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Master of Development Studies

Masters by Research Dissertation

How Can Developing Countries Attract Foreign Direct Investment?

Submitted in full requirement for the
Master of Arts Development Studies Degree
In the School of Built Environment and Development
College of Humanities Howard College Campus

Supervisor: Dr Gerard Boyce

Declaration

I, Kerry Kyd (student number: 218086096), hereby declare that this dissertation is my own unaided work except where otherwise acknowledged in the text and that it has not been submitted in whole or part, for any examination or degree at any University. This dissertation is submitted to the School of Built Environment and Development Studies, University of Kwa-Zulu Natal (Howard College Campus) in full fulfilment of the requirements towards the Degree of Masters of Development Studies.

Signature [redacted] **Supervisor:** Dr Gerard Boyce

Abstract

Developing countries are increasingly reliant on foreign direct investment (FDI) to finance development. Yet, despite increased spend on investment promotion, these countries consistently achieve a smaller share of the FDI pie than developed countries. To understand how developing countries can achieve a greater share of FDI this study examined the efforts of the Mozambican Investment Promotions Agency (IPA), how they tackle investment promotion and how they have performed versus global best practice, their ambitions and the expectation of investors. Through document review, quantitative analysis and qualitative interviews the study shows that Mozambique has had a mixed performance at attracting quality FDI in line with their stated ambitions. It provides insight into the cost of a poor investment climate when it comes to FDI and investment promotion and the importance of tackling the hidden costs of corruption and additional costs from disorganized value chains. It also shows that the IPA will need to modernize its approach should it want to achieve its ambitions. This requires becoming a more proactive business insight partner for investors- capable of project design and development- and one that carries out more nuanced, focused investor targeting

Acknowledgements

My name appears on the cover of this paper. Yet, never has the expression that one stands on the shoulders of others been more true. A long list of people have contributed in some way to getting me over the line in this marathon.

Firstly, to Dr Gerard Boyce, my supervisor thank you for the healthy debate, fresh perspective, your patience, clever solutions and enthusiasm. Completing the fieldwork would not have been possible without the guidance and assistance of David Robbetze and Vania Manuel as well as of Barry Clausen- senior agri-business consultant, friend and colleague.

To Michiel Arnoldus, who I met when he was undertaking such a challenge- thank you for demonstrating to me that grit plays as much a part in this task as clever thinking. Thank for your advice, your admonishments to “just get it done!”, but most importantly for giving me the space and time off from work to do the work.

To Sue Wessels, a helping hand in the final mile, many thanks.

Navigating the administrative quagmire that is UKZN would not have been possible without the support of Dr Ralitza Dobreva and Professor Cecile Gerwel, who were the first to see the potential in this study. To both of you I give my thanks.

Finally to my mother, Daphne Kyd who has been my quiet, unshakeable champion over the years. You’ve made untold sacrifices that have enabled me to savour all that life has to offer and in so doing develop my mind, my courage and the skills needed to complete this challenge. Because of you I have never felt that I couldn’t do anything. Thank you, thank you, thank you.

List of Acronyms

AGOA	African Growth and Opportunity Act
APIEX	Agência Para a Promoção de Investimento e Exportações
BRIC	Brazil, Russia, India, China
CEPAGRI	Centro de Promoção da Agricultura/ Agriculture Promotion Centre
CPI	Centro de Promoção de Investimentos/ Investment Promotion Centre
DUAT	Direito do Uso e Aproveitamento da Terra
EDB	Economic Development Board
ENDE	Estratégia Nacional de Desenvolvimento/National Development Strategy
FDI	Foreign Direct Investment
FRELIMO	Portuguese Frente de Libertação de
GAZEDA	Gabinete das Zonas Económicas de Desenvolvimento Acelerado/Special Economic Zones Authority
GDP	Gross Domestic Product
HIV	Human Imunno Virus
IFZ	International Free-Trade Zone
INATUR	Instituto Nacional do Turismo/ Mozambique Tourism Authority
IPA	Investment Promotion Agency
IPEX	Instituto de Promoção de Exportação/ Export Promotion Institute
ISO	International Organization for Standardization
JamPro	Jamaica Promotions Corporation
MNC	Multi-National Corporation
MSME's	Micro, Small, Medium, Enterprise
NEPA	National Environment and Planning Agency
NGO	Non-governmental organisation
OLI	Ownership, location, internationalisation model
PARP/A	Plano de Acção para Redução da Pobreza/Poverty Reduction Strategy
PEDSA	Plano Estratégico para o Desenvolvimento do Sector Agrário
PEPIP	Private Investment Promotion Strategy
PNISA	Plano Nacional de Investimentos para o Sector Agrário
RENAMO	Resistência Nacional Moçambicana
SADC	Southern African Development Community
SEZ	Special Economic Zone
SSA	Sub-Saharan Africa
TEF	Tourism Enhancement Fund
TNC	Trans-National Corporation
USD	United States Dollar
WB	World Bank
ZVDA	Zambezi Valley Development Agency

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1 Introduction

The last three decades have been important for global economic development. No time in history has delivered such widespread reductions in levels of poverty, improvements to life expectancy, income, healthcare, governance and even peace and democracy (Radelet, 2015). Despite these laudable achievements, there is undoubtedly much more to be done. Firstly, more than 800 million people still live on less than $1,25 per day, one in nine people "go to bed hungry every night", with an infant mortality rate of 5% amongst children younger than 5 years old birthday from preventable diseases (United Nations, 2015; Radelet; 2015).

Secondly, these developments have not been uniform. Many countries remain trapped in poverty and conflict. Also while many in countries have progressed, groups within their population remain marginalized and poor (Radelet, 2015;). Sub-Saharan African states have experienced significant growth in income over the last two decades. They do however lag behind in many of the indicators of development. Just under half of Sub-Saharan Africa's population live in extreme poverty, eking out an existence on under $2 per day (Radelet; 2015). Those with work often do not fare much better. With one in every three workers living in extreme poverty, African workers have a greater chance of being amongst the working poor than anywhere else (African Union 1a, 2017). In addition, many of Africa's poor have sparse access to clean drinking water, sanitation and other basic services (United Nations Economic Commission for Africa; 2015).

These issues have been noticed and this increased focus prompted the creation of the Millennium Goals. At their expiration in 2015, they were replaced by Sustainable Development Goals. These goals, created by 193 countries, set out 17 goals that encompass social, economic and environmental ambitions. They aim to ensure that all global citizens can be lifted out of poverty. Consequently, these goals have a special emphasis on creating an inclusive global system that is more equal and just; where all people can achieve their full potential and where the environment is protected for the citizens of the future (United Nations, 2015).

The Monterrey Consensus of 2002, highlighted the importance of finding solutions to financing development. Foreign capital and in particular foreign direct investment (FDI) was called out for its ability to fund development efforts and for the wider contribution it can make to the development ambitions of host economies (United Nations. Dept. of Economic and Social Affairs, 2003). Not only can FDI grow corporate tax revenues it can also improve human capital, enhance competitiveness and the welfare of citizens (Feldstein, 2000; Neal and Bennett, 1994; Ndikumana and Verick, 2008; Nunnenkamp, 2002).

FDI is not only beneficial. It is simply too large to be ignored. In 2016 inflows of FDI equalled the total GDP of Canada and accounted for 2,3% of global GDP (assuming PPP, and peak values) (UNCTAD, 2008). It is no surprise then that governments around the world have noticed and responded. By 2004 more than 80% of countries had national investment promotions agencies in place with the primary goal of attracting foreign direct investment (Morisset and Andrews-Johnson, 2004).

The growing interest and involvement in investment promotion has quite understandably raised many questions from stakeholders over the years. Does investment promotion work? And if so, does it work equally well for both developed and developing nations? What are the underlying conditions that facilitate or hinder countries being able to successfully and proactively attract investment? And what can investment promotion professionals do to increase their chances of success?

The pioneering work of Wint and Wells, Young and others conducted in the late 1990's and in the early 2000s have enabled us to get a clearer understanding of what many investment promotion professionals have long believed. Investment promotion does indeed enable countries to get a bigger piece of the FDI pie (Wells and Wint, 2000; Harding and Javorcik, 2007). The impact is substantial. Harding and Javorcik, in their study of more than 109 countries, demonstrated that 1 dollar spent on investment promotion attracts a large 189 additional dollars in FDI (Harding Javorcik, 2007), while Wells and Wint showed that a 10% increase in the budget of investment promotion agencies (IPAs) delivered a 2% increase in FDI inflows (Wells and Wint, 2000).

But developed economies clearly dominate FDI inflows and outflows globally. In 2016 they attracted 59% of global FDI inflows and were responsible for 72% of FDI outflows around the world (UNCTAD 2017a). This of course raises questions around the effectiveness of investment promotion for developing countries, the very countries most in need of FDI.

A study by Harding and Javorcik (2011) using a large dataset of investment promotions agencies, including many from developing countries, established empirically that investment promotion certainly works for developing countries. The extent to which any country can benefit from investment promotion activities is however affected by a large number of factors. The most influential of these are market determined and include the size of the market, growth opportunities, having an abundance of natural resources, GDP per capita, some locational advantages like proximity to markets and inputs and even having a skilled workforce amongst others (te Velde, 2003; Agosin and Mochado, 2005).

The enabling environment, or investment climate, is another important factor (Harding and Javorcik, 2011; Mukim and Nunnenkamp, 2010; Harding and Javorcik, 2007; Morisset and Andrews-Johnson, 2004; Kormendi and Meguire, 1985; Rodrik and Subramanian, 2003; Dollar, Hallward-Driemeier and Mengistae, 2006; Adams, 2011; Kinda, 2010). Investment climate is all of the factors that make investing in a country more or less favourable for investors. It includes geography, whether political, legal and social institutions exist and are effective; the extent to which laws, policies and especially property rights are enforced and many others too numerous to mention here (World Bank, 2005). Investment climate is so important that it seems to amplify or dampen other measures that might be put in place to attract investors (Hornberger, Battat and Kusek, 2011). Tax incentives for example certainly help to boost FDI, but the effect is eight times as strong in countries that have a good investment climate (James, 2009). In contrast countries with poorer investment climates receive fewer newer FDI projects and smaller FDI inflows (Hornberger, Battat and Kusek, 2011).

Investment climate is not as straightforward as it seems. Firstly, it is a very broad concept that includes a number of very different characteristics, processes and relations. How quickly a business can be registered, tax and legal regimes, labour practices, training, the financial system, access to credit, infrastructural development and even the levels of crime and corruption in the country are but some of the issues often included (World Bank, 2005; Dollar et al., 2006). While some theorists and practitioners narrow their focus within this menu (Stern, 2002; Kinda, 2010) definitions of investment climate remain understandably fuzzy and broad.

Secondly, investment climate is a dynamic concept. Each of the elements that affect investment climate is subject to change over time. They can and often do have a marked effect on each other. For example, by securing land rights in a country we can expect farmers and business owners to have greater access to finance and vice versa (WDR, 2005). Most importantly, investment climate is an ongoing effort. We should think of it as "a marathon and not a sprint" (Porter in WDR, 2005).

Having a good investment climate certainly helps to stimulate economic growth (Dollar et al, 2006); to attract FDI and might be essential to achieving the good governance required to achieve the sustainable development goals (Sundaram, 2015). Nevertheless, it is not necessarily a pre-cursor to investment promotion. The dynamic nature of investment climate as well as the sheer size of the job would make this approach foolhardy. There is a considerable amount of effort required to shift the myriad of policies, procedures and laws and then to marshal the forces of government departments, courts of law, banks and other public service organizations to make these a reality. This perfect point of arrival might be too long in coming, if it is ever reached. Instead, we need to get better at prioritizing what is important and commit to ongoing improvements to investment climate all the while working hand in hand with investment promotion teams to make the most of what the country has to offer (WDR, 2005).

1.1 Research Question

Chapter one outlined the importance of FDI to financing and stimulating development. It also highlighted the usefulness of investment promotion for winning a greater share of the FDI pie. It concluded however that developing nations have a far smaller share of FDI a situation that needs remedying.

This raises the key question- how can developing countries attract foreign direct investment?

To get greater depth of understanding, this study draws from the experience of Mozambique. Here we aim to understand where they have struggled or have succeeded. Then through qualitative interviews we hope to understand what has driven this success or failure. The intention is not to sketch out a case study of Mozambique, but rather to pinpoint lessons from the perspective of investors that could be more generally applicable to developing countries. In a sense we hope to reflect on the experience on one of the newest and most difficult environments for investment to understand how investors weigh up risk and uncertainty to invest anyway. This could provide a useful lessons that can influence how investment promotions agencies in developing countries carry out investment promotion.

Mozambique provides a good arena to learn for a few reasons. The relatively recent end of the civil war in 1995 marked a turning point in that country's history. Prior to 1995 Mozambicans were eagerly locked out of the global economy. Post 1995, the economy opened up and foreign investment was once again recorded. This provides a limited time period in which we can assess the FDI inflows. The investment promotion machinery was also small and needed to be established. A further reason to use Mozambique as an example is that this country was a relatively unknown destination for FDI prior to the transition. This ensures that we have a clearer view of the impact of various factors on FDI. Finally, the country has experienced relative success in attracting FDI when you look only at the size of FDI compared to its country peer. These reasons are explored in the following chapters.

1.2 Background to selecting Mozambique

1.2.1 Economic Development

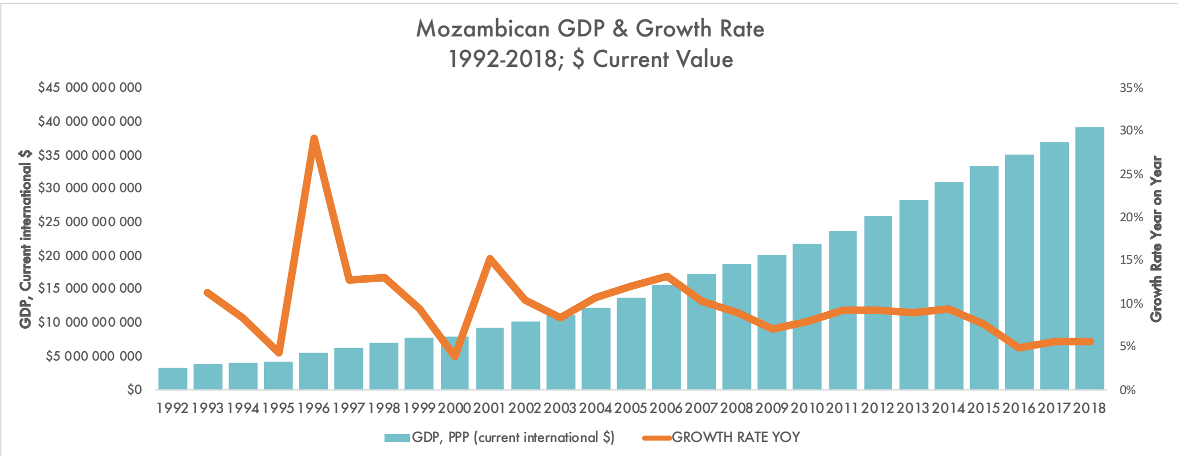
It has been nearly 30 years since the end of a brutal and protracted civil war in Mozambique. At the start of the new democratic period Mozambicans faced deep poverty, a short life expectancy of 43 years, further threatened by the regional pandemic HIV, infrastructure in ruins, and a growing, ever-younger population with no hope of being absorbed productively into the economy (Baez, J.; Olinto, P., 2016). Nearly 15 years of a failed socialist experiment had created an economy deeply dysfunctional, cut off from global trade and without a viable capital base to fund development (GoM, 2011)

1.2.2 Strong Economic Growth and Development

When seen in that context the progress made in Mozambique in the intervening years has been commendable. Life expectancy has increased so that Mozambicans in 2020 can expect to live 15 years longer than in 1992 with more than half of these citizens now living above the poverty level (Baez,J.; Olinto, P., 2016).

There have also been significant developments on the economic front. For nearly 30 years economic growth in Mozambique has averaged 7%, exceeding that of its regional peers in some years two-fold. As a result, the economy is now 5 times the size it was in 2000 and has grown 11 times since 1992 (World Bank, 2019).

Figure 1 GDP and Growth Rate (1992-2018)

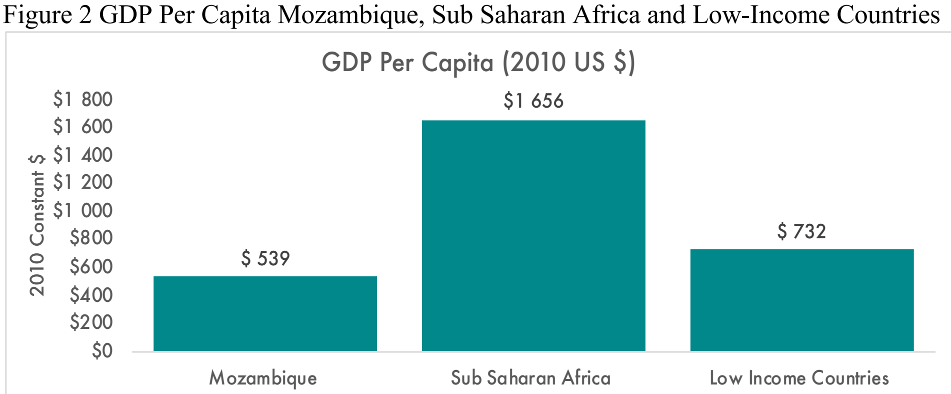


Source: World Bank, World Indicators; 2019

The economy is also significantly more open than it was in the mid 1990s. Many of the supporting institutions required for an open, well-functioning economy have also been established. Trade restrictions were lifted, price controls removed, a formal professional banking sector has developed (albeit with low penetration of services to the bulk of Mozambicans), and fiscal reforms have widened the tax base and improved revenue collection (Baez, J.; Olinto, P., 2016; World Bank, 2016a) .

Nevertheless, despite continued growth GDP per capita remains low when compared to other low income and sub-Saharan African (SSA) countries (World Bank World Indicators, 2019).This is illustrated in figure 2.

Figure 2 GDP Per Capita Mozambique, Sub Saharan Africa and Low-Income Countries

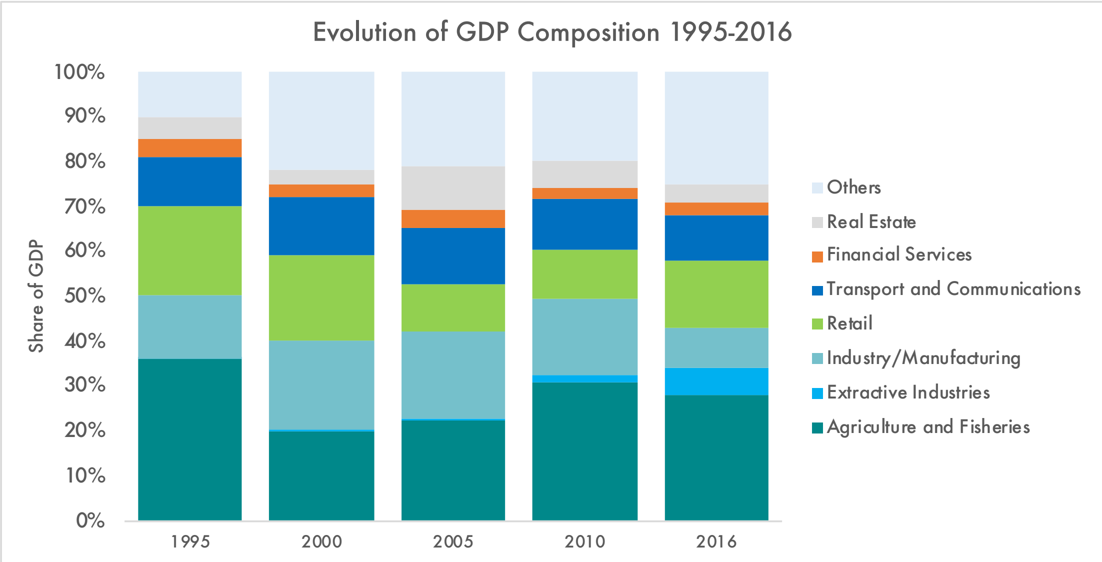


Source: World Bank, World Indicators 2019

1.2.3 Weak Structural Transformation

From a structural perspective the economy has also not sufficiently transformed. Firstly, estimates suggest that the informal sector is nine times the size of the formal sector (World Bank, 2018b). Secondly, the state is central to business in Mozambique. It is directly responsible for 32% of GDP, which far exceeds low income country and Sub Saharan African peers (WEO; 2018). Finally, while the formal economy has indeed grown, it has not provided a meaningful transformation of the economy. This is demonstrated in figure 3 below.

Figure 3 Evolution of GDP Composition 1995-2016



Source: OECD, 2013

By the end of the war Mozambique was essentially agrarian with the vast majority of Mozambicans relying on agriculture and fisheries for survival (OECD, 2013). Fast-forward twenty years and much of the population is still engaged in agriculture and fisheries. In 2016 this sector contributed 25% of GDP and provided two thirds of the jobs in the formal economy. Overwhelmingly these jobs are low skill, low productivity, low paid jobs. In contrast industry/manufacturing accounted for just 0.6% of jobs and about 8% of GDP- much of which was oriented towards the extractives sector (Coughlin, P.; 2018).

1.2.4 Stalled Industrialisation and Diversification

In general manufacturing as a share of economic value creation has stalled. Some data even suggests that a small measure of deindustrialization has occurred. In general, there has been little diversification in to more productive manufacturing and backward or forward linkages in value chains have by and large not developed (OECD, 2013).

The export base is narrow. Sugar is the largest and only processed product exported in any real quantity, with the balance being primary products like coal, natural gas and other minerals (aluminium, titanium and precious stones) (Mahdi, S.; et. al.; 2018). Mining and sugar dominate GDP.

This assessment is further supported by measurements of economic complexity in Mozambique. WDI and The Atlas of Economic Complexity from MIT ranks Mozambique as being in sixteenth place in the economic complexity rankings in the Sub-Saharan Africa region, but 109th out of a possible 128 countries globally (Hausmann, R, et al, 2013).

In this study the range of products that are produced and exported by a country are used as an indication of economic complexity. Greater variety is assumed to indicate that there is varied capability in that country that allows for a range of products to be developed, produced and successfully marketed. As this measure uses exports as the primary dataset, there is in an inbuilt limitation. Only a portion of products produced in a country are included. Yet, it does provide a useful indication of developing diversification, especially of developing comparative advantage. This is especially useful where this is only one puzzle piece leading to the conclusion. The reliance of Mozambique on the export of mineral resources is a major driver behind the relatively low scores (Hausmann, R, et al, 2013).

1.2.5 A North-South Divide

The Mozambican economy is also spatially skewed towards the South of the Country whereas the North of Mozambique has an abundance of natural resources. Oil and gas in Cabo Delgado, coal in the Zambezi Valley Region, a port in Nampula and large tracts of arable land would all suggest that this part of the country would be an important production zone. However, in Mozambique economic development has largely been concentrated in the South around Maputo. As a result, those living in and around Maputo province have far greater wealth, better career prospects, access to markets, education and services than those living in the North (Baez, J.; Olinto, P., 2016).

In short then, the most pressing questions facing the state when it comes to FDI have been how to continue to attract investment to mega projects that include the extractives and energy sector; how to diversify investment to new sectors as well as spatially- especially to the North; how to attract investment of small and medium business and how to encourage investment so that local SMME's can be better included in value chains. Finally, how might employment generating investment be encouraged?

Nevertheless, from a demand perspective Mozambique has a lot going for it. Its mineral wealth, strategic location, abundance of land, a large population and openness to FDI have meant that it is often touted as a country with great potential for investors (Santander, 2015).

As a result, Mozambique attracted over $3billion in FDI in 2016, a sum greater than that of its neighbour South Africa. Nonetheless, this is a drop in the ocean when compared to the $60 billion in FDI inflows recorded globally in 2016 or even to the leading FDI magnet in Sub-Saharan Africa in 2016, Angola ($14billion in 2016) (UNCTAD, 2017). Moreover, the country's extreme indebtedness (The World Bank, 2017), its low level of industrialization, a need to reduce inequality (The World Bank, 2016b) and the low levels of human and social development mean that this state is not only in need of development, but could benefit from increased FDI to fund it.

Indeed, this has become a strategic priority for the state but, the cards are not stacked in the favour of the IPA officials responsible for this task. Mozambique, despite improvements and ongoing efforts to improve the investment climate (US Department of State, 2015), routinely performs poorly on various investment climate indicators. In 2015 they were ranked 112th out of 118 nations on the transparency index and in 2016 they scored a feeble 133 out of 189 nations in the World Bank's Ease of Doing Business Survey (The World Bank, 2018a). In addition, a debt scandal at the highest levels of government brought on by under -reporting of state debt to the IMF, has severely tarnished the image, value of the currency and aid inflows. These poor investment climate conditions, the many unexploited opportunities available in Mozambique for investors and the country's openness to FDI (US Department of State, 2015; Republic of Mozambique Ministry of Agriculture, 2010) make this a useful case from which to draw lessons.

Tackling these questions solely from the perspective of the IPA would, however, ignore an important fact. IPA's can lobby businesses, but the decision-making power ultimately lies with the businesses they hope to attract (MIGA, 2006; Wells and Wint; 2000). Understanding how firms have made decisions about making foreign investments in Mozambique and what they feel are barriers to investing could provide some important clues. These insights could point to how IPA's in Mozambique and, by inference, those from developing countries in general can go about influencing investment choices in their favour.

Moreover, while several studies exist to give us an understanding of the overall determinants of FDI, far fewer explore this from the specific perspective of markets with poor investment climates. In addition, the vast majority of these studies use quantitative methods to reach their conclusions. They provide insights into what matters generally, but not why it matters to foreign investors. In many cases investment promotions agencies in developing countries don't have access to the resources, information or even institutional frameworks that are present in more established and more successful countries vying for FDI. This understanding is crucial if investment promotion agencies in developing countries are to develop effective, yet creative solutions that make the most of the limited resources they do have. This paper will aim to address this important knowledge gap.

In conclusion, answering the overarching question of how to attract FDI to developing countries- and Mozambique specifically, requires one to firstly understand what is being undertaken to attract FDI to Mozambique and the results of those actions, both in terms of quantity of FDI as well as in the quality of FDI being attracted. As firms and other development partners involved in investment facilitation are ultimately the clients and decision makers when it comes to FDI, their perspective is essential to understanding why the investment promotions activities are succeeding or failing.

1.2.6 Sub questions of the Research Question

As a result, in order to answer the overarching research question a few sub-questions will necessarily need to be answered:

1. How do investment promotions in Mozambique compare to established global best practices?
2. How has Mozambican investment promotion performed when compared to their stated ambitions?
3. What can we learn from the (potential) foreign investors experience of IP efforts to help us understand the performance?
4. What lessons can Mozambican and other developing countries learn in order to attract more FDI?

2 Literature Review

This chapter will provide a framework to better understand investment promotion- why it exists, what investment promotions agencies do, what represents best practice globally and what detracts from or enhances investment promotions efforts.

The investment promotions agencies are only one half the equation. In order to understand what does or does not work when it comes to investment promotion efforts it is crucial to understand the firms who ultimately make the decision to invest. The motivations of these firms, how they go about deciding on where to invest and being able to understand their needs during this process is thus critical to being able to carry out influential investment promotions. Consequently, this will be expanded upon first. Thereafter, critical questions around the typical activities, strategies and structure of successful IPA's will be explored.

2.1 Why do firms invest abroad?

The decision to invest abroad, like many strategic decisions, is fraught with risk and uncertainty (Radford, 1989). These range from political uncertainties (James, 2004) to risks around restrictions on repatriation of profits (Simon; 1992); risks around variable exchange rates reducing the value of profits and dividends etc. Investors in foreign countries face a range of additional risks that might in fact hinder their ability to profit from their investment in a more general sense (Meldrum, 2000; MIGA, 2011).

