Early Warning System

IFC-32624

Pronaca Agro

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Quick Facts

Countries	Ecuador
Financial Institutions	International Finance Corporation (IFC)
Status	Active
Bank Risk Rating	B
Voting Date	2013-05-23
Borrower	Procesadora Nacional de Alimentos C.A.
Potential Rights Impacts	Labor & Livelihood, Right to Health
Investment Type(s)	Loan
Investment Amount (USD)	$ 70.00 million

Project Description

The proposed project will allow the expansion of PROCESADORA NACIONAL DE ALIMENTOS C.A. PRONACA (PRONACA), a poultry and pork processor. The proposed facility will help the PRONACA finance its growth both domestically and abroad.

LOCATION OF PROJECT AND DESCRIPTION OF SITE

The PRONACA's poultry processing plants are located in Quito, Bucay and Valle Hermoso. PRONACA also has a pork processing facility in Valle Hermoso, next to its poultry processing plant in Santo Domingo de los Colorados. PRONACA's distribution facilities are located in or around Ecuador's main urban centers, primarily Guayaquil and Quito. The Company's feed mills are located in Puembo, Durun, and Quevedo. Farms and hatcheries are located in semi-rural areas for bio-security reasons. Pork and broiler farms are located near Santo Domingo de los Colorados. Additional broiler farms are located near Bucay and in the outskirts of Quito.

Early Warning System Project Analysis

RISK CATEGORIZATION

The IFC classified this Project as Category B. The Project's principal risks and impacts will be associated with incremental pork and poultry production activities in Ecuador and the potential cross-border expansion.
Key environmental and social risks and impacts are likely to be similar to those in the PRONACA's existing operations, including, for example: management of solid and liquid wastes; effluents and emissions; occupational health and safety; human resource policy and working conditions of employees; and supply chain management for poultry and corn.

APPLICABLE IFC PERFORMANCE STANDARDS

PS 1 - Assessment and Management of Environmental and Social Risks and Impacts
PS 2 - Labor and working conditions
PS 3 - Resource Efficiency and Pollution Prevention
PS 4 - Community Health, Safety and Security

People Affected By This Project

ENVIRONMENTAL AND HUMAN RIGHTS RISK ASSESSMENT

RIGHT TO HEALTH

IFC reports that a review of wastewater discharge monitoring information for the Company's operations in Ecuador shows that some facilities still have occasional non-conformances. Going forward, as spelt out in the Enivronmental and Social Action Plan, the Company will develop and implement action plans to address non-conformances of wastewater discharges from existing facilities in Ecuador (i.e. Inaexpo; Avepica; Faenadora Bucay; and Alimentos Quevedo).

The following survey questions should be raised by communities and individuals affected by PRONACA's activities:

- Has your health been affected since the beginning of the investment project?
- Has the health of some community groups been more affected than others?
- Has women's health been affected since the beginning of the investment project?
- If there have been public health problems related to the investment project, were you informed of these problems?
- What opportunities (legal or other) are available if you feel that your right to health has been affected?
- If your right to health has been affected, did the government take any measures to redress the situation?

LABOR RIGHTS

The IFC reports that PRONACA has approximately 7,700 direct employees, of which approximately 65% are dedicated to operational activities with the remaining dedicated to administrative functions (i.e. project planning, accounting, human resources management, etc).

Ecuador has ratified the ILO conventions on freedom of association and collective bargaining and Ecuadorian laws protect workers' rights in this regard. The Company reports that despite the fact that they do not restrict workers' rights in this respect, none of its employees belong to external unions. There is an Employee Association which represents the workers common interests and regularly meets with Company management. Going forward, as spelt out in the ESAP, the Company will ensure that the Internal Employment Rules Handbook explicitly mentions workers' rights to associate freely in accordance with Ecuadorian law.

Going forward and as part of the Company's expansion activities, Pronaca will develop and implement a formal community engagement procedure applicable to expansion activities inside and outside of Ecuador. The procedure will define community engagement planning and implementation appropriate to the level of potential risk and impacts associated with the Company's operations.

