Early Warning System

IFC-31195

Proteak

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Quick Facts

Countries	Colombia, Costa Rica, Mexico
Financial Institutions	International Finance Corporation (IFC)
Status	Active
Bank Risk Rating	B
Voting Date	2012-03-15
Borrower	PROTEAK UNO, S.A.B. DE C.V.
Potential Rights Impacts	Healthy Environment, Labor & Livelihood, Right to Health, Right to Water
Investment Type(s)	Loan
Investment Amount (USD)	$ 30.00 million
Loan Amount (USD)	$ 15.00 million
Project Cost (USD)	$ 113.60 million

Project Description

The proposed project will fund the continued expansion of Proteak's forestry operations in Mexico. This includes a newly acquired 1,956 hectares of established plantations in Mexico (Nayarit and Tabasco), Costa Rica (San Carlos, Santa Rosa and Pocosol), and Colombia (Bogota).

Early Warning System Project Analysis

APPLICABLE SOCIAL & ENVIRONMENTAL STANDARDS

The following IFC Performance Standards (PS) apply:

- PS 1 - Social and Environmental Assessment and Management System triggered because management systems for Proteak's Mexico plantations were found to be basic. Across all operations in Mexico, Costa Rica, and Colombia, monitoring of environmental and social practices, and the performance of mitigation measures, was found to be variable across countries owing to site conditions, regulations and prior ownership and requires improvement and consolidation.
- PS 2- Labor and Working Conditions triggered due to a lack of formal labor policies at small, Mexican plants; inadequate information of labor practices at recently acquired plants; and a few deficiencies in proper use of personal protection equipment in plantation operations. Training activities, safety requirements, and accident tracking differed between sites and requires improvement and harmonization.
- PS 3 - Pollution Prevention and Abatement The primary pollution prevention and abatement issues revolve around the agronomic practices of plantations and the use of herbicides, pesticides and fertilizers. Forest Stewardship Council audits and appraisal observations indicate the need for further training in pesticide storage and application as well as improved standardization and routine reporting of agrochemical application, and reduction in chemicals through monitoring and management of soil fertility and pest problems.
- PS 4 - Community Health, Safety and Securitytriggered because [s]everal occupational health and safety risks associated with affected communities were identified during the appraisal, including: project-related vehicular traffic accidents; risks from wildfires; and variable levels of community engagement.
- PS 6 - Biodiversity Conservation and Sustainable Natural Resources Management triggered because Biological inventories identified several threatened and endangered species in the regions of plantations, and several sites in both Mexico and Costa Rica had failed to completely assess the floral and faunal composition in some management units.

The assessment in Costa Rica identified some shortcomings in the breadth of impact assessment and avoidance of robust mitigation measures within plantation operations. To address these and other concerns, the Company will appoint an Environmental Health and Safety Manager to to facilitate and coordinate E&S efforts.

People Affected By This Project

OUR RISK ASSESSMENT

Labor Rights

The Company's operations are spread across 20+ properties in four States in Mexico employing 300 casual laborers and 30 technical staff. Potential harmful impacts identified in bank documents include: A few deficiencies in proper use of personal protection equipment in plantation operations; required improvements in material flows within milling; inconsistent planning for training between sites; different requirements for tracking incidents and accidents between operations that need harmonized. Use of contractors is much more frequent in Costa Rica and Colombia where the Company has only 10-15 direct employees with technical or administrative duties. IFC identified several occupational health and safety risks including that not all logging contractors or transporters were equipped with radio equipment allowing them to navigate rural roads safely and that the road-worthiness of some contractor-owned rolling stock was questionable while there was an absence of procedures for ensuring road safety and proper maintenance. In the case of emergency, some areas where wildfires are possible were possibly out of cell phone service and the location for emergency equipment and identification of first responders was not routinely posted at some plantations. To mitigate some of the risks associated with labor and working conditions the Company will develop a standardized corporate EHS Policy and Operating Procedures that up will include adherence to all aspects of social and labor practices as applied in the national jurisdictions within which the plantations occur, including IFC's PS2 requirements.

Right to Health

Bank documents indicate that [s]everal occupational health and safety risks associated with affected communities were identified during the appraisal, including: project-related vehicular traffic accidents; risks from wildfires; and variable levels of community engagement. Lack of proper radio equipment and questionable road-worthiness of Company vehicles decreased road safety for both communities and workers.

Right to a Healthy Environment

Potential harmful impacts identified in bank documents include: The need for improvement in training in pesticide storage and application; a lack of standardization and routine reporting for calibration and maintenance of agrochemical application equipment inadequate soil fertility and pest management that causes overuse of chemicals; and the need to better monitor and manage soil fertility and surface water contamination risks due to wastewater from sanitation services. To address these risks, The Company will establish a standardized agrochemical procurement system and training plan to better manage the soil fertility and surface water contamination risks. Further concerns include inaccurate monitoring of greenhouse gas emissions as well as evidence of forest fires at all sites visited.

Right to Freedom of Expression, Assembly, and Association

Bank documents indicate a lack of adequate community engagement. The IFC states that [c]ommunications with surrounding communities is understandably variable given the rural areas in which the Company operates while, at the same time, [t]he Company has not yet developed a formal social engagement system. There is also reason for concern given that [d]emographic data reviewed and field observations indicate low population densities and high numbers of people living below the poverty line concentrated in towns within the region.

Investment Description

- International Finance Corporation (IFC)

The investment amounts to US $30 million total; comprising of a $15 million A Loan and $15 million B Loan.

Private Actors Description

As of December 31, 2011, Proteak had 4,408 ha planted with teak trees located in the Mexican states of Jalisco, Nayarit, Tabasco and Chiapas. The Company has also acquired 1,956 ha of established plantations in Colombia and Costa Rica as well as in Mexico to improve its inventories profile by adding older plantations to its portfolio. The Company established 1,000 ha of new plantations in 2011 and plans to continue adding an average of 1,000 ha/year over the next few years.

Proteak Uno S.A.P.I.B. de C.V. (Proteak) is a mid-sized publicly-traded Mexican company engaged in the development of Teak plantations and is the largest forestry company in Mexico and Central America. Proteak is the world's third largest teak producer. With over 18,000 hectares of plantations in Mexico, Proteak exports its products to over 15 countries in North America, Europe and Asia.

Private Actor 1	Private Actor 1 Role	Private Actor 1 Sector	Relation	Private Actor 2	Private Actor 2 Role	Private Actor 2 Sector
-	-	-	-	Proteak Uno, S.A.B. de C.V.	Client	-

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ACCOUNTABILITY MECHANISM OF IFC

The Compliance Advisor Ombudsman (CAO) is the independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an IFC or MIGA- financed project. If you submit a complaint to the CAO, they may assist you in resolving a dispute with the company and/or investigate to assess whether the IFC is following its own policies and procedures for preventing harm to people or the environment. If you want to submit a complaint electronically, you can email the CAO at CAO@worldbankgroup.org. You can learn more about the CAO and how to file a complaint at http://www.cao-ombudsman.org/

Bank Documents

- 31195_Approved ESAP.pdf

Other Related Projects

- IFC-38754 Proteak Exp