Yet many firms do invest abroad. . Several schools of thought exist as to what motivates firms to invest abroad e.g. The Uppsala Internationalization Model and the Eclectic Model amongst others (Ahoroni et al., 2011). They draw on a long history of trade theory, but over the decades have evolved to better explain the changing patterns of investment of transnational corporations. This chapter will elaborate on the most widely accepted model viz. the eclectic model. Most models that have been proposed seem to in effect be minor refinements of this model.

2.2 The Eclectic Model

According to the ownership, location, internationalisation model (OLI model) firms invest abroad where it will result in a strategic advantage. This arises when the firms have or a seeking an ownership advantage, where it is advantageous to locate production in a foreign territory (locational advantage) and where it makes sense to own the production facilities abroad rather than outsource to a local firm (internalization advantage) (Dunning, 1973; Dunning, 2000; Dunning and Lundan, 2008).

Ownership advantages arise when firms have a proprietary technological or process, have specialized knowledge or where they have an asset that confers competitive advantages e.g. a brand. Firms opting to go abroad hope to acquire new ownership advantages, or they wish to use these advantages to open up or win in new markets. This advantage should be significant enough to be able to offset the increased risk, uncertainty and costs faced in investing abroad (Dunning; 1973; Dunning and Lundan, 2008).

The choice of market is however greatly affected by "locational advantages", advantages that arise from where the firm is located. The host market must offer opportunities to the foreign firm in order for it to be considered a viable option for investing. These might be market driven opportunities e.g. offering access to large markets domestically or abroad (Markusen and Forslid, 2007; Schatz and Venables, 2005; Hood and Young, 1979). They might also offer supply advantages like readily available raw materials, lower labour costs, lower transport or transaction costs etc. (Dunning, 1973; Hood and Young, 1979).

Deciding to invest abroad does not exclude the possibility that the firm will opt to outsource or license operations to local firms in the potential host market. However, firms with sensitive knowledge or technology often have an incentive to protect these trade secrets by keeping control of their operations. This results in strong in-sourcing of production and increasing vertical integration of the value-added chain (Dunning, 2000).

Firms will opt to horizontally integrate and duplicate operations in a host country where it enables them to better service that market. The advantage they gain must offset the fixed costs of setting up operations abroad. This is typical of FDI to developed markets, where the host market tends to consume the products produced (Schatz and Venables, 2005).

In contrast FDI to developing markets tends to be vertical integration. Locational advantages give firms access to raw materials and lower costs and allow them to play a part in the value-added chain. A good proportion of this production is for export (Schatz and Venables, 2005).

Through the eclectic model we can conclude that firms invest abroad to seek new markets, to seek resources, to improve efficiencies and to acquire new knowledge (Behrman, 1981; Dunning, 2000; Buckley, 1988).

2.3 How do investors go about making FDI decisions?

Deciding on whether and where to invest abroad is a high-level strategic decision with substantial implications for the firm. As a result, there are many lessons to be drawn from strategic decision-making in general. The dominant view sees strategic decision-making consisting of two distinct phases- the Identification phase and the Development Phase (Mintzberg, 1979, Larimo, 1995).

In the identification phase the firm comes to the realization that they face a challenge or opportunity that warrants investigating (Ahoroni et al, 2011; Mintzberg; 1979). Significant resources from staff and associated suppliers might be invested in exploring this option. Ultimately, it could be decided that the project should proceed or be halted and can be influenced by both the facts and the politics at play in the organization (Mintzberg, 1979; Larimo, 1995; Bjorkman, 1989). The primary goal in this phase is to sketch out the details of the potential investment. This typically involves two distinct tasks viz. search and design.

When searching, the firm actively seeks out strategic models that exist and that they might implement. Should this prove to be unsuccessful they might opt to tailor-make a solution or to modify an existing model to fit their situation. They conduct this search by employing a number of potential methods. Firstly, they draw on organizational memory. Here they look to the collective experience within the business with the hope that they will be able to recall a situation, case or experience that applies to their strategic issue. This is memory search. They might also opt to simply wait for the right opportunity to present itself. This is passive search. As a third option, they might choose to cast their nets wide and actively look for alternate scenarios that could help them achieve their strategic goal. This is trap search. Finally, should these not work, they kick off a targeted, highly orchestrated and clearly defined search that sees them looking to less easily accessible sources to solve their problem (Mintzberg, 1979)

Literature that focuses specifically on how businesses make FDI decisions reflects this phased approach thinking (Björkman 1989; Larimo, 1995). In the initial stages of the project firms typically define their requirements and the criteria that need to be met in order for them to invest. These location factors might be specific to the industry. A firm that operates in the manufacturing industry might have far greater emphasis on availability of land and export

incentives than a firm offering back-office support services like accounting or tech support (MIGA, 2006; James, 2004).
With the project well scoped they are in the position to be able to draw up a list of potential locations. This list might include eight to twenty potential investment locations. This list most often includes options from three categories- those locations that are the biggest hits of the moment, those countries that represent the smallest change to the companies' operations and finally some "out the box" options. This is the long list phase.

These countries become the subject of a high-level desktop investigation that allows the business, or their advisors to get a sense of the merits and disadvantages of citing their business in the various investment locations. This phase often includes financial modelling. It is important to note that this assessment is fuelled by information gathered from existing databases, the internet, from IPA and country websites and in some cases from queries made directly to the IPA itself (MIGA, 2006; ECORYS, 2013). Having readily available information and responding to investors queries can thus be pivotal in the decision of whether the location will be eliminated at this stage or will proceed to the next stage. This is the short list phase and the outcome is a much-reduced list of potential locations that should be interrogated in the next phase. Typically, this does not exceed five locations (Harding and Javorcik 2011).

In the next phase- the site visit phase- investors visit the potential locations that they are considering. These fact-finding missions enable the firm to get better detail on costs, benefits, complexities and trade-offs of selecting the various sites. They often visit a number of physical locations within the country and might meet with officials from the IPA or even with financial institutions and potential suppliers (Harding and Javorcik, 2011; MIGA, 2006).

2.4 Bounded rationality theory and strategic decision making

Classical economic theory asks us to imagine a world where economic actors make rational choices based on perfect information (Friedman and Savage, 1948). In reality actors in firms are asked to make strategic decisions in conditions that are far from perfect (Mintzberg, 1977; Simon; 1955; Tversky and Kahneman, 1974).

In direct contrast to rational theories behavioural theories -bounded rationality theory specifically- tells us that people, being human, face significant limitations to their ability to make rational, fully informed choices (Simon, 1955; Ahoroni et al. 2011; Jiliberto, 2011). People are forgetful, have inherent prejudices, sometimes lack the cognitive ability to process the information they have before them or to make a rational choice (Simon, 1955; Ahoroni et al., 2011). They also have limited budgets and limited time (Mintzberg, 1979; Simon, 1955). In reality people may choose not to self-maximise at all (Tversky and Kahneman, 1974), but choose instead to make decisions that are "good enough rather than the best' (Eisenhardt, 1997, pg1).This raises some questions about the ability of firms to making rational, fully informed choices when it comes to FDI.

2.5 Firms, Decision Making Specific Constraints And FDI

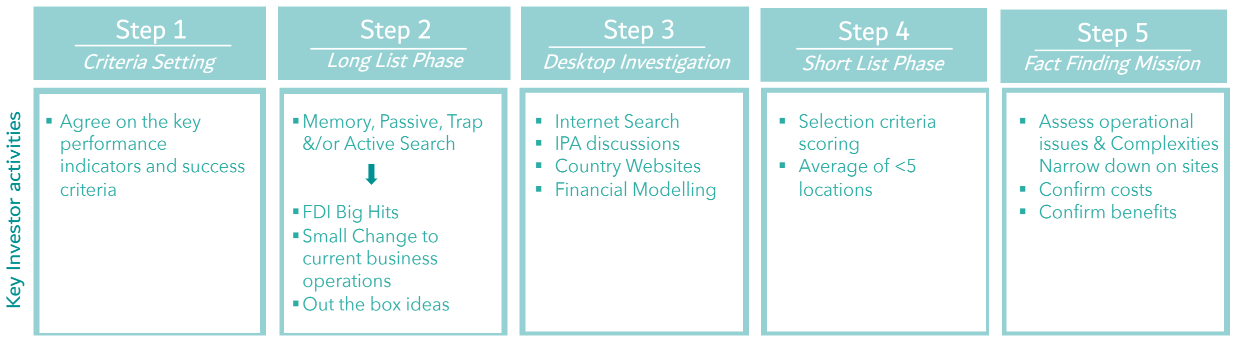
Bounded rationality theory goes a far way to describe the nature of decision making in firms. Firstly, managers are a far cry from "homus economicus". They often opt for solutions that they know are not perfect, but instead are "good enough" to achieve their goals (March and Simon 1958; Lindblom, 1959; Schwenk, 1984, Eisenhardt, et al., 2009; Elbanna, 2006). These options often help them to balance the risks and uncertainty inherent in strategic decision making (Radford, 1989; Carroll and Johnson, 1990; Hammond, Keeney and Raiffa, 1999; Mintzberg, 1979).

Secondly, decision makers knowingly make decisions with imperfect information. When making strategic FDI decisions they rely largely on experience (memory search) and known information (passive, trap and active search) in order to draw up lists of potential locations (Mintzberg, 1979; MIGA, 2006). They can turn to specialists in the area of investment facilitation in order to gather potential destinations that might not be on their radar, or to help build the case for or against a specific destination (MIGA, 2006). As in the case of the firms, they too must provide a perspective based on imperfect information.

These information asymmetries are of course typical of markets that are newcomers to the FDI game or have historically been underperformers (Harding and Javorcik, 2007). Information is scarce and often they simply do not have sufficient data or even proven cases of successful investment to be able to make investment decisions (Kinoshita and Mody, 2001). Opportunities in these markets might at the same time be less apparent than in developed countries. While firms sometimes engage in "herding", or follow the leader behaviour, to cope with this market failure, it is not an optimal environment for FDI attraction (Bikchandani and Sharma, 2001).

Finally, decision-making in firms is often influenced by a number of social, rather than purely rational, factors (Ahoroni et al., 2011). Politics for example plays a far greater role in decision making than rational theorists suggest. Competing divisions within the firm might jockey for pole position and advocate for locations based on their own interests. They might also lobby to halt or accelerate the process or, to shape the criteria for selection based on their own narrow political interests (Ahoroni et al., 1966; Buckley, Devinney and Louviere, 2007). Decision makers also make decisions under conditions of great risk and uncertainty. Their personal appetite for risk can greatly affect the result (Buckley, 1988). Politics, personal experience and judgment, organizational memory and organizational culture all play an important role in strategic decision making in a firm (Mintzberg et al 1976; Anderson, 1983).

Figure 4 The 5 Phases of Location Selection along with search methods



2.6 What factors attract FDI?

There is a growing body of knowledge about what attracts additional FDI. Scholars have tackled this question from many angles that have included investigating characteristics of IPA's, government policies, the effectiveness of tax incentives etc. From these studies a few factors stand out as being of great importance.

Firstly, the potential to compete and win in new, bigger and faster growing markets seems to be one of the biggest hot buttons for FDI. In surveys of investors the size of the market and having a high growth rate score as the top two most important factors for investors when considering FDI locations (Hornberger, Battat and Kusek, 2011). This is reflected in reality. The world's top 10 markets for attracting FDI in 2016 accounted for 49,8% of all FDI inflows. These were lead by the United States, the UK, and China (UNCTAD 2017a). This is further supported by several econometric studies (Chakrabarti, 2001; Hornberger, Battat and Kusek, 2011.

The growth of the developing and transition markets in the FDI race has demonstrated the importance of market potential in attracting investment. Investor surveys consistently find that this is the second most important factor to investors. The rapidly growing population in developing markets, with growing income have enabled these markets to become magnets for FDI in their own right (Hornberger, Battat and Kusek, 2011). FDI to developing markets has grown so appreciably that by 2016 they received two thirds more FDI than they initiated (UNCTAD 2017a).

The availability and size of opportunities are, however, only a piece of the puzzle. A third factor- from the perspective of investors and reinforced by several quantitative studies-is that investment climate matters (Mukim and Nunnenkamp 2010; Harding and Javorcik, 2007; Morisset and Andrews-Johnson, 2004; Kormendi and Meguire, 1985; Hall and Jones, 1999; Rodrik and Subramanian, 2003; Dollar et al., 2006; Cevis and Camurdan, 2007; Adams, 2011; Kinda, 2010)

2.7 What is the role of investment climate in attracting FDI?

Investment climate is all of the conditions in a country that will influence whether a business will invest in a market. This includes the political, legal, cultural and financial context; the institutions that exist in the market; property and legal regimes (World Development Report, 2005) etc. Investment climate includes a diverse range of factors. Some factors are a given and cannot be influenced. Geographic location is one such example. Many factors affecting investment climate can however be affected by public policy. The legal and financial framework; whether contracts and property rights are enforced, and even levels of crime and corruption are some examples. These are in reality broad ranging issues and a quite unique set of factors comes together to shape the actual investment climate of each potential investment destination (WDR, 2006).

Numerous studies exist to measure the quality of the investment climate in countries, the best known of which are the Corruption Perceptions Index from Transparency International and the Ease of Doing Business Survey from The World Bank. These surveys don't however capture the breadth of concerns involved in a perceived investment climate, nor its dynamic nature. Improvements in one area can have a significant impact on another. For instance, improvements in securing land rights often stimulate access to credit, or the converse for weakening land rights (WDR, 2006).

While the investment climate can be affected by public policy, gaps often exist between policy and reality. Having a policy of no corruption, or even a tax regime that provides for import exemptions is not the same as actually having one. In many developing countries this gap between public policy and public action is harmful to their investment promotion efforts. Some studies suggest that this gap between policy and policy action is of the utmost importance. Having a predictable system enables businesses to accommodate the costs and pressures within their assessment and develop mechanisms to manage these issues (Pritchet, 2005). This goes some way to explaining how some countries experience dynamic economic growth despite high levels of corruption. The fastest growing African countries in 2016 for example, Ethiopia (7,6%) and Cote d'Ivoire (8,3%) and the fastest in Asia, India (7,1%) (The World Bank; 2018), scored relatively poorly on the Perceived Corruption Index in that same period (Transparency International; 2017) .

2.8 Why investment promotion agencies, and do they really help?

The race for FDI has been increasing with many countries competing hotly for a share of this pie. IPA's have become the new norm (Wells and Wint, 2000). Yet, getting the most out of the investment in IPA's would be helped by better understanding their role in the FDI decision making process.

To answer this one needs to look at the investment journey from the perspective of investors. From the first stage of the investment journey firms are called upon to make decisions with imperfect information (He, 2002; Kinoshito and Mody; 2001). They have little to no first-hand knowledge to rely on in order to answer those questions. In most cases they are unfamiliar with what opportunities are available, what costs are in the potential host markets, what policies exist to facilitate business, how the reality matches or is different to the published policies and procedures etc. (Kinoshito and Mody, 1997; Gordon and Bovenberg, 1996). This is a classic market failure and is particularly exacerbated in smaller, less developed and lesser known markets (Kinoshito and Mody, 2001; Harding and Javorcik; 2007).

Investment promotion agencies provide much needed support to close some of these information gaps (UNCTAD, 2008; Loewendahl, 2001; Wells and Wint; 2000). A key study by Harding and Javorcik (2007) demonstrated that investment promotion is most effective in situations of information asymmetries and "severe red tape". This key information-vending role is critical from the outset of the investment journey through to realizing the investment in market.

Consequently, investment promotion typically focuses on four activities (i) national image building, (ii) lead generation, (iii) investor servicing, and (iv) policy advocacy (Wells and Wint, 2000). To build the image of the country as suitable investment destination IPAs typically advertise, arrange roadshows to investor destinations, attend or host investor or sector fairs etc. Increasingly this includes digital advertising (ECORYS, 2013). To identify potential investors, they keep tabs on the developments in sectors and firms and work to identify potential investors with whom they can begin proactive conversations about investing (ECORYS, 2013; MIGA, 2006). Their goal of course is to get them to commit to a project. For investor servicing they provide support to enable investors to fill in the details around the investment and then to build a case for investing. This often includes support with location visits, help to source the data needed in the cost-benefit models, building relationships with experts who can provide advice e.g. tax and legal firms, joint visits to potential business sites, support to get approval of permits and even help with investor and supplier matching. Finally, investment promotions agencies work to lobby governments to affect policy that creates a better environment for investors (Harding and Javorcik, 2011)

2.9 What internal factors make IPA's excel at attracting FDI?

A few strategic and management factors appear to make a great deal of difference to the success of IPA's. Firstly, the strategic focus of the IPA matters. Numerous studies have shown that IPA's focusing on attracting investment to specific sectors, as opposed to more generic opportunities, are more successful (Harding and Javorcik, 2007; ECORYS 2013). The impact of sector targeting is substantial. Targeted sectors have been shown to attract more than twice the FDI than those sectors that are not targeted (Harding and Javorcik, 2007). Sector targeting has become the gold standard for investment promotion practices around the world and many agencies have narrowed their focus significantly (Loewendahl, 2001; Proksch, 2004, ECORYS, 2013).

This sector targeting is being further refined by IPAs who increasingly are being tasked with promoting smaller geographic areas (ECORYS, 2013). Where in the past national promotion agencies were the norm, today we see regions and cities competing for investment alongside national agencies. Turkey, for example, founded more than 100 subnational agencies in 2008 alone.

Secondly, the structure and reporting lines of IPA's plays an important role in the success of IPA's (Harding and Javorcik, 2007 and Wells and Wint, 2000). IPA's typically straddle the line between government and the private sector. On one hand they are asked to be in tune with and service the private sector. On the other, they are asked to ease out the kinks in government policy, administration and services related to investors (Loewendahl, 2001). Their business-servicing role asks that they have good business understanding and acumen. At the same time being good at this requires them to work with, if not within, the machine of government (Wells and Wint, 2000).

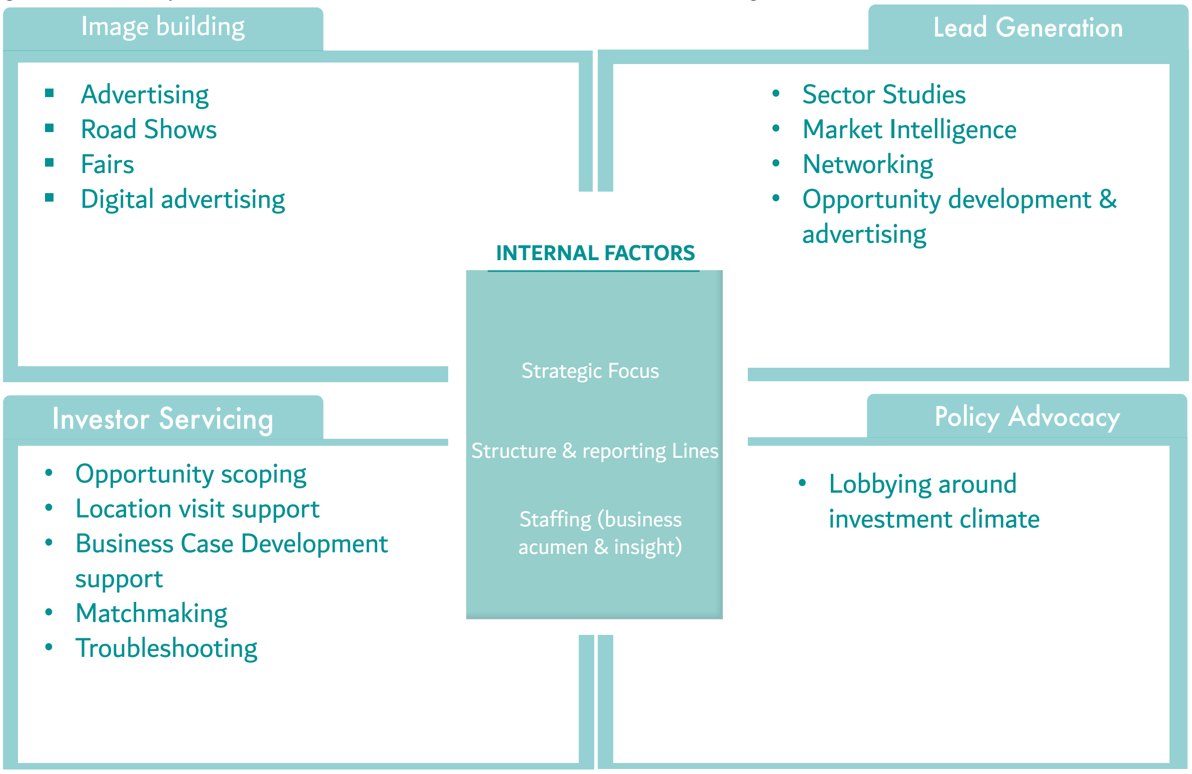
Getting this balance right is critical and it can greatly affect the success rate of the IPA. In many respects the questions around the balance between the government and business seem to have been answered where it comes to structure and reporting lines. Quasi-governmental organizations seem to perform better than those agencies that are sub-units of a government department (Wells and Wint, 2000; Morisset and Andrews-Johnson, 2004). Furthermore, IPA's that are accountable to an external entity or report to a board with private sector representation seem to perform better at investment promotion (Harding and Javorcik; 2007). Where IPAs are required to report to a government department, it is far better for this to be an economic entity like the ministry of finance as opposed to a political entity like the ministry of foreign affairs (Harding and Javorcik, 2007).

Finally, whether the IPA is staffed by persons with government or business experience can be significant. The latter certainly delivers better outcomes for investment promotion (ECORYS, 2013). No doubt these factors affect the ability of IPAs to understand and service investors. Overwhelmingly, those IPAs that are services-driven consultancy type organizations that focus on solving investor challenges perform better (ECORYS, 2013). In contrast, those IPAs tasked with more regulatory activities like defining investment incentives or concessions are less successful at attracting FDI (Whyte, Ortega and Griffin, 2011).

2.10 Key Outtakes for IPAs globally

In conclusion then, various studies have shown that IPA's can make a positive difference to investors as they navigate the location decision funnel. These are primarily targeted at closing information gaps; troubleshooting -especially where red tape is burdensome - and generally helping or lobbying to improve the investment climate. To do so IPAs are typically engaged in image building, lead generation, investor servicing and policy advocacy. This is illustrated below.

Figure 5 Summary of Global Best Practice for Investment Promotions agencies



Firstly, they use adverting, roadshows, trade and sector fairs to bring awareness to the opportunities in the market and build a positive national image in investor circles. This increasingly includes digital marketing.

Secondly, IPAs are asked to conduct proactive lead generation. This requires them to conduct sector and market studies so that they can develop projects around opportunities and can identify suitable investors to target.

A critical role they play is in investor servicing. This includes becoming a source of critical information around opportunities and the market so that investors can rapidly and confidently build business cases for investing. It also requires some hands on skills around location visit support; matchmaking with local businesses that could become partners or suppliers and troubleshooting. It would be more accurate to describe this as investment facilitation and requires agencies to go a step further than merely promotions and advertising (UNCTAD, 2017).

Case Study 1: Jampro's Shovel Ready Program

More that 4.3 million tourists visited Jamaica in 2018, generating approximately US$3.3 billion in earnings. However, despite Jamaica's enviable status as a tourism hotspot, investment in new rooms to accommodate tourists was lagging behind demand. To solve this challenge the Jamaican government developed the Shovel Ready Investment Program (SRIP). Under this project the government would fast track projects in a number of priority sectors like business outsourcing, agriculture and tourism (JIS, 2014).

The program was initiated in 2014, with the Jamaican Promotions Corporation (JamPro) taking the lead. Under the program a joint task force comprising of JamPro, the Tourism Enhancement Fund (TEF) and the National Environment and Planning Agency (NEPA) worked to fast-track investment in hotels, time share resorts, leisure facilities etc.

The program meant that JamPro expanded beyond the traditional services offered by IPAs. A key feature of the program was their involvement in leading the workstreams before taking the opportunity to market. Specifically, the team worked to identify and pre-clear sites for investment. This involved working with the NEPA and other government departments to identify private and public land available for development. Thereafter, they ascertained what usage would be allowed under various regulations and ensured that the agreements were in place to allow investors both clarity and some assurances that the development was near "shovel ready" (UNCTAD, 2017b). All in all, 16 sites were identified and cleared for development- especially in the North and South of the island. These projects vary in the degree of planning and development, but all are clearly categorized. For example, Wataland is a zoned water park development, with existing facilities, but in need of expansion. On the other end of the spectrum, Llandovery estates in the North has been zoned as a mixed tourism and residential development and has preliminary planning approval (JamPro, 2019). JamPro was then responsible for packaging and promoting these opportunities to investors through a series of trade events and investor roadshows.

Throughout this program JamPro continued to deliver the typical investor services one expects of an IPA e.g., support to access the incentives specific to the tourism sector and troubleshooting. In addition to these services SRIP included planning for fast-tracking. A cabinet decision meant that all planning authorities and agencies were authorized to review applications in 10 days thereby significantly shortening timelines – an issue that was consistently raised by investors prior to SRIP (UNCTAD, 2017).

The SRIP program has delivered real results. In 2016 the Karisma group invested in a 10-year project to build 10 hotels with a total of 4,000 hotel rooms over the project period. This investment was valued at US$900 million and took only a few months to get the needed government approvals. This contrasts starkly with the two to three years typical of projects outside of the program (UNCTAD, 2017b).

In addition, by 2017, eight additional projects were being negotiated (ExIm Bank, 2017). The SRIP continues to be an important pillar of the development strategy in Jamaica and has since been expanded to included projects beyond the tourism sector.

Another important activity for IPAs is policy advocacy, particularly as it applies to the investment climate and troubleshooting. Here IPAs must learn how to lobby various agencies of government in order to improve the investment climate, solve common investor issues and build better investment cases.

Case Study 2 Economic Development Board Mauritius- Smart Cities

In 2019 Mauritius celebrated 50 years of independence. In that period this island nation of has undergone a remarkable transformation from a low income largely agrarian population, reliant on sugar to a middle-income country that by GDP per capita is considered the wealthiest in Africa. The economy has diversified such that sugar accounted for 12% of export revenues in 2018 (EDB, 2019). Instead textiles, tourism and financial services have grown while most of the population have urbanised. Today Mauritius has ambitions of attracting investment to a far wider range of high value-added sectors ranging from education, the film industry, fintech, healthcare, renewable energy, real estate and hospitality sectors (EDB, 2019).

Befitting this transformation is a recent focus on developing smart cities in the Western reaches of the island. The Economic Development Board (EDB) begun to define this project in 2015 based on a strategic analysis that suggested that this was in keeping with global trends & would enable them to achieve their development ambitions. Key to their ambitions is transforming much of their previous agricultural land in to mixed use “social hubs” (UNCTAD, 2018).

To attract investment, the EDB developed a package that clearly outlined the ambitions of the plan, in broad lines sketched out the features of the development and the package of incentives that would apply to the project. The project ambitions were to develop a Smart City in Flic-en-Flac, Western Mauritius. Each developer was required to develop an idea that would encompass at least 21 hectares and was to realize the concept “live, work, play”. As a mixed development a maximum of 50% of the land was to be apportioned to housing. The balance of the development would include business facilities, with an obligatory innovation cluster, facilities for leisure, amenities and public spaces and an allowance for smart mobility systems. The development was also required to have its own independent waste management services, water and power supply. Finally, in keeping with the concept of smart cities, it should have an underlying information technology and communications backbone for sensing, analysis and integrating key information needed for intelligent urban management

The EDB proactively engaged with government stakeholders to develop the concept for the project. Thereafter they lobbied to develop the policies required to create the right enabling environment. This included the development of an incentives scheme. Each developer was able to access tax exemptions. These included an eight-year income tax exemption, a VAT waiver on capital goods, building materials used for the construction of infrastructure etc. In addition, buyers of housing units over a certain value could qualify for residence permits, while non-citizens who invested more than $5million in Mauritius qualified for citizenship (EDB, 2015).

