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Centro de Aconselhamento
para o Desenvolvimento Industrial

“Feasibility Study on Salt Industry in Mozambique”
UNIDO Project No. XA/MOZ/03/635 – UNIDO Contract No. 2003/224

Final Report
November, 2004

The Contractor
Centro de Aconselhamento para o Desenvolvimento Industrial (CADI)
Maputo-Mozambique

1. Introduction

This report covers the activities carried out under the “UNIDO Project XA/MOZ/03/635 – Feasibility Study on Salt Industry in Mozambique, Contract Number 2003/224”.

The initial reporting schedule was pointing to two interim reports and a final report as to cover the two major project components: the feasibility study on the APSSS salt storehouse and the feasibility study on the APSSS transportation system.

Due to the linkage of these components, the contractor, together with the beneficiary (APSSS) and with the acceptance of the UNIDO Office in Maputo, decided to prepare both studies in a unique document so that all common figures will be maintained together to produce a more comprehensive and condensed output.

The work done involved discussions with the APSSS to agree on the data and assumptions used for analysis purposes, direct contact with market operators to collect the relevant information as well as a literature review to use the already produced materials.

All efforts were made to ensure the validity of the study and some Business Planning Elements were inserted so that the document can be easily used by the Beneficiary as well as by UNIDO, for decision-making purposes.

2. Project Objectives

The objectives pursued under this project were to support the APSSS efforts on creating assets that will contribute to its sustainability by generating income for the association and for the members as well.

To meet this overall objective, the following specific objectives were set:

- To appraise the feasibility of establishing and maintaining a common selling point in Xai-Xai for the APSSS members.
- To appraise the feasibility of establishing and maintaining a transportation service from the production sites to the selling point in Xai-Xai.

3. Activities performed

In order to meet the objectives above, CADi performed the following activities:



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- a) data gathering on supply capacity, market demand, cost of infrastructures, cost of equipments, cost of utilities, wages and other cost of personal, cost of capital and financial indicators.
- b) conducting a feasibility study for the “Establishment of the APSSS Salt Storehouse” in Xai-Xai to support the decision making process regarding this initiative.
- c) conducting a feasibility study for the “Establishment of the APSSS Salt Transportation System” from the production sites to the APSSS Storehouse in Xai-Xai to support the decision making process regarding this initiative.
- d) monitoring the costing structure & pricing on result of the new APSSS ventures referred to in b) and c).

4. Outcomes and Findings

Reference is made to the attached document comprising the feasibility studies on the APSSS Salt Storehouse in Xai-Xai and on the APSSS Transportation System.

The study presents the an appraisal of the financial, economic, social and business significance of establishing a salt storehouse in Xai-Xai to respond the need to reduce salt overstocking presently occurring at all salt works in the south region of the county.

The proposed storehouse is also expected to contribute to reduce unfair commercial and business practices implemented by the different salt works, seeking to eventually gain advantage over the others to secure present customers.

This is done in prejudice of the salt producers, as the customers know the alternatives to reach other salt works to negotiate better prices.

Besides having the chance to have the product at lower prices, these customers keep high the prices to the final consumer, particularly those from locations where there are no alternative salt suppliers.

The study demonstrates that the installation of a storehouse in Xai-Xai is a feasible business and may contribute to increase the actual production capacity, generate employment and promote small businesses for the poor women in Xai-Xai. In five years time, the project will generate profits over USD **22,006.29**. These results will enable the APSSS to initiate long term investments for permanent facilities not only in Xai-Xai but also along the country and where the market indicates possible feasibility.

The study also makes an analysis of the feasibility of implementing a transportation system as part of the efforts to improve the market position of the APSSS and its



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members. It is also demonstrated that it is a feasible business, although the initial investment is slightly higher than the one for the storehouse.

After all, it is important to understand that all these initiatives can only succeed if implemented in an integrated framework.

5. Recommendations

The investments proposed to enable the practical implementation of the APSSS Storehouse in Xai-Xai, as well as the Transportation System, are affordable and can even be channeled through a direct support to the APSSS.

A strong advice and recommendation is made to the UNIDO to consider supporting these initiatives or to support APSSS on fund raising within donor organizations or other cooperation partners so that the UNIDO support channeled up to now will produce tangible results to the particular APSSS member and also contribute to achieve other results such as:

- improving income generation to the people around the salt business,
- creating employment,
- reducing the salt price to affordable patterns to all the citizens, and
- promoting the partnership among APSSS members.

6. Final Statement

This report is complete to our best understanding and reflects the result of the fieldwork done under this contract agreement. The team involved was committed to contribute for the global improvement of this sector, to the benefit of the country.

The present report is herewith submitted for UNIDO consideration as agreed in the contract.

Elias J Come
Director, CADI