



**Strengthening Economic
Evaluation and Data for Large
Scale Investments in
Mozambique**

April, 2010



Mozambique: An Introduction



- Location: Southeastern Africa, 2.515 Km of coast line
- Population: 20 millions, 71% in rural areas, 80% of activities in Agriculture
- Total land area: 801.590 Km²
- Available land: approx. 7 millions ha (2008)
- Area of land under irrigation: 40.000 ha

2009:	GDP	GDP Growth	Exports	FDI
	9.690.003.635 USD (1USD=27,51 MT)	6.1%	1.951.300.000 USD (Estimates.)	1.776.754.372 USD

Rationales for Economic Evaluation and Data Collection in Mozambique



- Economic evaluation and data as tools for accurate policy and decision making
- State owned land: the State analyzes land requests prior to its allocation
- Mid-2000s: Increased interest for large scale agricultural investments
 - Arising need to strengthen the assessment of investment proposals
 - In particular: Need to strengthen economic evaluation and data collection

Steps undertaken to strengthen Economic Evaluation and Data Collection (1)



- Establishment of a new process to be followed by large scale investment projects:
 - District,
 - Provincial (DPA: Data on investment for small projects), and
 - Central level.
- Flow Chart “*Project Application and Land Acquisition Processes*”: Procedures at the Central Level between:
 - CPI,
 - DNTF,
 - CEPAGRI,
 - Ministry of Agriculture,
 - Council of Ministers.

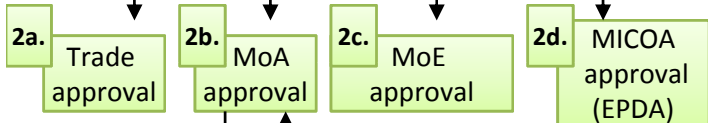


Mozambique: Project Application and Land Acquisition Processes

Process 1: CPI Investment Proposal:

CPI is ultimately responsible for approving potential applications for foreign investment. Land is a part of this process and must be available for investment proposal to be approved, but land is much more complicated than a paper application and requires concurrent field work as indicated to the right.

1. Investment proposal (IP) delivered to CPI



3. CPI Process 1 Approval

Process 2: Land Acquisition:

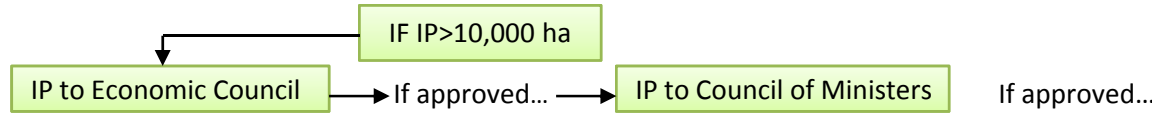
1. Start local search process; Identify location / province of interest
2. Visit Provincial Directorate of Agriculture (PDA)
3. PDA says "yes this land is available here"
4. Do community consultation work (do not underestimate time and resources necessary to complete this step)
5. Post an official declaration to object / not object
6. Submit all investment proposal (IP) docs to PDA

7. The PDA awards your investment proposal "open" status and sends IP to Governor for provincial approval
- 8a. If IP is >1,000 ha, Governor must approve, and then forward to MoA for additional approval (if <1,000 ha then Governor's approval alone is sufficient)
- 8b. DNTF sign off <--> CEPAGRI consult (note that CEPAGRI receives proposals from both DNTF and CPI)

9. MoA sign off & Process 2 Approval. If IP>10,000 ha MoA approval alone insufficient

Note: Two Parallel Processes

CPI Approval Processes 1 and 2 Merge Here. If Project Approved...



Provisional DUAT for 2 years

Steps undertaken to strengthen Economic Evaluation and Data Collection (2)



- 2006: Establishment of a new directorate: CEPAGRI
- Among its attributions: Issuing Opinion Notes on Investment Proposals considering:
 - The project in general
 - The economic sustainability of the project
 - The business plan
 - The socio-economic impact of the project
 - ...
- New information required from the potential investors:
 - Investment plan, business plan, production plan
 - Internal Rate of Return (IRR), Net Present Value (NPV)
 - Proof of financial availability of funds,
 - Experience, background of the investors
 - Socio-Economic Investment (Employment, plans for the communities,...)
 - ...