The EDB played a major role in bringing the project to developers, working with the sector to identify additional market analysis projects required for a more robust project and better market success. They also provided investors services like, guiding them through the registration and application processes and providing troubleshooting services. This was greatly facilitated by an inter-agency Fast Track committee, created to remove bottlenecks. Thereafter EDB worked with the developer to market the opportunity to buyers through roadshows (UNCTAD, 2018).

Three years of promoting its smart city program has lead to 11 projects that extend over 300 acres. The development includes various education facilities, sports facilities, a hospital, parks, recycling stations, a solar farm, an arts center etc. In addition, it has created nodes of development for education, health, finance and higher value-added services. For example, the development has attracted several French educational facilities who have established centers in Mauritius- a critical milestone in their plan to develop the island as a global knowledge hub (UNCTAD, 2018).

Finally, a few internal factors have a sizeable impact on the success rate of IPAs. IPAs with a narrow sectoral or even geographic focus seem to perform better. In addition, when it comes to structure those that are more answerable to and informed by the business community seem to have greater success. This can be encouraged by representation of the private sector on the board of the agency; staffing the agency with people who have good business acumen and insight, or as a second best by the agency reporting to a financial entity like the Ministry of Finance rather than being politically oriented. This enables the agency to be a proactive, insightful, solution oriented team that puts the needs of investors fir

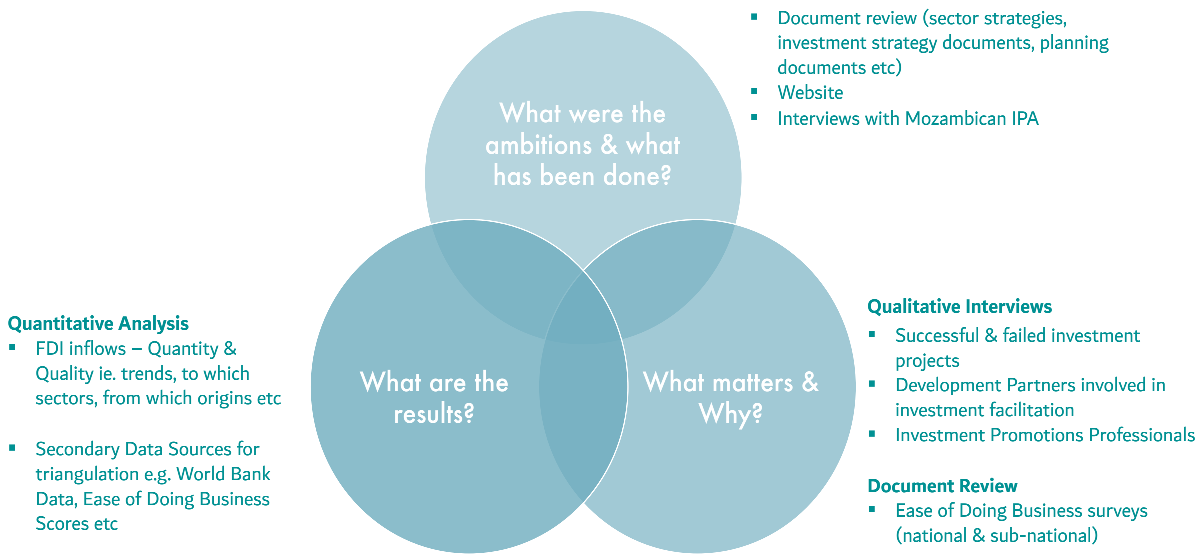
3 Methodology

Chapter 1 provided a rationale for focusing the research on Mozambique. It went on to outline the importance of assessing the performance of the investment promotions efforts in that country- both what they have done and the results they have achieved. Thereafter, it provided a justification for including the perspective of firms and other important actors in investment promotions. The goal was to better understand what activities have been effective in attracting FDI, where gaps exist that need to be closed and why this matters. Finally, it closed by sharing the ambition of being able to draw meaningful, more universally applicable lessons for developing countries.

The overarching question is both complex and layered, which requires some finesse in answering. For example, understanding the FDI inflows to Mozambique and changes to the investment climate could be better answered through analysis of existing data. In contrast, understanding the perspective of firms and actors in the investment facilitation process and why they have opted to invest or not would be better understood through qualitative interviews. The former provides insight into what has been happening. The latter why this is the case.

As a result, the overarching research question was answered using a mixed methods methodology i.e. both quantitative and qualitative data gathering, analysis and reporting (Bryman, 2006). In addition, a blend of desktop research and in-field interviews were used. These were handled sequentially beginning with the quantitative component and document review, before conducting a series of telephonic and face to face interviews.

Figure 6 Overview of Research Methodology



Despite some critique (Giddings and Grant, 2007; Smith and Heshusius, 1986) mixed methods have become a widely used methodology across a number of academic fields (Creswell et al., 2006; Bryman, 2006). This blended approach has several advantages. It allows for corroboration of findings between methods, further elaboration on and exploration of the meaning of observations and for new insights, that might have remained hidden when using only one method of research, to be revealed (Sandelowski, Voils and Knafl, 2009; Jick, 1979, Rossman and Wilson, 1994).The details of each method and how they were applied to answering the research question will be clarified below.

3.1 Step 1: Desktop research (document analysis)

It is important here to mention that a singular investment promotion strategy document for Mozambique has not been published. In addition, because public sector projects rely on private sector investment a wide variety of departments to some degree or another participate in securing private sector investment. Getting to grips with the investment promotion ambitions of Mozambique has as a result required a careful review of a wide range of strategic planning documents from national government, various departments, sectors and aid partners. Core to this analysis were 5 core strategic documents developed by the government of Mozambique between 2002 and 2016. These are Poverty Reduction Strategies (PARPA II, 2006) and its successor PARP (2010); The National Planning Strategy (ENDE, 2014); The Strategic Plan for Agriculture Development (PEDSA, 2008); The National Investment Strategy (PEPIP, 2013), as well as the Mozambique National Agriculture Investment Plan (PNISA, 2009) and The Growth Poles Strategy (2013).
Secondly, to assess the quality of the business and investment climate Doing Business reports from the World Bank (2009 and 2019) as well as the Sub-National Investment Climate report (2019) were reviewed. These are firm level quantitative studies across a number of sectors that provide data on the experience of local and foreign firms who were operational in Mozambique. In the case of the Sub-National report, the ease of doing business is compared across the various provinces in Mozambique.

Finally, document analysis was used to better understand the structure and strategy of the investment promotions machine in Mozambique as well as the tools that they currently employ to achieve their goals. This was later complemented with insights from qualitative interviews with APIEX and donor agency partners.

3.2 Step 2: Desktop research (quantitative analysis)

To understand the patterns of FDI to Mozambique and their success versus their stated ambitions requires a review of the quantitative data related to FDI inflows. Globally, FDI inflows are well documented by the World Bank, who make this data available on a central database. This has made understanding the quantity of FDI to Mozambique a relatively simple task.

Understanding the "quality" of the inflows i.e. the source, where this is invested versus stated ambitions is more imperfect. APIEX, the Investment Promotions Centre in Mozambique, are responsible for approving investments in Mozambique so that investors can qualify for various incentives and in the case of FDI allows guarantees that funds can be repatriated. Their database thus provides a good overview of the various "approved" investment projects. This includes data on the how much was planned to each sector and what the investors are based. This data has been sourced directly from the APIEX office in Maputo. The dataset reflects data from 2000 to 2018. However, the 2016 financial year was a landmark moment for Mozambique. The tuna scandal had so large an impact on the reputation and credit ratings of the country, necessitated such dramatic changes in the regulation of foreign exchange and in the risk perceptions of potential investors that it marked a new chapter in the investment promotions history of Mozambique. This was also a year when widescale changes were advertised for the investment promotions agencies. These changes muddy the waters on an already complex situation. As a result the bulk of the analysis focusses on the period prior to this watershed moment. In some instances a reflection is provided of events subsequent to 216, but this is the exception to the rule. This information is provided rather for context than for being a robust ingredient in the analysis.
It is important to be aware that this is secondary source of data is not a capturing of the actual foreign investment,. FDI is generally multi-year for a project. Projects can also be cancelled before the actual investment occurs. Nevertheless, the database does provide some insights

into trends around intended investment. This is the best available starting point for answering the question relating to quality of FDI inflows.

The fundamental question of this study is to pinpoint the exact way in which changes to the investment promotions environment affect investment decisions of foreign investors in these challenging developing country contexts. It was not to establish whether changes affect investors. This has been widely proven in a variety of quantitative studies . As such the quantitative component serves a far narrower purpose. It aims to answer whether FDI follows the patterns targeted by the strategies of the investment promotions agencies in Mozambique. This provides a starting point to understanding whether investors felt that action followed strategy and in which way, if any, this affected their investment decisions. Consequently, this analysis is used to steer the subsequent qualitative interviews with the investor community towards areas of more fruitful enquiry.

The use of secondary sources of data as a starting point in research is a well-established practice. It enables the researcher to undertake research more cost effectively, ensures a faster start-up and avoids the need for gaining access to primary sources for data (Stewart et. al.; 1993). In this specific case sourcing the data from APIEX provides access to information about the quality, source and intent of investors that is not available these many years later and is poses real challenges in being able to access.

A further benefit is that this data is being used by APIEX itself as it develops strategies and measures the success of its own investment promotion strategies. This provides a useful window through which to view investment in Mozambique.

3.3 Step 3: Qualitative study

In step three, 15 semi-structured interviews were conducted with 16 respondents who have experience in facilitating, or leading FDI decisions to Mozambique. Some we conducted with more than one participant. Semi-structured interviews are interviews that are conducted using a schedule of questions that outlines a few topics to be explored with participants (Holloway and Wheeler, 2010). The interviewer asks the questions informally, altering the phrasing of the questions to ensure that the correct meaning is conveyed to each respondent (Bariball and While, 1994). The interview is guided by the discussion schedule, but the interviewer is allowed the flexibility to explore topics to greater depth as they arise, whether they are included in the guide or not (Corbetta, 2003). New areas might also be explored (Gray, 2004).

The interviews were primarily conducted in Maputo as this is the centre for the investment promotions agency, aid partners and for the bulk of FDI to Mozambique. These interviews were conducted face-to-face. All interviews outside of Maputo and Mozambique were carried out telephonically. While traditionalists are sceptical of the ability of telephonic interviews to build rapport and deliver rich outputs (Groves, 1990), a growing body of research supports the effectiveness of telephonic interviews. They argue that telephone interviews allow for better access across wider geographic areas (Sturges and Hanrahan, 2004), are cheaper (Aday, 1996), result in the interviewer and interviewee listening more attentively (Sturges and Hanrahan, 2004) and do not compromise the quantity, nor the richness of the data collected (Kavanaugh and Ayres, 1998; Sturges and Hanrahan, 2004). Telephones have become central to human interpersonal communication and the everydayness of this tool enable the telephone interview to offer real benefits to qualitative researchers (Carr and Worth, 2001).

In practice telephonic interviews yielded better results with investors located outside of Mozambique. These were more open to the method and in general provided clearer more complete answers.

3.4 Sampling

A blend of key informant sampling and snowballing was used to recruit participants. Snowballing is when participants are asked to refer further respondents (Goodman, 1961; Handcock and Gile, 2011), while a version of key informant sampling will allow us to collect data from experts on the topic. In this case experts are professionals from impact investment funds and development organizations that are active in investment facilitation in Mozambique. Both of these sample selection methods offer advantages when it comes to recruiting "hidden populations" i.e. populations that are difficult to identify or access (Heckathorn, 1997), which will be discussed in the chapter on recruitment challenges. The participants groups interviewed are described in the table below.

Table 1 Categories of Respondents

Respondent Description	Number of Respondents
Key Informant Sample	
Investment promotions officials from APIEX who operate in Mozambique	1
Representatives of organizations that facilitate investment in developing countries including Mozambique e.g., embassies and consulting firms in projects related to investment or capacity building for investment promotions efforts	5
Local business associations	3
Snowballing Sample	
Foreign businesses that have invested in Mozambique	6
Foreign business that investigated the possibility of investing, but have ultimately decided not to do so	1

Within this sub-set of investors, companies that operate in the priority sectors as defined by the Mozambican government were especially included. These strategic priorities are mining and infrastructure; horticultural crops like tomatoes and potatoes; cereals, sugar, tourism, livestock and timber production (GoM, 2014).

3.5 The Recruitment Challenge

A number of challenges in recruiting participants for this study were anticipated and experienced. Countries with poor investment climates tend to be information-poor (UNCTAD, 2008; Loewendahl, 2001; Wells and Wint; 2000). As a result, identifying firms to interview in this study raised some challenges. Secondly, it was also correctly predicted that identifying and contacting the right respondent, with the right level of insight into the business decision-making, would be challenging. The sensitive nature of business information, fears of exposing the business to scrutiny by corrupt officials or fraudsters often induces potential respondents to "hide" (Faugier and Sargeant, 1997). This was indeed found to be the case in Mozambique.

According to Dunlap and Johnson (1998) the best means of accessing hidden populations is to make use of a "go between" (Dunlap and Johnson,1998, pg 1). For this purpose, consultants with great experience in facilitating development projects provided support with recruitment of the initial set of local participants. Thereafter, snowballing allowed that trusted networks be used to help with targeting and with credibility building with potential participants (Goodman,1961). Finally, as per Dunlap and Johnson's recommendation, great stress was placed on providing assurances to confidentiality and that the participant may remove themselves from the study at any point (Dunlap and Johnson, 1998).

Having relied on networks raised some natural disadvantages. The respondents by definition were not randomly selected, but rather connected in some way. This is a potential source of bias and in analysing the results it was essential to bear this in mind. However, the small business base in Mozambique and the substantial challenges around recruiting necessitated that the risk be taken.

3.6 Data Analysis

3.6.1 Quantitative Data Analysis

A blend of descriptive and comparative analysis was used to analyse the data. Descriptive analysis involves describing the main features of a single group or sample (Best and Kahn, 1998), while comparative analysis aims to identify relationships and causations between cases (Pickvance, 2001).

This available data was charted to understand the growth of registered FDI projects over time. Then key moments or events were mapped against this timeline. This enabled some sense of the relationship between pledged FDI projects and developments in investment promotion activities. Conversely, where there were significant developments in the investment promotions arena in Mozambique it was possible to see whether this had an impact on registered FDI projects.

This method of analysis comes without the degree of certainty suggested by a statistical analysis. However, in the case of Mozambique the dataset available has two major flaw. Firstly, the data measures intent, rather than actual investment. Secondly, the relatively few projects registered in Mozambique make definitive analysis of the sub-categories of investment unreliable. Mega-projects tend to have dominated during the period of the study. Consequently a statistical analysis would itself be unreliable.

3.6.2 Qualitative data analysis

The qualitative data was explored using traditional thematic analysis. This is a qualitative method used for 'identifying, analysing and reporting patterns (themes) within data' (Braun and Clarke, 2006, pg. 6). It allows one to both describe the data, to interpret the data and then to create meaning (Boyatzis in Braun and Clarke, 2006). Emerging themes from within the data were isolated, rather than imposing a theoretical- or "data- framework" on the collected data. This "inductive" analysis (Frith and Gleeson, 2004) allows for flexibility and enables insights that are "rich and detailed, yet [provide a] complex account of data" (Clarke and Braun, 2006, 5). The theming was conducted manually and began during the interviewing phase. In addition, the findings were compared to the best practice identified and summarised in Figure 5 in Chapter 3.

4 Findings

Part one of this chapter will aim to provide insights firstly into how Mozambique has carried out investment promotion and how this compares to global best practice.

Part two of the chapter will address how the country has performed at attracting FDI when compared to its ambitions. This is a complex question and requires that four distinct areas be explored. Firstly, how has the economy developed and how this has affected the type of FDI targeted by investment promotion efforts. Secondly, what investment promotions ambitions have been expressed in various strategic documents ranging from the early 2000s to the present day. Thirdly, what patterns of FDI have been seen? Fourthly, how do these compare to the ambitions summarised previously?

Part 3 will aim to provide insights into why the investment promotion efforts have succeeded or failed. This is heavily influenced by the qualitative interviews with the investment community. Finally, in Part 4, key lessons for the Mozambican IPA will be shared along with a reflection on what this could mean for other IPAs in developing countries.

4.1 How do investment promotions in Mozambique compare to global best practice?

4.1.1 How does Mozambique tackle Investment Promotion?

This section will explore the structure, services and tools used by the investment promotion agency in Mozambique, APIEX. These will be held up against the investment promotion literature to identify where improvements might be made. Finally, it will briefly explore the perceptions of investors who have engaged with APIEX in some way or the other. By approaching the question from these two angles it is hoped that we can pinpoint gaps in APIEX works to attract FDI- at least in theory. The qualitative section will allow us to understand whether this matters in this specific case and then why this might be so.

It has already been highlighted that private sector investment plays a crucial role in state projects. As a result, many departments and divisions are in some way or another required to court local and international foreign investors in order to be able to fund public service initiatives (OECD, 2013). Nevertheless, the Mozambican investment promotions agency has a long history in Mozambique. By the mid 1980s a central investment promotion, CPI, was created specifically to manage and facilitate investment from abroad. Over time more agencies were created in order to respond to additional needs. IPEX was created in 2008 in order to stimulate exports, while in 2009 GAZEDA was created in order to develop, manage and promote special economic zones and industrial free trade zones (UNCTAD; 2015). Since then the structure of investment promotion has undergone many changes culminating in the current IPA, APIEX. This agency is an amalgamation of CPI, IPEX and GAZEDA. This integration of these agencies has been slow and is in fact quite incomplete. As a result the current role, operations and functioning of APIEX is fairly consistent with the historic operations.

APIEX

The investment promotions structure in Mozambique evolved from separate agencies specialised in their respective area. CPI historically lead general investment promotions, while GAZEDA focused on the special and free economic zones. IPEX in contrast was created to focus on investment in export-oriented investments. From the perspective of sectors CEPAGRI focused on attracting investment to the agriculture sector and INATUR to travel and tourism.

By 2015 there were many agencies working towards attracting investment to Mozambique. This created a fair deal of overlap between the organisations and coordination between the agencies was poor. In addition, IPEX was repeatedly highlighted as lacking in the capability to carry out their mandate (UNCTAD, 2015). As a response in August 2017, GAZEDA, CPI and IPEX were amalgamated into a single unit within the Ministry of Trade and Industry (Sambo, 2019) while in 2016 CEPAGRI was closed with its responsibilities taken over by the Ministry of Agriculture and APIEX.

Table 2 Responsibilities of Key Agencies that became APIEX

	GAZEDA	IPEX	CPI
Works with SME's		♠	
Export Promotion	♠	♠	
Business Consultancy	♠		
Capacity Building Programs	♠	♠	
Business Information	♠	♠	♠
Final Advice and Partnering	♠		♠
Promotion/Advertising	♠		♠

Source: UNCTAD, 2015

The ambition was to create a more coordinated unit, with stronger capacity for implementation. This new unit has been tasked with providing facilitation, development, promotion and advisory services to local and foreign investors. In addition, their mandate includes exports and responsibility for the SEZs/IFZs (APIEX 1a, 2019). More specifically they promote and advertise opportunities and are responsible for some work in developing a positive image for Mozambique as an investment destination, are required to provide business information and business consultancy for general and for export oriented industries. This includes a requirement to work with SME's as they include them in value chains.

APIEX has been structured in to 3 teams along the same lines as the previous structure i.e. a team for promotion and facilitation of investment; another for SEZ's and IFZs and a division responsible for investment and export promotion. In addition, a fourth team- the policy and research unit- has been created to provide well thought through, proactive guidance on fiscal benefits, strategic planning, investment opportunities etc.

APIEX continues to provide a presence around the country, especially as they attempt to roll out "one stop shops' around the country. Their mandate is to reduce complexity, speed up processes for investors as well as to ensure that investors have greater access. APIEX is also responsible for troubleshooting for investors. In addition, in the Zambezi Valley region the ZVDA continues to focus on attracting investment to and developing the value chains in that region.

From the perspective of a global presence, the international investment promotions offices have been closed. Instead local embassies are tasked with carrying out the investment promotions function as a part of their everyday duties.

4.1.2 How does APIEX (and its predecessors) measure up to best practice?

On paper the investment promotions teams in Mozambique are intended to be a helpful business resource. Yet, in reality the Mozambican IPA falls short on 3 out of the 4 areas identified in best practice as being common characteristics of successful IPA's. These were shown in figure 6 . Specifically shortcomings were identified in the area of promotions activities, structure and key principles. This will be elaborated on below.

4.1.2.1 Activities

The investment promotions agencies in Mozambique has been mandated to deliver a number of services along the investors location decision making funnel. These begin at the start of the funnel, lead generation, and continue on until the post investment expansion services. These reflect the responsibilities typical of successful IPAs around the world i.e. image building, investor servicing, lead generation and policy advocacy.

Yet, in Mozambique the additional administrative and quasi- regulatory function exacts a high toll. Authorizations of new projects and negotiations around exemptions for large projects is a time consuming task, that can at times pit the IPA against the investor. In addition, IPA officials find themselves heavily involved in troubleshooting, which involves coordinating with various government ministries to follow up on stalled projects etc. This comes at the expense of being able to carry out responsibilities that require greater proactivity e.g. lead generation. To make matters worse, the IPAs have been given an important role in coordinating investment promotions across the ministries. This goes far beyond lobbying and has a great impact on the character of the IPA. Instead of being outwardly focussed, specifically on investors and on sectors, they are having to spend scarce resources on politics, regulations and problem solving- which by its nature is reactive rather than proactive. As a result they woefully underperform on their other responsibilities.

4.1.2.2 Investor Servicing

The team are able to provide the administrative support that investors need around licencing and compliance with legislation. They are also an important source for information related to tax and not tax incentives and are active in helping with troubleshooting especially as it relates to the significant red tape that investors face. In that respect they are an importance resource for investors. But the team are unable to do much more to close the significant information gaps that investors face in Mozambique. These include investors having little insight in to the working of the market. Market developments, structure of value chains etc. Most investors mentioned that they were required to "do research [themselves]" (participant 10). What little information that has recently been made available on the agency's new website is fuzzy when it comes to specifics on the market and the investment opportunities. Admittedly, the agency is working to address this shortfall by creating an in-house research and strategy team. But, this is in an embryonic stage and recruitment is from within the current organisation. It is doubtful that the agency has the staffing and capability to be able to deliver the insight and market intelligence needed by investors. It requires a certain business savviness that hasn't yet been seen at the IPA.

Finally, the agency's post-investment support is weak. They attempt to stay in touch with the investors. However, by having provided little valuable insight at the licencing stage they in a manner of speaking disqualify themselves from being able to have a meaningful relationship with investors. Instead those investors who remain in touch tend to do so for assistance in resolving issues around compliance rather than the proactive support to they need to confidently expand their investment.

4.1.2.3 Image building and lead generation

Mozambique is in great need of image building. The IPA participates in investor missions, trade fairs etc. in order to achieve this goal. Some recent examples are a roadshow to Macau and involvement in trade shows in China and South Africa (APIEX website). Yet, in reality the team is hamstrung by low budgets, political interference and a low skills base, which makes it nearly impossible for them to carry out effective image building.

The IPA has relatively small budgets and is required to "self-fund almost 70% of its activities" (participant 1). In many cases they rely on funding from development partners for important initiatives in their strategy. Without funding, critical projects cannot be carried out or completed, something that prevents the IPA from being proactive and effective. For example a donor-funded supplier database developed in 2018 cannot be kept up to date due to a lack of additional funding. It also means that the teams create little proactive marketing material, organise relatively few trade fairs and missions etc. Also, since the closing of CPI offices abroad they rely on their embassies to market Mozambique abroad. It is unclear whether this happens or is effective in attracting investment.

The team faces further barriers to being able to act strategically and with consistency. To a certain extent they should be working with and providing services to government departments looking to woo investors. Yet, these events tend to be ad hoc, or not in a shared plan. With limited budgets this seriously effects their ability to implement well thought through strategies. This is exacerbated by political interference, especially in trade missions. This is a powerful tool for IPAs around the world. Yet, investors and aid partners highlighted that these foreign trips are often hijacked by the politically connected rather than by genuine businesses with real potential to attract FDI. As a result, the IPA's efforts are often fruitless. In some cases, these missions degrade the image of Mozambique as a viable investment destination.

More fundamentally, the team lacks critical skills needed for successful promotions. The marketing skills in the teams are weak as are basic professional skills like digital competence. Digital communication is increasingly an important promotions, especially from afar, so this is debilitating. They also lack the protocols needed to efficiently and cost effectively carry out investor summits, participate in trade fairs etc. Furthermore, they lack the deep sector insights, business skills and networks needed to carry out proactive lead generation outside of Mozambique. These are all critical skills needed by IPA officials.

4.1.2.4 Structure and Reporting

Knowing how focused the IPA has been on lobbying, trouble shooting and coordination, it is sensible that over the years the various agencies have been a part of the Ministry of Planning or the Ministry of Finance and in the case of CEPAGRI, the Ministry of Agriculture. Consequently, despite the best of intentions, they operate as and are seen to be more an extension of government, rather than an organisation responsible for servicing the needs of investors. From the perspective of best practice this is a sub-optimal arrangement and outcome. And it tells. During qualitative interview investors were aware of the "quasi legislative" role that the agency carries out. The more proactive market intelligence role, linking to opportunities and involvement in sector development was not mentioned as a service offered by APIEX or its predecessors. There was also great scepticism that they are able to carry out that role at all.
In addition, the integration of GAZEDA, IPEX and CPI is incomplete. They will need better coordination in order to deliver on their promise of a "one stop shop" that at present is seen as little more than "a glorified post office". Furthermore, strategy in the IPA has existed, but hasn't included sector, or clear investor targeting. The newly formed strategy team is intended to at least create alignment and a shared strategy for APIEX. But, this is a new

development and a new skill for the agency. It is still be seen whether they have the capability to develop the strategy and create alignment across the three subdivisions.

4.1.2.5 Strategic Focus

The IPAs in Mozambique have a wide focus and are not the proactive business resource typical of successful IPA's. The IPA's in Mozambique have always had a sprawling sectoral focus. GAZEDA, IPEX and CPI were historically well aligned to government strategy- at least on paper. But government strategies in Mozambique are incredibly broad and notoriously unspecific. For example, the key documents reviewed in this study lacked performance indicators for investment promotion at all and provided little guidance to what should be done to achieve the strategic ambitions. As a consequence, investment promotions teams in Mozambique have tended to have a broad focus. They are asked to provide support for many sectors and value chains and to carry out administrative functions over and above that required by other IPAs. International best practice tells us that such a sprawling focus hampers effective investment promotion and their ability to provide effective, proactive support to sectors and hence to investors. After all, it is incredibly difficult to provide specifics to investors and real insight when you're required to master the facts about many sectors and value chains. Common sense tells us that this is especially true for cash strapped investment promotions teams new to strategic partnering with investors.

The burden of internal lobbying, troubleshooting and their quasi regulatory role leaves little resources for proactive solutions development needed for investor support. Without it, it is difficult to see how the IPA staff can develop strong value propositions to promote to the international investor community. It is no surprise then that the Mozambican IPA is known for promoting opportunities that are "fuzzy" and "poorly scoped out" and so lack the specificity needed to be truly intriguing to investors. Consequently, it is difficult for those promoting FDI to Mozambique to succeed.

