This document represents an information memorandum for the agricultural development of the Nacala Corridor and the preparation of a new and pioneering global investment fund, that considers agricultural production arrangements with small, medium and large-scale farmers for various crops across a diverse range of projects.
This information memorandum describes a pioneering and newly to be established global investment fund that aims to provide substantial capital investments for the agricultural development in Africa. The Africa Opportunities Fund: NACALA CORRIDOR FUND targets to develop several integrated agricultural projects and related infrastructure developments in the Nacala Corridor, in the North of Mozambique.

Investment and development opportunities sought by the NACALA CORRIDOR FUND are perfectly aligned with the ProSAVANA program - a triangular initiative between the governments of Mozambique, Japan and Brazil, fostering agricultural and rural development in the northern region of Mozambique. At the core of this initiative stands the development of the agricultural potential of the Nacala Region by improving the local farmers productivity with state-of-the-art technology, know-how transfer (farmer capacitation), and by promoting sustainable and modern agricultural production systems and methodologies. The initiative will also seek to improve the regional rural transport and logistics infrastructure.

To follow above stated objectives, four main goals were defined for the NACALA CORRIDOR FUND:

• Generate attractive long-term investment returns for (global) investors;
• Focus on the Nacala region with the purpose of poverty reduction through income generation & job creation;
• Develop sustainable agribusiness undertakings, to produce food for the local, Africa’s and the world’s growing demand for agricultural products. (Selected agribusiness related infrastructure projects will also be included);
• Economic development, social inclusion and environmental progress.

This paper will further provide corporate information of the FGV Foundation, its experience in the target region and proven track-record with similar projects, further activities related to the objectives of this initiative, the NACALA CORRIDOR FUND structure, the management set-up and the implementation process.

Cesar Cunha Campos
Director, FGV Projetos
A center of excellence for quality education, FGV Foundation has been working to strengthen Brazil’s economic, social and intellectual development for nearly 70 years. FGV was originally founded to educate and train qualified management personnel for the public and private sectors at a time when Brazil was beginning to lay the foundations for growth that took place in the decades that followed. As this change began to occur, FGV decided to broaden its scope from a narrow emphasis on management to a wider-ranging focus on the social and economic sciences. Over time, the institution moved beyond the boundaries of education and advanced into research and information to such an extent that the name “FGV” has become synonymous with quality and excellence.

FGV’s policy of fostering and encouraging the production and honing of ideas, data and information has made it one of Brazil’s leading institutions. Building on its international significance, FGV’s prominence has enabled it to educate and train ethically aware citizens ready to take on their responsibilities as agents of change for society.

FGV was Latin America’s first institution to train graduates for both public and business administration. It has been named Top Think Tank in Latin America and the Caribbean, and the University of Pennsylvania has ranked it one of the world’s leading centers.

FGV has also led the field in producing and publishing quality data on Brazil’s economy, not only for the general public but for public policy makers in particular. Some of Brazil’s key economic indicators are regularly compiled by FGV to help the government measure inflation and track prices in industry and commerce.

Brazil still has many major challenges to overcome and FGV continues its work to foster the country’s socioeconomic development. Now, as one of the world’s largest economies, Brazil also plays a key role in the complex network of international relations.

In the course of the last decade, some 30 million Brazilians have moved up into the middle class. The fact that GDP has continued to grow despite the international crisis is a sign of a robust and stable economy. As a result, Brazil contributes increasingly to discussions of public policy and global perspectives in fields such as the environment, energy, health, and education.

To ensure growth, Brazil needs qualified professionals and continuous investment in research and
development. These conditions are critical to the pursuit of solutions that boost the competitiveness of our economy and lead to data-driven and effective public policies.

Research and knowledge applied to policymaking and business practices will be essential in tackling these challenges. Therefore, FGV’s core mission includes contributing to innovation by, and the modernization of, Brazilian institutions, based on strong standards of excellence and quality.