Steps undertaken to strengthen Economic Evaluation and data Collection (3)



- 2008: First Agrarian Zoning
- Scale: 1:1.000.000

- Conducted by:
 - National Institute of Agronomic Research– IIAM (Agro-climatic analysis),
 - National Directorate for Land and Forestry– DNTF (Land availability analysis)

- 6.966.030 ha of land available for large-scale agricultural activities (=19.4% of total arable land)
- 3.780.933 ha (54%) suitable for large-scale agriculture: biofuels...
- 3.185.097 ha (46%) suitable for other purposes: forestry, grazing

Results (1)



- Establishment of the “Project Application and Land Acquisition Processes”:
 - Improved the level of requirements for project analysis
- Creation of CEPAGRI:
 - Improved economic and non-economic data collection,
 - Improved the capacity of economic and non economic evaluation thanks to this improvement in data collection,
 - Example: Is now possible to compare data of investment projects focusing on the same cultures (investment value, social investment component, expected outcomes, employment, preferred areas,...)

General Data on Approved Agricultural Projects (Area > 10.000ha)

Sector	Year	Name	Objective	Investment US\$	Area ha	Employm ment	Locali- zation
Biofuels	2009	Grown Energy Zambeze	Sugarcane - Etanol	224.000.000,00	15.000	2.139	Sofala
	2009	Enerterra	Jatropha - biodiesel	53.305.350,00	18.508	2.042	Sofala
	2008	Principle Energy	Sugarcane - Etanol	280.000.000,00	18.000	2.650	Manica
	2007	Procana	Sugarcane - Etanol	510.042.736,00	30.000	7.000	Gaza
	Subtotal			1.067.348.086,00	81.508	13.831	
Forestry	2009	Lúrio Green Resources	Eucaliptus, Acacia – Pulp	2.209.000.000,00	126.000	11.500	Nampula
	2009	Portucel	Eucaliptus – Pulp	2.311.000.000,00	173.327	9.650	Zambézia
	Subtotal			4.520.000.000,00	299.327	21.150	
Oil	2009	Quifel Agrícola	Girassol , Soja - Oil	17.439.440,00	10.000	1.148	Zambézia
	Subtotal			17.439.440,00	10.000	1.148	
Total				5.604.787.526,00	390.835	36.129	

- **Procana**, was canceled on 22/12/2009 due to irregularities in the execution of its investment plan

Approved Investment Projects, All Sectors, 2009

Sectors	Nº of Projects	Value in US\$				Employment	
		FDI	National Investment	Total	%	Nº	%
Agriculture and Agro-Industry	33	1.488,587.05	160.424.998	4.915.607.347	85.5	16,111	60.2
Hotel Industry and Tourism	57	73.972.570	43.779.179	264.129.388	4.6	2,264	8.5
Industry	60	35.627.750	7.648.954	19.631.092	3.3	2,666	10
Services	51	109.517.269	7.299.768	167.730.328	2.9	3,545	13.2
Transports and Communication	18	13.927.500	16.712.513	78.100.366	1.4	819	3.1
Construction and Public Work	24	14.182.075	31.100.974	77.254.747	1.3	864	3.2
Aquaculture and Fishery	3	26.152.500	1.006.250	30.293.875	0.5	257	1
Banks and Insurance	3	11.136.990	2.440.916	20.217.906	0.4	185	0.7
Mineral Resources	1	3.650.667	5.000	3.655.667	0.1	47	0.2
Total	250	1.776.754.372	270.418.552	5.748.620.716	100	26.758	100

Results (2)



- First Agrarian Zoning: Supporting tool for land management and allocation:
 - Inform on the availability and potentials of the land,
 - Guide the allocation of land,
 - Guide the environmental use of land,
 - Improve the targeting of investors for Agrarian projects
 - Secure an harmonised use of DUATs between different projects, and the communities

Strengthening Further Economic Evaluation and Data (1)



- Despite these important results, economic evaluation and data can be further strengthened:
 - The quality of some data collected can be improved (IRR, NPV)
 - For new cultures: accuracy of production and business plans should improve as knowledge on the crop improves (Jatropha)
 - More provincial branches of CEPAGRI shall be established (2009: Nampula, 2010: Manica)
 - Work towards the publication of a Manual of Procedures for Agribusiness

Strengthening Further Economic Evaluation and Data (2)



- The information provided by the Zoning will be improved with the support of the World Bank:
 - Scale of the First Zoning did not allow a high level of details
 - Start of a Second Agrarian Zoning, Scale 1:250.000
 - First phase in Zambezia Province (High Agrarian Potential)

Perspectives



- Critical steps to strengthen economic evaluation and data have been undertaken
- The new scheme under which large scale investments are analyzed has provided a structure to set up large scale investment projects in Mozambique and, hence, support investments in the country
- Further improvements are necessary, some of which have already started to be undertaken