The following survey questions should be raised by communities and individuals affected by PRONACA's activities:

- Are all workers free to form a union and join the union of their choice?
- Are women and men equally free to form a union and join the union of their choice?
- Can you freely obtain information about unions?
- Do workers have the right to strike?
- Can you freely participate in union meetings?
- Do you consider that your union is able to function freely?
- Can you bargain for better working conditions (i.e. engage in collective bargaining with the company)?
- Do you feel that you are discriminated against because you are a member of a union?
- Are children under 14 being recruited and employed by the company (or any joint venture partners, subsidiaries or sub-contractors) in the context of this investment project?

Investment Description

- International Finance Corporation (IFC)

The proposed investment is a corporate facility, which entails providing an A loan from IFC's own account of up to US$70 million to finance PRONACA's expansion in Ecuador and abroad. PRONACA has also received a $10 million loan from the Inter-American Investment Corporation (IIC).

Private Actors Description

Pronaca is a private company, owned by the Klein (41%), Bakker (41%), Ribadeneira (9%), and Gerritsen (8%) families, along with some other individual local investors (1%).

PROCESADORA NACIONAL DE ALIMENTOS C.A. PRONACA (PRONACA), an Ecuadorian company, processes and sells food from the meat, agribusiness and aquaculture sectors. The company has expanded its borders with productive and commercial activities to Brazil, Colombia and United States.

PRONACA initiated its operations in 1958 and today it produces and commercializes meats (poultry, pork, and turkey), agricultural productsi.e., heart of palm, artichoke, rice, and corn value added products i.e., canned and processed meats, rice and eggs, as well as animal feed and pet foods. Pronaca has been operating in the Ecuadorian market for more than 50 years and has operations in other countries of the region, such as Colombia and, until recently, in Brazil and Costa Rica. PRONACA's latest business is the production and sales of palm hearts, which makes Ecuador one of the leading exporters of palm hearts. PRONACA is setting up palm heart operations elsewhere in the region, including Brazil.

PRONACA also has a fish processing business (Mr. Fish) which relies on the supply of wild catch mahi mahi and tuna fish to support a small production of frozen fish products. Mr. Fish represents less than 3% of the total frozen fish market in Ecuador and even less of the total fish processing industry.

PRONACA is a private company, owned by the Klein (41%), Bakker (41%), Ribadeneira (9%), and Gerritsen (8%) families, along with some other individual local investors (1%).

PRONACA owns Inaexpo, which exports agricultural products to 27 countries in the Americas, Asia, Africa, and Europe.

PRONACA receives credits from the Clean Development Mechanism for its swine waste management program.

PAST IFC FUNDING:

PRONACA has been an IFC client since 2003, with two investment projects to expand, recapitalize, and upgrade its operations. IFC supported these activities through two loans (in 2004 and 2008), totaling US$50 million. The IFC provided Advisory Services to PRONACA relating to water treatment and increasing energy efficiency. PRONACA expected to use the 2008 loan to support key investments to maintain its operations and to finance permanent working capital. IFC classified these investments as Category B projects.

PAST HUMAN RIGHTS ABUSES:

A. In December 2010, local stakeholders in the area of Santo Domingo de los Tsachilas filed a complaint with the CAO. The complainants believe that the pork processing facilities in the province are polluting water sources, soil and air quality, including negative environmental impact to a protected forest. The complainants also state that the processing facilities lack the required environmental licenses to operate and that appropriate environmental assessments were never undertaken by the company. The CAO concluded that the case did not merit an audit of IFC's due diligence and monitoring of its involvement in PRONACA's operations, and the case was closed with no further action in November 2011.

Private Actor 1	Private Actor 1 Role	Private Actor 1 Sector	Relation	Private Actor 2	Private Actor 2 Role	Private Actor 2 Sector
-	-	-	-	Procesadora Nacional de Alimentos C.A.	Client	-

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CONSULTATION PROCESS

Going forward and as part of the Company's expansion activities, Pronaca will develop and implement a formal community engagement procedure applicable to expansion activities inside and outside of Ecuador. The procedure will define community engagement planning and implementation appropriate to the level of potential risk and impacts associated with the Company's operations.

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/