EDUCATION, RESEARCH AND PROJECTS

FGV FOUNDATION’S UNITS

Brazilian School of Administration - EBAPE
São Paulo School of Business - EAESP
Graduate School of Economics - EPGE
São Paulo School of Economics - EESP
School of Applied Mathematics - EMAP
Rio de Janeiro School of Law - DIREITO RIO
São Paulo School of Law - DIREITO GV
School of Social Sciences and History - CPDOC
Institute of Educational Development - IDE
Brazilian Institute of Economics - IBRE
FGV Press

FGV Projetos

ABOUT FGV PROJETOS

Around 30 years ago, FGV’s technical advisory unit - FGV Projetos - was established to implement academic knowledge generated and developed by its schools and institutions. It brings together expertise, state-of-the-art methodologies and a staff of well-prepared professionals with a proven record in promoting efficient management practices in public, private and non-governmental organizations in Brazil and abroad.

On the basis of its extensive knowledge in the areas of public policy, law, administration, finance and economics, FGV Projetos devises solutions for the implementation of best practices in the following key sectors of activity: Agribusiness, Communications and Neuromarketing, Media and Technology, Consumption and Retail, Culture, Education, Energy, Government, Industry, Justice, Health, Public Safety, Services, Social Responsibility and Sustainability, Sports, Telecommunications, Transportation and Tourism.

In addition, FGV Projetos develops projects with about 15 countries in Africa, Central America and the Caribbean, with an emphasis on issues related to sustainable development, encouraging scientific and technical agreements between various nations and Brazil. Recently, FGV received from the United Nations Industrial Development Organization (UNIDO) the best solution award, in the context of the Global South-South Development Expo 2012, in which it took part upon recommendation of the International Renewable Energy Agency (IRENA). The South-South and Triangular Cooperation Leadership Awards indicates the international recognition for the broad trajectory of studies, projects and experiences consolidated by the teachers, specialists and coordinators of FGV with various partners around issues related to bioenergy.

MORE THAN 30 YEARS OF EXPERIENCE PROVIDING TECHNICAL ASSISTANCE TO PUBLIC AND PRIVATE INSTITUTIONS

180 PROJECTS UNDERWAY IN BRAZILIAN STATES AND ABROAD

900 EMPLOYEES AND COLLABORATORS

100% OF FGV PROJETOS STAFF HOLD A MASTER’S AND DOCTORATE

100% OF FGV PROJETOS STAFF HOLD A MASTER’S AND DOCTORATE
Country briefing
Mozambique
Mozambique is situated on the south-eastern coast of Africa. It borders with Tanzania to the north, Zambia, Malawi and Zimbabwe to the west and South Africa and Swaziland to the south. Mozambique has 11 provinces from North to South, and a coastal line of more than 3,000 km (1,864.11 miles). It is among the world’s largest countries (#36), with more than double the land area compared to countries such as Japan or Germany.

The country is developing its huge coal deposits in the north-west, and in the north it has also recently discovered one of the world’s largest gas findings. Among other sectors, particularly the agricultural sector offers vast opportunities for the production of cereals, fruits, flowers, vegetables, for the local but also the regional and global export markets.

The population of Mozambique is at about 23 million people. Almost 80% of the population lives in rural areas, where 85% of the labor force is employed in rural activities - mostly family farmers with cultivation areas of up to 2 hectares. The combination of smallholders and the use of low technology result in low agricultural productivity. Although Mozambique offers vast agricultural production potential, the country is still a net importer of food, (self sufficient only in cassava crops), with significant impact in Mozambique’s trade balance. Among other reasons, the countries high import dependency can also be explained in the low cultivation on only about 4-5% of the total arable land available.

