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COMPLIANCE REVIEW REPORT

**PROCESADORA NACIONAL DE ALIMENTOS C.A. (“PRONACA”) AND LA ESTANCIA
INVESTMENT HOLDING S.L. (“LA ESTANCIA”)**

(11598-04)

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ABOUT THE MICI COMPLIANCE REVIEW PROCESS

General objective. The Compliance Review is a tool to assist the Board of Executive Directors (hereinafter “Board”) of the IDB Group (in this case, of the IIC) in complying with its operational policies, supporting positive development results in the operations it finances, and fostering institutional learning.

Specific objectives. The purpose of the Compliance Review is to impartially and objectively investigate allegations by the Requesters that the IDB Group (Group) has failed to comply with its Relevant Operational Policies and has caused harm to the Requesters as a result.

Scope of MICI action and enforcement. MICI is the Group’s Independent Consultation and Investigation Mechanism and its scope of enforcement are the institution’s current Relevant Operational Policies. Accordingly, the Compliance Review is limited to assessing the Group’s compliance with those policies, without issuing conclusions on the actions of other parties involved in the financed operation. The Compliance Review process is carried out in accordance with paragraphs 36 to 49 of the MICI Policy ([CII/MI-1-4](#)).

Nature of the Compliance Review Process. MICI’s mandate is limited to reviewing the Group’s performance in relation to a specific project, within the framework of the implementation of the Relevant Operational Policies. Therefore, the standard of proof employed in this process to determine the facts differs from that used in judicial or contentious proceedings. The determinations made in the MICI Compliance Review Process are primarily based on an analysis of facts and arguments obtained from: (1) the key documents of the project under investigation; (2) the evidence provided by the Parties; (3) the findings of the Compliance Review mission when conducted; and (4) the testimony of the Requesters and interviews with key stakeholders, including current and former Group officials.

Scope of the Compliance Review Process. MICI does not replace judicial, regulatory, or law enforcement mechanisms or procedures in host countries. Furthermore, Compliance Review reports are not intended for use in local judicial or regulatory proceedings, nor is their purpose to establish guilt or innocence, or to attribute blame or liability to the Parties involved. Regarding the determination of harm, the MICI Policy requires an assessment of whether IDB Invest’s actions or omissions have resulted in a breach of one or more of its Relevant Operational Policies and whether such breach has resulted in harm to the Requesters.¹ However, it is important to note that, due to the nonjudicial nature of the Compliance Review process, MICI does not have the authority to award compensation, damages, or similar benefits.

Preventive, corrective, and/or remedial actions. Where appropriate, MICI reports will include in their recommendations preventive, corrective, and/or remedial measures in the event of noncompliance with the Relevant Operational Policies, linked to the actual or potential harm, in order to provide requesters with concrete results from the complaints that they file.² However, MICI acknowledges that recommending such measures when the

¹ The MICI Policy defines “harm” as any direct, material damage or loss that has actually occurred or is reasonably likely to occur in the future. See MICI Policy, [CII/MI-1-4](#), Glossary, ii.

² Office of Evaluation and Oversight (OVE), [Evaluation of the Independent Consultation and Investigation Mechanism \(MICI\)](#), 2021, p. 56.

contractual relationship between the Group and the executing entities has concluded or been modified or when the financing activity has ended may present challenges.³

Acknowledgments. We thank all the individuals and institutions with whom we met, both virtually and in person, for their time and the valuable information shared. We extend our appreciation to the Requesters and to IDB Invest for facilitating the site visits in the project area, responding promptly to our specific information requests, and coordinating direct communication with the Client. Lastly, we thank Pronaca for its openness and support during the field mission.

³ OVE also recognized that limitation in its 2021 [Evaluation of the Independent Consultation and Investigation Mechanism \(MICI\)](#) (p. 58).

