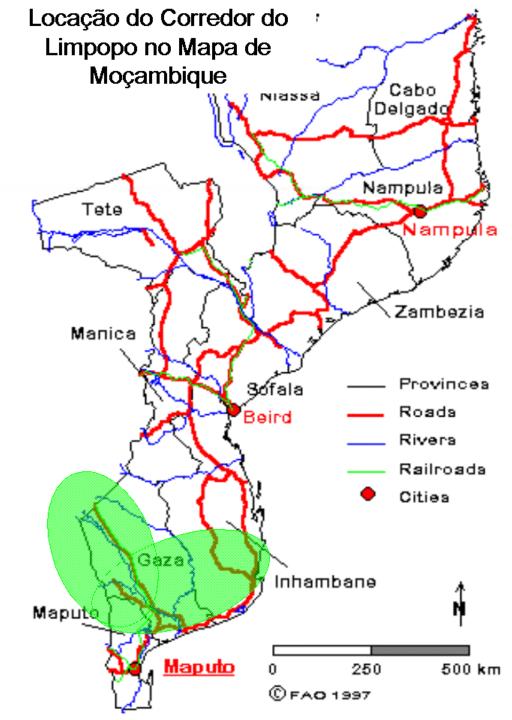
The Vision

What is the scope of the Limpopo Corrridor?

Broad versus narrow definition of the Limpopo Corrridor

The Limpopo Corridor is defined

more by the spirit of cooperation, generated by a series of geographical and socio-economic synergies, than by the politicoadministrative boundaries fixed by the national government and by local administrations.





Scope of the Limpopo Corridor

Broad definition?

Gaza +10 dist. From Inhambane + 2 Maputo prov.

Surface: $\approx 125,000 \text{ Km}^2$ ($\approx 17\% \text{ of the Country}$)

Population: ≈ 2-2.3 million inhabitants (13% of the

Mozambican population)

Restrict definition?

Gaza+2 Maputo prov.

Surface: ≈ 85 Km² (≈ 11% of the Country)

Population: $\approx 1.3-1.5$ million ($\approx 8\%$ of the Pop.)

Tabela 1. Definição ampla da superfície e da população do Corredor do Vale do Limpopo, 1997-2002

	Surface	•		lation		Population
District			1997	2002		
	(1000 kn	%	(100 <mark>0 p</mark>	eople.)	%	Density
Total Valley	125	100	2.013	2.297	100	18
Gaza	76	61	1.117	1.266	55	17
Xai-Xai City	0,1	0	1117	1.200	6	1.448
Bilene	2,2	2	139	161	7	73
Chibuto	5,7	5	169	165	7	29
Chicualacuala	18,2	15	36	38	2	29
Chigubo	14,9	12	14	15	1	1
Chokwe	2,5	2	182	226	10	90
Guijá	4,2	3	60	65	3	15
Mabalane	9,1	7	27	29	1	3
Mandlakazi	3,8	3	167	176	8	46
Massangena	7,5	6	13	14	1	2
Massingir	5,6	4	25	25	1	4
Xai-Xai	1,9	2	174	208	9	110
Other districts	49	39	896	1.031	45	21
Inhambane	0,2	0	58	64	2,8	320
Maxixe	0,3	0	99	133	5,8	442
Jangamo	1,3	1	84	113	4,9	87
Morrumbene	2	2	115	129	5,6	54
Massinga	2	1	63	68	3,0	38
Mabote	14,2	11	38	38	1,7	3
Funhalouro	7,9	6	15	17	0,7	2
Panda	7,0	6	47	49	2,1	7
Inharrime	2,1	2	79	93	4,0	44
Zavala	2,6	2	131	157	6,8	60
Magude	7,0	6	40	34	1,5	5
Manhiça	2,4	2	127	137	6,0	58
Nota: 1/2 de Funhalo	uro, 1/3 de M	 lassing	ja			