4.2 Conclusion

The investment promotions agency has an important role to play in the investment promotions area. While policy provides for a modern approach, in keeping with global norms, the reality differs. They engage in some image building and lead generation activities to varying degrees of success. But the quasi-regulatory function they fill as an extension of government means that they lack the focus, institutional character and autonomy required of IPAs considered to be "best in class". They are then hampered by small budgets, political interference and a lack of critical capabilities such as market intelligence and business skills to be able to fulfil their key information gap closing role and be successful at guiding investors through the location decision funnel

Table 3 Comparative Summary of APIEX versus Global Accepted Norms

Activity	Assessment	
	Positive Characteristics	Negative Characteristics
Image Building		
Advertising, Road Shows, Fairs, Digital Adverting	Engage in roadshows, fairs, trade shows. Poor digital presence (website)	Yes, but the quality of these activities is reduced by political interference, inadequate budgets & poor skills.
Lead Generation		
Sector Studies, Market Intelligence, Networking, Opportunity/Project development and advertising	A new team, a few indications that there is work being done in scoping out opportunities	Proactive sector development and project scoping is not apparent.
Investor Servicing		
Opportunity/Project Scoping, location visit support, Business Case Development Support, Matchmaking, Troubleshooting	The key focus of the team, significant effort invested in business and project registrations, incentive access and troubleshooting.	Proactive opportunity development is not apparent. Matchmaking with local suppliers is weak Recent One Stop Shops system is underperforming.
Policy Advocacy		
Lobbying around investment climate	A major responsibility for the IPAs.	Detracts from their ability to conduct lead generation and investor servicing.
Internal Issues	Integration of the agencies is planned, alignment to government policy.	Incomplete integration of the new structure , capability development required to deliver new services, strongly integrated in and aligned to government, rather than the private sector.

4.3 How has Mozambique performed compared to expressed ambitions?

In this section special emphasis will be placed on the investment promotions ambitions over the years. This is intricately linked with the development of the economy in Chapter 1. Thereafter, the ambitions for FDI will be covered. These will be drawn from a wide range of strategic documents to reflect the wide number of ministries and departments involved in some degree of investment promotion. Finally, critical insights will be shared on the quantity and quality of FDI to Mozambique, with the hope of uncovering how Mozambique has performed in achieving its FDI ambitions.

4.3.1 FDI Ambitions

The small size of the Mozambican economy has meant that the state has had to look to supplementary funding sources. Development aid has played a crucial role, in some years accounting for 50% of the state budget and11% of GDP (World Bank 2018; UNCTAD 2012). Attracting private sector investment has consequently been seen as an important part of the government's agenda since the early 2000s (OECD, 2013). Several strategic documents have shared a common ambition to attract FDI. Yet there is no single central collation of these ambitions. So, getting to grips with the overall ambitions for FDI requires a review of a wide number of strategic documents starting in the early 2000s. These are summarized below.

4.3.1.1 Poverty Reduction Action Plan [PARP 2011-2014/PARPA II (2006-2010)]:

PARPA II (GoM, 2006) was a medium-term strategic planning framework created in 2005 with the chief ambition of poverty reduction. This strategy became a key part of the national strategic planning process and so was deeply reflective of the general ambitions of the state. Poverty reduction is of course a topic far wider than FDI or even economic development. Nevertheless, PARPA II and its next incarnation PARP (GoM, 2011), clearly stressed the importance of attracting FDI. These thrusts have remained a core part of the investment strategy for Mozambique ever since.

Firstly, PARPA II recognised that the extractives and energy sector was a frontrunner in being able to attract FDI to Mozambique. As a result, expanding investment in these types of projects was a natural focus for the state and its investment promotion efforts since the late 90s. But, by the early 2000s it had become clear that mega projects and the extractives sector were not generating the expected backward linkages in the economy, had not been integrating local SMME's sufficiently in to their supply chains and were poor at contributing to employment opportunities. While mega-projects accounted for 72% of total capital investment over 1992-2010, they only generated 5% of total expected employment (Coughlin, 2017). Diversification of investment became an important pillar for PARP (GoM, 2011). Stimulating linkages between the large foreign owned mining businesses and local SMME's and increasing employment was especially important (PARP, 2011).

To achieve these ambitions, but especially those of linkages, greater focus was placed on creating Special Economic Zones (SEZs) and Industrial Free Zones (IFZs) in the extractive industries. Initially aluminium was the chief focus, but this has increasingly been expanding to include the extraction of coal, gas, and some oil. (OECD, 2013) The Mozal Aluminium Smelter, lead the way in this respect and more recently this has extended to the Nacala area.

Agricultural productivity attracted specific focus in PARPA II. However, the ambition was to develop a market for agricultural goods and attract investment to grow an agri-processing sector. This was especially for its ability to increase productivity, employment and improve food security (OECD, 2013).

4.3.1.2 Priorities for the Development of the Agriculture Sector -PEDSA (2010-2019) and the National Agriculture Investment -PNISA (2010-2019)

The agriculture sector's development plan, PEDSA (GoM, 2008), was developed in 2009. It drew heavily from the Green Revolution Strategy document and from PARPAII/PARP. This strategy stressed the importance of evolving the agricultural system from a fundamentally agrarian, subsistence economy to a modern, productive sector that is able to supply local and international markets. PEDSA and later the National Agriculture Investment Strategy, PNISA (GoM, 2010) , acknowledged that the private sector is a crucial engine for this evolution and so included making the sector more investable to investors as one of the 5 pillars of the strategy. This pillar was specifically focused on improving the legal framework so that land rights within the DUAT system could be more secure and creating better information systems for agriculture.

In addition, the strategy stressed the importance of securing investment to expand agri-processing; to fund infrastructure improvements that are vital to being able to access markets and agricultural inputs and addressing the significant challenges faced in securing land rights in Mozambique (GoM, 2008; GoM, 2010).

PEDSA also emphasized a shift towards a value chain approach. As such it was able to provide greater clarity on the specific value chains where investment was needed (PEDSA, 2010). These 15 basic food and strategic crop value chains include 8 priority horticultural crops along with 9 additional value chains - for export (APIEX, Mozambique). *(See figure 9)*

PNISA, which was created to operationalize PEDSA, went a step further. It highlighted specific value chains where public-private partnerships were targeted viz rice, cassava, cashew nut, poultry and cotton (GoM, 2010).

Table 4 Agricultural Value Chains Targeted for investment

	General Value Chains	Priority Crops
Basic Food Crop Value Chains	Vegetables	Maize, *rice*, potatoes, beans, *cassava, poultry*, meat, sweet potatoes
Strategic Crop Value Chains	Banana, sugar, sesame, soy, cotton, cashew-nut, macadamia, paprika	
Yellow italicised text indicates – PPP Preferred		

Source: GoM, 2010 and GoM, 2010

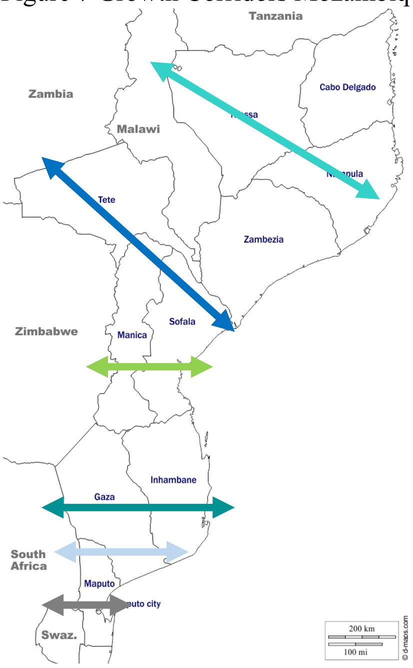
4.3.1.3 Growth Poles Strategy (2013-onwards)

The Growth Poles Strategy was funded by the World Bank as a part of regional plan to create growth corridors that link critical cities, ports and infrastructure points (growth poles) across the region. In Mozambique this strategy has provided a key vehicle by which investment in provinces, cities and specific areas beyond the economic heartland Maputo, could be encouraged. This desire for spatial diversification has become an important pillar of subsequent strategies and investment promotions activities.

This strategy, which received funding from the World Bank in 2007, provided a great deal of focus on the geographical zones that are to be the subject of intense investment promotion.

The Nacala; Maputo, Beira and Limpopo corridors as well newer corridors- Limpopo, Libombo's and Sene-Zambeze-were all identified as specific areas where investment is desirable. However, the Nampula, Tete and Maputo corridors are the lead corridors under development. Looking through the lens of development corridors and growth poles has provided a far more granular approach to how to stimulate investment outside of the traditional investment heartland, Maputo (World Bank, 2013).

Figure 7 Growth Corridors Mozambique



Key

Colour Code	Name	Regional Link
	Nacala	Malawi
	Sene Zambezi	Zambia
	Beira	Zimbabwe
	Maputo	South Africa/Eswatini
	Libombo	South Africa/Eswatini
	Limpopo	South Africa/Eswatini

Regional Map Illustration from www. d-maps.com; Growth Pole location (Sambo, 2019)

Tete, which falls within the Sene Zambeze Corridor, has been a site for intense investment linked to the mining of coking coal and energy production from the Cahora Bassa dam. It is hoped that the growth poles interventions, would allow for these mining investments to expand, for backward linkages with local SMME's to form and for sectors outside of mining to develop. Services, agriculture, energy and infrastructure were specifically targeted (World Bank, 2010).

Nampula in the North- East's Nacala Corridor has attracted significant support from donor partners especially to develop the port. It is hoped that this will become a logistics hub for the region once rail connections to Malawi are improved. In addition, the strategy has highlighted opportunities for agribusiness, mining and tourism (World Bank, 2010).

While specific interventions were identified for each of these pilot growth corridors, overall stress was placed on the general requirements that are shared across the corridors. There has been a clearly stated intention to improve the business environment, develop much needed infrastructure, build capacity of institutions dealing with the private sector and create linkages with local SMME's (World Bank; 2010).

4.3.1.4 Private Investment Promotion Strategy (PEPIP) 2014-2016

PEPIP was developed in 2013 with the ambition of creating a coherent strategy to target and attract greater private sector investment. PEPIP has 5 strategic pillars.

Table 5 PEPIP Strategic Pillars

	PRIORITY
Pillar 1	Improve the Business Environment
Pillar 2	Capacity and Institutional Development
Pillar 3	Improve and Diversify the Investment Opportunities Portfolio
Pillar 4	Define Target Markets for Investment
Pillar 5	Promotion and Development of the National Business Community

Source: Government of Mozambique, PEPIP Strategy Document, 2013

Fourteen (14) different government departments have been brought together to deliver PEPIP. These include associations and departments responsible for skills development, taxes and quality control as well as specific sectors that have a special focus for the PEPIP strategy. These are agriculture, tourism and hydrocarbons and petroleum. In addition, SMMEs are specially represented on this team, which is lead by the director general of CPI (now APIEX) (GoM, 2013).

Under PEPIP greater emphasis has been placed on improving the ability of these key government departments and associations to identify investment opportunities and then link local and foreign businesses to these opportunities and to each other. The strategy aims to create a more focused and aligned investment promotions machine in Mozambique that is more responsive to the needs of the businesses they serve. It also acknowledges that to achieve this goal substantial alignment is required across government departments as well as improved capacity and linkages with the business sector (GoM, 2013).

4.3.1.5 National Development Strategy (ENDE) 2015-2035

The National Development strategy was developed in 2014 and is the leading strategy document for government. It guides the action of the various departments and agencies of state and so necessarily provides guidance on the type of investment that is especially sought after. The planning document again reinforces the thrusts captured since PARPA II in the early 2000s (GoM, 2001) Firstly, it highlights the importance of private sector investment if the state hopes to achieve its development ambitions. Secondly, it reinforces the importance of diversification outside of image projects and the extractives sector as well as the need to improve its performance at creating linkages between foreign investors and local businesses. To achieve these goals ENDE highlights the importance of capacity building for the agencies, departments and associations set up to deal with the public sector. In addition, it hopes to ensure that there is improved coordination between departments.

4.3.2 Summary of FDI Ambitions

Clear ambitions were identified for investment promotion. Firstly an increase in the quantity of FDI was required. Thereafter, more varied projects were sought out that would enable diversification away from mega projects and more investment beyond the extractives sector. In addition, better integration of local SMME's was targeted through more backward linkages in value chains related to the extractives sector. A fourth thrust was for greater spatial diversification with special emphasis on encouraging investment to the hinterland i.e. outside of the Maputo region; along growth poles and in SEZ's and IFZ's. From the perspective of agriculture more investment in agriculture was sought, but especially behind the focus cops and value chains outlined in PEDSA and PNISA. In order to achieve these goals a general improvement in the business climate was targeted with a special focus on building the capacity of staff in government and interdepartmental cooperation.

Table 6 Overview of Investment Ambitions

Ambition/Strategic Thrust	PARPA/PARPA II	PEDSA	ENDE	Growth Poles Strategy	PEPIP/PNISA
1. Increase in the Quantity of FDI	⌖	⌖	⌖	⌖	⌖
2. Mega project and sector diversification	⌖	⌖	⌖	⌖	⌖
3. Backward Linkages and Local SMME inclusion (employment)		⌖	⌖	⌖	⌖
4. Spatial diversification (incl. Growth poles and IFZ's SEZ's)	⌖			⌖	⌖
5. Agricultural value chains to be targeted		⌖			⌖
6. Improved business climate, capacity building and interdepartmental cooperation			⌖	⌖	⌖

4.4 How has Mozambique Performed at attracting FDI?

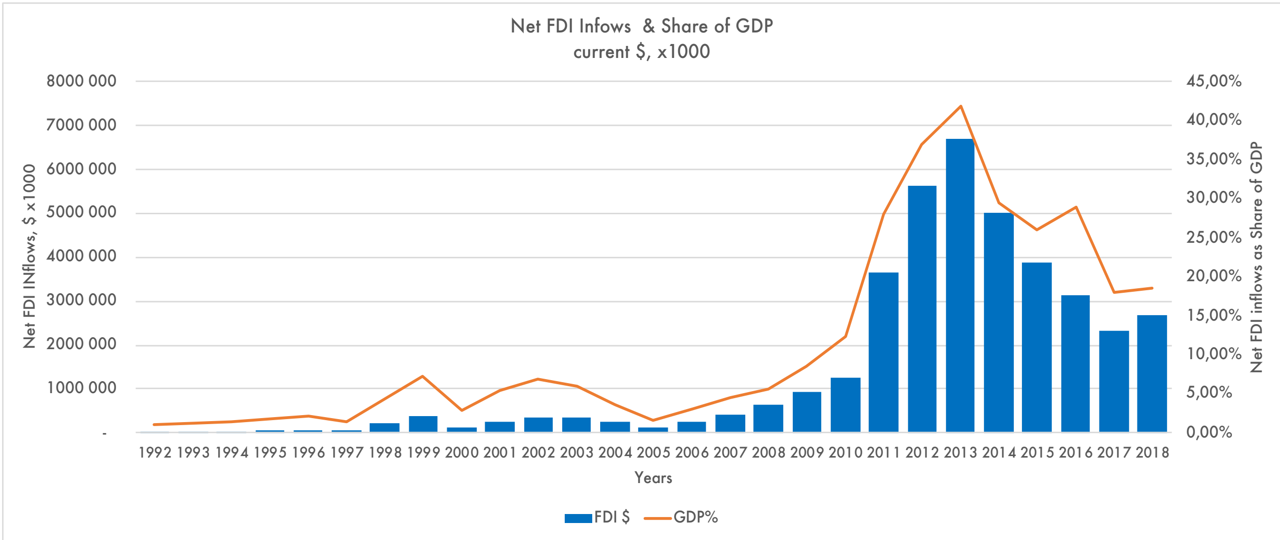
In the previous sub-chapters we explored the developments in the Mozambican economy and the resulting 6 ambitions/strategic thrusts for investment promotion. In the following section we will look to understand whether the patterns of inward bound FDI to Mozambique have indeed matched the 6 ambitions/strategic thrusts outlined above.

4.4.1 Ambition 1- Increase in the Quantity of FDI

Since 1992 Mozambique has been able to make a large leap forward when it comes to attracting FDI. FDI to Mozambique was understandably low after the civil war. This gradually increased as the economy opened up, as safety and security were restored, and the structural reforms initiated the late 1980's took effect. However, it wasn't until the $500m Mozal investment, in an aluminium smelter, that the flywheel truly started moving. In 2 short years FDI more than quadrupled. The investment was in itself a large injection of FDI. However, symbolically it was a coup. The world was given a clear signal that Mozambique had real potential for investment (Coughlin; 2017).

In the following decade- in large part because of a major natural gas find in the Rovuma basin on the border with Tanzania, this trickle of FDI relatively grew to become a flood. Firstly, in 2011, FDI inflows broke the $1bn mark before nearly doubling two years later to $6.6bn. However, as is the norm with major mineral resource find fuelled booms, this was followed by a marked decline in FDI (Roe, A.; 2018). Then in 2016, just as the world expected that Mozambique would rebound and enter a sustained resource fuelled boom, came the "tuna scandal". Revelations of major irregularities linked to the purchase of tuna trawlers and undeclared debt, left in its wake one of the deepest recessions in post War Mozambican history, declines in FDI and a mass withdrawal of development assistance (Transparency International; 2019b).

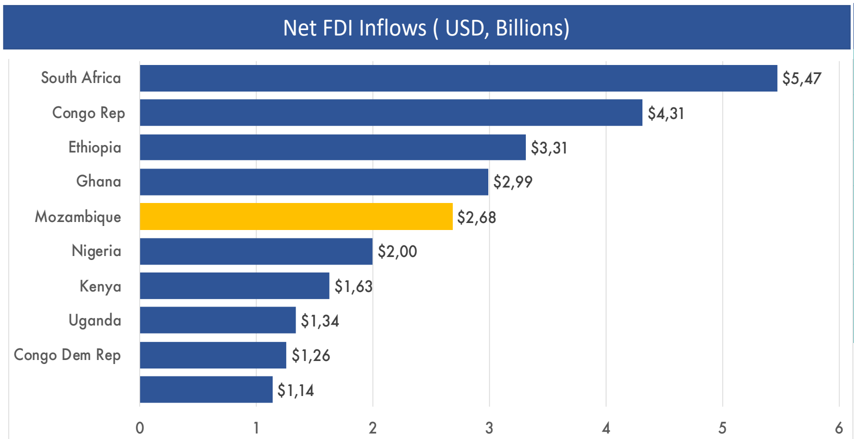
Figure 8 FDI inflows to Mozambique (Dollars and Share of GDP)



Source, World Bank Database, 2019

Nevertheless, despite the FDI slowdown, Mozambique ranked 5th in Sub Saharan Africa for FDI net inflows in 2018. This was more FDI than the largest economy in Africa, Nigeria, and roughly half that of South Africa. In addition, over the last decade, FDI as a share of GDP to Mozambique averaged 24,9% of GDP, far exceeding global, South African, Sub Saharan African and Low-Income Country averages, which were all below 5% (See figure 16).

Figure 9 FDI inflows to Mozambique and its peers



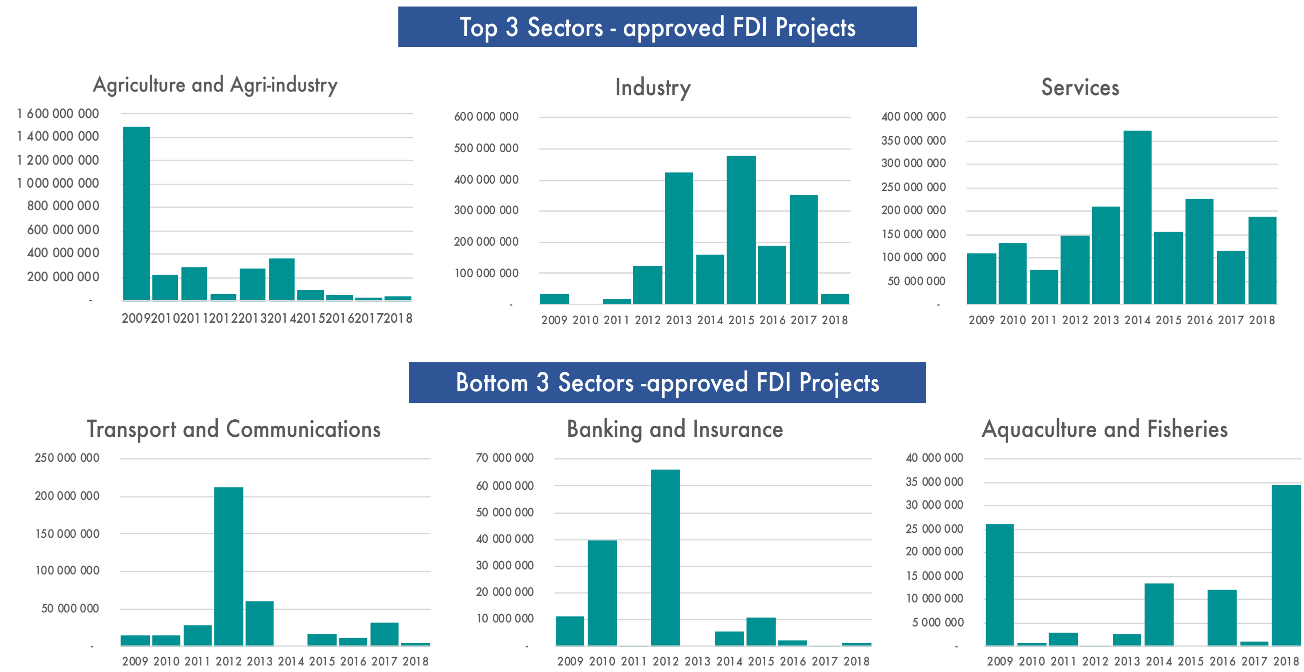
Average Share of GDP (2009-2018)	
World	2.6%
Low Income Countries	4,1%
Sub Saharan Africa	2,4%
South Africa	1.3%
Mozambique	24,9%

Source: World Bank Database 2019

Looking more closely at the sectoral FDI inflows tells more nuanced tale. Here it is essential to recognize that this dataset is drawn from the registered projects at the investment promotion authority. This dataset is thus flawed, as it represents pledged and not actual investment. It also has been through the filter of government, who in Africa place immense pressure on employees to inflate figures to create a more optimistic picture. Nevertheless, this is the best and most available dataset available & provides a picture of trends.

When seen through the lens of projects approved by APIEX/CPI, this investment intention by sector seems volatile. In one year, a sector can attract record inflows by global standards, to be followed by low levels of investment or none at all for many years thereafter. This can be seen across all sectors tracked by APIEX- both those attracting the bulk of FDI and the smaller sectors.

Figure 10 Annual FDI Inflows Top 3 versus bottom 3 sectors for approved FDI Projects



Source: World Bank Database 2019, please note different scales apply

This is especially true of those sectors that attract the large megaprojects. For example, Portucel's pledged paper pulp investment exceeded $3 billion (USD) so that in that period Mozambique was considered to be the premier forestry investment location in Africa (Serzedelo de Almeida, L. and Delgado,C.; 2019).

Consequently, FDI to the agriculture and agri-industry sector exceeded $1,4bn in 2009, before recording a precipitous fall that has lasted much of the last decade (see figure 17). FDI inflows to agriculture now consistently deliver less than $400 000 based on approved projects. The same can be said of the mining and energy sectors, each not receiving approved projects for all but 1 year this decade. In the case of mining $610m of promised investment was recorded, but this was pledged almost entirely in 2014 ($607m) (APIEX, 2019).

Notwithstanding the long project cycles before forestry and mining projects mature, this "stop and start" pattern to investment in the sector raises a few critical questions about the longevity of the investments in Mozambique. In the case of forestry, both the Green Resources and Portucel investments have been put on hold. Whether these promised investments will materialize in the future remains to be seen.

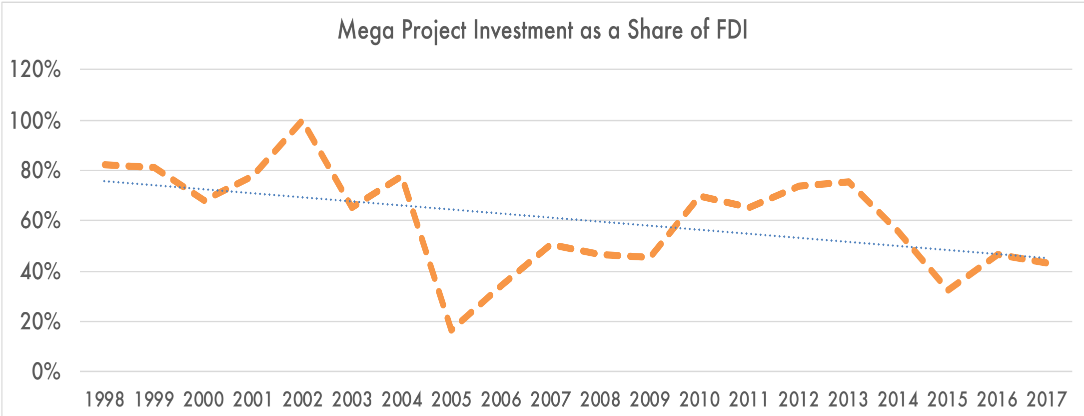
In addition, one can ask whether these large investments are successful in getting the proverbial flywheel moving? Do they position Mozambique as a country where investment opportunities become real profits? Or do they become the cautionary tales that keep foreign investment out over the long run? In conclusion then, it seems that Mozambique has enjoyed a fair deal of success in attracting more FDI. However, the quality of that FDI & whether it acts as a magnet for continued investment is questionable.

4.4.2 Ambition 2: Megaproject and Sector Diversification

Diversification is a core ambition for investment promotion efforts in Mozambique. Most importantly this includes investment beyond megaprojects i.e. into a greater number of sectors and attracting investment to regions beyond Maputo and especially along the development corridors i.e. spatial diversification. Closely related to these ambitions is the desire to create backward linkages with local businesses in value chains and the focus on 12 specific agricultural value chains. Progress in achieving these ambitions will be reviewed below.

The importance of mega projects to Mozambique and to attracting FDI to the country cannot be overstated. Between 1998 and 2002 pledged mega projects averaged 82% of total FDI. By 2005 this had fallen sharply, before again rising in line with investment in large mining projects.

Figure 11 Mega Project Investment as a share of FDI



Source 2010-2017: Banco do Mozambique and World Bank

When viewed through the lens of longer-term trends it seems that investment outside of mega projects has indeed grown. Between 2012 and 2017 mega projects accounted for just over half of FDI. This is of course a major dependence on mega-projects. Yet, since 1998 megaprojects as a share of FDI have trended downwards. Where in 1998 megaprojects accounted for just over 80% of FDI, by 2017 this had declined to just over 40% of total FDI inflows. It seems that some rebalancing of FDI has been occurring with smaller FDI projects now playing a more important role in the FDI basket.

Investment in the manufacturing sector remains important. Between 2001 and 2009 pledged FDI in the primary sector accounted for a third of FDI (see figure 19). When you consider that the Mozal aluminium smelter in Belulane accounts for about 90% of investment in manufacturing, nearly half of every dollar invested from abroad was intended for the primary sector.

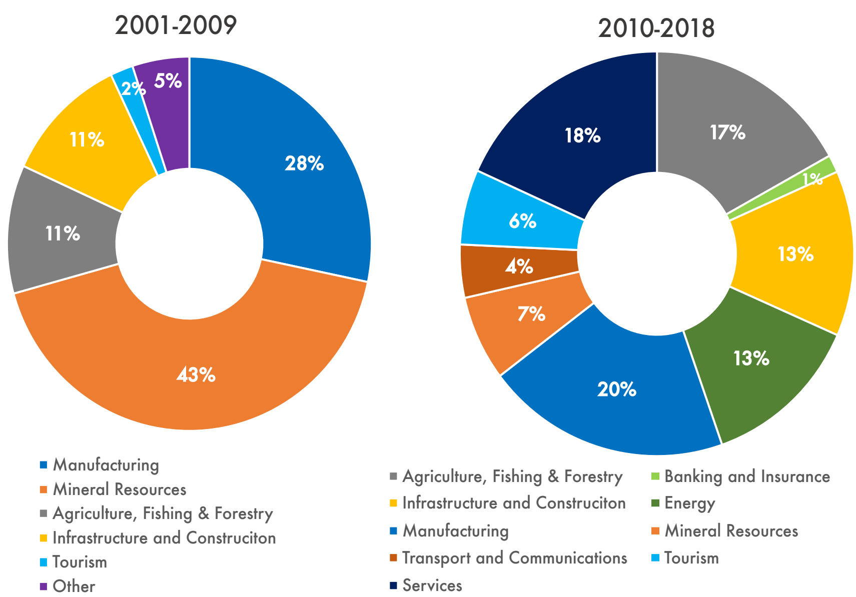
Table 7 Share of FDI invested in various sectors

Respondent Description	SHARE OF TOTAL FDI (2002-2008)
Primary Sector (34%)	
Agriculture and Forestry	27%
Mining	6%
Aquaculture and Fisheries	1%
Secondary Sector (39)	
Manufacturing	17%
Energy	11%
Construction and Public Works	11%
Tertiary Sector (27%)	
Services	16%
Tourism	6%
Transport and Communications	44
Banking and Insurance	1%

Source: 1 APIEX, 2019

However, a more dynamic picture emerges if you look at the trends over time. The distorting effect of mega projects on the annual figures means that it is best to look at these trends in a cluster of years rather than specific years. Before 2010, $8 out of every $10 was pledged for investment in the primary sector specific (MOZAL is included in this figure). Post 2010 this shrank to less than a quarter of overall pledged FDI. Instead, foreign investors showed greater interest in investing in the tertiary sector, which previously barely registered on the FDI scorecard. Transport and communications, tourism and services- consisting largely of retail- accounted for a quarter of approved FDI projects between 2010 and 2018 (APIEX database, 2019).