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ABBREVIATIONS

AIP	IDB Invest Access to Information Policy
Board	Board of Executive Directors
BTOR	Back to Office Report
CAO	Office of the Compliance Advisor Ombudsman, the independent accountability mechanism of the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA), members of the World Bank Group
CEDENMA	Coordinadora Ecuatoriana de Organizaciones para la Defensa de la Naturaleza y el Medio Ambiente (Ecuadorian Coordinator of Organizations for the Defense of Nature and the Environment)
Court	Constitutional Court of Ecuador
EIA	Environmental impact assessment
ESAP	Environmental and social action plan
ESDD	Environmental and social due diligence
ESRS	Project environmental and social review summary
Farm	Chanchos Plata 1 farm
GAD SDT	Gobierno Autónomo Descentralizado de Santo Domingo de los Tsáchilas (Decentralized Autonomous Government of the Province of Santo Domingo de los Tsáchilas)
IDB Invest/ Corporation	IDB Group institution that supports the private sector, formerly Inter-American Investment Corporation (IIC)
IFC	International Finance Corporation
INEC	Instituto Nacional de Estadística y Censos (National Institute of Statistics and Census)
La Estancia Management	La Instancia Investment Holding S.L. The IDB Invest manager or managers, executives, or division chiefs in charge of the relevant IDB Invest-financed operation, or any delegate thereof
MICI Policy	Policy of the Independent Consultation and Investigation Mechanism of the IIC (CII/MI-1-4)
MICI/Mechanism Operation	IDB Group Independent Consultation and Investigation Mechanism Loan operation (11598-04) granted by IDB Invest to Procesadora Nacional de Alimentos, C.A. (“PRONACA”) and La Estancia Investment Holding S.L. (“La Estancia”)
Project	Procesadora Nacional de Alimentos C.A and La Estancia Investment Holding S.L (11598-04)
Pronaca	Procesadora Nacional de Alimentos C.A.
Province	Santo Domingo de los Tsáchilas
Recommendation Requesters	Compliance Review Recommendation and Terms of Reference The Tsáchila people, represented by CEDENMA and advised and supported by Friends of the Earth and the Bank Information Center

EXECUTIVE SUMMARY

The project

The “Procesadora Nacional de Alimentos C.A. and La Estancia Investment Holding S.L.” project consists of a financing operation for US\$50 million approved by the IIC Board of Executive Directors for a term of up to eight years. The objectives of this loan granted to Procesadora Nacional de Alimentos C.A. and La Estancia Investment Holding S.L. were threefold:

1. To execute their 2019-2020 investment plan for organic growth in Ecuador;
2. To refinance a previous IDB Invest loan; and
3. To finance La Estancia’s growth through the acquisition of an equity interest in the entity Panavícola I, S.A., in Panama.

Process before MICI

On 18 September 2023, Indigenous Tsáchila communities in Santo Domingo, Ecuador, submitted a request to the MICI, alleging water, soil and air (foul odors) pollution linked to the project, a lack of access to information, and an absence of meaningful consultation. The case was registered with MICI on 19 September 2023, and declared eligible on 16 November 2023. The Consultation Phase concluded on 26 February 2024, reaching an agreement reached, prompting the initiation of the Compliance Review Phase. Subsequently, on 9 August 2024, the recommendation to conduct a Compliance Review was approved.

This report presents the findings of the investigation, which had the following three components, as approved by the Board of Executive Directors: (1) environmental impacts and management measures; (2) access to information; and (3) the consultation process.

Environmental impacts and management measures

MICI concluded that, with respect to the Chanchos Plata I Farm—located 290 meters from the Tsáchila community of Peripa—IDB Invest **complied with Directives B.1 and B.7** by ensuring the identification of potential environmental impacts related to water, soil, and odors. It also verified the implementation of appropriate soil management measures, including:

- A rainwater collection system;
- The adoption of a deep bedding system, which does not produce wastewater or require fertigation as a disposal method; and
- A significant reduction in odors as a result of that system.

However, MICI also found that IDB Invest failed to fulfill its oversight responsibilities under Directives B.1 and B.7 of OP-703 and the Environmental and Social Sustainability Policy, due to the following:

1. **Lack of follow-up on the development of an ESMS for breeding farms that took into account the requirements of the Relevant Operating Policies.** There was a failure to ensure the implementation of an environmental and social management system for the breeding farms that incorporated all the requirements under Performance Standard 1.
2. **Omission of a historical analysis of water pollution.** There was a failure to ensure that a historical analysis of water contamination in Santo Domingo de los Tsáchilas was conducted to rule out any potential responsibility on the part of the company. Similarly, previous environmental complaints filed against the company were neither reviewed nor assessed during the due diligence process. This omission limited the incorporation of appropriate environmental management measures.
3. **Failure to identify affected communities.** There was a failure to ensure that the Tsáchila community of Peripa was identified as part of the project's area of influence, or to ensure the implementation of differentiated measures that accounted for the community's vulnerability.
4. **Lack of an adequate odor impact assessment.** IDB Invest did not ensure that prior studies on the impact of odors on Tsáchila communities near the company's facilities were taken into account. It also failed to ensure that measures were adopted to address those impacts, or that the company developed an odor management plan reflecting the proximity of sensitive receptors to its operational centers.