From an agricultural perspective, the country offers several high potential agricultural production areas and corridors. The Nacala Corridor, the largest of the six (6) agricultural corridors identified by the government, is home to approx. 10 million people and offers extensive agricultural potential - in an area of approx. 14 million hectares of vastly undeveloped land. The corridor links to the west the city of Nacala (with East Africa’s deepest natural port and the final terminal for the Nacala Railway), with eastwards landlocked Malawi. The region has an immense, rich and diversified natural resource base - that provides a promising development potential with attractive capital returns for long-term investors.
The Triangular Cooperation Program for Agricultural Development of the Mozambican Savannah - ProSAVANA - an initiative coordinated by the Brazilian Cooperation Agency (ABC), Japan International Cooperation Agency (JICA) and the Minister of Agriculture of Mozambique (MINAG) - aims to transfer sustainable agricultural technologies to Mozambican institutions and also create investment frameworks to public and private investors.

It is expected that the knowledge and farming experiences acquired during the agricultural development of the Brazilian Cerrado - over the past decades (The development program PRODECER - PRO Desenvolvimento dos Cerrados - was established in the ‘70’s and exceptionally well executed between the governments of Brazil and Japan), will significantly contribute to the improvement of the agricultural productivity of Mozambique, but also Africa, with its nearly 400 million hectares of available arable land. The Program is developed to achieve local food security, but also contribute to the regional and global food supply. It further seeks to become a successful model of technology and know-how transfer between regions with similar agricultural conditions and different levels of productivity.
THE PROSAVANA PROGRAM

The ProSAVANA program is divided into three initiatives:

1. Project to Improve the Research Capacity of Mozambican Institutions: the three parties agreed to develop the capacity of the Agrarian Research Institute of Mozambique in the Nacala Corridor through transfer and adaptation of developed crop varieties and the improvement of the physical structure and training schemes of the above mentioned Institute. Embrapa (Brazilian Agricultural Research Corporation) and JIRCAS (Japan International Research Center for Agricultural Sciences) are respectively the Brazilian and the Japanese executing institutions of this project.

2. Formulation of an Agriculture Development Master Plan: the main objective of this project is to formulate a Master Plan that will promote public and private investment in agriculture and related activities in the Nacala Corridor. This Plan will provide environmental, social, and legal frameworks that will support the Mozambican government on its enforcement capacity and create conditions to the regional development in the North of Mozambique through national and international, public and private, investments. FGV Foundation was hired by the Brazilian government to elaborate the Master Plan.

3. Project to Improve the Rural Extension and Technical Assistance Capacity of Mozambican Institutions: the three parties agreed to develop the capacity of the National Directorate of Rural Extension through transfer of state-of-the-art technologies, to that promotes linkages between research and small scale farmers.

THE PROSAVANA PROGRAM AND THE NACALA CORRIDOR FUND

The NACALA CORRIDOR FUND will comply with the guidelines promoted by the ProSAVANA program, mainly based on the Master Plan initiative, to create new models of sustainable agriculture and, as a consequence, promote food security, generate jobs and income for the local population, protect the wildlife and preserve the environment, while fostering synergies between local small, medium and large scale farmers. FGV Foundation will develop the Master Plan and contribute to the elaboration of the ProSAVANA Master Plan with its expertise in modern agricultural farming in the tropics. The ProSAVANA program and its recommendations elaborated in the master plan aim at substantially improve the agricultural potential and productivity of Mozambique and its participants, by implementing state-of-the-art technologies, establishing on-ground technical education and capacitiation facilities and increasing the institutional cooperation with the government agencies, and the other relevant local institutions.
The NACALA CORRIDOR FUND - a privately managed and Luxembourg regulated SICAR fund (a detailed SICAR description follows ahead), is a 10-year private equity fund, that provides private equity funding for the development of sustainable, agribusiness operations in the tropical savannah of the Nacala Corridor. The NACALA CORRIDOR FUND will widely follow the objectives established in the Master Plan of the ‘ProSAVANA’ initiative.

