

Westfalia Moz II

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Summary of Investment Information

Project Number	Company Name	Date SPI Disclosed
42280	WESTFALIA FRUTO MOZAMBIQUE LIMITADA	Apr 10, 2019
Country	Region	Projected Board Date
Mozambique	Sub-Saharan Africa	May 20, 2019
Environmental Category	Status	Last Updated Date
B	Active	
Department	Industry	Previous Events
Regional Industry - MAS ME & Africa	Agribusiness and Forestry	Approved : Jun 28, 2019 Signed: Aug 19, 2019 Invested: Jun 5, 2020
Sector	Additional Project Attributes	
Fruits and Vegetables	Blended Finance	

Project Description

Westfalia Fruto Mozambique (WFM) is a commercial scale-avocado farm that was established in 2014 with the development of a 250-ha avocado orchard and packing house near the vicinity of Chimoio, a city in central Mozambique. It has operated successfully since its inception and as provided access to export markets for litchi farmers in the Manica province.

WFM is considering acquisition of land and development of an avocado and litchi farm in the Catandica area of Manica Province in Mozambique. The Project will involve acquisition of 958 ha Pegache Farm for the development of 100 ha of avocado orchards. The Project will also support local small farmers and emerging commercial growers through provision of training and technical assistance.

The Project will be supported by the IDA18 IFC-MIGA Private Sector Window (IDA PSW), created by the World Bank Group to catalyse private sector investment in IDA countries, with a focus on fragile and conflict affected states.

Associated Advisory Engagement

Sponsor / Cost / Location

Project Sponsor and Major Shareholders of Project Company

WFM is indirectly 75% owned by Westfalia Fruits and 25% by AgDevCo (together the Sponsors). Westfalia Fruits is a wholly owned subsidiary of Hans Merensky Holdings Proprietary Limited (HMH) and is a leading multinational supplier of fresh subtropical fruit.

HMH is a South African-based vertically-integrated, natural resource-based Company which was created in 1949 and owns two main businesses: (i) the fruit business (Westfalia) and (ii) the timber business (Merensky or Merensky Timbers). HMH's operations are spread across Sub-Saharan Africa, South America and Europe.

HMH Group shareholding is as follows: The Hans Merensky Foundation - 40%, the Industrial Development Corporation (IDC) - 30%, IFC - 20%, and, three Broad-Based Black Economic Empowerment (BBBEE) organizations: Vuka Forestry Holdings (4%), Women Investment Portfolio Holdings (WIPHOLD) (3%), and, HMH Employee Share Ownership Plan (3.0%) owning the outstanding 10%.

AgDevCo is a social impact investor and project developer working in the African agriculture sector.

The proposal would represent a repeat investment with WFM and a fourth investment with the company's parent, HMH. Details on previous investments with HMH are as follows:

An equity investment aimed to support timber processing efficiency in South Africa and fruit plantation development in South Africa and Latin America <https://disclosures.ifc.org/#/projectDetail/SPI/31557>

The establishment of an avocado plantation in Manica Province of Mozambique:
<https://disclosures.ifc.org/#/projectDetail/SII/34183>

A project aimed to strength the company's supply chain in Latin America:
<https://disclosures.ifc.org/#/projectDetail/SII/40091>

Total Project Cost and Amount and Nature of IFC's Investment

The proposed Project is estimated to cost USD 7.5m and will be financed with 50% debt and 50% equity.

IFC and IDA PSW are jointly considering financing part of the debt package with a loan of up to USD 2.8 million to finance the Project consisting of: i) IFC A Loan of up to USD 1.4 million; and ii) IDA PSW Loan of up to USD 1.4 million from IFC acting as Implementing Entity of IDA PSW.

AgDevCo will provide balance of the debt package in the form of a loan of USD 0.9 million. The remaining 50% will be financed through equity from Westfalia Fruit and AgDevCo in the proportion of 75% and 25%, respectively.

Blended Finance

Refer to other sections for details.

IFC's Investment as Approved by the Board

1.20 million (USD)

Product Line	IFC Investment (million USD)
Risk Management	0.20
Guarantee	
Loan	1.0
Equity	

* These investment figures are indicative

Location of Project and Description of Site

Pegache Farm is located on the outskirts of Catandica, in the Barue District of Manica Province in Mozambique. The farm is located on the northern side of Catandica Town, at the eastern base of the Cerro Choa Mountain.

Development Impact

Anticipated Impact Measurement & Monitoring (AIMM) Assessment

Project Outcomes: IFC expects the Project will i) create ~300 direct jobs during the first phase, (ii) further expand procurement from 50+ local farmers, who have formed an association and are eager to expand, and (iii) benefit local farmers from better output and more varieties given Westfalia's expertise in cultivar and seed development. Market Creation: i) Competitiveness: IFC expects the Project will increase competitiveness in the horticulture sector in the Catandica area of Mozambique, through demonstration and replication effects, ii) Integration: IFC expects that upon completion, the Project would expand fruit production in Mozambique to such a degree that it would justify the business case for a larger packing facility, which would increase integration along the supply chain, retain more value domestically, and create additional jobs.

Governance Risk Assessment

No governance risks to development impact have been foreseen.

IFC's Role and Additionality

IFC's financial additionality to the Project includes i) Financing structure: IFC will provide a loan with an 11-year tenor including a 4-year grace period, which is not available in Mozambique. Lack of access to finance is a serious constraint for private sector development in the country. IFC's non-financial additionality includes: i) Knowledge, Innovation, and Capacity Building or Non-commercial risk mitigation, including trusted partnerships. IFC's country teams in Africa and South America have provided country knowledge to Westfalia as it explored growth opportunities in these markets.

E&S Category Rationale / Risks and Mitigation

Environmental & Social Categorization Rationale

This is a category B project according to IFC's Environmental and Social Sustainability Policy because the project is expected to generate limited and site-specific E&S impacts that can be avoided or mitigated by adhering to generally recognized performance standards, guidelines or design criteria.

Material E&S risks and impacts include the following: those associated with the management of the labor and working conditions of a large, sometimes seasonal, workforce (estimated at some 300 people at peak production levels) including matters related to Gender and OHS; the efficient maintenance and/or consumptive use of natural resources (including soils,

water and other inputs required for plantation agriculture); the need to properly design, build and maintain an earthen dam for the purpose of water storage to be used for irrigation; and, the appropriate provision and management of those involved in security and safeguarding the company's assets.

Main Environmental & Social Risks and Impacts of the Project

Please refer to the Environmental and Social Review Summary (ESRS) linked to this project SII in the IFC's project disclosure website.

Mitigation Measures / ESAP

Refer to the E & S Action Plan tab in the ESRS on the SPI (publishing) site.

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Local Access for Project Documentation

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Related Environmental Document

[Environmental & Social Review Summary \(ESRS\)](#)

Supporting Documents

No related documents.