FMO
Entrepreneurial
Development
Bank

Project detail - SUGAR CORPORATION OF UGANDA LIMITED

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Who is our client

Sugar Corporation of Uganda Limited (SCOUL) is the third largest Ugandan sugar manufacturer with a crushing capacity of 3,700 tons per day. The Company operates vertically – from sugarcane plantations to the processing of several final products such as raw sugar, raw alcohol and more recently food grade carbon dioxide - with a circular approach in which every by-product and processing waste is valued. SCOUL has also developed strong relationships with contracted outgrowers to which it provides technical and financial assistance for sugarcane supply. SCOUL is owned by the Mehta-family, a respectable business family originally from India and since 1924 based in Uganda. The Mehta Group is a conglomerate with a wide range of activities which include sugar and floriculture in Uganda, cement and textile in India, packaging in Canada and the US.

Funding objective

FMO and the lead DFI Proparco will provide USD 20 million each to the company. The funds will be used for the financing of a 26MW co-generation power plant to generate power for internal consumption and the surplus power to be exported to the grid. This will allow SCOUL to diversify its base of revenues and to create more value from the by-product bagasse.

Why we fund this project

Transaction fits well with the strategy of FMO which includes financing of an agricultural processing company in one of the least developed countries for a renewable energy project. East Africa is a sugar deficit region and SCOUL has the potential to serve this underserved regional market. Uganda is a rapidly growing economy, but suffers from historic underinvestment in the power sector. The Project matches one of the goals of the Ugandan National Sugar Policy which states that "[…] the factories will be encouraged to produce close to 100 megawatts of "green" electricity from burning bagasse, mainly for their own use and the surplus will be offloaded for sale to the national grid" The Project is expected to generate an annual production of around 115 GWh of green electricity in a country where electrification rate remains very low and the consumption per inhabitant is one of the lowest of Africa. Financing this project will contribute to the following SDGs: - Goal 1: No poverty - Goal 7: Affordable and clean energy - Goal 8: Decent work and economic growth - Goal 9: Industry innovation and infrastructure - Goal 13: Climate action - Goal 17: Partnerships for the goals

Environmental and social rationale

FMO’s environmental and social due diligence indicates that the investment will have impacts which must be managed in a manner consistent with the following Performance Standards: PS 1 – Assessment and Management of Environmental and Social Risks and Impacts; PS 2 – Labor and working conditions; PS 3 – Resource Efficiency and Pollution Prevention; PS 4 – Community Health, Safety and Security; PS 5 – Land Acquisition and Involuntary Resettlement; PS 6 – Biodiversity Conservation and Sustainable Management of Living Natural Resource. Issues related to, PS7– Indigenous Peoples, PS 8 – Cultural Heritage are not expected with this investment for the following reasons: There are no indigenous people (as defined by IFC Performance Standard 7) in the Project’s area of influence; The land to be acquired is not part of areas with known cultural heritage.

Region
    Africa
Country
    Uganda
Sector
    Agribusiness, Food & Water
Signing date
    4/26/2018
Total FMO financing
    USD 20.00 MLN
Fund
    FMO
Risk categorization on environmental and social impacts, A = high risk, B+ = medium high risk, B = medium risk, C = low risk Environmental & Social Category (A, B+, B or C)
    B+

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