Early Warning System

IDBI-12481-01

Demerara Bakery

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Quick Facts

Countries	Guyana
Financial Institutions	IDB Invest (IDBI)
Status	Proposed
Bank Risk Rating	B
Voting Date	2019-04-29
Borrower	Demerara Bakery Inc. and River Quest Inc.
Sectors	Agriculture and Forestry, Industry and Trade
Investment Type(s)	Loan
Investment Amount (USD)	$ 2.25 million
Project Cost (USD)	$ 2.25 million

Project Description

The proposed transaction consists of a senior loan of up to US$2.25 million to be provided to Demerara Bakery Inc. ("Demerara" or "DBI") and River Quest Inc. ("River"), with a ternor of up to ten years, including 18 months grace period (the "Loan"). The loan will finance the construction of a modern bakery and distritubion outlet in Georgetown to supplement Demerara's main operations at Land of Canaan EBD. This new building will house a mini bakery and a cafe and patry shop serving specialized baked products. In addition, it will finance the acquisition of equipment to conduct research and development to introduce the new specialized baked goods to the market, that will ensure compliance with environmental and social occupational health & safety, and ISO food safety standards. The total investment plan will cost US$4.2 million. The project will increase production capacity, improve product quality and overall cost savings with technological improvements to speed up processing time and gain economies of scale.

Demerara was founded in 2014 by the Abai family, which is a long-time business entrepreneur from Guyana, and it was established to produce, process and commercialize bakery goods of the highest quality at affordable prices. After only a few years in operation, this company has become a household name in the country, providing wholesome, healthy and preservative free products to people across all regions in Guyana. At present, Demerara has one outlet and six distribution trucks that distribute baked products around Georgetown and its outskirts to supermarkets, mom-and-pop shops, caterers, and other retailers.

River provides public and special hire river transportation services to the riverain areas of the Essequibo region, providing to mining, tourism and other business concerns and individual travelers, playing an important role in river transportation in Guyana's vast interior regions, being fast, safe and reliable. River has been in operation since 2007 and currently operates three aluminum internal propulsion jet boats, each with capacity of 31 persons.

People Affected By This Project

1. Scope of Environmental Review

IDB Invest performed due diligence on the Project from February 18 to 22, 2019. In addition, environmental information was reviewed from different reports, internal documents on DBI's policies and procedures, and staff were interviewed.

2. Environmental and Social Categorization and Rationale

This is a category B project, in accordance with the CII' s Environmental and Social Sustainability Policy, as it could have moderate but mitigable environmental and social impacts. The main potential risks associated with the project are related to: (i) management of the environmental and social aspects and monitoring systems; (ii) management of labor and adequate working conditions, occupational health and safety ("OHS") programs; (iii) food safety; (iv) fire and life safety; (v) relationship with the community; (vi) sustainability of the supply chain; and (vii) procedures for security forces.

As a result of the Environmental and Social Due Diligence, it can be concluded that this operation will have impacts that will be managed in accordance with the 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

PS5: Land Acquisition and Involuntary Resettlement, PS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources, PS 7: Indigenous Peoples, and PS 8: Cultural Heritage are not currently applicable. If these PSs become applicable, DBI will immediately inform IDB Invest.

3. Environmental and Social Context

DBI's main activity is the production and commercialization of bakery goods. After only a few years in operation, the Company has been recognized for producing healthy and preservative free products across Guyana. It bakes between four and five thousand pieces of 26 different products, which are supplied to close to 700 customers distributed in four of the largest administrative regions of Guyana with routes covering Linden, Georgetown, East Bank and East Coast Demerara, West Coast and West Bank Demerara.

DBI site in Land of Canaan is in an industrial area approximately 26.7km away from the capital city. The site also has a Certificate of Sanitary Fitness for operation granted by the Office of the Senior Environmental Health Officer. The Central Housing & Planning Authority granted the Construction Permit for the expansion in 2018. If another line of business different to a bakery is established in the site or the business is not established in two years, the company will have to re-apply for the permit. This new facility is critical as it will allow DBI to increase its production capacity, gain economies of scale, cost savings with technological improvements to speed up processing time, standardize the quality of its products, and develop new products. This site is surrounded by other industries such as a gas station, and a manufacturer of building materials. New DBI site in Georgetown is at the corner of Church St and New Garden St in front of a cricket field and close to several religious congregations.

4. Environmental Risks and Impacts and Proposed Mitigation and Compensation Measures

4.1 Assessment and Management of Environmental and Social Risks and Impacts

The company has no Environmental and Social Management System nor Environmental and Social Policy. DBI identifies,

Investment Description

- IDB Invest (IDBI)

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Bank Documents

- Environmental and Social Action Plan