Figure 12 Evolution of composition of FDI 2001-2009 versus 2010-2018



Source: 2 APIEX, 2019

Having said that, it is important to recognize that investment in the extractives sector have tended to be mega-projects i.e. larger than $500m (Kraus, M; Kaufman, F.; 2011). So small shifts in the number of projects can have a considerable impact on the overall pattern of FDI. A single investment in this period, the size of the Mozal, Sasol or VALE investments, that each exceeded $1bn, would have meant that the relative gains in the tertiary sector would have been all but invisible. Likewise, a single mega project investment delay or withdrawal in the extractives sector would have a noticeable effect on investment patterns. This is particularly salient as there have indeed been a few examples of FDI misses in the extractives sector, most notably delays in the Vale and the liquid natural gas (LNG) investments. Resolving these issues will singlehandedly tip the balance of FDI back towards the mega projects in the extractives sector so that mega projects once again become overwhelmingly dominant.

In effect then, the results are mixed. A wider basket of sectors is certainly now in the consideration set of foreign investors. This is especially true of the tertiary sector. Yet, the scale of investment typical in the tertiary sector cannot match the behemoth investment sums seen in the extractives sector and certainly of the scale planned in the LPG sector. Mega-projects and the primary sector remain as important and engine for FDI as ever.

4.4.3 Ambition 3: Backward Linkages and local SMME inclusion

The planned LNG investments are so large that one can fully expect that these will come to dominate investment in Mozambique. It is thus particularly interesting to understand whether investment promotion efforts have been at all successful at achieving the longstanding ambitions of creating backward linkages and some degree of inclusion of local SMME’s in value chains.

Data from APIEX is not available on this topic. Nevertheless, this matter has been widely researched. As recently as 2018 it is been shown that projects reliant on financing from FDI have by and large failed to generate backward linkages. In addition, SMME’s remain largely excluded from value chains (Nkhonjera, M. & Langa, E.; 2018).A number of factors have been highlighted as being major barriers to achieving this goal.

Firstly, it is important to recognize that relatively few SMME’s operate in the formal sector, and the majority of those are clustered in the services sector around Maputo (Krause, M; Kaufman, F, 2011). Secondly, those that do exist, lack the ability to deliver against the stringent quality standards typical of foreign firms. Mozambican firms tend to have fallen behind in technology and innovation making it extremely difficult for them to compete or participate effectively in these often complex, technologically advanced value chains (Krause, M; Kaufman, F, 2011). The dearth of skills in the country means that they are generally unable to provide critical quality and safety certifications, like ISO certification, needed by these firms. To add insult to injury, those who can compete, often cannot afford to do so. High interest rates and collateral requirements from local banks limit their access to finance and so they often simply don’t have sufficient cash flow to afford business with these larger companies (Castel-Branco and Golding, 2003; Langa, E; Mandlate, O. in Langa et al; 2013).

As a consequence, even those projects, like the MOZAL investment, that have actively attempted to develop backward linkages and integrate local SMME’s into their supply chains and been mostly unsuccessful (Nkhonjera, M & Langa, E., 2018).

4.4.4 Ambition 4: Spatial Diversification

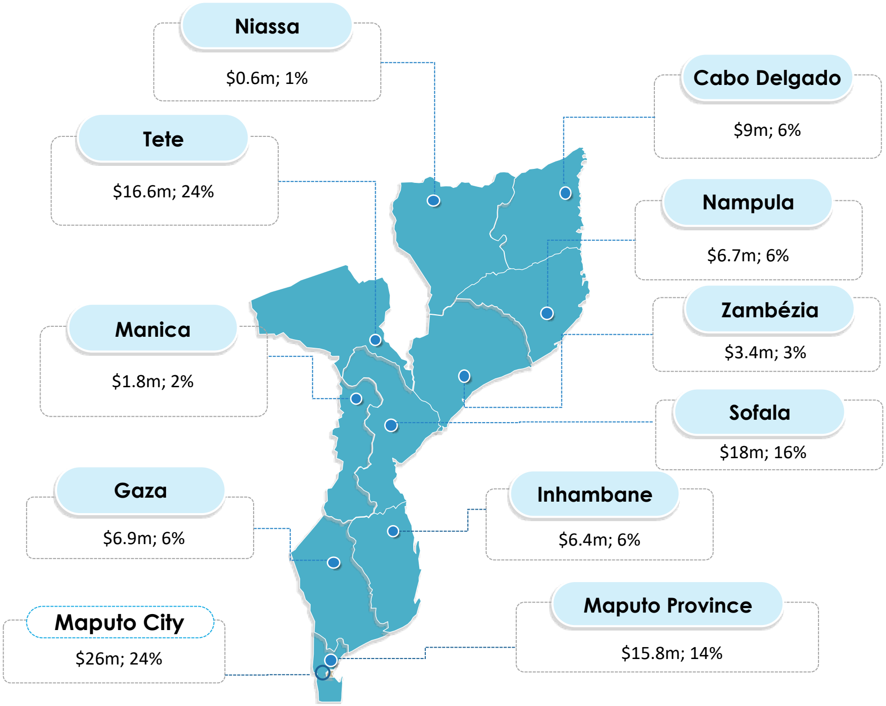
By the end of the war the Maputo city and Province Region was the most developed in Mozambique both in terms of economic development and population density. As a result, this region has attracted the lion’s share of FDI to Mozambique, even strengthening its contribution over recent years. Just under half of FDI dollars (42%) since 2000 were invested in this region, with only Sofala and Tete each attracting more than 10% of FDI. Combined these provinces have received 70% of all approved FDI to Mozambique.

Table 8 FDI inflow to the provinces ($, share)

	2009-2018	
	AVERAGE FDI ($)	SHARE OF FDI %
City of Maputo	$26m	24%
Sofala	$18	16%
Tete	$16.6m	15%
Maputo Province	$15.8m	14%
Cabo Delgado	$9m	6%
Gaza	$6.9m	6%
Nampula	$6.7m	6%
Inhambane	$6.4	6%
Zambézia	$3.4m	3%
Manica	$1.8m	2%
Niassa	$0.6m	1%

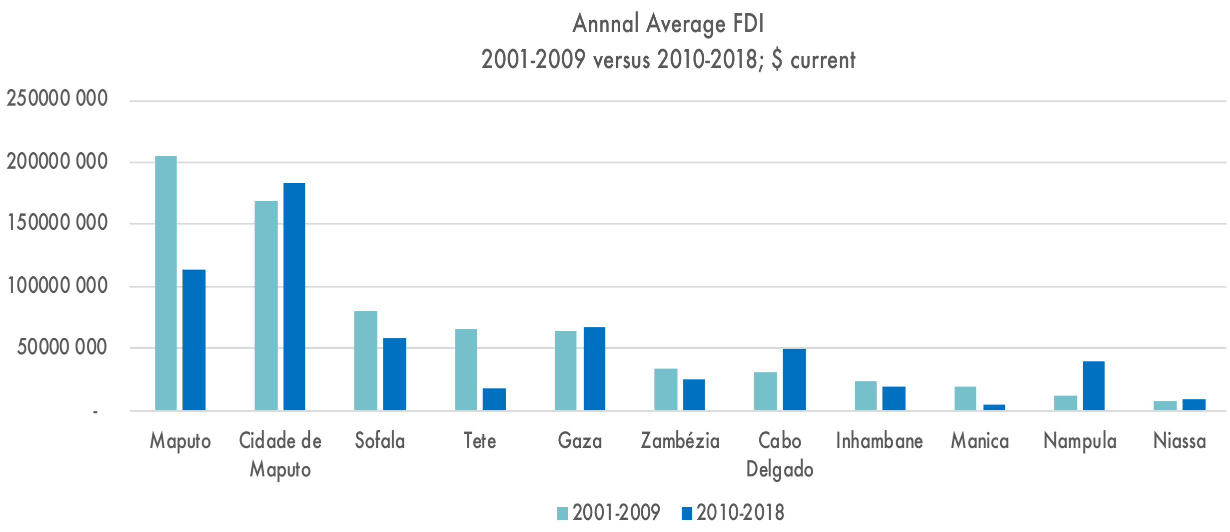
Source: APIEX, 2019

Figure 13 Map of FDI Inflows by Province ($ and % share)



By the 2010 there were some positive signs that foreign investors were becoming aware of opportunities in other areas of the country. Between 2000 and 2009 the Maputo region, Sofala, Tete and Gaza topped the FDI board. Combined they were responsible for 82% of FDI to Mozambique.

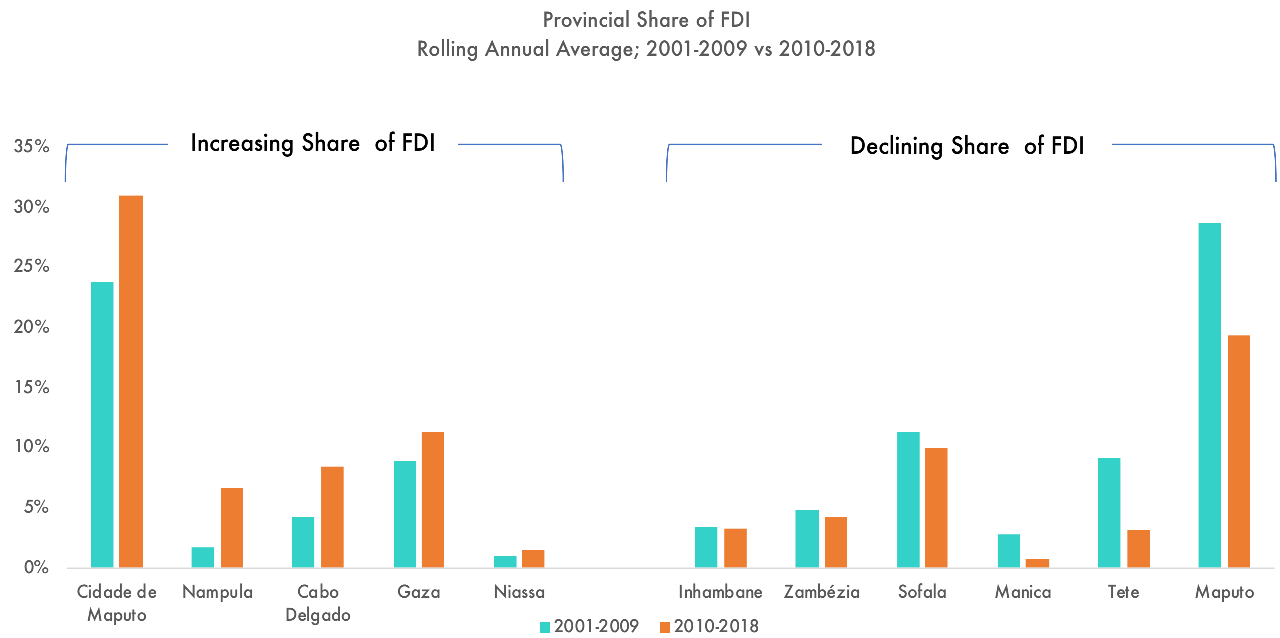
Figure 14 FDI to each Province (2001-2009 vs 2010-2018)



Source, APIEX, 2019

In the next 10 years FDI remained focused around Maputo albeit increasingly driven by investment in the city itself (50%). The picture in the remaining provinces has since changed. Firstly, Tete, the coal mining darling of investors in the early 2000s has fallen in importance. This region was hit hard by a halt in the issuing of mining licenses in the region, protests against the proposed Vale expansion and falling global commodity prices. As a result, where in the first half of the 2000s, it was in the top 3 locations for FDI in Mozambique it now languishes in the bottom 3 locations for planned investments (2010-2018) in Mozambique.

Figure 15 Share of FDI by province, 2001-2009 vs 2010-2018



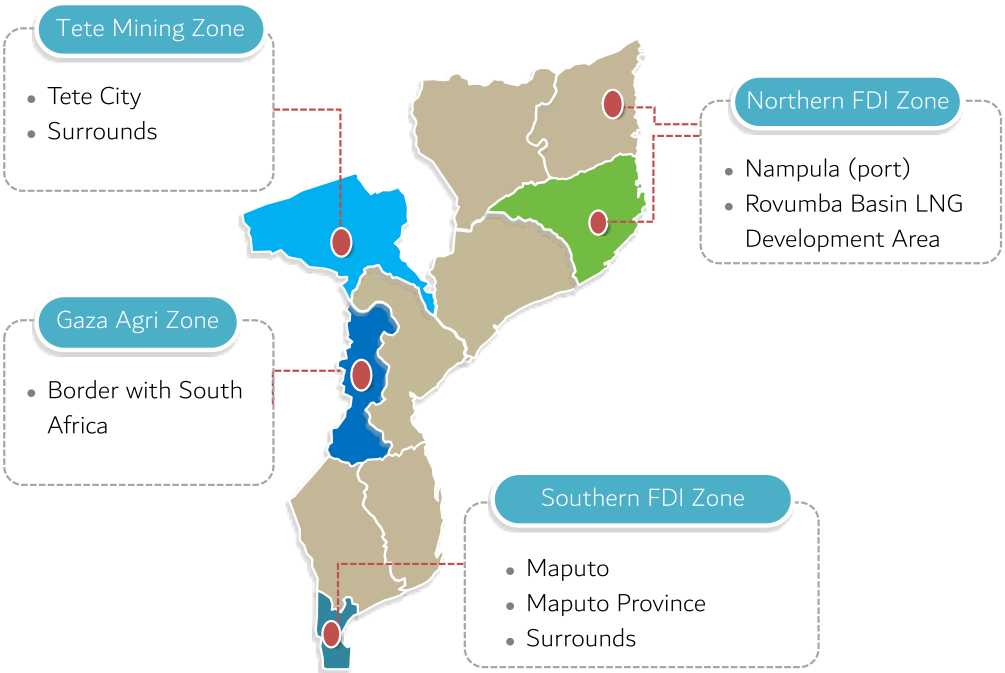
Source APIEX, 2019

Another important development is the growing FDI node in the North around the port in Nampula and the LPG project in Cabo Delgado. At the start of the 2000s these regions barely registered on the FDI radar attracting a measly 6% collectively. These provinces now attract a combined 15% of FDI, with expectations that Cabo Delgado will become the single largest

FDI destination in Africa when Anadarko's planned $300bn LNG project moves into the implementation phase in early 2020 (Zawadzki, S.; 2019).

Finally, Gaza has grown as a destination for agricultural investment attracting 10% more in dollars than it did between 2000 -2009 ($60m to $66m.) As a result, it is fairer to think of FDI concentrating in 4 nodes across Mozambique- i.e. a Southern FDI Zone (Maputo and surrounds) and a Northern FDI Zone linked to the port in Nampula and LPG in Cabo Delgado); the Tete mining Zone, which is underperforming at present and a growing agricultural zone in Gaza.

Figure 16 Map of Emerging FDI Zones

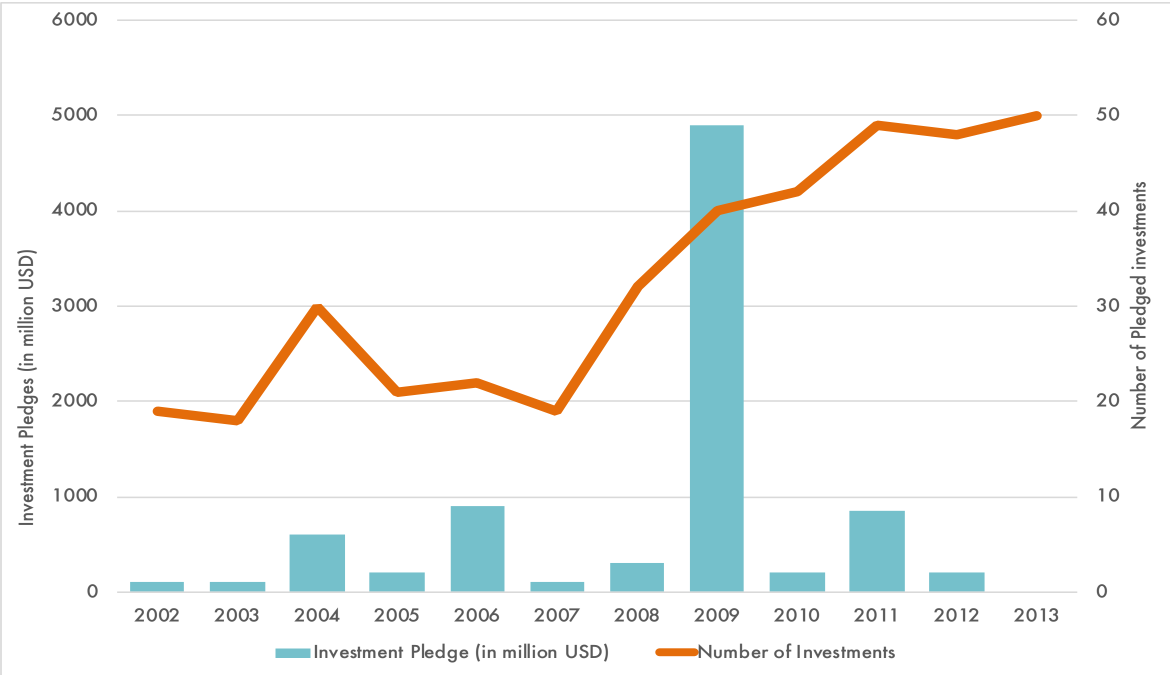


Despite this expansion beyond Maputo, it is important to note that many of the provinces remain locked out of FDI in Mozambique. 7 out of 11 provinces achieved less than 6% of planned FDI between 2009 and 2018. Furthermore, within provinces development is very heavily spatially skewed so that the rural population remain effectively locked out of the modern developing urban areas (AfDB, 2018). Consequently, if one is to consider this ambition as having been fulfilled, mechanisms to fund spatial diversification outside of these developing nodes will need to be found. It is clear that they either remain off of the radar of foreign investors, or a case for investing has not yet been found.

4.4.5 Ambition 5: Agricultural Value Chain Investment

A land survey conducted in 2013 estimated that 13.4% of Mozambique's more than 78 million ha of fertile land was suitable for agricultural investment. It would be fair to say then that Mozambique has enormous agricultural potential. This potential has not been missed. Between 2002 and 2013 the number of approved projects for agriculture grew. This included a few spikes in interest from investors in 2004, 2006 and in 2009, for large agricultural projects like in the aforementioned mega forestry investments by Green Resources and Portucel (2009).

Figure 17 Pledged FDI Revenue compared to the Number of pledged Investments

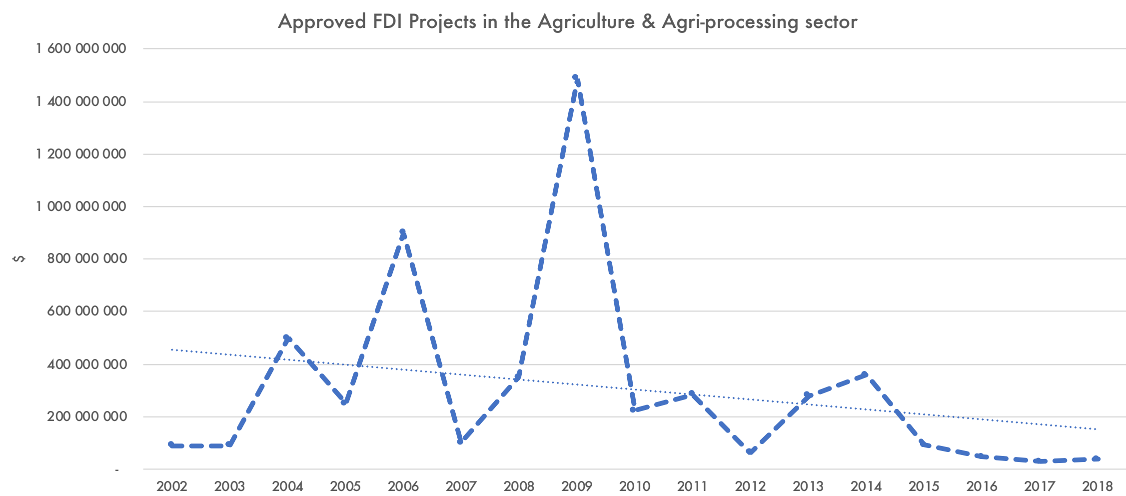


Data Source Schoneveld, 2016

However, the long term trend shows the FDI value of planned projects to agriculture declining. In 2009/2010 approved projects to agriculture hovered between 7% and 10% of total inflows. By 2015 approved projects in this sector had declined both in value and in share of total FDI project (APIEX, 2019).

To get a better understanding of agricultural investment and especially value chain investment data, which could not be provided by APIEX, secondary data from a 2016 study conducted by Schoneveld has been used. This involved data collection from the various regional offices of CEPAGRI who reviewed various project proposals to provide the data. This data represents pledged investments rather than actuals and is susceptible to tampering from the bureaucracy. Nevertheless, the data gives a far more complete picture of the types of investors investing in agriculture and where this FDI is being invested within the country. So, notwithstanding the vulnerabilities of the data, it does provide useful insights.

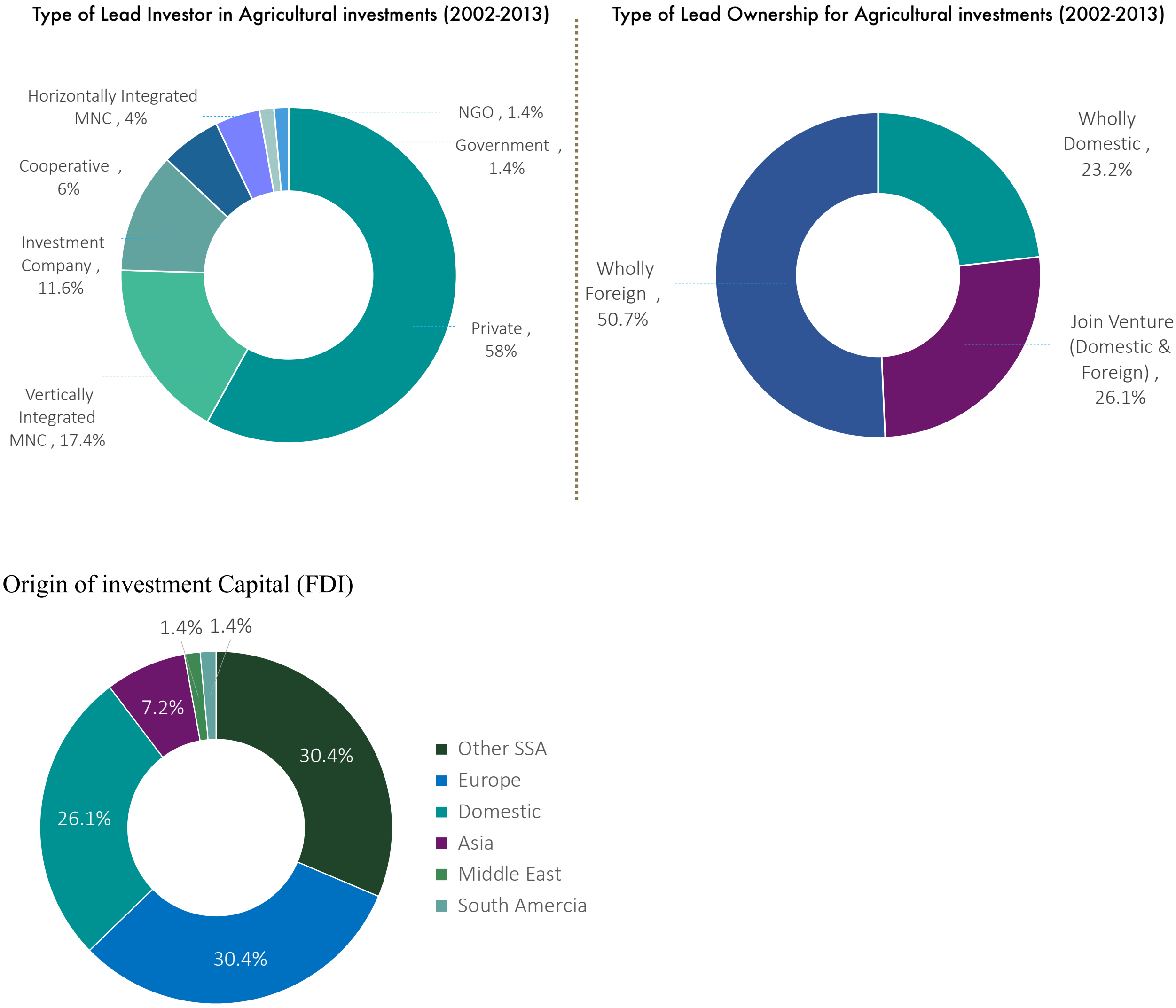
Figure 18 FDI approved projects 2002-2018



Source: Schoneveld, 2016

As can be expected government and NGOs have invested in agriculture (2.8%). Yet, overwhelmingly investment has come from the private sector. Specifically, 58% of the value of approved projects to the sector were made by private business owners, a further 17,4% by vertically integrated multi-national corporations (MNC's); followed by investment companies (11.6%) and then horizontally integrated multinational corporations (4.3%) (Schoneveld, 2016). Some notable investment by these MNC's have been made in producing bananas for export in Northern Mozambique as well as sugar, avocados and litchi. In addition, the bulk of investment to the agricultural sector has had foreign involvement. Almost half of investments are wholly foreign owned and just over a third are joint ventures between foreign investors and local businesses (Schoneveld, 2016). It would appear then that despite being able to attract investment from the private sector and that includes large commercial MNC's, interest from foreign investors is simply not scaling up at a rate that befits the agricultural potential in Mozambique.

Figure 19 Type of lead investor in the agricultural sector



Data Source: Schoneveld, 2016

Looking at the origin and location of agricultural investment is revealing. European and other Sub Saharan African investors account for more than 60% of the approved FDI values to the agricultural sector in Mozambique. Of these projects 4 countries account for most of the projects to agriculture (72.1%). These were South Africa (131), Portugal (46), Zimbabwe (25), and the United Kingdom (24). Investment from the regional peers South Africa and Zimbabwe have been especially important. However, political instability and uncertain agricultural policy in those countries have played a role in pushing those investors to look for investment destinations nearby. In effect a less hostile agricultural policy in Mozambique is in all probability the reason behind the shift in investment (Schoneveld, 2016).

Portugal also features as an important source for investment projects. Portuguese investors have a tendency to invest in Lusophone countries. This has been further fuelled by the economic slow-down and relative food insecurity in Portugal.

Interestingly, despite much talk about growing Asian investment in the region and this country specifically, this is still comparably modest. China registered 13 projects over the period trailed by Singapore and Indian based investors. From the perspective of the value of registered projects, this region still contributes only 7% to planned FDI (Schoneveld, 2016).

