Early Warning System

# IDBI-12295-01

## BSI - ASR

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BSI - ASR

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## Quick Facts

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|---|---|
| **Countries** | Belize |
| **Financial Institutions** | IDB Invest (IDBI) |
| **Status** | Proposed |
| **Bank Risk Rating** | B |
| **Voting Date** | 2018-10-30 |
| **Borrower** | Belize Sugar Industries Limited ("BSI") |
| **Sectors** | Agriculture and Forestry |
| **Investment Type(s)** | Loan |
| **Investment Amount (USD)** | $ 15.00 million |
| **Loan Amount (USD)** | $ 15.00 million |
| **Project Cost (USD)** | $ 15.00 million |

## Project Description

According to the bank, the proposed transaction consists of a financing facility of up to US$15 million to be provided to Belize Sugar Industries (BSI), incorporating (i) a US$10 million senior secured loan with a tenor of up to six years, including a 1-year grace period and, (ii) a US$5 million uncommitted line of credit with a tenor of up to 3 years with annual disbursements and clean-ups (the "Loan"). The Loan will finance (i) the investment required to switch from producing mostly raw sugars to producing more direct-consumption (DC) sugars and, (ii) working capital needs of the company (the "Project"). The investment plan will mitigate the drop of raw sugar prices in the European Union (EU), BSI's main export market, to around international sugar prices due to the lifting of quota restrictions on domestic beet production in October 2017. The Project will allow BSI to produce and market products at higher prices, to be sold in Europe and other international markets, mainly through related companies with ample distribution and commercialization networks. The higher prices of sugar received will also be transferred as an economic benefit to BSI's supply chain, small and medium-sized sugarcane farmers.

BSI, established in 1963, and controlled by ASR Group International, Inc. (ASR) since 2012, is the main sugar mill and sugar exporter of Belize. In addition, BSI also owns and operates a 31.5 MW cogeneration energy power plant (Belcogen) for auto-consumption and sale of energy to the national public grid, providing around 15% of the country's energy needs. In 2017, BSI milled 1.3 million tons of sugarcane and produced 144,000 tons of sugar, 40,000 tons of molasses and 70,000 MWh of energy.

## People Affected By This Project

ENVIRONMENTAL AND SOCIAL REVIEW SUMMARY

BSI has an annual crushing capacity of 1.3 million tons of sugarcane, with an average daily milling throughput of 6,800 tons. The mill is in Tower Hill, Orange Walk District, and receives sugarcane from more than 5,000 independent cane suppliers, of which some 1,000 are women. Ninety per cent of farmers are small holders with farm sizes less than 8 ha, of which 35% are less than 2 ha. BSI produces enough sugar to meet the demand of the domestic sugar market, with the balance exported as raw and food-grade sugar products to refineries in the United Kingdom, United States, Canada and CARICOM. Sugar accounts for 60% of Belize's agricultural exports. BSI also owns and operates a 31.5 MW cogeneration energy power plant (Belcogen) which powers the sugar operations and exports to the national public grid, providing 15% of the country needs (70GWh), increasing Belize's energy security. The country is heavily reliant on imported energy.

BSI agricultural operations and sugar milling facilities are certified by SQF Kosher, Fair Trade, and ProTerra. The latter standard covers all the important challenges relating to large-scale production of agricultural commodities along the whole value chain. It is applicable for all agricultural commodities worldwide, providing compliance with environmental and social criteria as well as Health and Safety Regulations. It also covers key components such as protection of high conservation value areas, protection of children, and of the rights of communities, indigenous people, and small holders. The company is currently exploring pursuing Bonsucro certification.

Review of the company consisted of an on-site visit to assess the company's operations and to review information submitted by the company on environmental and social (E&S) management and presentations about the company's actual and planned business activities. In company's direct operations, cane harvest is over 95 percent manual cutting and harvested after burning, with corresponding OHS risks in the workforce associated with manual cutting (for example cuts due to use of machetes, dehydration during field work and potential occurrence of Chronic kidney disease/CKD). SEG staff interviewed key senior managerial staff and operational staff. In addition, SEG met with staff from the Ministry of Agriculture, and members of the farmer supplier's associations.

IDB Invest's DD reviewed environmental and social management plans for the Project, and gaps between these plans and the IDB Invest Sustainability Policy requirements were identified. Where necessary, corrective measures intended to close these gaps within a reasonable timeframe, are summarized in the paragraphs that follow and in the agreed Environmental and Social Action Plan (ESAP) disclosed in this review summary. Through implementation of these management plans and the ESAP, the Project is expected to be designed and operated in accordance with Performance Standards objectives.

2.0 Environmental and Social Categorization and Rationale

This investment is classified as a Category B project in accordance with IDB Invest Policy on Environment and Social (E&S) Sustainability. Key E&S issues and risks associated with the project include: (i) functionality of the company's E&S management and monitoring systems, (ii) management of operational health and safety (OHS) programs; (iii) Prevention of Chronic Kidney Disease (CKD) for field workers; (iv) emission to the air and effluent quality discharged to a surface water body; (v) Stakeholder engagement, management system procedures to ensure traffic safety.

3.0 Environmental and Social Context

The environmental and social DD indicates that the investment will have impacts which must be managed in a manner consistent with the following Performance Standards (PS).

PS1: Assessment and Management of Environmental and Social Risks and Impacts

PS2: Labour and Working Conditions

## Investment Description

- IDB Invest (IDBI)

| Private Actor 1 | Private Actor 1 Role | Private Actor 1 Sector | Relation | Private Actor 2 | Private Actor 2 Role | Private Actor 2 Sector |
|---|---|---|---|---|---|---|
| - | - | - | - | Belize Sugar Industries Limited | Client | - |

## Contact Information

For inquiries about the Project, contact:
Client Contact name: Mac McLachlan
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For inquires, including environmental and social issues related to this investment, please contact the client:

-Mrs. Olivia Avilez, Cane Farmer Relations Manager. Belize Sugar Industries Limited. Phone:+501 322-2150. Email: Olivia.Avilez@asr-group.com

-Mr. William Neal, Government Affairs and Communications Officer. Belize Sugar Industries Limited. Phone: +501 322-2150. Email: William.Neal@asr-group.com

-For inquires and comments to IDB Invest related to this investment,

Contact: IDB Invest Communications Group. Email: divulgacionpublica@iadb.org

-As a last resort, project affected communities have access to the IDB Invest Independent Consultation and Investigation Mechanism.

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### Bank Documents

- BSI-Environmental and Social Action Plan (ESAP).pdf [Original Source]

### Campaign Documents

- Company Overview of Belize Sugar Industries Limited