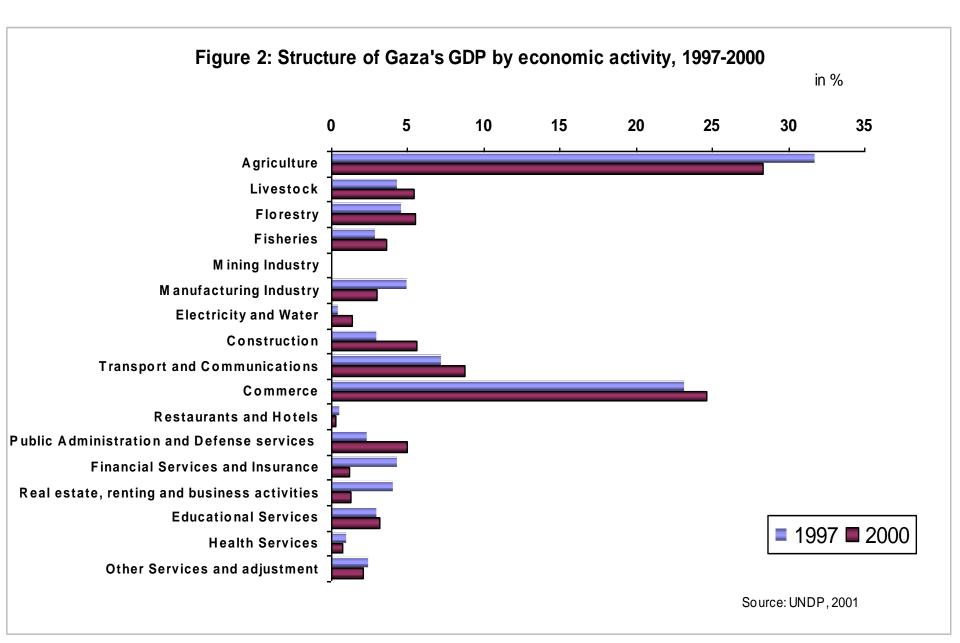
Fonte: INE. 1999. Demographic Projecções 1997-2010



The Limpopo Corridor



at the present moment





The LC in nowadays

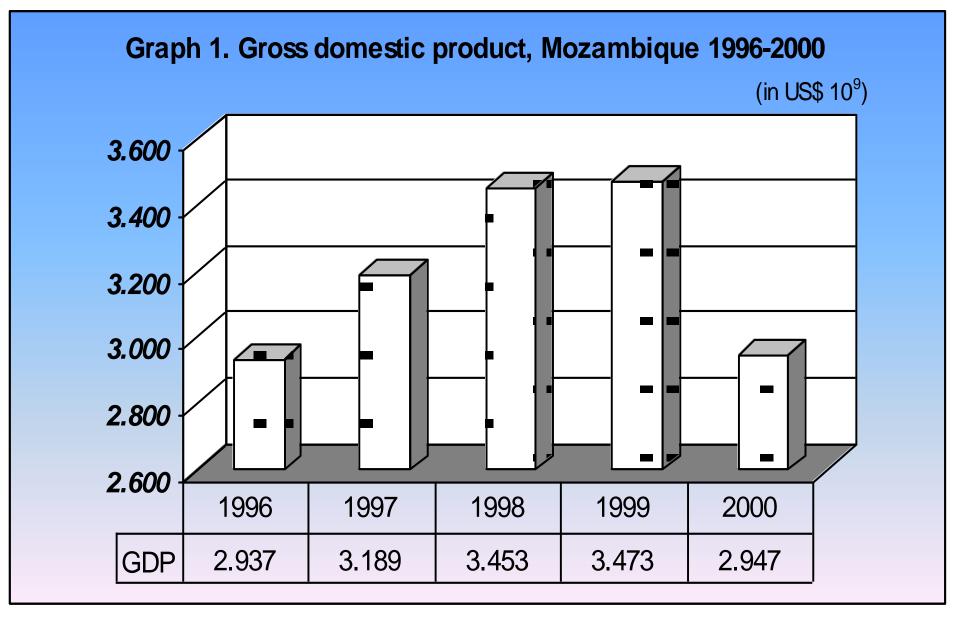
17 activities comprising the GDP by province ≈ 9% of the National economy

LC ≈ 274 million US dollars

South ≈ 440 million US dollars (without the

Capital)