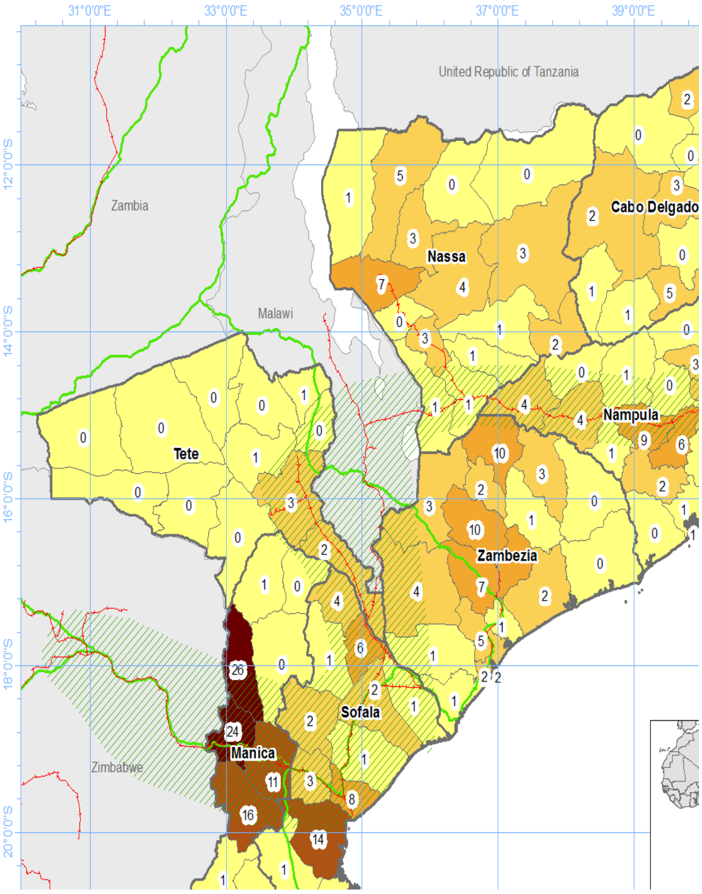
As a result, it seems that Mozambique has benefitted from push factors in their key investor countries South Africa, Zimbabwe and Portugal. It is unclear whether the Mozambican IPA has worked to take advantage of these policy and structural weaknesses abroad. However, the declines in the agricultural investment suggest deeper issues. Either not enough has been done to capitalise on this relative policy advantage, nor on the natural inclination of Portuguese investors to look to Mozambique for potential investment, or Mozambique doesn't offer true value to foreign investors as an investment destination for agricultural projects.

4.4.5.1 Spatial Diversification in Agriculture

From the perspective of spatial distribution of agricultural investment, most investment from 2002-2013 was concentrated in the Southern part of the country. Manica and Maputo province cumulatively account for 55% of agricultural projects registered in the period.

South African farmers have tended to invest in the areas that border their country of origin. In a way the Mozambique has provided an extension of their traditional agricultural areas in the lowveld of South Africa, where they are not able to access additional land. As a result, several South African projects are clustered in Maputo, Manica, Inhambane, Gaza, and Sofala (86.3%). Similarly more than two thirds of Zimbabwean investors have located in Manica province, which borders Zimbabwe.

Figure 20 Distribution of Agricultural investment project by district



Map Sourced from Schoneveld, 2016

In contrast investment from countries outside of the region have been well distributed across the country (78.3%), but especially along growth corridors. These developing growth corridors have offered improved infrastructure and more efficient and cost-effective routes for transporting goods and agricultural inputs in the country towards markets and ports and across borders to and from neighbouring countries like South Africa, Zimbabwe, Tanzania and Malawi (Schoneveld, 2016).

Outside of the growth corridors Zambézia and Niassa are worth mentioning. They have also attracted significant interest. The former for horticulture and the latter, Niassa, for forestry. Zambézia has a longstanding history of producing cash crops like coffee, tea, bananas and tree crops, many of which are in the PEDSA priorities list. Finally, despite it is isolation and underdevelopment, parts of Niassa have been able to provide the large tracts of contiguous land required for forestry plantations and attracting significant interest from foreign investors.

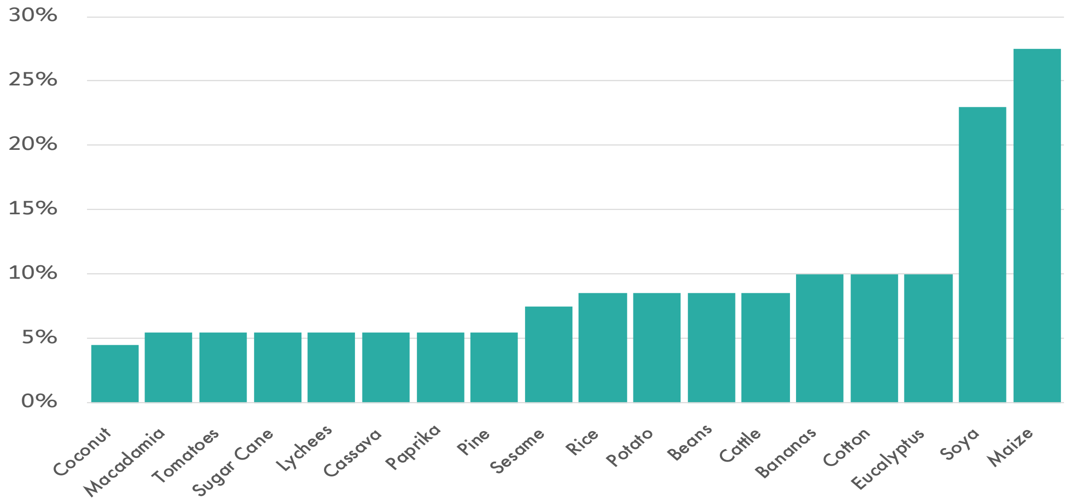
It is thus fair to say that growth poles are assisting in drawing agricultural investment to new parts of the country. However, agricultural investment seems to have its own specificities. Investors consider many other factors, which might be more important. For example experience of South African and Zimbabwean investors and the evolution of Zambézia and Niassa suggests that the familiarly of the climate, proximity to known markets, the size of available land all factor in making the decision about where they finally invest. In that respect, when it comes to targeting investors, the IPA might need to look far closer at matching the experience of the investor to specific locations within the country as well as to sector and value chain insights specific to these investors. Additionally, growth poles are an important consideration and potentially a valuable tool in their toolbox, but they are not the only factor that influences investors.

4.4.5.2 Value Chain Diversification in Agriculture

A study in 2015 provided some insights in to the agricultural value chains that have attracted interest from foreign investors. By and large these are within the PEDSA priority food crop and strategic crop value chains.

Firstly, grains have attracted the greatest interest with 43% of investors aiming to either cultivate or source maize, soybean and rice. These form both a part of the animal feed value chains as well as grain for human consumption. The next most important commodity class is botanical fruits with a quarter of investors planning to cultivate bananas, lychees and/or tomatoes. Bananas are specifically grown by South African investors for the South African market as well as by large vertically integrated companies for the export market. Tubers (17.4%), livestock (13.0%), and tree nuts (13.0%) also attracted a fair number of investment projects (see figure 29).

Figure 21 Share of Investors Planning Investment in Various Agri-Value Chains



Data Sourced from Schoneveld, 2009

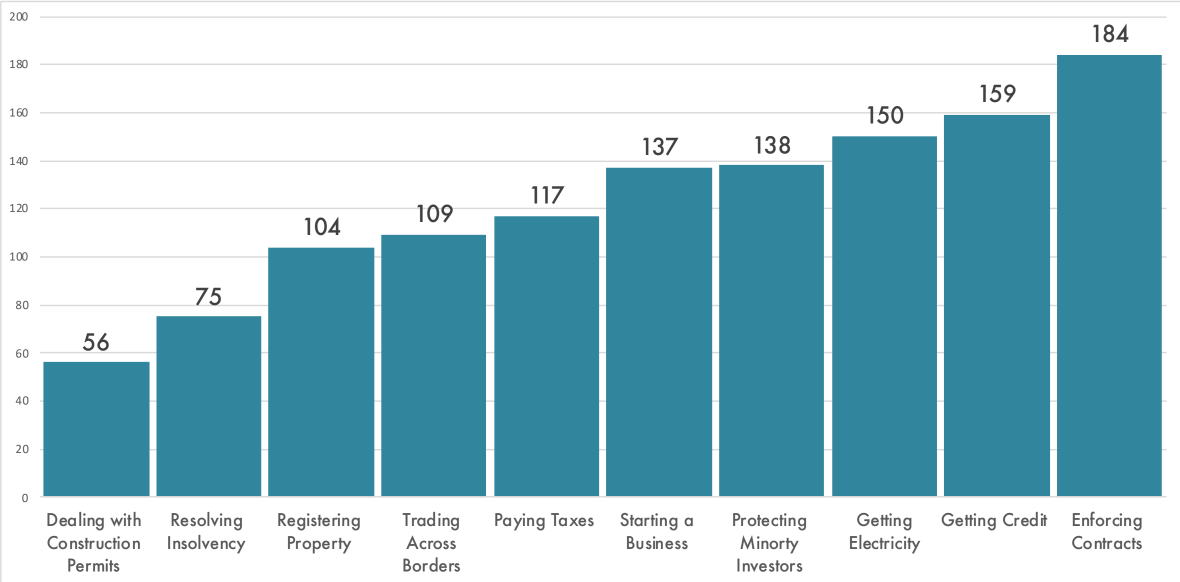
These have a large overlap with the priority crops targeted as a part of the PEDSA priorities. However, as the PEDSA strategy was completed it 2009, it raises the real question of whether the priority crops were based on those already attracting investment. It would of course be sensible to invest efforts in opportunities shown to be attractive to investors. However, it does raise some doubts as to whether implementation of the strategy itself was responsible for the growth in investment or, whether the growth trajectory simply continued unaffected by any intervention from the IPA and other government departments.

Consequently, it can be said that the agricultural sector has enjoyed some degree of success at attracting private sector foreign investment. However, the largest contribution has been from push factors in Zimbabwe, South Africa and Portugal driving investors to Mozambique. To a certain extent infrastructure improvements have enabled more investment along growth corridors. But here specifically the location of investment appears to greatly influenced by more specific requirements from investors like familiarity of climate, availability of land of a specific size of microclimate etc. Finally, while the value chains attracting investment seem to have a good overlap with those targeted by PEDSA, it seems that these were on a growth trajectory before the strategy was completed and certainly before its affects could be felt on investment promotions efforts and results. Thus, it is far more likely that PEDSA and FDI ambitions ensured that strategic ambitions reflected the already existing trend, rather than being a catalyst for investment. This is of course positive. Policy is an important part of investment promotion.

4.4.6 Ambition 6: Improved business climate, capacity building and interdepartmental cooperation

A host of policies have been introduced since the end of the war with the intent of creating a more business friendly environment. Nonetheless, doing business in Mozambique remains fraught. Investors face bureaucratic hurdles, endemic corruption, poor value chain development, infrastructure gaps and many other obstacles. As a result, Mozambique has consistently scored poorly on the World Banks' Ease of Doing Business Survey. Between 2008 and 2019 the country achieved an average score of 136.24. A high of 142 was achieved in 2012 with a record low in 2014 (World Bank, 2019).

Figure 22 Doing Business Ranking Breakdown 2018



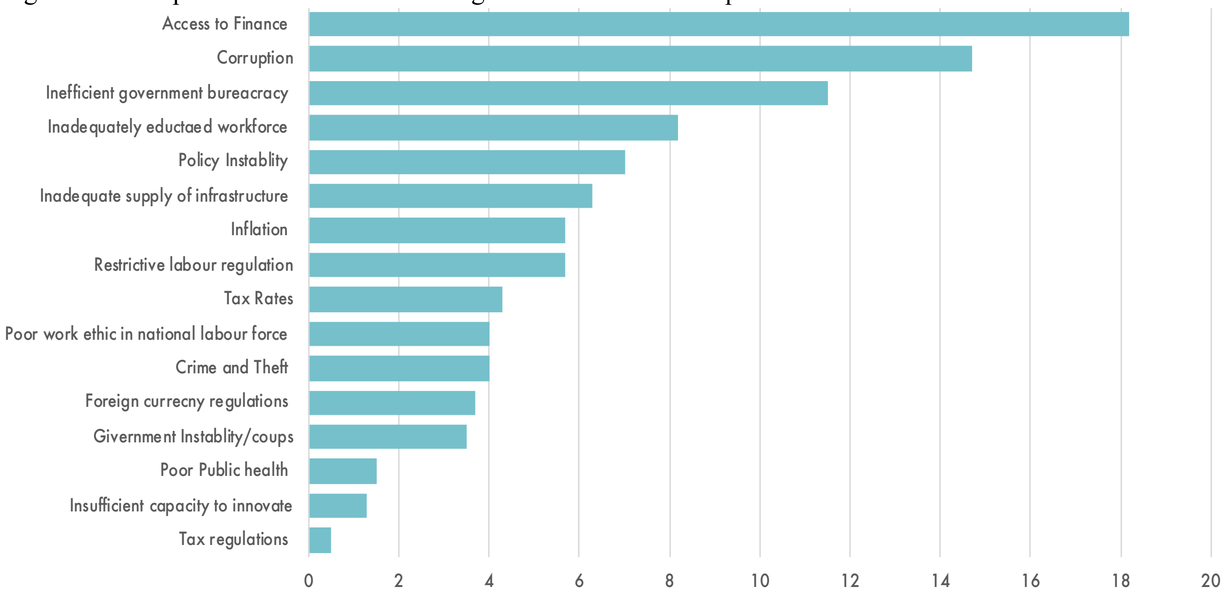
Source: World Bank, 2019

The Ease of Doing Business Survey highlights a number of areas where Mozambique performs especially poorly and where it performs better than expected. It performs considerably well- both regionally and globally- in being able to obtain construction permits or going through insolvency proceedings. In contrast it ranks near the bottom of the table for resolving commercial disputes through the courts, access to finance and getting electricity.

The 2019 Sub National Survey suggests that there is great variability from one region of the country to another in what investors can expect when it comes to the ease of doing business. Enforcing contracts is particularly difficult in Maputo city, which is more expensive and where you experience significant delays, than in Manica which ranks 150 out of 190 globally. In many areas this is not because of a lack of appropriate policy, but because of inconsistent implementation of policy. World Bank estimates suggest that if the gap between the best performers and the poor performers could be closed, Mozambique would climbing the Ease of Doing Business rankings by 22 places (World Bank, 2019).

The Ease of Doing business score ignores a number of additional factors that make Mozambique a challenging environment for business. Some of these include low access to finance, corruption, an inefficient government bureaucracy, a labour market that is unable to supply skilled labour and is highly restrictive; policy instability and poor infrastructure. There are also some concerns around the polices for foreign exchange, unfair competition from informal business and guarantees around access to land which requires significant improvement. The World Economic Forum's Executive Survey (2017) covers some of these issues and assists in expanding the understanding of the investment climate in Mozambique. (see figure 31). In this study executives were asked to select the top most pressing issues they face in the business environment in their country. They were then asked to rank their importance by scoring them as the most (five points) or least problematic (zero points). In Mozambique, access to finance, corruption and an inefficient bureaucracy were selected as the top three issues (figure 31).

Figure 23 Most problematic factors for doing business in Mozambique



Source: World Economic Forum, Executive Opinion Survey, 2017

Firstly, corruption in Mozambique is endemic. It affects everything from your ability to win government contracts to everyday bribery from police officers, doctors and teachers (USAID, 2015). In Transparency International's Global Corruption Barometer for 2015-2017, 30-40% of those surveyed indicated that they had paid a bribe to the public services in the previous 12 months. Poor governance, potentially one of the leading drivers of endemic corruption, likewise plagues Mozambique. As a result the country scores poorly on various measures of corruption and poor governance summarised below.

In addition, there are signs that Mozambique is seen to be increasingly corrupt. Between 2015 and 2017 Mozambique fell 6 places on Transparency international's corruption Perceptions Index to occupy position number 153 out of 180 nations with a score of 25/100 (Transparency International, 2019a). This decline is mirrored across all the surveys mentioned above as well as surveys with Mozambican citizens. In addition Mozambique seems to perform poorly in making attempts to control corruption. Over the past decade a large array of regulatory reforms have been introduced alongside donor funded programs to root out corruption and improve governance. Yet, corruption and poor governance persist. Policies exist, but the gap between policy and implementation is simply too large. In addition, reforms are made more difficult by money laundering and the insidious activity of organised crime. Mozambique scores as the worst for the combined assessment of their quality of Anti-Money Laundering Framework, Bribery and Corruption, Financial Transparency and Standards, Public Transparency and Accountability, and Legal and Political Risks (United States Department of State, 2019).

Secondly, investors face a complex, inefficient regulatory environment, with additional hurdles built in if they wish to qualify for various tax and non-tax incentives (World Bank, 2019). At the most basic level starting a business remains complex and time consuming despite some reforms introduced in 2008, 2010 and 2011. Yet Mozambique performs worse than 75% of countries in the Ease of Doing Business Survey (World Bank, 2018a).

To benefit from various tax and non- tax incentives investors are required to register with APIEX. These enable investors to qualify for (1) incentives on corporate income taxation; (2) duty-free import of certain goods; and (3) recruitment of expatriates beyond standard quotas. To qualify investors must complete a detailed application for their project, that includes details on financing structure of the project, infrastructure needs, inputs used, labour requirements ,including skills set and salary levels, and a project implementation schedule (UNCTAD, 2012). The process is onerous and unnecessary and one that is out of step with the trend towards simplification in licencing and regulation seen in other developing countries competing for the same investment dollars (UNCTAD, 2012). In addition, a poor regulatory and public administration environment, which lacks transparency, makes for a difficult environment for potential investors. Investors are unsure of what is required at each stage of the process and they can be asked for multiple documents from various departments at any stage. Furthermore, experience shows that government departments regularly miss their own targeted processing deadlines, creating great uncertainty for investors (Berkel, 2018; World Bank, 2019). This inefficient, onerous regulation extends to foreign exchange controls. Investors in Mozambique face significant controls on being able to repatriate profits and must convert forex earnings in to the local Meticais. Being able to freely repatriate legitimate funds is of immense benefit to foreign direct investors (UNCTAD, 2012).

Investors face hurdles in being able to access land. When it comes to agriculture policy, Mozambique allows foreign investors access to land leases of 50 years. This is locally called a DUAT. Yet the implementation of these policies is problematic. Firstly, the DUAT process is complex. Securing a DUAT asks that investors work with multiple departments and levels of government for approvals of licences. Recent legislation now requires greater involvement by the local community in deciding who will be afforded a DUAT. So investors are required to consult the local community who have a great deal of say over which investor can be allocated the land and agree compensation with them. In addition, the DUAT can be revoked at any point if investors are seen to have veered off from the agreement (OECD, 2013).

The burden is not only procedural. Securing land rights is further complicated by poor cadastre records, which are only recently begun a process of digitisation (World Bank, 2019). Investors in some cases are allocated land only to discover that it is occupied by a local community. In addition, land grabs from local communities and from the connected political elite regularly delay large projects (UNCTAD, 2012).

The labour market also poses a real challenge for investors. Mozambique has one of the lowest rates of school completion globally. So despite nearly 300 000 jobs being required every year to accommodate the youth joining the labour force, there is a chronic undersupply of skilled labour to meet the skills needed by businesses. This is not only for managerial staff, but also for other professional skills such as engineering, accounting and skilled technical trades like mechanics, carpenters etc. (LO/ FTF Council, 2017). In addition market regulations make for an inflexible labour market. This is especially true of work permits for foreign labour who are needed to close the gap in the labour market for skilled labour. Visas are heavily restricted. Larger firms and mega project agreements especially allow for some relaxations, but these are not available for smaller firms operating outside of the sphere of these projects. (UNCTAD, 2012).

Poor infrastructure poses yet another barrier for investors. Mozambique performs poorly across a wide number of surveys ranging from the Ease of Doing Business Survey, through to the Logistics Performance Index (84th place out of 160 countries), where infrastructure specifically is highlighted as a trouble spot (World Bank, 2016c). Historically infrastructure in Mozambique has been developed for mega projects and to service export markets (OECD, 2013). Consequently, road networks tend to connect east to west, rather than North to South

(Ross, 2014). Outside of the critical economic zones, infrastructure is poorly developed. For example, the electricity grid expanded by 42% between 2003 and 2015, yet it doesn't reach deep into the rural areas where 70% of Mozambicans live (AfDB, 2018). For much of the 2000s poor access to electricity was repeatedly pointed out as a barrier to growth of local firms (World Bank, 2007). Yet another area where infrastructure is poorly developed is the road and rail network. Despite some improvements, including significant growth in a logistics sector, there is still a large gap between what is available and what is needed. From a quality perspective roads are poor and contribute to high vehicle operating costs, high costs of transportation, and a low traffic volume, particularly for rural agricultural areas (Ross, 2014; AfDB, 2018).

Finally, high interest rates and requirements for collateral from banks; limited products tailored to MSME's and a concentration of access points in urban areas all hamper access to finance in Mozambique (AfDB, 2018). Firstly, high overhead costs means that financial institutions have opted to concentrate access points in the urban areas. For example, 35% of bank branches are in Maputo. This makes physically accessing finance products difficult outside of the urban areas. Secondly, bank products are expensive. Bank finance products can cost 25%-30%, which often requires that most SME's have access to private sources of funding. Finally, perceived risk of SMME's means that collateral requirements from banks sometimes exceed 100% of the credit value. As a result, only 5% of SME's access financing products through formal banks, with many having to rely on commercial sources of funding from family, friends, and networks (Osano, H.; Languitone, H.; 2016).

The investment climate in Mozambique has improved since the early days of the modern open economy. Yet, in many areas Mozambique has failed to make the strides forward that are required to be a more competitive investment destination. In fact, recent events suggest that where progress had been made in to the early 2000s, Mozambique is once again falling behind. To improve the investment climate, more will need to be done to improve governance and lower corruption; reduce the administrative burden for investors; improve infrastructure geographically and to more sectors of the economy and improve access to finance.

4.5 Conclusions: Ambitions versus reality

In conclusion then, FDI to Mozambique has grown significantly since the early 2000s. Foreign investors now also include a wider range of sectors in their investment basket. The services sector has particularly benefited from this changing appetite of investors. While it appears that the large mega projects and extractives sector projects are of decreasing importance to FDI and the economy, it would be better to remember that these tend to be sporadic. The large size of the investments also mean that a single investment can quickly alter the balance towards mega projects and the extractives sector. This is expected with the exploitation of the LNG finds that will begin extraction in 2020.

Spatial diversification has been relatively successful. Historically FDI inflows have concentrated in the Maputo region. This region remains important, if not increasingly so. Yet over the last two decades 3 additional investment zones have begun to develop- the Northern Zone around Cabo Delgado and Nampula; The Tete Zone and the Gaza Agricultural Zone. These have developed as a response to the enormous potential in these zones. FDI has also not addressed the wide spatial inequalities within provinces.

Despite some intermittent mega projects around forestry and MNC's, FDI to agriculture has followed a declining trend since the early 2000s. In addition, many factors have pushed FDI towards Mozambique rather than there being specific initiatives attracting FDI. Specifically Mozambique has been helped by a less hostile investment climate then compared to the home countries of investors from neighbouring countries. In a sense, less intervention has helped, rather than more. Those investments that have been made tend to reflect the PEDSA and PNISA strategic priorities. However, it seems more likely that the ambitions were adjusted to reflect the existing trend rather than being a driver of the trend. As a result, it would be more reasonable to say that apart from creating policy congruency, IPA efforts to the agricultural sector have not had a significant impact. This is illustrated by the intensive investment from South African and Zimbabwean farmers along the borders of those countries, rather than following strategic growth poles or SIZ's/FEZ's. Finally, efforts to attract FDI that encourages backward linkages and local business inclusion has not been successful. All but a few local SMME's are simply unable to compete successfully in these value chains

Table 9 Evaluation of IPA results versus the 7 Strategic Ambitions

STRATEGIC AMBITION	Strengths	Weaknesses
Increase in the quantity of FDI	• Significant increase in investment, especially as a share of GDP.	• Not consistent or reliable
Mega project and sector diversification	• A wider basket of investment projects. • Increased share of smaller projects. • To some extent diversification towards the tertiary sector	• No discernable progress in attracting investment to the secondary sector • Size of the developing sectors remains small when compared to the meg-projects sector
Backward Linkages and Local SMME inclusion (employment)		• No discernible inclusion of local SMME's into value chains
Spatial diversification (incl. Growth poles and IFZ's SEZ's)	• The Maputo, Northern, Gaza Agricultural and the Tete Mining FDI Zones are developing • Encouraging signs of growth poles developing and stimulating further investment in agriculture	• Infrastructural development along the growth corridors has been started.
Agricultural value chains to be targeted	• Growth in investment in targeted agricultural value chains	• Policy reflects the underlying trend
Improved business climate, capacity building and interdepartmental cooperation	• Some pockets of success across the country	• Uneven improvements across provinces and government departments • Deteriorating investment climate • Corruption, organised crime and maladministration remain severe issues with inadequate attempts to tackle these issues

4.6 What can we learn from the (potential) foreign investors?

In the previous sections we learnt that Mozambique has made some progress towards growing FDI and achieving some of the many ambitions for investment promotion articulated in various strategic documents. However, there are many areas where they have not achieved their ambitions. This includes creating sustained, reliable growth of FDI, better sector diversification, an improved investment climate; an increased ability to attract smaller investment projects and to generate backward linkages in the economy that allow for local SMME inclusion.

We also learnt that Mozambican IPAs diverge somewhat from the global benchmarks when it comes to the activities, they undertake for image building, lead generation, investor servicing, their weight of involvement in policy development and lobbying as well in several internal factors like strategic focus, structure and staffing.

Yet, this is a theoretical perspective. It is yet to be tested against the reality in Mozambique. And it also doesn't provide insights into which of these areas should be prioritized to achieve the specific ambitions outlined in Chapter 4. A more complete picture of the investor experience could help to understand whether and how these differences affect investors and how they move through the investment decision funnel when considering investing in Mozambique. This might provide some insights into which activities could make the biggest difference to investors and hence could most improve the IPAs chances of success.

As a result, Section 4.5.2 provides insights into why investors have selected Mozambique as an investment destination. Thereafter, in 4.5.3 an overview of how investors have gone about making the decision to invest in Mozambique will be provided with specific reference to how this differs from the global picture expressed in Chapter 2.4 (figure 5). Following on, chapter 4.5.2 will describe the specific challenges investors face in navigating the location decision funnel in Mozambique.

Section 4.5.4 will turn to the specific question of sectors. Diversification is an important ambition for investment promotion in the country. Yet to understand what the IPA can do to attract more diverse investment; it would be helpful to appreciate how investor experience affects the business case to invest in those sectors.

This chapter draws specifically from qualitative interviews with investors, development assistance partners and investment promotions community operating in Mozambique.

4.6.1 What motivations and characteristics lead businesses to invest in Mozambique?

This section draws from the qualitative interviews carried out in Mozambique and telephonically. It enables us to get a better sense of the perspectives and experience of the actual, potential and failed investors who have been involved in decision making linked to FDI.

4.6.1.1 Motivations

From the perspective of motivations, investors tend to be looking for resources; scarce products for the world market; to make a positive social or environmental impact alongside a financial return or to take advantage of new local and regional markets.

By the mid 2000s Mozambique had become known for its mineral resource potential. This was cemented by the LNG finds. This remains an important drawcard for investors to Mozambique.

However, perhaps less known is the role that Mozambique plays as a sourcing destination in the international market, especially for products that are difficult to source elsewhere.

Specifically, Mozambique has attracted investment from investors "…looking to fill unique windows in the global supply calendar especially of tropical fruits" (participant 8). This could mean for example delivering avocadoes in a month where global competitors are not supplying produce. Also, as farming has traditionally been "organic by default" (participant 8) it is seen as a potential hotspot for organic fruit and vegetable production. For example, Mozambique already produces organic sugar for the United Kingdom. These are interesting opportunities where global investors are actively looking for new and more affordable production locations and are willing to go to great lengths to secure supply (participant 6).