The NACALA CORRIDOR FUND will be established as a Master Fund, under Luxembourg SICAR regulations. The Master Fund structure is commonly used to pool investment capital raised by diverse investor groups (from different countries/regions legal requirements or just with differing interests), into one central vehicle called the Master Fund. The funds initially targeted investor groups will typically invest into separated Feeder Funds, which in turn will invest their assets into the Master Fund. The Master Fund makes all the portfolio investments and conducts ongoing risk management and oversight management activities.

The Master-Feeder Fund advantage is that its structure enables consolidation of multiple portfolios into one, which reduces trading, operation costs and complexity. It also has economies of scale and, by virtue of its size, can obtain better service and favorable terms from market players and other institutions.

The NACALA CORRIDOR FUND is expected to have up to two (2) feeder funds in its initial phase, located in (investor) markets where local regulations typically require 1) local fund vehicles, and 2) those fund vehicles to be registered with the local authorities (such as in Brazil). The international private sector will also be invited to participate through direct investments (co-investments) into the individual fund undertakings, that will be selected and approved by the NACALA CORRIDOR FUND’s Board of Directors.

The NACALA CORRIDOR FUND aims to generate attractive long-term returns for its investors, stimulate local and regional economic development wherever the FUND operates, alleviate poverty, create jobs, create an environment of fair, ethical and respectful cooperation with whoever it operates, help transfer know-how to locals to develop sustainable local agricultural production, establish values/guidelines to protect and improve the local environment and natural resources hand-in-hand with the local communities, and operate an integrated (agri-) business model that is based on state-of the-art machinery, research, best practices and competitiveness.
The SICAR: The Luxembourg Law on Risk Capital Investment Companies established a form of investment vehicle known as a “SICAR” (Société d’investissement en capital à risque – undertaking for collective venture capital investment), with the purpose to facilitate the raising of funds and to allow investment in risk-bearing capital. It has simplified status under Luxembourg company law, features favorable tax rules for global investors (such as exemptions from capital tax, income tax on qualifying income and dividend withholding tax) and is subject to the prior authorization and supervision of the Luxembourg Supervisory Authority for the Financial Sector (CSSF).

The SICAR’s principal object is to invest in risk-bearing capital issued by domestic and foreign enterprises. The Law does not impose any restrictions on portfolio investments or the investment policy. The SICAR could invest all of its funds in one company, or acquire the majority of votes of one company. There are further no requirements with respect to the number of investors, the transferability of the shares, restrictions on capital repayments, share redemptions, dividends or interim dividends, obligations to maintain a legal reserve, debt-to-equity ratios, etc.

SICAR regulations require in addition to publish a prospectus stating the fund investment policy and other fund related details, and at least once a year an annual report describing the fund activities and related performances. The annual financial statements must be approved by a Luxembourg independent auditor.
Simplified Investment Fund Structure

This simplified investment fund structure, including the supporting organizations informed, is still under legal analysis and might be modified at any time.

The Funds share classes (sub-funds) will have systematic targets for economic development, social progress and environmental protection.

This simplified investment fund structure, including the supporting organizations informed, is still under legal analysis and might be modified at any time.
Establishing, administration and management of the fund structure

Fund Administration & management

The fund administrator and the fund manager will be appointed by the NACALA CORRIDOR FUND’s Board of Directors to administrate and manage the NACALA CORRIDOR FUND in accordance to the fund policy and the investment regulations of the Grand Duchy of Luxembourg. Both entities will ensure world-class standards in terms of fund organization, procedures, conflict of interest, compliance with the rules of conduct and risk management, accordance with MiFID standards (the Markets in Financial Instruments Directives EU/2004), among several other legal and market requirements. The fund administrator is also the principal representative before the Luxembourg regulator, the CSSF. The fund manager will be responsible for the day-to-day management of the fund.