Maputo City ≈ 1.133 million US dollars



≈ US\$ 3,2 billion US dollars a year in 1996-2000

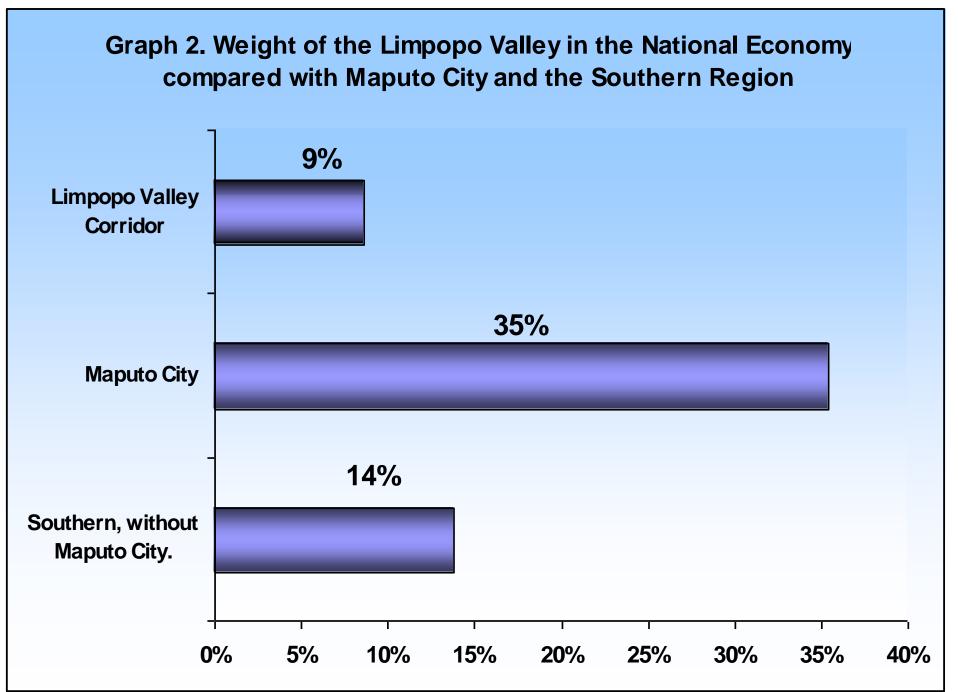
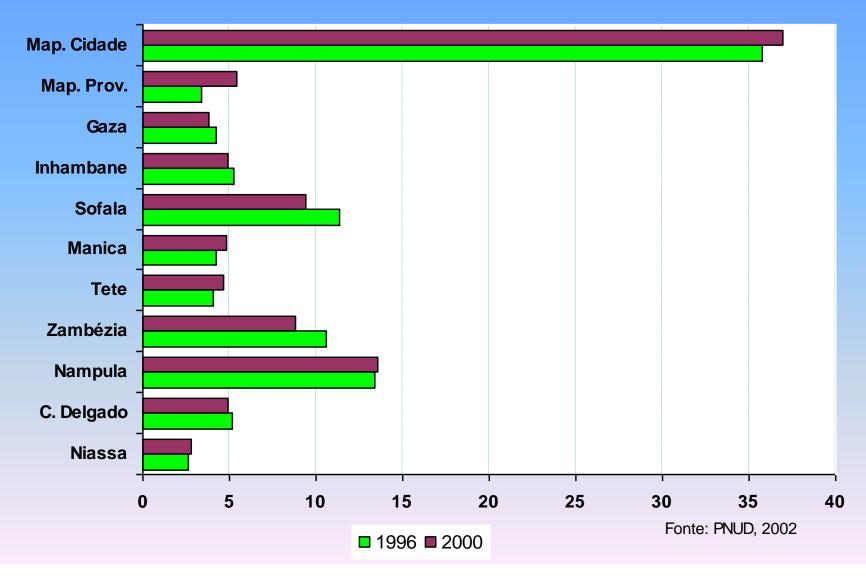
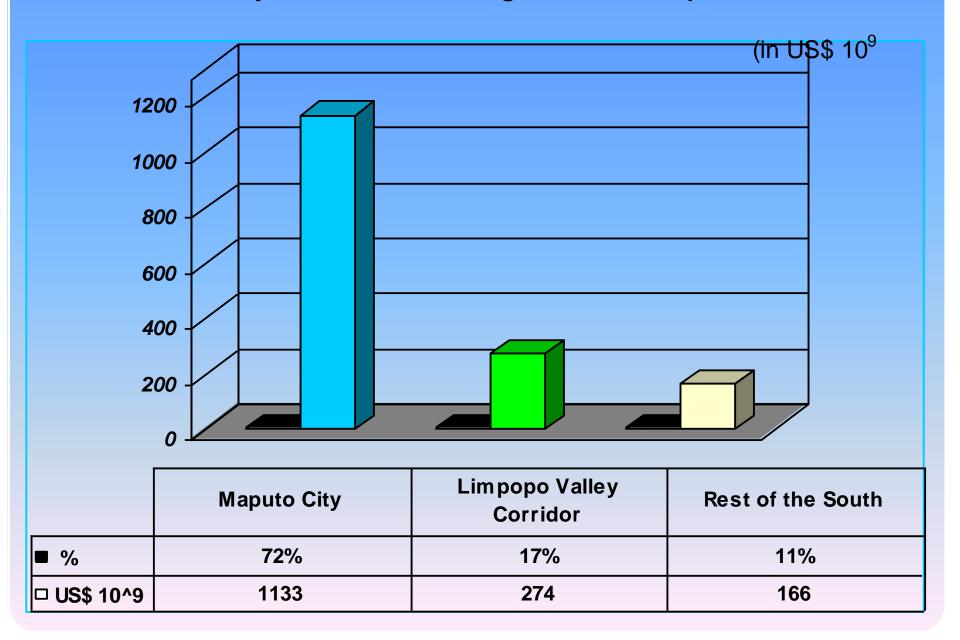