Impact investors also consider Mozambique to be an important location. As a result, Mozambique has recorded the third highest number of impact deals in Southern Africa, which is approximately $4billion (USD) in 2016 (GIIN, 2016). These investors aim to contribute to social or environmental development and so include this aspect in their return on investment analysis. For example, some funds look to invest in projects that safeguard the environment, aid in developing food security, or offer better social protections for employees etc. As one respondent phrased it " It is not just about sustainability [it is also about] improving the food-chain to give access to proper food" (participant 6). In addition these investment funds might operate in a specific sector e.g. funds that focus on aquaculture or forestry. The significant need for development makes Mozambique an ideal candidate and so a number of impact investors are active in the country in projects in a number of value chains like forestry, aquaculture, water, rice etc. Funds focussed on developing food security are particularly active in Mozambique and so agriculture has been of particular interest. This is supported by the GIIN study from 2016 and from the development partners active in Mozambique. However, these investors still look for reasonable rates of financial return on their investment. "While we're willing to accept a lower internal rates of return, we still expect returns. This is an investment, not charity." (participant 6). As a result they too follow an investment decision funnel and have similar considerations as the typical foreign investor.

Access to local and regional markets
Investors are aware that Mozambique has the potential to become a large, rapidly growing market. A miller who participated in the study invested specifically because he understood the growth potential offered by rising wealth in that sector. "We've invested now for when the gas investments happen. When people are wealthier, they can afford more processed food" (participant 3). In addition, investors have become interested in related services for the firms themselves and for the many employees in these growth nodes e.g. retail, engineering, financial services etc. "People need banks today. But when they [the gas finds] start paying off, more people will need access to banks even more" (participant 7).

Finally, Mozambique's location makes it an excellent springboard for investment in the region. As an investor in a mill stated "We're looking *for [sic]* sell maize in Zambia, Zimbabwe, Malawi" (participant 14). As a result some investors consider both the growing local market and being able to access the regional market as important benefits for this location. This is particularly true of logistics services. Mozambique's coastline and ports have great potential and were it but for better road and rail networks, could be an important terminal point of a regional logistics web. Despite major barriers to success, a few investors are actively looking to exploit this potential.

The Eclectic Model suggests that foreign investors are attracted to new faster growing markets, resources, efficiencies and locational advantages. In the specific case of Mozambique the potential to access a fast growing profitable market and the ability to source resources does indeed seem to be an important driver of investment from abroad. Here the country appears to benefit from its location where it shares borders with a number of African markets. Yet it seems that there could be additional advantage in agriculture where

Mozambique can play an important role in producing for organic markets, or in closing gaps in supply windows. Its newcomer status and relative lack of prior development is an advantage. Furthermore Mozambique's low income country status and the imperative to deliver sustainable growth means that it is a potential magnet for investment from impact investors and other parties concerned with poverty and climate issues.

4.6.1.2 Choosing a Location

Regional Competition
Studies suggest that there is often regional competition for investment. Reality seems to suggest that this is indeed the case in Mozambique. Deciding to invest in here seldom happens without considering alternatives in the region. Specifically, this means competing with regional neighbours in East and Southern Africa for investment. This could be originate from outside the region as well as from investors within the region looking to expand regionally.

Within the Southern and East African region Zambia stands out particularly for its recent strength in attracting investors. Many interviewed investing in Mozambique directly compared the opportunities and costs of investing in Zambia. Zambia is seen as having a more familiar environment, English as the business language, supply advantages, a larger market and more developed value chains. As one respondent spontaneously said " Zambia's pretty business friendly… To register a company in Zambia takes 1 week. It takes a month in Moz." (participant 14).

Networks and Influencers
It is important to recognise the role of sector networks and development partners in bringing attention to opportunities in the country. Respondents were clear that the IPA "doesn't have any information about opportunities" (participant 2), with the IPA itself revealing that they are "working on developing projects and sharing studies" (participant 1). As a result these sector and development networks are critical to building awareness of investment opportunities, rather than explicit investment promotions material. Sometimes this includes development partners like embassies who work with the Mozambican government on sector development projects. The Dutch government for example is active in the water and sanitation projects, and so is a key player in "connecting European and Dutch businesses to the projects" (participant 3) in this sector.

As a consequence whether firms are employing passive or active methods of search, these two groups are important role players in the search for FDI.

African and Greenfield Experience Matters
During the study some characteristics of investors in Mozambique began to emerge. Investors in the study were firm on the importance of "learning the ropes" and "paying green fees" (participant 14) before investing in a difficult environment like Mozambique. As a result, many had first invested in a more familiar African markets like South Africa, before investing across the border. For others, having experience in Greenfield projects before venturing to the far more complex Mozambican environment was thought to be important. Investors shared the frustration that in many case they " …[can't] find the experts we need for Greenfield projects in Mozambique" (participant 6). Having experience in setting up vertically integrated operations was thought to be a real advantage.

Strategic decision making theory suggests that investors are well aware that they make decisions using imperfect information. In the case of Mozambique however, they not only seem to be aware of the risk, but to be self-selecting based on their ability to manage that risk. This is an important observation as it suggests that these more experienced investors could become an investor segment that is more readily persuadable to the merits of investing in Mozambique.

4.6.2 How do large businesses differ from small in making FDI decisions?

In many respects larger investors follow a similar process to that reviewed in the location decision funnel in Chapter 2.4 (figure 5). They follow the typical 6 step location decision funnel and use a mix of search methods to develop a list of potential locations viz memory, passive, trap and active search. Their search is wide, and they follow an organized process to come to a final decision around the ultimate investment destination.

In contrast smaller businesses tend to be made aware of opportunities through their networks in the sector or because of a push from donor agencies conducting investment promotions programs. They consider other destinations, but more as a sense check of the merits of investing in Mozambique. Instead their process is focused more on "quickly checking that we got our facts and assumptions right" (participant 8) about the opportunity than on weighing up a variety of options.

This is an important clarification on the typical model presented of decision making put forward in the literature. While it is clear that firms undertake the process to varying degrees, literature does not elucidate on the reasons behind some firms opting for a narrower process. It seems then that one such defining factor could be in the size of the investment and the investing firm. This seems to be logical. Larger firms have resources that smaller firms do not. As such, it is reasonable to expect that they can afford to look further and wider and engage with more staff, suppliers and networks to find optimal locations. These advantages might not be available to SMME's and so can limit their search options.

4.6.3 What challenges do businesses face in the location decision funnel?

The literature is clear that IPAs have a meaningful role to play along the investment location decision funnel. Yet in Mozambique it has become clear that there are a few areas where the investors experience difficulties, at least from their perspective. The key issues that investors have highlighted are outlined below.

4.6.3.1 Challenges in the Long List Phase

Step 1 of the investment location decision funnel is similar and without major issues. The challenges seem to appear in step 2 of the investment location decision funnel i.e. the long list phase. In this step investors use passive, active, memory and trap search to develop a long list of potential locations. Here Mozambican investment promotions are impeded be a few issues of reputational disadvantage, poor visibility of advantages and a lack of confidence. These issues are fleshed out further below.

Reputational Disadvantage

Firstly, Mozambique has a poor reputation amongst the investment community. It is known as a "corrupt country" (participant 14) - something which is reinforced annually with various corruption surveys and was only intensified with the tuna debt scandal. This is ingrained in the investment community who don't spontaneously think of this as a real investment option. The lack of awareness of investment promotions activities from the IPA suggests that they are not doing enough to counterbalance this image. In this respect they've been hampered by widespread press coverage of the tuna debt scandal. Yet, the counterbalancing positive public relations stories from APIEX are all but invisible. This is not assisted by a poor digital presence. The IPA makes use of an online journal, Club of Mozambique, to share news on the market. But these are not very visible and often provide coverage of events that seems thin. In addition, this wasn't mentioned by investors, who largely were unaware of this resource. Instead, they highlighted that the IPA has had "their website down for almost two years!" (Participant 12).

Image building and creating awareness around the destination is a key function of an IPA. It seems then that in one of the most elementary areas of operation the Mozambican IPAs are felt to be falling short. Without this being tackled it seems unlikely that this country will be able to earn a place on long lists of potential investment locations. This is critical to winning a bigger share of FDI.

Poor Visibility of Opportunities

There is a distinct lack of information around specific investment opportunities in Mozambique. Investors feel that " [APIEX] know things. But they don't tell us anything" (participant 2). Furthermore, several participants highlighted those opportunities are spoken of in a general way to investors and are not presented with nearly enough precision. "They talk about general opportunities. Like a SWOT analysis. But investors need well scoped out projects..." (participant 1). This is reflected in investment promotions material available of the APIEX website. These remain at a high level, reflecting strategic ambitions rather than concrete projects that are currently underway. For example, the PEDSA crops are shared as opportunities to invest. Yet, little more is available to investors that would specify which markets these are intended for, whether the investment is targeted for a specific location or free trade zone, nor whether infrastructure for the sector is being developed. This is left to the imagination of the investor. While literature is unclear about the exact nature of information required by investors, emerging best practice provides some good indications. Also, in a country like Mozambique, it seems that an information gap exists at the start of the funnel-opportunity visibility. As a result, it could be argued that gaining entry to long lists is predicated on IPAs making these opportunities more apparent to international investors.

Lack of Confidence

One must not forget that advocates for investment destinations have incentives to propose potential locations that they feel have a chance of succeeding. This is not only a business consideration, but also goes to the political forces at play within investor organisation. As one respondent put it, "My reputation is also at risk. I need to know what I'm talking about" (participant 12). In a sense lobbying for Mozambique as an investment destination raises both business and reputational hazards to the advocates who play such an important role in the initial location search phase. Building awareness of opportunities and instilling confidence amongst these important actors is essential to successfully being included in a long list, let alone a short list.

It seems then that it is not only important that the facts provided be accurate and that the opportunities are robust. It is important that the investment community have confidence in the opportunities. Success for the Mozambican IPA could then rely not only on their ability to provide good data inputs for investors, but also in building trust and credibility with investors. Considering the volatile political situation and political interference and corruption, this is not simple. Yet it must be done if they are to succeed in garnering the goodwill required of investors in some organisations to stake their reputations on opportunities in Mozambique.

4.6.3.2 Challenges in the Desktop Phase

In step 3 of the investment location decision funnel potential investors seem to face a collection of shared issues. These include information gaps and the presence of disorganised. These are described below.

Information Gaps
During Step 3, the desktop phase, investors build a more detailed understanding of the investment, which includes initial cost comparisons. To carry out this assessment they need a fair deal of information like the basics around operations, potential locations and some initial costs to be able to compare the merits of this investment opportunity with their current experience or other alternatives. All of these must be developed from afar.

The literature doesn't provide much guidance as to the granularity of the data that is being collected at this stage, apart from to suggest that it is specific to each firm. However, in Mozambique the data and market information required to make even rudimentary initial judgements, as in much of Sub-Saharan Africa, does not exist, or is "impossible to find" (participant 12).

Investment processes are poorly documented and what is required of investors is poorly captured. Until recently information for investors was only available in Portuguese or required a visit to the investment promotion office or the central repository for legal texts in Maputo. Finally, even those who manage to visit APIEX, rather than conduct desktop research, might not be able to source the information they need. During a visit to the IPA office in Maputo a potential investor was given a basic verbal overview of the regulations and sent away without further documentation. It seems that a few investment guides are now available digitally, but this is a recent phenomenon.

This is particularly significant when you consider that an investor can in many cases choose between several investment destinations. Many of these alternatives are in far more predictable economies with more widely available market and production information and often better infrastructure for the sector. For example, an investor looking to establish a business in maize meal production in Southern Africa could opt to be closer to low-cost maize in South Africa, where there is a well-established system of toll milling and where the route to market is clear i.e. via wholesalers, retailers and even via exporters to Mozambique and other countries in the region (illustration provided by participant 9). Should they not know this, finding out this basic information requires a cursory search on the internet.
In contrast Mozambique is a veritable "...black box..." (participant 9). The investor would need to be "...plugged in to opportunities in the market..." to know that "...real projects even exist and have potential" (participant 12). Alternately they must be driven by their own internal logic to scope out projects specifically in Mozambique, as is the case in agricultural investments from South African and Zimbabwean farmers and with impact investors.
While the literature makes clear that desktop research is important, discussion with investors suggests that this is far more important that initially suggested. The level of detail that investors are looking for at early stages is also more granular that one would imagine. "Good investors almost immediately want to know what the basic costs are. They get their calculators out & start comparing..." (participant 8). They also quickly scan the logistics possibilities, supplier specifications etc. to understand whether opportunities are viable or not.
Digital information is clearly more readily available in nearly every facet of everyday life and business. This is especially true or developed markets, but increasingly in developing countries too. South Africa's WESGRO, the Provincial IPA for the Western Cape, publishes sector studies as well as cost benchmarking fact sheets for investors. In addition, market statistics are available digitally and in English. In contrast the most rudimentary demographic and economic data about Mozambique was difficult to acquire for the purposes of this study. APIEX itself was unable to source information from CEPAGRI when requested to do so for this study.

It seems that while investors have some tolerance for making decisions based on imperfect information, few are willing to make these decisions based on scant information. Closing this gap is important. While it is not clear that collecting this data should fall within the ambit of the IPA, it is a gap that needs to be closed if Mozambique is to have a real opportunity at being considered as a real option on long lists, let alone being promoted to the short list phase.

Disorganised Value Chains

The poor data availability in Mozambique is further compounded by disorganised value chains. The business community in Mozambique is sceptical and untrusting and local customs require that face to face contact be made to build relationships. "If we don't meet, nothing gets done. That's how business works here in Mozambique" (participant 11). As a result, understanding the basic operational issues and costs are incredibly difficult from afar. These must be gathered in-country by a local partner or representative, which requires a commitment many investors are unwilling to make at this stage. This is particularly true for smaller investors. Larger investors can both afford and often insist on independent data from their own agents as a part of a risk management strategy. In contrast building a more complete understanding of the potential investment and how it compares to opportunities elsewhere can be quite difficult, if not impossible for smaller or less cash-rich investors. Answering fairly granular business operation questions seems to arise early in the decision-making funnel. Consequently, disorganised value chains and the distrusting business culture are additional barriers to investors building cases for investment. Without a strong case it seems likely that many businesses will not consider Mozambique for the next phase, the Fact-Finding Mission.

4.6.3.3 Challenges in the Fact-Finding Mission Step

During step 5, the Fact-Finding Mission, investors are hoping to sketch out a detailed plan of the business operations, finalise the business case and get a better sense of the actual suppliers they could use should they choose to proceed with the investment. Yet, they face a few important challenges. Business operations and business case development are at the core of the challenges. From an operations perspective these include issues with identifying fitting local support and partners and difficult supplier environment. When it comes to the business case development they face hidden costs, corruption and maladministration and greenfield project fees. These two areas are explored in greater detail below.

Business Operations- Local support and partners

Being in the country provides greater access to local networks. Also, APIEX is available in the various regions, along with newly created investor One Stop Shops. Their function is to provide support on investment law, licensing procedures and to a certain extent matchmaking with local suppliers. There are some concerns that these One Stop Shops are not effective in supporting investors, but act as "...post boxes..." for other government departments (participant 7).

The Ease of Doing Business survey has revealed that procedures for licencing and registration are poorly mapped, not often adhered to and open to corruption. Consequently, APIEX seems to see their unofficial role as "protecting investors from those elements who want to take advantage of them" (participant 1). But this is not always a sustainable strategy. As a result, having a local partner in this phase "...makes all the difference..." (participant 5). For large investors this is affordable and sensible. In fact, many take on local investors in order to get to grips with the market and to expedite the start-up phase. "The international investors brings (sic) the expertise, [the local partner] make things happen on the ground..." (participant 8). Yet, for smaller investors this can be costly, if not unaffordable at this stage.

Business Operations- Difficult Supplier Environment

The Fact-Finding mission is intended get to grips with operational issues and gather confirmed costs. But identifying reliable suppliers is tricky in Mozambique. The "real private sector is small, if it really exists" (participant 5), local investors build trust slowly and work at a slower pace than most international investors are accustomed to. As an experienced local investor in a large international security services company mentioned " the international guys want it done yesterday. Here our people are still having coffee." (participant 5). Poor scoping of projects also means that potential investors must answer a host of operational questions in an environment that isn't good at transparency. "You can't just go around telling people things. You don't know who's asking... And then you need to pay" (participant 7). This makes successful location challenging.

Identifying the best partners for your business can also be difficult. APIEX provides a basic matchmaking database that aims to connect local businesses with international investors. Yet, because of limited budgets this is " not kept up to date" (participant 1) and there is no guarantee that the partner is indeed the best fit. The small business base and the reliance of so many local businesses on the state also raises questions about the general availability of suitably skilled local partners. "These are not real entrepreneurs.... Doing business with the government doesn't force them to increase their standards..." (participant 5).

Business Case- Hidden Costs

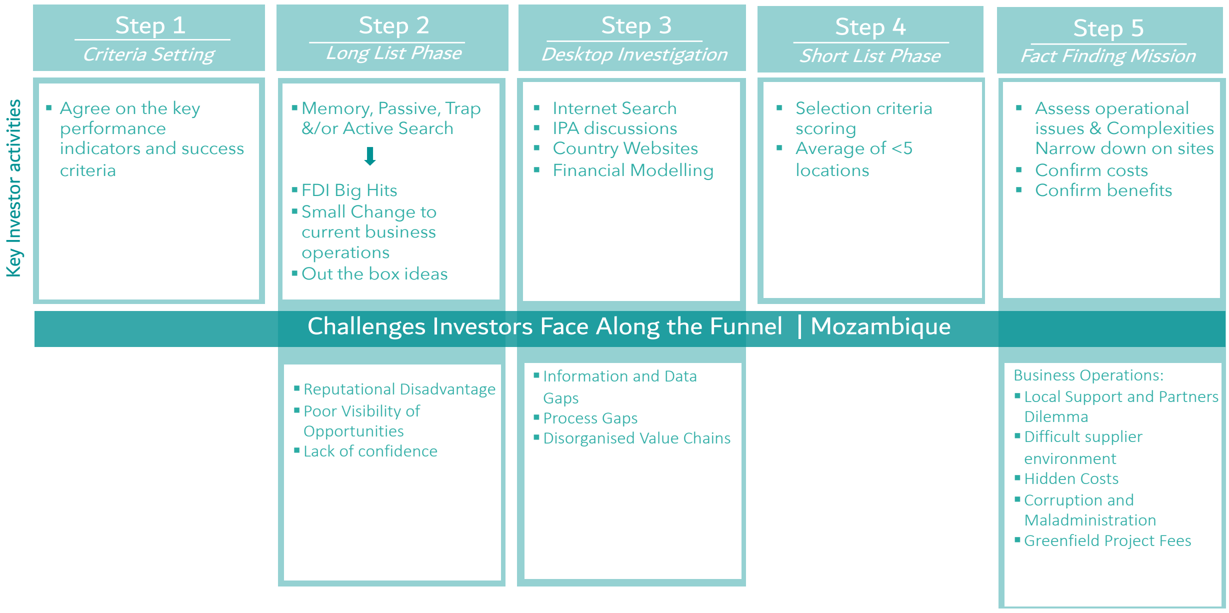
Businesses in Mozambique face several issues that make for an uncompetitive environment. Many of these were included in Chapter 4.4.6 that outlines the investment climate. Poor infrastructure, high costs in poorly developed value chains; a challenging labour market, the high costs of finance etc. all raise costs and affect the competitiveness of Mozambique as an investment destination when compared to markets on the investment location long list. These are direct costs of doing business. Yet, businesses faces additional hidden costs in Mozambique that raise the risk profile of the investment. For example, the complexity of the system and the lack of clarity when it comes to processes means that investors often have to take on more staff than is normal in other countries. As an investor whose investment failed said "You budget for start-up expenses. It takes 6-9 months, and it keeps sucking from you. People make the rules up as they go along. Today it is these 5 things. Tomorrow, where's number 6? You come back, where's number 3a and 3b? And it sometimes doesn't end..." (participant 14). In fact, some investors claim that they are required to hire "...3 times as many staff.." (participant 14) to manage the complexities of day to day operations in Mozambique than in other Southern African countries.

Business Case- Corruption and Maladministration

Corruption also raises the costs and risks of start-up. Rampant rent seeking in the private and the public sectors means that investors are often given poor or intentionally misleading advice. They then must face the fallout of fines for non-compliance or must negotiate with rent seekers looking to "solve the problem" (participant 9). For those who do overcome these initial issues, yet another obstacle awaits. Approvals from many levels of government are often required before investors get permits, licenses, import tax exemptions etc. This is a slow process. In fact, investors believe that this could be as much as "5 times slower than in Zambia" (participant 14). To make matters worse the different levels of government often seem disconnected. They expect different documentation and have different requirements. These can be sprung on investors at any stage of the game. This is not only frustrating. It also increases the risk of applications being rejected at any stage and increases the amount of time it takes to get businesses up and running in Mozambique. The unpredictability and lack of transparency of the system also opens opportunities for graft, which as we know is endemic in Mozambique. Dealing with these issues absorbs time and resources of the business management who are no not able to focus on their most important goal- growing the business. It also extends project lead times; all the while costs are accruing.

Business Case- Greenfield Project Fees
In addition to direct and hidden costs investors face greenfield project costs i.e., projects that are created from scratch. The poor development of the value chains means that investors often must invest in non- core activities. For example, mines and manufacturers must invest in power plants, agricultural producers would need to "even clear the bush" (participant 6) set up their own pest control management units, purchase crates instead of renting them; import their own inputs, manage outgrower schemes and community development programs. This makes for a more complex operation with increased risks.
These issues drive up the cost projections for getting the businesses "up and running" in Mozambique. While testing and rebooting business models, learning the rules of their own game and new businesses outside of the core; wrangling with the bureaucratic processes, dealing with rent seekers, bureaucratic twists and turns and sometimes hostile staff etc. costs continue to rise. Investors must be willing and able to accommodate longer project timelines, higher costs and lower returns than planned to invest.

Figure 24 Typical Challenges investors face in Mozambique



4.7 What is the underlying Mozambican Business Case Challenge?

4.7.1 Ease, Cost and Risk of Start Up

In building a case for investing in Mozambique investors ultimately face three significant issues. Firstly, the weak development of value chains means that investors are unclear of where they can invest, what the returns could be and whether they can actually get good returns by investing.

Secondly, the complex & non transparent bureaucratic process in Mozambique slows down the process of investing. These delays raise costs of start-up as the running costs of the business continue to add up, despite them not being able to trade or increase their offering. Furthermore the protocols and complexity means that additional staff need to be hired.

Thirdly, Rent seeking further slows down processes and raises the start-up and operational costs. This also raises the risks that permits won't be given after spending lots of time & money. In combination, these barriers to investment make investors feel that this is an environment that is "hostile" to investors. A marketing strategy for the region must take feed of this. To be effective it must ultimately lower risks and increase returns for investors at a much faster rate than at present.

In summary them weak value chains, slow processes and complexity as well as rent seeking make for projects with higher costs, risks and difficulty of start-up than expected.

Figure 25 Summary of Underlying Key Issues

4.8 How does Ease, Cost and Risk of Start-up impact each sector?

4.8.1 The Mega Projects/large Industry Advantage

Large professional corporations and mega investments in many cases can rely on large expected revenues to justify the expense and added complexity of investing in this complex environment. They have "deeper pockets" (participant 5) to draw from. They also have direct access to legislators that allows them to negotiate exemptions from costly regulations along with enviable tax breaks. These exemptions often apply to the sector and so their suppliers are able to benefit. In essence they have a higher tolerance for "unbudgeted costs" (participant 8), are better able to reduce the cost of start-up when compared to SMME's and are able to navigate their challenges more ably.

It is perhaps understandable then that we see large, vertically integrated businesses like Westfalia, Chiquita and Illovo Sugar succeeding in Mozambique where smaller businesses do not. They have the resources and the know-how to build these value chains from scratch and to navigate the obstacles they face along the way .

4.8.2 The SMME high value niche advantage

SMME's by definition earn lower revenues and profits than the large-scale investors from transnational corporations and those investing in mega projects. In light of the expected benefits, the cost of start-up that they face appears in many cases to be prohibitively large and "just doesn't make business sense" (participant 8). To balance out costs sensible investors must ask for premium prices or invest in opportunities that provide unusually high profits. It is also important that these opportunities "give businesses space to scale up their costs as the business grows" i.e. at a more manageable rate.

Raising prices can result in businesses providing products that are too costly when compared to competitors in the region and in markets around the world. As a result many investors believe that a more sensible route for SMME investors, especially in agriculture, is to invest "high value niches" (participant 8). These are products where "the markets are relatively small, but growing. And you get higher prices, which is needed for the higher costs in Africa" (participant 8). Some examples of these are sub-tropical fruits like mango and avocado for export to markets like Europe. Other niches that "are working" are crops that qualify for preferential market access under treaties such as AGOA. "Organic sugar is exciting and Mozambique's usually organic by default" (participant 8). In addition, many opportunities are focused on producing for periods of time in the production calendar where high prices for produce can be achieved in those markets. These are typically called "production windows"(participant 8). These findings might give us some insight as to the relative lack of success of local vegetable value chains in attracting foreign investment and why vertically integrated agricultural firms seem to be "…making a real go..." (participant 6) of investing in Mozambique.

4.8.3 The Services Advantage

The Services sector in contrast seems to face lower barriers and costs to becoming operational. As a few investors surmised, from their perspective "…you just get a computer and boom, you're in business" (participant 5). There is some element of truth in this belief. By and large insurance companies, consultants, retail businesses etc. are not required to apply for many of the permits and approvals required by the manufacturing sector. As a result, they avoid the heavy compliance costs faced by manufacturing. They are also able to trade after significantly smaller investments than manufacturing. In some cases, this negates the need for finance above the required regulatory minimum- a chronic challenge for entrepreneurs in Sub-Saharan Africa.

These advantages suggest that within the services sector investors face a lower cost and speed of start-up and are able to scale up their operations at an appropriate pace for their revenues. It has been argued by many investors and investment facilitation professionals that this "makes far more sense for SMME's in Mozambique" (participant 8) than the burdensome, costly and in some sense risky processing and agriculture sectors.

Statistics in Mozambique bear this out. They show that the services sector has indeed been able to grow at a rate faster than many other sectors, but especially faster than industry. Between 2010 and 2016 this was the engine of growth in the economy, expanding in terms of share of the economy despite hefty investments in the extractives sector.

4.9 What lessons can Mozambican and other developing countries learn in order to attract more FDI?

There are several lessons that can be drawn from literature and the example of Mozambique. These include that investment climate matters, the need to shift from opportunity to developing value propositions, a focus on delivering quality promotions, taking a segmented approach, ensuring that sector and investor targeting is taking place, providing intensive support, delivering support for business case development and market intelligence as well as playing a role in the Ease, Cost and Risk of Start-up. Finally organisational transformation is required to facilitate this transformation of the IPA.

4.9.1 Investment climate matters

Previous studies have shown that investment climate is important. Yet within investment climate it's become clear where it matters most for investment promotion. Firstly, disorganized value chains make it difficult for investors to identify and evaluate opportunities in the market, believe in the viability of those opportunities and feel secure enough to lobby for investment. Creating visibility and disentangling these value chains for investors is critical if they are to outweigh the costs, risks and complexity associated with FDI and the increased risks of a poor investment climate.

In addition, when it comes to developing business cases poor investment climates inflate costs associated with investing and can slow down the period before investments show returns. This fast-tracking of investments is critical.
Finally, the IPA has an important role to play in lobbying for anti-corruption measures and for red tape reduction so that businesses experience lower administration and compliance cost and complexity, but also can be relieved of some of the costs of corruption and maladministration.

4.9.2 From Opportunity to Value Propositions
There is enormous opportunity for investors in developing markets. Yet, the FDI community are largely not aware of the specific opportunities and that developing markets offer real value. Operationalizing these opportunities remains another area where there can be further clarity.

