Mr. Tomasz Telma
Director & Global Head, Financial Institutions Group
International Finance Corporation
Via email: ttelma@ifc.org

Subject: Concerns around lack of ESG criteria for proposed loan to DLL - project 48742

April 1st, 2024

Dear Mr. Telma,

We are writing to express concern about project 48742 - a USD 175 million loan by IFC to Rabobank's subsidiary De Lage Landen BV in Chile, Brazil, Mexico and Poland, to provide business "access to equipment, technology and software to help them grow", classified as category FI-2 Limited.

The project aims to support De Lage Landen (DLL) grow its sustainable equipment portfolio, and as a consequence, contribute to reducing GHG emissions from food systems. IFC classified the project as FI-2 because the environmental and social risks and impacts associated with leasing equipment are expected to be low to medium. It also highlights that the key E&S risk and impact of the project derive from the DLL's capacity to maintain its management systems to identify these risks. And this is where we have concerns.

Rabobank, the holding group of DLL, has been under sustained scrutiny in its home country the Netherlands, for its disproportionate large role in contributing to the environmental crisis caused by intensive farming. Rabobank is "the financial architect of an out-of-control agricultural system", according to Greenpeace. A recent report by Feedback shows that Rabobank's large footprint spans far beyond the Netherlands. Also in Brazil, one of the target countries of this DLL loan - and the one set to receive the largest share of the investment - Rabobank has had a very significant role in financing destruction. Research by Profundo estimates that between 2000-2022, Rabobank's financial support to Brazilian forest-risk sectors generated € 717 million in accumulated gross profits but at least € 66 billion in environmental, health, and social damage. These costs were externalized to society. An investigation featured in the Financieele Dagblad exposes cases where Rabobank has financed farmers linked to deforestation and rights violations. It includes a case involving DLL, which provided a USD 38,000 loan to a farmer that illegally deforested 177 ha in 2009, had been embargoed by the environmental authorities, and then fined again for not respecting the embargo.

Additionally, journalistic research organization Repórter Brasil has found hundreds of cases in which Rabobank provided loans to farms under embargo for illegal deforestation. Among them, is a case in which DLL provided a USD 19,000 loan to a farmer with an embargoed farm.
A new report published by the Dutch Fair Finance Guide shows that Rabobank has had a huge role in financing 18 key players in Brazil's agrilobby. Organized under the Agribusiness

Parliamentary Front, this lobby has actively blocked important legislation to protect social and environmental rights.

Considering the above, we have serious concerns around Rabobank's and DLL's capacity to adequately manage risk and to implement rigorous due diligence procedures. The project does not require any changes in the current, insufficient policies of DLL and Rabobank, and there are no clear additional ESG criteria attached to this loan.

The disclosure page mentions that around 50% of the loan is "expected" to be allocated to climate smart equipment, according to "IFC Climate Smart Agriculture Guidelines". Firstly, we find it concerning that half of the loan may be applied to activities that have a negative impact on the climate. But even when the loan will support "climate smart" activities, it raises the question 'what will be considered "climate smart"?'. We were unable to find the mentioned guidelines, but from a document on IFC's definitions of "climate smart", we learned for example that the IFC considers biodigesters "climate smart". This is not in line with the findings of reports from FoE and Feedback, which highlight the climate impact of the high methane leakage of biodigesters and the fact that the technology is only viable when applied at intensive livestock production sites, which are inherently unsustainable. How will IFC ensure that this loan will have a positive impact on the climate and avoid not better specified "other biodiversity impacts and supply chain issues"? Did the IFC apply the CAFI tool to assess DLL and/or Rabobank?

The transformation of our food systems is urgent. World bank director Martien van Nieuwkoop recently wrote that "the enormous hidden costs of the global agrifood system, estimated at about USD 12 trillion/year, are a strong indication that it is no longer fit for purpose". Financing "climate smart" equipment can only contribute to such a transformation, if it is part of a wider transition plan to a radically different way of producing food. But if instead the equipment will only be used to reduce impacts of the expansion of the current production system, it will actually be counterproductive. Rabobank and DLL do not have a strong transition plan. And worse, they lack the right governance structure to ensure the business as usual activities don't support deforestation and rights violations. Furthermore, the IFC has no means to ensure and guarantee that the money will actually be allocated to activities that mitigate climate change and other impacts.
The project disclosure states that DLL will "submit a periodic report to IFC", but there is no mention of the possibility of this report being publicly disclosed, nor accessed by concerned groups.

More broadly, we are concerned that IFC's requirements towards financial intermediaries are much weaker than those for direct clients, and that transparency around these projects is opaque. We have reached out to DLL with a request for information, but have not yet received an answer.

Last year we also raised concerns regarding the lack of ESG requirements and the lack of transparency regarding a loan to Santander Brazil, through Project 48986.

We strongly recommend the IFC to only consider finance for DLL, and other financial intermediaries, when these have strong policies and due diligence procedures, including but not limited to, a zero deforestation policy, a commitment to achieve Paris alignment in the same timeframe as IFC, i.e. by July 1, 2024 and a commitment to align their financing with the goals of the Global Biodiversity Framework. We also strongly encourage the IFC to provide more transparency about the final beneficiaries of the loans provided through financial intermediaries.

We welcome a call to discuss our concerns further.

Kind regards,

, Sinergia Animal
, World Animal Protection Netherlands
, Global Forests Coalition
Bank Information Center
Brighter Green
, International Accountability Project

Cc:
Maria Carolina Hoyos Lievano, Stakeholder Engagement - mhoyoslievano@ifc.org
Philippe Lisbona, Environmental and Social Specialist - plisbona@ifc.org
Rogerio Santos, Principal Investment Officer Brasil - rdossantos1@ifc.org
Francisco Nandin, Investment Officer Brasil - fnandin@ifc.org
Helena De La Torre, Regional Industry Manager - hdelatorre@ifc.org
Piotr A. Mazurkiewicz, Principal E&S Risk Officer (FIs) - pmazurkiewicz@ifc.org
Jamie Fergusson, Global Director Climate Business - jfergusson@ifc.org
Manuela Adl, Senior Country Manager for the Southern Cone - madl@ifc.org