Gráfico 2. Contribuição Provincial para o PIB, Moçambique 1996-2000

in %



Graph 3. Weight of the GDP of the Limpopo Valley Corridor in the Economy of the Southern Region, Mozambique 1996-2000



The likely prospect for the Limpopo Corrridor in the next future

The broader region of the Limpopo Corrridor (particularly the Limpopo River Basin and the Limpopo Railway) has become one of the privileged and more atractive places for private investiment in Mozambique. i.e MEGA PROJECTS:

"Corridor Sands" (heavy sands),

"National Limpopo Park",

"Massingir Dam",

The high tension power line to Inhambane e the Pande gas pipeline, two major infrastructure projects which, in the medium to long term, will bring important benefits for the development of the Limpopo Valley.



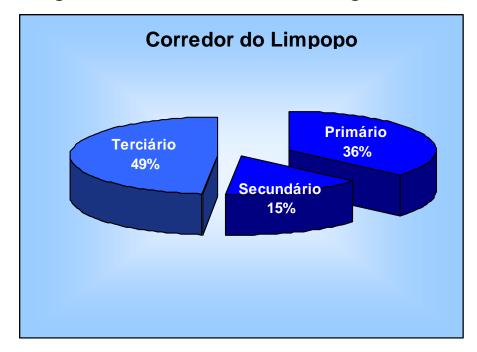
What will the likely agrarian land in the Limpopo Corridor?

Today it is used apporximately 16 to 20% of the total land use for agrarina purpose in the country, of which 95% in family farming, 4,5% medium farming and less than 1% in large

farming

The present weight of agriculture is still relatively high, both in terms of production and employment.

But will this weight continue?

