

# SADC REGION

## Promoting cross-border agribusiness investment in the SADC member countries

The present project's aim is to conduct a feasibility study for cross-border investment in the agricultural/agribusiness sector by Mauritian private investors in SADC member countries. This project is funded through the extraordinary Italian Contribution to FAO Trust Fund for Food Security and Food Safety.

Since it is well recognised that agricultural investment is the key to alleviate, both rural poverty and chronic hunger, this project's main goal is to promote intra-regional private sector investment in agriculture to create market linkages and innovative partnerships between Mauritian and Malagasy private entrepreneurs.

**PROJECT:** GFTS/MAR/003/ITA

**OVERALL OBJECTIVE:**  
Increased investment in agriculture and rural development

**DONOR:**  
Trust Fund for Food Security and Food Safety  
Italian Contribution

**CONTRIBUTION:** US\$250 000

**PARTICIPATING COUNTRIES:**  
Madagascar, Mauritius and Mozambique

**DURATION:**  
4 months, starting from June 2005



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## BENEFICIARIES

- a) **Rural and food insecure population**
- b) Mauritian and Malagasy **private entrepreneurs**
- c) **Government** of Mauritius and Madagascar
- d) Madagascar **small farmers and businesses**



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## OBJECTIVES

The **overall objective** is to promote investment in the agricultural sector/agribusiness by potential Mauritian investors in the SADC countries (Madagascar, and Mozambique). Given the proximity, as well as commercial, historical and cultural ties between Mauritius and Madagascar, the latter was chosen as the country in which to start assessing the feasibility of cross-border investments. In the near future, it is foreseen that the formulated investment model will serve as an effective basis to promote regional agricultural investment and trade within the SADC region.

Within this goal the present project has the following **specific objectives**:

1. Provide the Governments of Mauritius and Madagascar with tools to identify sound policies for the development of private entrepreneurship in the agricultural and agribusiness sectors
2. Prepare business plans to be implemented by selected investors to promote intra-regional trade

Country	Main city	Population '000	Land sq. Km	HDI <sup>1</sup> (2002)	GDP/ Capita US\$	Agricultural GDP % GDP	Export
Madagascar	Antananarivo	1 200	1 865	135	799	6.0	Coffee, vanilla, shellfish, sugar, cotton
Mauritius	Port Louis	1 189	1 860	63	9 107	6.4	Sugar, molasses, fish products
Mozambique	Maputo	18 537	784 000	171	1 050	20.0	Cotton, sugar, coconuts, vegetables, maize, beans, pulses, oilseeds, groundnuts

<sup>1</sup> UNDP Human Development Index measures changes over time in the level of human development and it is based on three indicators: longevity, educational attainment and standard of living. Ranking: 1-53 (High HDI), 54-137 (Medium HDI), 138-173 (Low HDI). UNDP Human Development Report 2002.

## STRATEGIES

The feasibility study is developed into two phases:

### First Phase

- **Organization of a forum for qualified Mauritian private investors in Madagascar** in collaboration with the Malagasy private and public sector. The aim of the forum is to secure a commitment by both Mauritian private sector investors as well as competent Malagasy authorities. At this workshop, pre-selected investment plans will be presented by Mauritian investors and discussed with potential counterparts and officials from Malagasy institutions



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### Second Phase

- **Conducting a detailed analysis of 2 or 3 mutually agreed to investments proposals.** Once the investment proposals are agreed to by all concerned parties, detailed feasibility studies will be conducted and completed under the supervision of FAO and in collaboration with the competent authorities in Madagascar



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## EXPECTED RESULTS

- **Development of a national investor roadmap** covering all aspects related to trade regulatory procedures and relevant to local and foreign investors
- **Development of a viable model for regional agricultural investment** based on the roadmap and feasibility studies

## SADC

The **Southern African Development Community (SADC)** was formed in Lusaka (Zambia) on April 1, 1980, as a loose alliance of nine majority-ruled States in Southern Africa with the main aim of coordinating development projects in order to lessen economic dependence on the then apartheid South Africa.

The **SADC vision is a common future within a regional community that will ensure economic well-being, improvement of the standards of living and quality of life, freedom, social justice, peace and security for the people of Southern Africa.**

The **Member States** are Angola, Botswana, the Democratic Republic of Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, United Republic of Tanzania, Zambia and Zimbabwe.

Member States ensure that poverty alleviation is addressed in all SADC activities and programmes so that cross-cutting solutions are found for liberating the people from poverty.



In order to provide strategic direction to the organization a **Regional Indicative Strategic Development Plan (RISDP)** is in place. It reaffirms the commitment of SADC Member States for good political, economic and corporate governance entrenched in a culture of democracy, full participation by civil society, transparency and respect for the rule of law.

In this context, the African Union's NEPAD Programme is embraced as a credible and relevant continental framework, and the RISDP as SADC's regional expression and vehicle for achieving the ideals contained therein.

## REGIONAL TRADE AND INVESTMENT

With world trade liberalization, Mauritius, Madagascar, Mozambique and Tanzania face significant new challenges.



**Growth in agricultural production is highly dependent on land availability and financial resources.**

While **Madagascar and Mozambique** have an abundance of arable land and other natural resources, favourable climatic conditions and a readily available competitive labour force, they **have limited private sector financial resources**. **Mauritius**, on the other hand, has a narrow domestic market, land scarcity and a high production cost but a **vibrant private sector ready to invest in the region**.

In order to promote the development of agricultural and agro-industrial sectors, Mauritius has implemented various domestic policies investing in both the agricultural (mainly sugar) and non-agricultural sectors, tourism and textiles in the region. **Increasing production within the region can meet the existing domestic and regional market needs** which are expected to grow and, most importantly, **create jobs and increase the economic welfare of the rural poor**, both in Madagascar and Mozambique.

Both Madagascar and Mozambique are constrained by limited private sector financial resources and the inability of farmers to expand their landholdings through existing technology. Both countries are therefore prime areas for Mauritian private sector investments in a variety of commodities based on improved technology.

**Mauritian investors are one of the most dominant investors in the region and they have benefited substantially from guarantees by the Multilateral Investment Guarantee Agency (MIGA) for their investments in Africa.**

Finally, it can be concluded that with the current wave of regional integration and globalization, "cross border investments" by the private sector are considered the "second best" solution to reverse the negative development trend.

**Efforts to attract foreign direct investment have been in the forefront for both Madagascar and Mozambique in the economic development plan.**

## MIGA AND THE NEW AFRICA



In the 1990s, many African governments implemented measures to improve the foreign direct investment (FDI) climate in their countries and/or regions. These steps have included economic reforms, with a particular focus on the promotion of the private sector, and an enhancement of regulatory environments.

These positive developments have led to the perception of a changing Africa.

**The New Africa offers an environment in which foreign investors have identified an increased number of investment opportunities**, with returns often significantly higher than in other regions of the world.

Through MIGA's field-based PROMOTE AFRICA program, the agency is able to focus on capacity-building, especially in the use of technology to promote investment. **MIGA increasingly assists a wide range of clients in African sectoral ministries, industry associations, chambers of commerce, traditional public and private investment promotion agencies with their capacity enhancement efforts.**