

Rai Group sugar project worth \$300m yet to be approved

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Rai Group's \$300 million investment project would see the Mauritian agro-forestry firm become the second sugar manufacturer in the country. PHOTO | CYRIL NDEGEYA | NATION

In Summary

- The agreement for the \$300 million investment project, which also involved development of an 8,000-hectare sugar plantation, was supposed to have been signed in January 2017.
- *Rwanda Today* understands that negotiations between the prospective investor and government are still ongoing and nothing has been agreed on as yet.
- According to the director-general for Industry and Entrepreneurship at the Ministry of Trade and Industry Annette Karenzi, a major sticking point was the fact that the investor was not ready to buy land for the project upfront.

Rwanda will have to wait longer for a second sugar manufacturer after plans by Mauritian agro-forestry firm Rai Group to set up shop in the country stalled.

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Negotiations

Rwanda Today understands that negotiations between the

prospective investor and government are still ongoing and nothing has been agreed on as yet.

“The project is still on the books. Negotiations are yet to be concluded, but we shall let you know as soon as something concrete is determined,” said Rwanda Development Board’s chief operating officer, Emmanuel Hategeka, in response to our enquiries.

Annette Karenzi, the director-general for Industry and Entrepreneurship at the Ministry of Trade and Industry also said that despite the delays, negotiations were ongoing.

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“The deal is still on, but there have been back and forth negotiations because the investor had a lot of conditions. Right now the file is with RDB,” she said.

Sticking point

According to Ms Karenzi, a major sticking point was the fact that the investor was not ready to buy land for the project upfront. Also, RDB was yet to complete a due diligence on the investor, which the Ministry of Justice would base a decision to approve the proposal.

Ms Karenzi said expropriation of land would only start after the formalities are completed.

Another source familiar with the project said the deal has been challenging because it involves a massive resettlement programme to free the 8,000 hectares proposed for the sugar plantation.

Rai Group had initially wanted 10,000 hectares, but the government guaranteed to avail 8,000ha in the eastern districts of Kayonza and Kirehe.

The source said there had also been some foot dragging on the part of government institutions involved in the deal.

“All the government institutions that are supposed to work together to conclude the deal have not worked in tandem to conclude the business,” said the source.

Monopoly

This deal was expected to end the dominance of Madhvani group-owned Kabuye Sugar Works, which has a monopoly in the country's sugar production.

The sugar deficit in the country has been widening as demand increases and is currently estimated at 90 per cent.

"Rwanda consumes about 100,000MT of sugar per year and Kabuye Sugar Works produces around 11,500MT per year. The market still needs more production to counter sugar imports," said Ms Karenzi.

The country spends \$45 million a year on sugar imports, which without intervention are projected to grow to 160,000MT tonnes by 2020.

The Madhivani Group is in the process of expanding installed capacity from 14,000MT to 21,000MT per year.

Rai Group already has sugar operations in Uganda, where it controls 70 per cent of Kinyara Sugar Works — the second largest sugar producer in the country — and has also recently developed Hoima Sugar Factory.

Power generation

Both Kabuye Sugar Works and Rai Group are eyeing power generation and ethanol production from the by-products of sugar processing to add 25 megawatts to the national grid.

Experts argue that the country's sugar production targets face the challenge of lack of land. It will be difficult to push local production beyond 13 per cent without converting land currently allocated to food production to sugar production.

Kabuye Sugar Works, which for years was growing cane on a paltry 2,700ha on the banks of the Nyabarongo River has been asking for an additional 7,000ha to double its production.

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