Yet, IPAs often remain on the surface and ask investors to translate the often-generic features into opportunities and benefits for their specific the business. However, there is intense competition for FDI and a growing sophistication in how agencies tackle the task. This suggests that IPAs in developing markets must become better at articulating value propositions for investors if they are to have a better chance winning the attention of investors and a place on long lists of investment locations.

Crucial to this will be gaining deeper insight into the drivers of needs of value chains and then designing projects so that they solve key issues in the business case for investors. Thereafter they must become better at packaging these projects with the investor in mind. Some examples that best typify this concept are the shovel ready program from JamPro and the Smart Cities Program in Mauritius outlined in Chapter 2. This program showed both proactivity, insight, and good value proposition building for investors.

4.9.3 Quality Promotions
The investment promotions environment is growing more sophisticated, with greater competition between countries and regions within countries for investment. IPAs thus face sizeable hurdles to attracting the attention of investors. A lack of skills, budgets and consistent strategy often impede their ability to effectively promote investment opportunities.

Firstly, IPAs must become better at traditional promotions techniques such as roadshows, trade events, press etc. Secondly, they must get better at modern digital communication, which is critical to providing investors with more information and data they might need to build an investment logic. Thirdly, they must recognize the importance of sector networks and development partners in being able to amplify or dampen their efforts.
Yet, quality promotions are not only in how you reach potential investors and generate leads. These investors must be presented with quality content and opportunities too. As a result, IPAs must think about how to build a positive image with the investment community, that builds credibility. Investing has a very rational component, which suggest that IPAs should eschew generic feel-good advertising for hard-nosed, fact driven promotions around specific opportunities and success cases. Where IPAs opt to bring foreign investors together with local businesses these should represent the best the sector has to offer.

4.9.4 A Segmented Approach
Investors differ in their appetite for investing in developing markets, in their appetite for risk, familiarity with markets and in their ability to manage the complexity and costs of these challenging environments. Getting a clear understanding of the different investor segments is

a crucial activity for IPAs. This is a useful enabler in them developing relevant projects for investors and ensuring that the services they require are provided for.

More concretely, larger investors seem to have a bigger ability to manage the volatility in developing markets than SMMEs. They appear to also be more independent and can fund the hidden costs and greenfield fees associated with startup. As a result, they might require a different service than SMME's. For example, where an SSME might require detailed cost calculations, sector studies and supplier matchmaking; larger investors might prefer a greater focus on incentives matching and infrastructure development.

This is likely true of investors who invest in different sectors or value chains. As a result, taking a more nuanced approach to the services offered to the different investor communities might be most sensible. This represents an opportunity for IPAs in that they can identify the specific services required and can thereby better apportion budgets.

4.9.5 Investor and Sector Targeting

The Mozambican experience suggests that there are different types of investors most likely to invest in a developing market. Large mega projects and transnational corporations, especially those that have vertically integrated operations, might be better able to manage the complex environments and build positive business cases to invest.

Within the SMME environment, those investors who operate in high value niches might be another suitable candidate for targeting. These include operations providing products for the organic market and for high value growth agricultural chains like avocadoes, dried tropical fruits, passion fruit etc.

Finally, having some experience in investing or operating in some way in developing markets seems to predispose an investor to considering expansion into a market that could be similarly difficult.

The specifics on the investors pre-disposed to investing might differ from country to country. Mozambique for example has an advantage with the Portuguese diaspora that is not open to English speaking countries. Yet, the principle remains relevant. Understanding how investors differ and where the country has advantages is especially useful in being able to find areas where investors are more open to listening and considering investing. Those IPAs who can better target investors and match them with the strengths of their market could benefit from a more willing investor.

4.9.6 Intensive Support

The Mozambican experience shows us that IPAs have many opportunities along the location decision making funnel where they can fail. In fact, the lack of awareness around opportunities in the lesser known FDI destinations and reputational disadvantages suggest that the cards are stacked against the many developing market IPAs from the outset.

Yet, in these markets the services provided by IPAs are especially critical. They have the potential to make a large impact on the decisions of investors- all the way from whether investors include the country in the long list, through to whether the final decision is in their favour. However, swaying the decisions of the investors requires intensive and consistent effort.

It requires that the IPA tackle the poor reputations of the market, the lack of awareness around opportunities, let alone the merits of investing. This would however not be enough. For IPAs in developing markets to succeed they seem to be needed to make a transition to becoming proactive investment facilitation partners. This requires that they get involved in developing relevant projects that can be promoted to investors as well as in fulfilling their traditional investor support and troubleshooting activities.

4.9.7 A Business Case Development and Market Intelligence Resource

Data and facts play a critical role in location decisions. Yet, there are often large gaps for investors, especially in developing markets where value chains might be disorganized and information markets poor. This support to build business cases is an essential role for developing market IPAs.

In addition, bringing well thought out projects, with clear value propositions is necessary to winning over investors. This demands an insightful understanding of sectors and the market. As a result, having market intelligence capabilities is crucial for those IPAs from developing markets who wish to succeed.

4.9.8 Ease Cost and Risk of Start-up

Where IPAs typically focus on advertising investment locations, a new model is needed for IPAs in difficult investment climates. These IPAs need to keep foremost in their minds the underlying issue faced by investors in building business cases. The case of Mozambique suggests that this could be that the ease of startup is low, while the costs and risks are high. It is important that IPAs scope projects with that understanding and so demonstrate that these matters are being considered and ameliorated within the project, or through services offered by the IPA, incentives or efforts from government etc.

The added burden of greenfield fees means that IPAs need to have a more holistic view of the conditions that investors need to succeed. This could include simultaneous promotion and clustering of infrastructure, related services etc. that can assist in lowered greenfield costs and speeding up the time before businesses are predictably operating. These solutions will need to be included in project design and development and also in who they target if they are to succeed.

4.9.9 Organisational Transformation

The demands placed on IPAs requires a transformation from a typically bureaucratic troubleshooting function to becoming an insightful, project developer and sector development partner. This suggests that the IPAs would need to develop better business insight skills. They would also need to become more forward thinking and better at project development. To achieve these goals, it is foreseeable that these IPAs would need to become more focused- both on targeted segments and sectors as well as on a few priority projects. Political interference will need to be minimized to ensure that the IPA can consistently get the most out of limited budgets. From the perspective of budgets, it would be helpful if the agency is more adequately funded in line with the strategic ambitions and projects that they are supporting.

5 Conclusion

From a wide review of documents it was possible to identify 6 strategic ambitions for investment promotion- a growth in the quantity of FDI, sector diversification, spatial diversification and expansion of investment to specific agricultural value chains and an improvement in the business climate.

Until the tuna debt scandal Mozambique had indeed seen a growth in FDI and was performing ahead of regional peers. In addition, there seem to be signs of more investment being drawn to smaller sectors and beyond . The service sector particularly benefited. In addition diversification of investment to new areas of the country seemed to be occurring, with FDI zones developing beyond Maputo in Tete, The Northern Zone (Nampula and the Cabo Delgado) and the Gaza Agri-Zone.

So, on the face of it Mozambican investment promotions efforts seem to have been paying some dividends for the country. Until we recognize that there are some significant areas where the growth in the quantity is not matched by an improvement in the quality of the FDI. Firstly, the economy remains small. As a result, single mega projects when they do occur dwarf other investments in size. Also, FDI in Mozambique is sporadic and reflects the stop start nature of projects and an inability to use the projects to spur on long term sustained growth in FDI to a sector. In addition foreign investment is often divorced from local businesses who seldom benefit from backward linkages and local SMME inclusion in value chains. This is an important lesson for other countries that rely on resource or mega projects for FDI inflows. How can these agencies structure these investments- if this is possible at all- to ensure a stronger connection to local SMME's and backward and forward linkages to various other value chains in the economy.

Undoubtedly the poor investment climate has had a role to play in preventing greater sums and a better quality FDI. As one could expect this affects the reputation and risk profile of the country in investors' minds. Yet, within investment climate, weak disorganised value chains, hidden costs of corruption, poorly managed and complex administrative processes and greenfield project costs have risen as being particularly debilitating to investment promotion efforts. Disentangling these value chains, making opportunities more apparent, fast-tracking projects by removing obstacles and red-tape and working to reduce costs of start-up are all areas that are critical for the Mozambican IPA to tackle. Again this lesson is more genrally applicable to IPAs in developing countries.

As such a key focus should be on improving the business climate in Mozambique and in other countries. This includes the targeting direct pressures on investors like simplifying and reducing processes, permits and other requirements. In addition, the IPA and other organs of state should continue to apply pressure to reduce corruption, improve inter-ministerial coordination and capacity to deliver the various strategies developed by government. Simplification has the added benefit of reducing opportunities for graft and corruption. The gap between policy and reality also needs to be closed. This requires continued investment in capability development and coordination across the various spheres of government so that the investment environment is predictable. Where the ease, cost and complexity of start-up can be accurately assessed there are opportunities for investors to estimate risk, costs and complexity and plan this in to their start-up process.

It's important to note that the IPA exists and have a long history in Mozambique. It also fulfils a useful function in troubleshooting and connecting investors with various government incentives. In addition, both policy and teams exist to take on the important task of investment promotions, with a clear intent to improve and transform to become a more investor centric organisation. This is a clear advantage over markets where this does not exist.

Yet, this failure to deliver a better quality of FDI and to achieve their ambitions for investment promotions might also in part be explained by how the IPA goes about promoting investment to Mozambique.

The IPA does not live up to both policy and proven best practice viz structure, strategy and activities. Throughout the investor decision making funnel investors face significant challenges that APIEX is simply unable to provide support in resolving. At the outset of the funnel they are weak at building a better image for Mozambique as an investor destination as well as scoping and promoting specific investment opportunities required to spark interest from the investment community. Visibility of opportunities and being able to accurately assess the merits and costs of start-up in the greater sense of the concept are crucial to being able to explore investment promotion abroad.

Thereafter, they lack the skills and resourcing to be a knowledge partner capable of providing essential insight required in building business cases from afar as well as during market fact finding missions. The IPA doesn't have the skills to identify and package opportunities so that they are interesting to investors, nor the ability to design projects that help to build the business case for investing in Mozambique. The cost, complexity and risk of start-up is this consistently over-or underestimated. These are both problematic for FDI. This is another important lesson for IPAs. Accurate description of risks and even the what is unknown is far more preferable to hard selling with gaps in information.

As a consequence, growth in FDI in Mozambique is perhaps more accurately attributed to factors outside of the investment promotions activities. For example, it could be that the market is maturing and there are more foreign investors who have built up experience and success stories in Mozambique. These good news stories are filtering into the sectors in which they operate and are having an effect. Furthermore, opportunities in the extractives sector and other mega projects are large enough for investors to come looking. And with a growing economy and wealth come additional opportunities for investors. Finally, Mozambique has benefited from push factors in neighbouring South Africa and Zimbabwe, which has lead those investors to actively search for and develop opportunities in Mozambique. This again offers important lessons to IPAs. Sometimes opportunities for investment promotion are not driven by well-planned, long term strategies. Keeping in mind the regional trade-offs being made by investors and being able to respond to developing problem areas for investors might offer new avenues for growth that are not visible to the IPAS. Keeping close to the investor community and tracking developments is thus a useful capability.

That is not to say that there have been no success stories. Mozambique has been improving some areas of the investment climate, even if not nearly enough. Industrial and agricultural strategies exist and are available for potential investors to read. In addition, booklets have been published clarifying investment laws and regulations, and these provide some framework for investors and development partners. But in order for APIEX to live up to its potential more will need to be done. The investment promotions environment globally is simply too competitive with too many countries improving to rest on your laurels. Innovation and continuous improvements to ensure that the risk, cost and complexity of start-up are reduced are crucial for developing countries to win a fair share of the FDI pie.

APIEX is under-resourced and unreliably funded. This is a common complaint amongst developing country IPAs. This might require some effort to look to donor partners for longer term funding for investment promotion activities. Innnovation and understanding these crucial bottlenecks in the business case development could prove helpful in building a case for funding and support. It could also guide development partners to prioritise funding to the issues that matter.

Whether funding efforts are improved or not, APIEX and similar agencies in developing countries can improve the results they achieve for the budgets they do have. This can be achieved in a few ways. Firstly, selecting a narrower range of sectors and value chains as well as countries they'd like to target for inward bound FDI will enable the team to invest their time more productively. They should be able to carry out focused promotional events that have a far greater chance of being noticed by investors. Investment promotion with smaller budgets requires a more proactive, more targeted approach, which will be helped by greater focus. It should enable a deeper understanding of those sectors and countries and assist the agency to build deeper relationships with the investment community in that narrower focus area. This focus is critical for reliable, credible innovation in these results areas.

To get the flywheel going they will need to get better at developing proactive solutions that get to the heart of the challenges investors face when deciding of whether to invest in Mozambique. It is also critical that they becoming more insightful about value chains so that they are able to develop well scoped out projects and more specific opportunity briefs capable of capturing the interest of investors. This is especially when it comes to assisting in identifying, scoping and building business cases and then support in resolving operational challenges that might affect the ease risk and complexity of start-up and hence the business case to invest.

This necessarily requires becoming more business savvy, getting closer to and more insightful about sectors and becoming a more proactive forward-thinking partner for the business community, something that the agency is not known for. In fact APIEX might have to consider resourcing up with sector experts with credibility amongst the investor community. This might not be bureaucrats, Mozambicans or Mozambican based staff at all. For example recruiting staff with experience in fruit packhouses, cashew nut processing facilities, banking or investment facilitation might all be areas where their credibility and helpfulness can be improved.

APIEX appears to have too broad a focus, especially for its limited budget. A narrower focus in sectors and value chains will mean that APIEX will be able to develop deeper insights on the value chains and sectors. This can be helped by recruiting more staff with private sector expertise and especially if that experience comes from having worked in the focus sectors or target investor countries. Again this is a lesson that is more generally relevant for IPAs in developing countries. Generalist knowledge is helpful. But, credible insights from respected professional is more believable and actionable.

From a structure and organisation perspective, APIEX, seems to be too closely aligned with government at the expense of being seen as an investor servicing organisation. The team should consider creating a far larger distance between the agency and government. This could be achieved by carving this agency out from government altogether and making it report to a board consisting of stakeholders from the private and public sector, which should targeted value chain organisations. In addition, integration of the former agencies into APIEX, along with the one stop shops, must be accelerated. This has the added benefit of potentially becoming more palatable to donors and the business community. It's important that IPAs across the developing world take heed of the trade-off in being integrated into the machinery of government. IPAs should be positioned as an extension of the business world, rather than am extension of government or the bureaucracy.

The agency has also underperformed in its servicing of investors who are conducting desktop research from abroad. The agency will need to develop more detailed information for investors and improve the digital resources they provide. This could be strengthened with fact sheets, value chain insights, feasibility studies etc on their focus sectors and value chains. In addition, the agency should continue to develop material for investors in English and in the languages required by the focus international investors. This is crucial if it is to facilitate the development of business case development. IPAs in the developing world- especially those that communicate in languages other than English should take heed. Accessible, business relevant insight that is clearly actionable is far more preferable to generalist information. Closing the information gap in this digital age requires specialist knowledge with depth of insight. Those agencies with greater insight face a greater chance of succeeding. This is especially true where the opportunities are new, unexpected or represent some degree of innovation. If IPAs are to achieve the ambitions for backward and forward linkages that are greatly desired then they will need to become better at painting a picture of investment, costs and benefits that investors can understand.

Finally, proactive marketing and public relations to the focus sectors and target countries could help to change attitudes towards Mozambique and by inference to other developing countries. Promoting both tangible investment opportunities and cases studies of success would be hugely beneficial as it helps to build credibility and trust with the investment community. This is a new skill for the agency and will require both additional funding and capability development. It is important to note that this is not a call for more advertising. The agency should rather focus their efforts on building networks with businesses, trade associations and development partners related to the focus sectors. This could be used to communicate with potential investors, build a profile as a vibrant investment destination and arrange targeted inward- and outward-bound investor missions. This is a very important finding that is relevant to IPAs in developing countries in general. When it comes to investment promotion these under resourced countries need to focus on the arguably tougher, less glamourous job of business to business relationship development and problem solving.

So, becoming better at investment promotion requires an improved business environment, more reliable funding, greater focus on sectors and specific countries; developing deep sector knowledge and capabilities; improving support of investors conducting desktop research and more proactive marketing.

As mentioned at various points in this paper, undertaking research in Mozambique raises many challenges. Firstly, the quantitative data relies on data collected from APIEX around pledged projects, rather than actual projects. Having a better understanding of actual investment would be helpful to confirming or refuting the findings. This gap between approved and actual investments also raises interesting questions that could do with further investigation. What makes investors veer off from carrying out their investment as planned and what can the IPA and government do to encourage follow through?

The need for targeted strategies, solutions and intelligence doesn't mean that there is no need for robust studies with larger sample sizes. In fact narrow targeting requires more insight and more clarity as there're no safety net of generally applicable solutions. The "closed" nature of the business community and their desire to remain anonymous to the state reduces the possibilities for open, transparent dialogue with the business sector- an important ingredient in being able to adequately address their concerns and needs as they evolve. This is thus a critical issue that requires careful consideration in future studies and solution development.

This study takes a multi-sectoral approach, focussing on the priorities stated by government. Yet, its findings suggest that a granular understanding of sectors, value chains and different investor groups matters. So, it would seem sensible that understanding the specifics of these target groups would provide greater clarity on their specificities and could inform more nuanced strategies, projects, lead generation activities and communications. This is especially true of the high value niche value chains that were highlighted as being so promising in the study.

There seems to be an emerging picture that large investors- such as TNC's and those investing in mega-projects- and SMME's approach the location decision funnel differently. Getting a more detailed understanding of this issue could provide additional insight into how SMME's-especially where they operate in the secondary sector- can be specifically targeted. Their representation in this sample is small and a wider study of SMME's- especially those in manufacturing - could provide useful insights that are missed here.

Quantification of how much proactive project design matters could be helpful to IPAs looking to build a case for investing resources in activities that are not traditionally central to the IPAs' basket of activities and services. This should be explored in future studies.

Finally, the study draws conclusions from Mozambique and infers that these are indeed relevant for developing countries in general. This will need to be established country by country or perhaps in a regional study. A quantitative study might provide additional insight and at least a degree of confirmation that these sub-issues are indeed significant.

In summary then, Mozambique has had mixed results when compared to the 6 ambitions set forth in various documents. The country has outperformed its peers in attracting FDI and there are signs that diversification is occurring towards the services sector as well as to new geographic areas of the country. Nevertheless, the harmful investment climate and poor performance of the IPA versus global best practice and investor expectations suggests that this growth comes in spite of weakness at the IPA rather than because of it. In order to fulfil their role in attracting FDI the agency will need to undergo a radical transformation. It will need to move from being a reactive, trouble-shooting team heavily involved in administration and incentive access to a proactive, resourceful investor resource that is capable of designing, well thought through investment briefs to the market. This is a demanding requirement and will necessitate a change in strategy, focus, organisation, resourcing and capabilities.

6 Appendix 1

6.1 Ethical Clearance

UNIVERSITY OF
KWAZULU-NATAL
INYUVESI
YAKWAZULU-NATALI

04 November 2019

Ms Kerry Kyd (219096115)
School of Built Environment & Development Studies
Howard College Campus

Dear Ms Kyd,

Protocol reference number: HSSREC/00000684/2019
Project title: how can developing countries attract foreign direct investment?

Approval Notification – Expedited Application

This letter serves to notify you that your application received on 19 September 2019 in connection with the above, was reviewed by the Humanities and Social Sciences Research Ethics Committee (HSSREC) and the protocol has been granted **FULL APPROVAL**

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number. PLEASE NOTE: Research data should be securely stored in the discipline/department for a period of 5 years.

This approval is valid for one year from 04 November 2019.
To ensure uninterrupted approval of this study beyond the approval expiry date, a progress report must be submitted to the Research Office on the appropriate form 2 - 3 months before the expiry date. A close-out report to be submitted when study is finished.

Yours sincerely,

[redacted]

Professor Urmilla Bob
University Dean of Research

/ms

Humanities & Social Sciences Research Ethics Committee
Dr Rosemary Sibanda (Chair)
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Website: http://research.ukzn.ac.za/Research-Ethics/

Founding Campuses: Edgewood Howard College Medical School Pietermaritzburg Westville

INSPIRING GREATNESS

6.2 Historical Timeline for the creation of APIEX

Figure 26 Timeline with key dates

Year	Organization History	Oversight Authority
1984	The Office of Foreign Direct Investment is established.	National Planning Commission
1990	IPEX is created	
1993	- Establishment of CPI is formed. It is an autonomous investment promotion agency directly reporting to Minister of Planning and Finance (MPF).	Minister of Planning and Finance
2006	• CEPAGRI is created to facilitate large scale agricultural investments	Ministry of Agriculture (MINAG)
2007	• Change of supervisory authority • Separation of the functions related to IFZs and SEZs from CPI . • Creation of GAZEDA	Ministry of Planning and Development (MPD)
2013	The investment council is created. This is an inter-ministerial council charged with with developing investment strategies and policies for consideration by the Council of Ministers	
2014	APIEX is created (GAZEDA, CPI.,IPEX)	Minister of Economy and Finance
2016	CEPAGRI is closed	

The Investment Promotion Center (CPI)

Under the previous system, CPI undertook a number of activities- promotions, investment facilitation, regulatory and troubleshooting. As a key investment promotion agency (IPA) it is core responsibility was to promote and attract investment through marketing investment opportunities in the country and providing information to potential investors around the opportunities for investment. To achieve this goal, CPI engaged in promotions activities such as attending and hosting seminars and conferences as well as the reception of business missions and bilateral trade missions from abroad.

The organisation also had a key facilitation role. It was the primary point of contact for investors with the government, particularly during the initial investment stage.
From a regulatory perspective CPI was responsible for evaluating investment proposals and consequently "approving them" by issuing Terms of Authorization (TA). This enabled investors to qualify for various investment incentives. In order to be approved investment projects were required to comply with at least 7 out of 10 investment objectives that reflect the various strategic ambitions in various strategic planning processes, but especially the National Investment Strategy. This includes industrialization and modernization, job creation, diversification of investment etc. They were also authorized to negotiate with investors and define the specific tax incentives and further fiscal benefits that they could receive for investing. In addition, CPI was involved in co-ordinating various investment initiatives as a part of PEPIP as well as lobbying and taking part in initiatives developed to improve the investment climate.

CPI was also responsible for troubleshooting. They played a much needed role by standing in between investors and other ministries and government agencies. They were thus able to provide support in obtaining business licenses and permits so that approved projects had a greater chance of being actually implemented. Typically finding reliable local suppliers has been problematic in Mozambique. So CPI has also attempted to link local businesses with foreign investment projects.
Their role was not only limited to the initial stages of investment. They continued with support throughout the implementation and business expansion phases.

In order to carry out their mandate CPI established offices in Shanghai, Brussels and South Africa as well as 11 offices in the provinces around Mozambique (Krause, M.; Kaufmann, F.; 2011).

At various stages in its history CPI has reported to the ministry of planning and or the ministry of finance.

6.2.1.1 GAZEDA-Roles, Responsibilities and Activities

GAZEDA was created in response to the MOZAL investment in the mid-2000s (UNCTAD, 2015) to develop and manage industrial free zones (IFZs) and Special Economic Zones (SEZs). In 2007, the functions related to industrial free zones (IFZs) and special economic zones (SEZs) were separated from CPI, which led to the establishment of The Office for the Accelerated Economic Development Zones, GAZEDA. Like CPI, it was created to be semi-autonomous, despite having reporting lines to the Ministry of Planning and Development (OECD, 2013).

While the Belulane Free Zone and the Nacala SEZ have been a core focus for much of their history, the number of IFZ's and SEZs have since expanded (Fernando, X.; 2013) For example the Manga-Mungassa Special Economic Zone in Sofala Province attracted a $260 investment from a Chinese investor in 2014 for infrastructure development, while the entire district of Mocuba in Zambézia Province was declared a Special Economic Zone (USAID, 2013). Locating your business in these zones allows firms to benefit from exemptions from customs duties and value added tax on imports of equipment and raw materials for use within the zones. Other benefits such as a reduced corporate income tax rate are available, although for limited durations. A special labour and immigration tax scheme is available for industrial free zones (USAID, 2013).

These zones have special rules and regulations that include fiscal benefits as well as a host of non-fiscal benefits like relaxation from immigration-, environmental- and exchange controls as well as regulatory inspections. For example, developers of industrial free zones-then and now- qualify for reduced customs duties and VAT exemptions on imports of construction material, machinery and equipment. In return, to qualify to receive Industrial Free Zone status, the investment must achieve a few strategic ambitions for investment. These are providing employment opportunities for Mozambicans, producing chiefly for the export market (85%) and making an initial investment greater than $50 000. Local businesses tend not to be able to meet these criteria, so these zones are largely targeted at foreign investors (UNCTAD, 2015).

IPEX- Roles, Responsibilities and Activities

IPEX was created in 1990 to provide technical assistance, advice and information for exporters (UNCTAD; 2015). In addition, they were responsible for promoting and publicizing exports abroad as well as carrying out market research and studies and promoting exports abroad. (Wilson, J.; Abiola, V; 2003). To carry out their role there were responsible for developing the export promotion strategy in 2012/2013 (OECD; 2013).

Regional Investment Promotion- ZVDA

Recurrent bouts of political unrest North of the Zambezi and a negotiated settlement between RENAMO and FRELIMO highlighted the impact of the heavily centralized system of governance in Mozambique. As a result, the state has been working to divest more power to the regions. These efforts include having created posts for elected regional governors and -in the case of the Zambezi Valley region- creating a stand-alone investment promotions agency called the ZVDA (USAID, 2013).

The agency falls within the ambit of APIEX, but has a small team of agronomists, economists, researchers and even its own small marketing department who work across the geographic areas stretching along the reaches of the Zambezi Valley.

CEPAGRI and INATUR

CEPAGRI was created in 2006 in order to facilitate large scale agricultural investments envisioned for Mozambique. It was also tasked with identifying the underlying problems in the agricultural sectors and working together with various stakeholders to find suitable solutions. CEPAGRI was also given the mandate to monitor agricultural investments across the country. In order to do so it had four provincial offices in Gaza, Manica, Zambézia and Nampula (OECD, 2013).

The department was a part of the Ministry of Agriculture, but it worked loosely with CPI, who would forward agricultural investment proposals through to this office (Schoneveld G, 2016). The department was closed in 2016 after failing to show much success despite a decade of activity. This can be attributed to a number of factors, but land grabs played a large role in slowing down several key projects like the $5bn pro-savannah project in the North of the country.

In the tourism sector the INATUR, the Mozambique Tourism Authority, remains responsible for attracting investors to new investment opportunities and working with investors to realise the projects in this sector (UNCTAD, 2015).

6.3 Participant Profile List

Reference	Description	Interview 1	Interview 2
Respondent 1	IPA official- Maputo	7 October 2019	10 October 2019
Respondent 2	Mozambican Chamber of Commerce	7 October 2019	
Respondent 3	Embassy Official	8 October 2019	
Respondent 4	MD Investor- fruit sector processing	9 October 2019	
Respondent 5	MD Large Security Firm, Maputo	8 October 2019	
Respondent 6	Global Impact Investment Fund	10 October 2019	
Respondent 7	MD, JV Financial Services	9 October 2019	
Respondent 8	MD, Investment and Development Consultant	9 October 2019	28 January 2020
Respondent 9	MD/Investor Milling	8 October 2019	
Respondent 10	Development Consultant	9 October 2019	
Respondent 11	Local Small Business Council Chairperson	9 October 2019	
Respondent 12	Business Financing Expert in Development	18 February 2020	
Respondent 13	SA- Moz Chamber/ Investment facilitation consultant	7 October 2019	
Respondent 14	Fish Farm Investor	8 December 2019	
Respondent 15	Fruit Sector investor	10 February 2020	
Respondent 16	MD Logistics Firm	10 February 2020	

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