25 April 2022

Dear IDB Invest Board of Directors,

Re: IDB Invest proposed financing of the expansion of Empresas Ariztía's industrial poultry production in Chile: Project 13720-01

Two months ago, we applauded IDB Invest's decision to cancel the proposed loan to meatpacker Marfrig over disagreement on environmental targets. However, we are now concerned that IDB Invest has demonstrated an intent to continue funding industrial livestock projects that block progress on its stated goal of helping countries achieve the UN Sustainable Development Goals (SDGs) and the goals of the Paris Climate Agreement by financing the poultry company Empresas Ariztía.

Numerous scientific reports, such as the IPBES 2018, IPCC 2018, IPBES 2019, IPCC 2019, FOLU 2019, WRI 2019, IPBES 2020, FAO 2019, Dasgupta 2021, Chatham House 2021, IPBES Food and ETC Group 2021, IPBES and IPCC 2021, the second IPCC 2021 report and the IPCC 2022 report, published this month, all show that an urgent and profound shift away from energy intensive, polluting industrial livestock production towards agroecological approaches is required to meet the SDGs and the Paris Agreement goals. Furthermore, an ILO and IDB 2020 report highlighted that shifts to more plant-based food production could create 15 million net new jobs in Latin America and the Caribbean in 2030 compared with a business-as-usual scenario.

IDB Invest's Climate Risk Screening document for Empresas Ariztía correctly points out that livestock emissions represent about 15% of all anthropogenic greenhouse gas emissions, that a transition to a low carbon economy must address the agriculture and forestry sector, and that industrial livestock production could face significant disruption as part of that transition. It also acknowledges that "shifts to plant-based diets for health, ethical, or environmental reasons will result in a decrease in livestock production." This makes the $50 million loan to Empresas Ariztía a questionable bet.

However, it seems that IDB Invest has failed to heed these facts. Based on the overwhelming scientific evidence of the urgency of halting climate change and biodiversity loss, we would expect IDB Invest to support projects that support a transition to sustainable food systems. It should not spend public financial resources that are meant to support sustainable development on a project that may exacerbate the problem.

As the second largest poultry producer in Chile, Empresas Ariztía is a well-established company with no need for development funds. It also has a bad track record when it comes to contributing to SDG 2 – ending hunger and ensuring food security. In 2015, Empresas Ariztía was charged with collusion by the Supreme Court for participating in a cartel that lasted for at least 10 years. The cartel controlled the chicken production quota in Chile, thus effectively limiting supply on the market. Financing such a company could be a major governance risk, which was not identified in the disclosed documents.

The disclosed documents also fail to provide details on other significant risks and potential impacts which should lead the Bank to classify this as a Category A project. These include the risk of deforestation (linked to feed production), the risk of contributing to zoonoses (like bird flu), and the risk of contributing to Chile's acute water crisis. The documents also give insufficient attention to the letter and spirit of the IFC's Good Practice Note on *Improving animal welfare in livestock operations* and the World Organisation for Animal Health (OIE) Guidelines. And despite the fact that the documents reflect complaints from communities, there seems to have been no public consultation on this project, as the bank failed to classify it as a Category A risk project.

Given the sector of the project and its potential social and environmental impacts, we also highlight the inappropriate time given by the IDB Invest for communities to participate in the decision making process in a free, prior and informed manner. We were informed about the project through the Early Warning System, but communities and CSOs not connected to this system, will remain largely uninformed about this, and similar projects. We strongly urge the bank to disclose all potential funding for industrial livestock projects with extended consultation times, during the transition period to phase out such finance entirely.

Sustainability and health reasons for IDB Invest to stop funding industrial livestock

With its crowded, stressful conditions, industrial livestock production contributes to the ***emergence, spread, and amplification of pathogens***. The last pandemic before Covid emerged from farm animals. This was the 2009 swine flu pandemic which started in Mexico. An ongoing bird flu pandemic has already cost the lives of 24 million birds in the past 2 months in the United States alone.

Industrial production routinely uses antibiotics to prevent the diseases that are inevitable when animals are kept in poor conditions. This leads to ***antibiotic resistance*** in animals which can then be transferred to people, undermining the efficacy of antibiotics in human medicine.

In addition to gobbling up large amounts of soy, industrial livestock production also uses 40% of global cereal production – wheat, corn, barley – to feed farm animals that convert these resources very inefficiently into meat and dairy, thus ***undermining food security***. If the cereals used as animal feed were instead used for direct human consumption, an extra 4 billion people could be fed each year – about half of the world's population.

Industrial livestock's huge demand for grain has fuelled the intensification of crop production. This model, with its monocultures and agro-chemicals, has led to ***soil degradation***, ***biodiversity loss***, ***water pollution and overuse*** ***and*** ***air pollution.*** The UN Convention to Combat Desertification states that livestock production is "perhaps the single largest driver of biodiversity loss". Meanwhile, the UN Food and Agriculture Organization states that "Intensive livestock production is probably the largest sector-specific source of water pollution."

Due to the sector's high levels of consolidation and its ability to externalize the true costs of its production practices, industrial animal agriculture ***out-competes small-scale food producers***, undermining their livelihoods. In 2018, the then Director-General of the FAO said that small-scale livestock farmers must not be "pushed aside by expanding large capital-intensive operations."

We urge IDB Invest to stop funding industrial production and instead support sustainable forms of food production, which are numerous and well-documented. IPBES and the European Commission identify organic farming, agro-ecology, agroforestry, and low-intensive permanent grassland as examples of sustainable practices that should be promoted.

We also urge the IDB Invest to extend its consultation period and to be very proactive in the consultation of impacted communities and other stakeholders. We only learned about this process after the projected board date, thanks to the Early Warning System.

In light of the above concerns, we urge IDB Invest not to finance Empresas Ariztía. We would welcome suggestions for a date and time for a call to discuss this further with your team.

Sincerely,

Censat Agua Viva - Amigos de la Tierra Colombia
Colectivo VientoSur, Chile
Compassion in World Farming
Feedback Global
Friends of the Earth US
Global Forest Coalition
In Defense of Animals, USA
International Accountability Project
Reacción Climática, Bolivia
Sinergia Animal
Vegetarianos Hoy, Chile
World Animal Protection

Please reply to Merel van der Mark, at mvandermark@sinergiaanimal.org