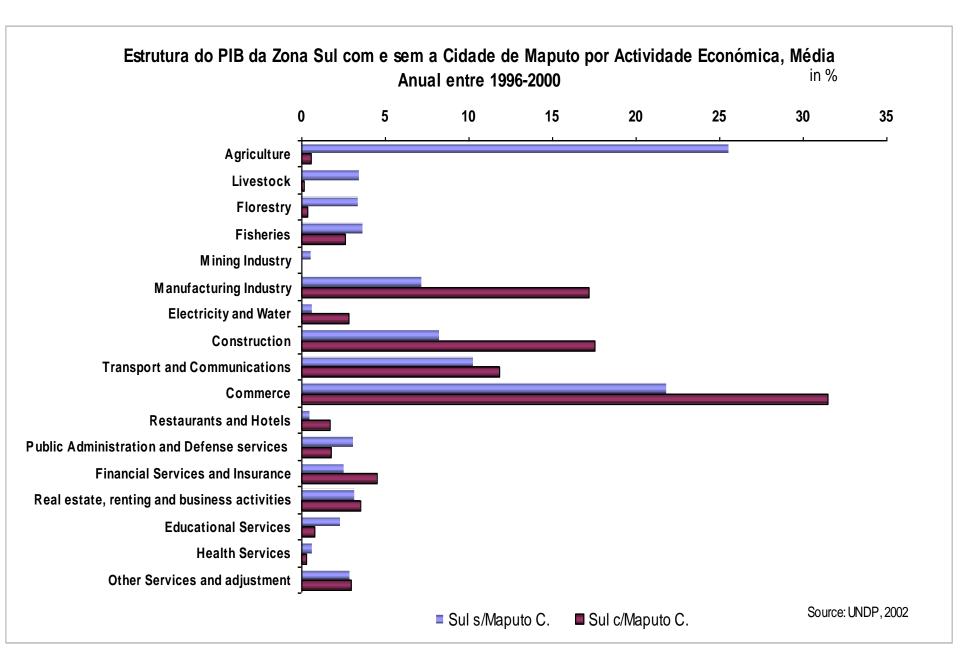




Two possible alternatives

The economic structure remains more or less the same; i.e., in the case the projects currently expected to be implemented fail.

The economic struture will change dramatically, if not so much in terms of employment but in terms of production. Either a change towards a structure similar to Maputo City (4% Primary, 20% Secundary, 76% Tertiary), or a change towards a higher industrial than service weight.



Oportunity and Potential

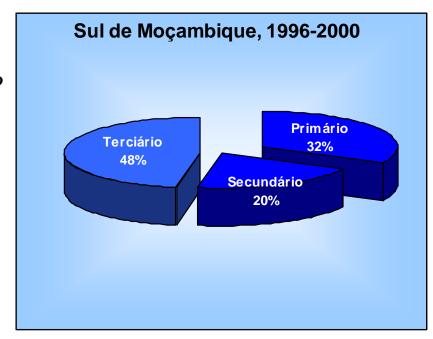


Oportunity to transform the economic structure of the Southern Region, either through the industrialization of the mining and agricultural sectors or through the services (tourism, comerce and transport)

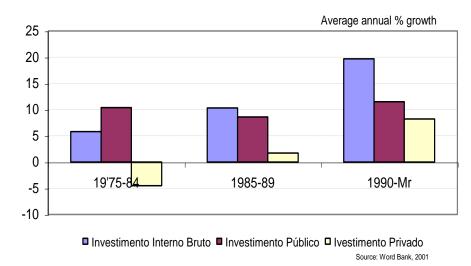
Will the mega-projects anchor economic growth?

And what about development?

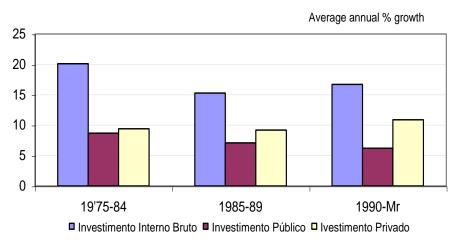
Here is the major change and also oportunity for the agro-industrial processing



Investimento Bruto como percentagem do PIB: interno, público e privado, Moçambique 1975-99

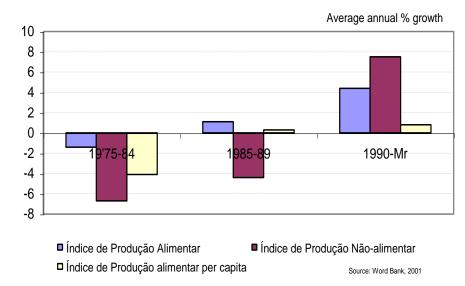


Investimento Bruto como percentagem do PIB: interno, público e privado, África-sub-Sahariana, 1975-99

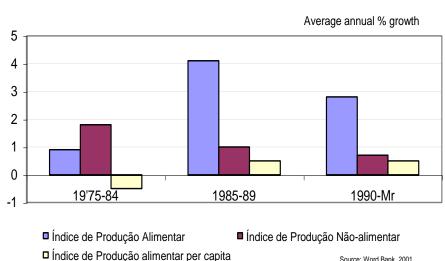


Source: Word Bank, 2001

Produção Alimentar versus Produção Não-alimentar, Moçambique 1975-99



Produção Alimentar versus Produção Não-alimentar, Áfricasub-Sahariana, 1975-99



Source: Word Bank, 2001

Constrains



Entrepeneurs: what do they say and demand?

