

EXECUTIVE SUMMARY
SUGO: CIRCULAR ECONOMY
(RG-Q0088)

Each year, millions of tons of unsold products in good condition are discarded around the world. These goods do not make it into the hands of consumers and produce an enormous amount of waste, generating carbon emissions that accelerate climate change and cause serious harm to the environment and communities.

In Latin America, approximately 10% of total retail production is at risk of being discarded. This represents an economic loss of US\$700 million for Peru, US\$1.8 billion for Colombia, US\$1.7 billion for Chile, and US\$3.8 billion for Mexico.

In 2020, the founders of SUGO identified an enormous opportunity to generate a triple—environmental, social, and economic—positive impact from waste based on a sustainable, profitable, and scalable business model.

The project's objective is to support the consolidation and expansion of SUGO, an emerging Peruvian company that channels food and other products, that would otherwise be discarded, to consumers at reduced prices through its business-to-consumer platform. SUGO generates value from waste, preventing carbon emissions, and offers mass consumer goods at a discount of up to 90%, thereby benefiting low-income population segments. The success of its business model is also based on close partnerships with local and regional suppliers and producers, which view the company as a solution to their problems. This creates a long-term business horizon and considerable scaling potential both regionally and globally.

SUGO began its operations in Peru in June 2020. It has since expanded to a number of cities around the country, launched operations in Colombia, and is planning to expand to Mexico by year-end 2021. In the 12 months up to September 2021, SUGO served over 60,000 customers, resulting in over 136,000 transactions and US\$3.1 million in net sales, which have been growing at a compounded monthly rate of 8%.

IDB Lab proposes US\$1 million in structured financing under a Simple Agreement for Future Equity (SAFE) as part of a total US\$5 million round, led by Nazca Ventures, with a post-money valuation of US\$23 million and a 20% discount rate. This financing will enable SUGO to expand its operations to all Peruvian cities and establish a regional presence in Chile, Colombia, and Mexico. IDB Lab's participation will contribute to the expansion of this triple-impact business model and will build the trust necessary for other relevant players to invest in the company. By 2025, the company is expected to have expanded to at least these four countries and to serve 700,000 customers annually, leading to US\$137 million a year in savings for those customers and preventing the emission of eight million metric tons of carbon dioxide annually.

This project was analyzed and designed by the IDB Lab team in accordance with the new Strategic Approach for Equity Investments (document [MIF/GN-255](#)). The hope is for IDB Invest to assess its participation in SUGO's subsequent financing rounds so that the company can expand further and have a greater impact. Through this project, IDB Lab is seeking to draw on lessons from the circular economy model that provides social, environmental, and economic benefits, in line with Vision 2025 (document [GN-3025-5](#)).