

Mozambique: A Response to 'Another Norfund Fiasco as Matanuska Goes Bust'

DOCUMENT

In his article of 26th March 2018, Joseph Hanlon notes that only three countries have been long-term financial supporters of Mozambique (being Switzerland, the UK and Norway). However, taken on the whole, Hanlon's article gives a limited and somewhat misleading picture of Norfund's activities in Mozambique, hence this response from Norfund.

Hanlon questions Norfund's liability in making agri-investments in Mozambique, which he himself accepts is a difficult investment climate, in which Norfund remains one of the few remaining consistent investors in. Norfund therefore need to clarify the following:

Norfund invested in Matanuska whilst it was a greenfield banana plantation in northern Mozambique, whose objective was to plant quality-bananas for export and for domestic consumption. The premise was that when such an investment reaches operational maturity, it would contribute to the country's economic growth through increased export earnings, and through increased job creation and payment of local taxes. It is clear and accepted that all these factors all lead to poverty reduction in Mozambique.

In pursuit of the above objective, Norfund's view remains clear, that significant achievements were made at the Matanuska plantation, which at its peak:

- Exported 50 000 tons of bananas in a year,
- Employed 2 500 people, and
- Most important, it demonstrated that large-scale production and export of quality fruit is possible from challenging production environments like Northern Mozambique.

Unfortunately, the Panama Disease (PD), a fungal disease affecting the roots of banana plants, was confirmed present on the plantation in 2014. The origin of the disease is not known and there is no proof that it was caused by poor management practices, as claimed in Hanlon's article. In fact, FAO (Food and Agriculture Organisation of the United Nations) have complimented Matanuska on their openness regarding PD. FAO were also complementary of the of the company's handling of the discovery of the disease, and on the containment measures implemented immediately thereafter.

The banana industry is prone to diseases due to its extreme dependency on the Cavendish banana, which accounts for 99 percent of banana exports. Previously, the industry has faced similar difficulties, and solved them through the development of new varieties.

From the moment it was suspected that PD may be present in Matanuska, Norfund and our investment partners took a proactive and investigative stance towards understanding the disease, its possible effects, and especially towards its containment. To this end, Norfund played an active part in the fight against PD at Matanuska through active ownership, and through bold and progressive initiatives such as providing financial assistance to fund emergency Panama Disease containment measures that were put in place at Matanuska. These measures were instituted after consultation with the University of Stellenbosch, with FAO, and with the Mozambican Ministry of Agriculture, together with the company.

In addition, Norfund also financed 75% of the cost of a 3-year co-operation program with Stellenbosch University, as well as financed studies on the susceptibility of local cooking bananas to PD. Norfund has also been in direct contact with other scientists that were noted as possible contributors to assist in handling the PD problem. Finally, as a shareholder in Matanuska, we led the initiative to commission studies that were undertaken to investigate the possibility of growing alternative crop types on the Matanuska farm, besides banana. (Note: even after exiting Matanuska, Norfund have continued to contribute proactively to various PD containment efforts).

Norfund's decision to exit Matanuska was reached due to the differences in views on the future strategy of the company, between Norfund - as a minority investor - and those of the majority investors. As noted above, as Norfund we had clearly demonstrated our commitment to resolving the PD issue, both whilst we were still active shareholders, and even after our exit.

Hanlon's critical comment to Norfund and the company Frango King is also not correct. Frango King was a subsidiary of African Century Group (ACF) when Norfund invested in ACF in 2013. ACF's main business is aquaculture with large scale commercial fish farming of Tilapia in Lake Kariba (Zimbabwe/Zambia) and in Lake Victoria (Uganda). Frango King in Nampula (Mozambique) was a capital intensive integrated feed and poultry producer in a highly competitive market. The largest local competitor was New Horizon (NH). In line with ACF's strategy to focus on their core business, ACF divested of Frango King to New Horizon in a transaction whereby NH acquired all the assets of FK and continued the business.

Norfund is an active, responsible, minority investor, and is the Norwegian government's main instrument for combatting poverty through private sector development. Norfund's mandate is to assist in the development of sustainable and viable businesses and industries in developing countries, that would otherwise not be initiated, due to the high risk and high costs involved. However, in implementing our mandate, Norfund is fully aware that investing in food and agribusinesses in Africa (and particularly in Mozambique), is extremely challenging and is of high risk. In addition, we are also aware that when the investments in this sector succeed, they are more effective in reducing poverty especially amongst the very poor, due to their high labor-intensiveness. Finally, Norfund is also aware that when these agribusiness sector investments succeed, their development footprint far-outreaches that of investments in other sectors.

For these reasons, Norfund will continue to responsibly build a substantial portfolio in Africa's food and agribusiness sector, with our main focus being on investments in the agribusiness value chain, despite the challenges we have always known are there.



Copyright © 2018 Norfund. All rights reserved. Distributed by AllAfrica Global Media (allAfrica.com). To contact the copyright holder directly for corrections — or for permission to republish or make other authorized use of this material, [click here](#).

AllAfrica publishes around 800 reports a day from more than 140 news organizations and over 500 other institutions and individuals, representing a diversity of positions on every topic. We publish news and views ranging from vigorous opponents of governments to government publications and spokespersons. Publishers named above each report are responsible for their own content, which AllAfrica does not have the legal right to edit or correct.

Articles and commentaries that identify allAfrica.com as the publisher are produced or commissioned by AllAfrica. To address comments or complaints, please [Contact us](#).

AllAfrica is a voice of, by and about Africa - aggregating, producing and distributing 800 news and information items daily from over 140 African news organizations and our own reporters to an African and global public. We operate from Cape Town, Dakar, Abuja, Monrovia, Nairobi and Washington DC.

© 2018 AllAfrica

AllAfrica - All the Time