Ministiry of Planning and Finance, Labour, Cooperation and Environmental Action

EDM e TDM

Tourism

Land

Is the Ministry for Labour promoting unemployment?

Single Counter (Balcão Único)

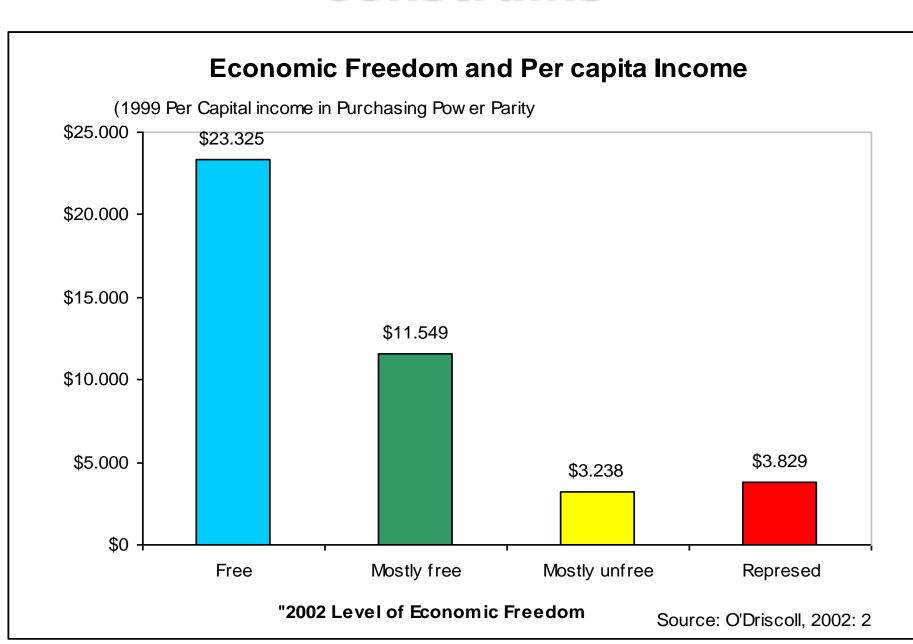
Empresas do Grupo B versus colecta dos impostos

PROAGRI

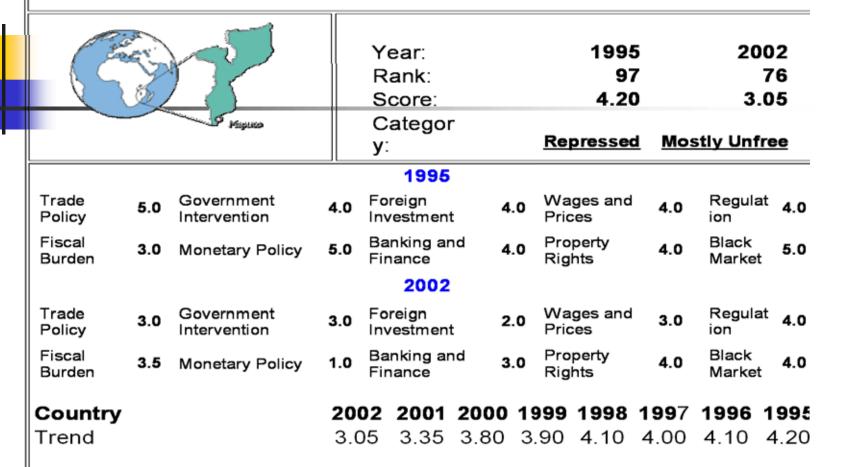
SADC Commercial Protocol

Is there a place for a national HIPC?

