

 Early Warning System

IFC-33621

UNAGRO expansion



Quick Facts

Countries	Bolivia
Financial Institutions	International Finance Corporation (IFC)
Status	Proposed
Bank Risk Rating	B
Voting Date	2014-03-31
Borrower	Union Agroindustrial de Caneros S.A. - UNAGRO S.A.
Sectors	Industry and Trade
Potential Rights Impacts	Healthy Environment, Labor & Livelihood, Right to Health, Right to Water
Investment Type(s)	Loan
Investment Amount (USD)	\$ 15.00 million
Project Cost (USD)	\$ 67.00 million



Project Description

Union Agroindustrial de Caeros S.A. ("UNAGRO" or the "Company") owns the second largest of six sugar mills operating in Bolivia, with a milling capacity of 3.1 million tons of sugar cane per year. IFC documentation states that the loan "will support the Company's investment plan started in 2011 of approximately US\$51 million consisting of: (i) an increase in sugarcane processing capacity from 12,000 tons/day to 24,000 tons/day; (ii) an increase in distillery capacity from 100,000 l/day to 250,000 l/day and (iii) financing of working capital needs." The company and project are located in Minero, 80 Km to the North of Santa Cruz de la Sierra, Bolivia.



Early Warning System Project Analysis

APPLICABLE SOCIAL AND ENVIRONMENTAL 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
- PS 6 - Biodiversity Conservation and Sustainable Management of Living Natural Resources

IFC states that the location of the sugar cane plantation is within long-established agriculture areas in Santa Cruz which have been developed since the early 1900's, requiring no conversion of natural and/or critical habitats in the vicinity of UNAGRO lands, leading to biodiversity loss, rendering PS5 inapplicable. An Integrated Biodiversity Assessment Tool analysis showed that the nearest protected area, the National Park of Amboro, is 60 Km away from the boundaries of UNAGRO.

IFC also finds that there is no presence of indigenous people or prior cultural asset history in the project area, thereby rendering PS7 (indigenous peoples) and PS8 (cultural heritage) as inapplicable to this project.



People Affected By This Project

ENVIRONMENTAL AND HUMAN RIGHTS RISK ASSESSMENT

Labor Rights

Annually, Bolivia produces over 6 million tons of cane. According to the ILO, sugar cane production is associated with major safety and health hazards to workers including: injuries from machetes, musculoskeletal injuries from repetitive movements, long term injuries from pesticides, high levels of sun exposure, respiratory problems from smoke, snake and insect bites, and long working hours and stress. Further, the Solidariad Network in Bolivia reports that about 60% of the sugar cane harvesters are temporary migrants from Bolivia's poorest areas, living in very bad conditions, mostly in shacks, with no hygiene and no privacy.

The UNAGRO operation has 940 permanent employees as of November 2013, with women representing about 5% of the workforce. The IFC states that the harvesting at UNAGRO is 100% mechanized, but a due diligence review found that the OHS management at the UNAGRO mill requires overhauls in protective guards for moving parts of machinery, repairs of unfastened stairway railings, general housekeeping, etc., to eliminate workplace hazards. Additionally, the IFC notes that the mill Lost Time Injury Frequency Rate is higher than the industry benchmark. IFC further requires that UNAGRO update its ventilation and air exchange, as well as carry out analysis of metals in process water in order to mitigate risks to workers. Additionally UNAGRO must conduct an OHS audit at the Roberto Barbery sugar mill, in accordance to international recognized standards (i.e. OSHAS 18001) and the World Bank Group's General and Sugar Manufacturing Environmental Health and Safety Guidelines. IFC states that the review and remediation should focus on the workplaces and processes most commonly associated with accidents and near misses, materials losses, etc. Any hazards not properly managed could result in death or significant injury to local employees.

Child Labor

Child labor has been rampant in Central and South American sugarcane operations. Specifically, the Department of Labor has found that children in Bolivia have been engaged in the worst forms of child labor, including in hazardous activities in agriculture and mining. Specifically with regards to sugarcane production, children commonly carry heavy loads, work long hours, and use dangerous tools that could cause injury, such as machetes. Some Bolivian children from rural areas seek work as domestic servants in urban, third-party homes under circumstances and conditions that could be considered indentured servitude.

IFC states that UNAGRO's human resources policy has a clear mandate to observe ILO Conventions 138 on Minimum Age and 182 on Worst Forms of Child Labor in its direct operations contractors and its sugar cane suppliers. The apprenticeship programs must comply with applicable local and ILO requirements. As such UNAGRO must engage with NGOs, government initiatives, and use certification procedures to prohibit any incidence of child labor, and conducts field audits that will be systematized. Currently about 70% of all third-part sugarcane is delivered by shareholders of UNAGRO. A mix of mechanical and manual harvest of cane takes place at each of the supplier's fields. IFC states that the Company must formalize field audits and follow up procedures to ensure adoption of PS2 requirements and that there will be no events involving child labor in their sugar cane supplier operations (in compliance with ILO Conventions 138 on Minimum Age, and 182 on Worst Forms of Child Labor).

The following questions may be relevant in determining whether you or your community has suffered a violation of your labor rights due to UNAGRO's operations:

- Are your wages sufficient to meet your basic needs and those of your family?
- Are your working conditions safe and healthy?



Investment Description

- International Finance Corporation (IFC)

Total UNAGRO project cost is estimated at US\$67 million. The total IFC investment is up to US\$15 million in the form of an A Loan.

An "A" loan for IFC's own account means the IFC provides a direct loan for the project from its own funds, and keeps that debt on its books until the sponsoring company repays in full, again directly to IFC.



Private Actors Description

UNAGRO's majority shareholder is Corporacion Unagro, which is owned by the Barbery family as well as approximately 1,300 sugar cane farmers.



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CONSULTATION

IFC documentation states that UNAGRO is known in Santa Cruz to be reliable in following through with promises made to the community and that UNAGRO intends to continue to maintain strong relationships with local communities by sponsoring schools, and other services within its area of operations. IFC also pledges that UNAGRO maintains and expands its social projects to economic vulnerable groups, children, and intends to address immediate social and economic problems and improve the infrastructure within the rural areas where UNAGRO operates.

With regards to the project, IFC holds that UNAGRO has conducted a stakeholder analysis as part of the environmental and social impact assessment and public consultation has taken place as part of applicable requirements for the environmental and social impact assessment disclosure. IFC states that currently, UNAGRO has informal procedures for engagement with the surrounding communities aimed to only responding to community concerns. However, these procedures are not in compliance with the PS requirements. IFC states that this is being addressed in the Environmental and Social Action Plan for the project.

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

- [Bolivia: Sugarcane production in Santa Cruz](#)
- [Department of Labor Report on Child Labor in Bolivia](#)
- [Harsh Working Conditions in Brazil Show the Dark Side of Ethanol Production](#)
- [The CKDu Public Health Epidemic](#)
- [What is killing sugar-cane workers across Central America?](#)