Fund management and Investment-Decision-Making Authority

Board of Directors

The Board of Directors is the highest governing authority within the NACALA CORRIDOR FUND management structure. The board’s principal duties are to select, evaluate, approve and supervise appropriate investment opportunities for the NACALA CORRIDOR FUND. It will also seek to protect the assets and the investor’s interests during the funds lifetime.

The number of the NACALA CORRIDOR FUND’s directors are limited, and are appointed by the investors/capital provider for a multiple-year term. The Individual director will have full voting power.

Investment Committee

The Investment Committee (no voting right), has the purpose to support the build-up of the fund’s investment pipeline/projects, oversee the investment portfolio and help in the development of the investment policies and procedures. The committee will further frequently review the performance of the portfolio and the technical manager’s performance, at least on a quarterly basis. The Board of Directors will appoint the committee members that could also consist of individuals that are not a member of the Board of Directors and/or are entirely independent.

Advisory Board

The NACALA CORRIDOR FUND’s Advisory Board (non voting) consists of a diverse group of up to 5-8 competent men and women, with extensive knowledge and skills in multiple arenas in industry, government and other services. NACALA CORRIDOR FUND’s Advisory Board main duties are to advise the Board of Directors on agribusiness, tax, political, environmental and social issues that involve the NACALA CORRIDOR FUND operations. The advisory board will meet at least twice a year, and is appointed by the NACALA CORRIDOR FUND’s Board of Directors.

Technical Fund Management Team

FGV Projetos

FGV Projetos, the technical advisory unit of FGV Foundation, extends its education and research activities into practical applications. As part of the NACALA CORRIDOR FUND technical management team, FGV Projetos performs the following tasks:

• Execute the ‘Nacala Corridor’ ProSavana Master Plan.
• Conduct and produce all feasibility studies, based on the agro environmental zoning and agriculture production model, the data book and the executive project of the selected opportunities for the NACALA CORRIDOR FUND.

Example: Agro environmental zoning for different crops/plantations in Mozambique (see next page).
AGRO ENVIRONMENTAL ZONING

- Sugarcane
- African Palm
- Elephant Grass
- Cotton
- Sunflower
- Soybean
- Eucalyptus
- Castor Beans
- Beans
- Jatropha
- Cassava
- Rice
- Maize
- Peanut
• Provide institutional support to the local government negotiations and supranational agencies, multilateral banks and financial institutions and other regulatory affairs.
• Develop the NACALA CORRIDOR FUND’s social, environmental and sustainability guidelines.

4I.Green
4I.Green, is a newly formed agribusiness research, engineering and management company - and a network of experts, that combines several leading agricultural, financial and legal professionals, each with at least 10, to more than 30 years industry know-how. The structure includes agronomists, biologists, agro project managers, process and plant engineers, lawyers with agricultural, environmental and international trade law/regulations background, financial and environmental experts, among others. The company offers a unique and diversified competence all along the agribusiness value chain.

4I.Green will undertake all activities, including planning, organization, implementation, management, control and oversight of the single fund projects. Projects will typically be pre-designed, defined (based on FGV Foundation prepared feasibility studies) and approved by the NACALA CORRIDOR FUND’s Board of Directors. The company will gradually expand its global and local team as the fund projects develop.

4I.Green will further evaluate, implement and oversee all agri-technology equipment sourcing, to ensure technological quality and security for all NACALA CORRIDOR FUND undertakings is warranted (no guarantee). To this, 4I.Green will closely cooperate with the “ProSAVANA” technical team (Japan, Brazil and Mozambique) to implement the most suitable and state-of-the-art technology solutions.

Key business partners of the Nacala Corridor Fund in Brazil:

Abrapa: Cotton producers association
Embrapa: Brazilian Agricultural Research Corporation
OCB: Association of Brazilian Cooperatives
The NACALA CORRIDOR FUND offers its investors direct access to ‘agro-industrial’ companies in Africa, Mozambique, that are poised to benefit from increasing local and global demand for agricultural food products.