Constrains



THE INDEX OF ECONOMIC FREEDOM, MOZAMBIQUE 1995-2002



From 1990 to 1999, according to World Bank Group data, compound growth in GDP averaged 3.9 percent annually and per capita GDP increased from \$144 to \$198 (in constant 1995 U.S. dollars). Mozambique's government intervention score is 1 point wors this year; however, its monetary policy, foreign investment, and black market scores are respectively, 2 points, 1 point, and 1 point better this year. As a result, Mozambique's overall score is 0.30 point better this year.

http://cf.heritage.org/inde

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Anchor projects development

DESCRIPTION	TIPOLOGY	PONTO SITUAÇÃO
cessing factory	Recovery	Ready Pre-feasibility Investors identified
le and fruit processing industry trates, juices, frozen goods)	Recovery	Ready pre-feasibility Investors identified
processing industry	Creation	Ready pre-feasibility Investors identified
e and fruit processing	Creation	Project file Investors identified
Company to provide services in sation, extension and marketing tive factors	Creation	Project file





Project 1:

CONHANE RICE PROCESSING FACTORY

	SCENARIO 1 – Cautious	
\mathbf{I}	□ Investment	1,361,646 USD
N	needed	
D	necaea	
C	⇒ Break-even	Year 3
A T		
O	year	
R	"Break-Even"	1,318,321 USD
S	Sales in Break-even year	1,759,844 USD
	Time to recover investment	57 months
	IRR	16,58 %
	⇒ NPV	95,649 USD
SCENARIO 2	<u>– Realistic</u>	
N	□ Investment needed	1,334,581 USD
	needed	
N D I C A T		
N D I C A T O R	needed ⇒ Break-even	Year 3
N D I C A T	needed ⇒ Break-even year	1,334,581 USD Year 3 1,330,983 USD 1,743,291 USD
N D I C A T O R	needed ⇒ Break-even year "Break-Even"	Year 3 1,330,983 USD
N D I C A T O R	needed ⇒ Break-even year "Break-Even" Sales in Break-even year	Year 3 1,330,983 USD 1,743,291 USD



PROJECT 2:

Vegetable and fruit processing factory in Chilembene – tomato paste, canned vegetables and fruits



	SCENARIO 1 – Cautious	
I	□ Investment	3,201,629 USD
N D	needed	
C A	⇒ Break-even	Year 3
T	year	
О		
R S	"Break-Even"	1,301,859 USD
3	Sales in Break-even year	1,672,393 USD
	Time to recover investment	57 months
	IRR	16,52 %
	⇒ NPV	200,252 USD
	CCENADIO 2 D II 4	
_	SCENARIO 2 – Realistic	
N	⇒ Investment	3,191,513 USD
D	needed	
<u>I</u>		
C A	⇒ Break-even	Year 3
\mathbf{T}	year	
O R		
S	"Break-Even"	1,202,240 USD
	Sales in Break-even year	1,734,333 USD
	Time to recover investment	54 months
	IRR	21,31 %
	⇒ NPV	462,802 USD



PROJECT 3:

FACTORY OF COCONUT DERIVATIVES IN INHAMBANE/MAXIXE

	SCENARIO 1 – Cautious	
I	□ Investment	3,340,168 USD
N D	needed	
1		
C A	⇒ Break-even	Year 3
T O	year	
	"Break-Even"	1,835,328 USD
8	Sales in Break-even year	2,252,327 USD
	Time to recover investment	58 months
	IRR	15,93 %
	⇒ NPV	181,517 USD
IAR	RIO 2 – Realistic ⇒ Investment	3,327,568 USD
	needed	
	⇒ Break-even	Year 3
A T	year	
O		
O R	"Break-Even"	1,658,687 USD
O		1,658,687 USD 2,321,758 USD
O R	"Break-Even"	
O R	"Break-Even" Sales in Break-even year	2,321,758 USD
O R	"Break-Even" Sales in Break-even year Time to recover investment	2,321,758 USD 54 months

Conclusions and Recommendations

Investment is not a game, to say nothing as to being na incursion into the unknowne. Investors do not make decisions on the basis of uneducated guesses, but on the basis of specific information which is immunized both to exagerated optimism and to the unfounded pessimism;

Complementarity, trust and agreement achievement

The investor's main concerns are related to segurity and timing

Produtivity and competitiveness



 \approx 8 million + 2 = 10 million to promote

Priority for the existing or likely to start in a very short term