Early Warning System

IDBI-12227-01

Fideicomiso Financiero Conaprole

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Quick Facts

Countries	Uruguay
Financial Institutions	IDB Invest (IDBI)
Status	Proposed
Bank Risk Rating	B
Voting Date	2019-10-21
Borrower	Fideicomiso para la Financiacion de Establecimientos Lecheros ("FFIEL")
Sectors	Agriculture and Forestry
Investment Type(s)	Loan
Investment Amount (USD)	$ 40.00 million
Loan Amount (USD)	$ 40.00 million

Project Description

According to IDB Invest, in order to support growth ventures in the Uruguayan dairy industry involving investments in infrastructure projects and permanent working capital, the Cooperativa de Ahorro y Crédito Proleco (Proleco), with the support of the Cooperativa Nacional de Productores de Leche (Conaprole), will create a financing system for Proleco's partners (the "Sub-Borrowers") through a financial trust created under Uruguayan law (FFIEL). The FFIEL will be funded through public issues of subordinated debt, public issues of trust participation certificates and through senior debt securities issued under a private bid endorsed by IDB Invest for up to US$40 million, consisting of a US$20 million Committed Tranche I and a US$20 million Uncommitted Tranche II.

People Affected By This Project

1. Scope of the Environmental and Social Review

The Project's initial Environmental and Social Due Diligence (DDAS) process began in April 2019 and meetings were held with Conaprole representatives at the Montevideo, Villa Rodriguez, Florida and San Ramon facilities. During the DDAS, IDB Invest assessed Conaprole's environmental, social and health and safety resources and management, not only in their industrial facilities, but also in their supply chain.

2. Environmental and Social Categorization and Rationale

Given the number of investments to be funded by the trust (on average US$175,000 per producer), the term of the transaction (30 years) and the use of funds (land acquisition, expansion of existing facilities, upgrading and/or purchasing new equipment, etc.), and in light of Conaprole's overall assessment of the environmental, social and health and safety of its producers, this operation has been classified as FI-2 by the Policy of Environmental and Social Sustainability of IDB Invest. Its impacts and risks are regarded as limited, reversible and manageable through the use of techniques known in the industry.

3. Environmental and Social Risks and Impacts

Conaprole has an Integrated Environmental, Social and Health and Safety Management System, which combines specific management systems certified by ISO 9.001, ISO 14.001 and OHSAS 18.001; as well as process management systems certified by food safety and security standards ISO 22.000, FSSC 22000 and HACCP. As part of the company's supply chain management, Conaprole provides advice and support for quality management and the environmental, social, health and safety issues linked to the activities of their associated dairy producers. In this regard, Conaprole promotes improving product quality and the environmental, health and safety performances of their producers through ongoing technical support and training. Some of the largest potential environmental impacts generated by Project include the potential pollution of surface water, soil and air due to inadequate treatment and effluent discharges, as well as inadequate management of agrochemicals and other hazardous substances and pollution occurring as a result of poor solid waste management. The most relevant occupational hazards are ergonomic risks, of blows and falls and electrical and chemical risks (from handling agrochemicals and other substances). Conaprole's primary goal is to eliminate and/or reduce these impacts and risks through ongoing technical support and training for their producers.

4. Mitigation Measures

As part of its technical assistance to associated dairy producers, between 2012 and 2017 Conaprole conducted an energy efficiency program aimed at increasing electrical safety and reducing energy and fuel consumption[1]. The program's implementation was guided by Conaprole through energy audits of the dairy farms (between October 2013 and February 2017, 538 audits were performed. In total, 292 producers invested US$1.4 million in energy saving measures).

Since 2016, Conaprole has created a dedicated area to ensure the environmental sustainability of partner dairy farms called "Tambo Sustentable" (Sustainable Dairy Farm). This area boasts a multidisciplinary team made up of environmental, electrical, hydraulic, civil engineers and agronomists, along with veterinarians. Proper environmental management of the dairy farms is promoted through technical consulting, publication of materials and training opportunities. The services provided include dairy effluent and solid waste management, water management, energy efficiency and productive infrastructure. Effluent management minimizes the volumes generated, allowing for their collection, storage and reintroduction into the soil with the purpose of recycling their already existing nutrients, thus reducing the use of chemical fertilizers. The program for responsible water use minimizes consumption volumes and ensures adequate water supply in terms of volume and quality for producers, their families, workers and farm animals. The energy efficiency program reduces energy consumption per liter. The animal welfare program promotes developing adequate facilities to ensure the longevity and production capacity of the farm animals.

Investment Description

- IDB Invest (IDBI)

Contact Information

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ACCOUNTABILITY MECHANISM OF IDB Invest

The Independent Consultation and Investigation Mechanism (MICI) is the independent complaint mechanism and fact-finding body for people who have been or are likely to be adversely affected by an Inter-American Development Bank (IDB) or Inter-American Investment Corporation (IIC)-funded project. If you submit a complaint to MICI, they may assist you in addressing the problems you raised through a dispute-resolution process with those implementing the project and/or through an investigation to assess whether the IDB or IIC is following its own policies for preventing or mitigating harm to people or the environment. You can submit a complaint by sending an email to MICI@iadb.org. You can learn more about the MICI and how to file a complaint at http://www.iadb.org/en/mici/mici,1752.html (in English) or http://www.iadb.org/es/mici/mici,1752.html (Spanish).