The FUND objective is to invest private equity growth capital to develop and operate own plantation, processing, trading and logistic companies to grow, process and supply agricultural products to local, regional and global export markets.

The pioneering investment concept seeks to invest into the entire agricultural value chain and initially diversified into 3 different business units/special purpose companies: Seeds & Agrochemicals, Agriculture and Logistics & Trade.

The NACALA CORRIDOR FUND will start its operations exclusively with annual crops: rice, soy, corn and cotton, and might over time expand into other, including perennial, crops.

The FUND’s agro-industrial companies will apply modern machinery and farming methods, including the introduction of improved crop varieties, adequate irrigation systems, integrated logistics systems and others.

All agricultural production companies will operate on long-term (50 year) leased under developed prime farmland, with optimized size, scale and capabilities in order to achieve scale, productivity and an attractive profitability.

The FUND features a 2 Share-Class concept (embedded into 2 separate and ring-fenced sub-funds). Both share classes are governed by the fund’s Board of Directors and follows its explicit objectives.

Share Class I – the Social Share Class, converts donations and other financial contributions into subsidized financial facilities (loan pass-through) to support local small and mid-sized farmers in Mozambique. The FUND will offer small and mid sized producers production purchase agreements, competitive technical packages and capacitiation training, organized into a loan agreement. The share class targets a financial return of 5% p.a. The financial return is expected...
to be constantly reinvested into new loans to family farmers (helping to expand the loan book over time).

- Share Class II - the Private Share Class, is an investment driven share class, aiming at developing several large-scale agro-industrial production units - competing on par with its global peers. The funds undertakings will ensure and respect highest social and environmental standards.

- The FUND targets to attract USD 500mn in its initial phase.

- The NACALA CORRIDOR FUND targets a hurdle rate (benchmark) of 12% IRR (net of fees).

- Beside the official benchmark, the lead technical manager established an additional ‘internal’ minimum target IRR of 20% p.a. for each individual project (net of fees). Projects with lower projected returns will be disregarded.

- The NACALA CORRIDOR FUND will have a lifetime of 10 years, with an optional extension of up to additional two (2) additional years.

- EXIT: The Board of Directors will evaluate all possible options to exit the FUND in the investor’s best interests, incl. potential listing at a stock exchange before the funds maturity.

- The NACALA CORRIDOR FUND might seek leverage where possible, and targets up to 75% funding of all CAPEX requirements.

- The NACALA CORRIDOR FUND will appoint 4i.Green, Brazil, as the FUND’s lead technical manager. 4i.Green is a newly formed agribusiness research, engineering and management company.

- The NACALA CORRIDOR FUND will further hire FGV/FGV Projetos, Brazil, Latin America’s leading Think Tank, to conduct the FUND’s feasibility studies, prepare the data book and represent the Fund in all public affairs, e.g. interaction with local governments, supranational agencies, local agribusiness intelligence and research centers, among others. 4i.Green together with FGV represent the FUND’s core Technical Team.

- The Master Fund – (The NACALA CORRIDOR FUND) will receive its initial investments via up to two (2) separate Feeder Funds, with the purpose to invest 100% of the proceeds (after feeder fund expenses) into the Luxembourg domiciled Master Fund.
This Information Memorandum (the “Info Memo”) has been prepared by FGV Projetos (FGV Foundation) solely for information purposes (strictly NOT for distribution), and is based on information other sources deemed to be reliable. By receiving this Info Memo, the recipient undertakes to keep all the information contained herein confidential.

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The risks inherent in investment by the Fund into greenfield projects are greater than those associated with investing in none greenfield and private equity investments such as listed securities. In particular, information is not usually as robust and liquidity opportunities are fewer. The risks associated with investing in certain economies or industries may be greater than the risks inherent in investment in developed economies or established industries. These risks include political and economic risks among others and are outlined in the fund regulation. They are additional to risks inherent in any traditional investment.
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