Access to information

MICI determined that IDB Invest failed to comply with its supervision duties under OP-703 Directives B.1 and B.7 and the Environmental and Social Sustainability Policy regarding access to information, for the following reasons:

1. **Incomplete information for local communities.** IDB Invest did not ensure that clear information on the project was disclosed, especially regarding the use and allocation of funds. In addition, the information provided did not explain the activities carried out in Santo Domingo de los Tsáchilas.
2. **Lack of regular and relevant information.** There was a failure to ensure that affected communities received regular and adequate information regarding their specific concerns.
3. **Disclosure of limited environmental and social information.** The publication of key environmental and social information during the project cycle was not ensured. Key documents to identify potential impacts are not publicly available, and the cultural relevance of the corporate channels used for disclosure was not considered.
4. **Classification of information as privileged without justification.** Some key socioenvironmental information was classified as "commercially sensitive" without clear justification or adequate verification of its compatibility with the Access to Information Policy.

The consultation process

MICI also concluded that IDB Invest failed to comply with its oversight duties under OP-703 Directives B.1 and B.7 and the Environmental and Social Sustainability Policy regarding the consultation process with potentially affected communities for the following reasons:

1. **Inadequate identification of communities in the area of influence.** It was not ensured that, during due diligence, the communities within the Project's area of influence were properly identified, including the Tsáchila Peripa community, located just 290 meters from the Chanchos Plata I Farm. Moreover, no specific measures were adopted to address potential impacts on this community.
2. **Absence of a vulnerability assessment.** It was not ensured that a prior assessment of the vulnerability of the Tsáchila communities had been conducted, or that they had been identified as a group at risk.
3. **Lack of a participation plan.** IDB Invest did not ensure the existence—or request the development—of a participation plan for potentially affected communities that considered their status as Indigenous communities in a situation of vulnerability.
4. **Absence of meaningful consultation.** IDB Invest did not ensure meaningful consultation processes were carried out with the communities potentially affected by the project, or establish adequate participation mechanisms for those communities.

Recommendations

MICI issued the following 11 recommendations to IDB Invest, which are detailed in section III of the report:

1. Develop an environmental and social management system for breeding farms.
2. Analyze the company's responsibility for historical water pollution in order to develop management measures if applicable.
3. Prepare an odor management plan for the facilities in Santo Domingo de los Tsáchilas.
4. Publish additional socioenvironmental information about the project on the IDB Invest website and ensure its dissemination to potentially affected communities.
5. Develop an information classification protocol to serve as a guide for clients.
6. Provide training to clients on their disclosure obligations.
7. Provide training to IDB Invest staff to ensure compliance with the Access to Information Policy.
8. Design an information dissemination plan for the project.
9. Strengthen community engagement initiatives.
10. Develop guidelines for capital expenditure projects.
11. Develop an action plan in consultation with the MICI to implement the recommendations.

I. BACKGROUND

A. Geographical and social context in Santo Domingo de los Tsáchilas

- 1.1 **Geographic location and demographic data.** Santo Domingo de los Tsáchilas (the Province) is one of 24 provinces in Ecuador. Located in the northwestern part of the country, it lies 625 meters above sea level and some 120 kilometers from the coast. It covers an area of 3,857 square kilometers and is bordered by the following provinces: Pichincha to the north and east, Esmeraldas to the northwest, Manabí to the west, Los Ríos to the south, and Cotopaxi to the southeast.⁴ Administratively, it is divided into two cantons: Santo Domingo de los Colorados and La Concordia.⁵
- 1.2 **Population and population growth.** In 2010, the Province had 368,013 inhabitants.⁶ According to the 2022 census conducted by the National Institute of Statistics and Census (INEC), the population of the Province had increased to 492,969 people by that year,⁷ with 441,583 living in Santo Domingo de los Colorados, and 51,386 in La Concordia.⁸ Of that total, 252,800 were women, and 240,169 men. In terms of cultural self-identification, 89.9% of the population identified as mestizo, 4.8% as Afro-Ecuadorian, 2.3% as Montubio, 1.4% as Indigenous, and 1.6% as white.⁹ According to INEC data, Santo Domingo de los Colorados is the fourth most populous canton in the country, after Guayaquil, Quito, and Cuenca.¹⁰ This population growth is partly the result of its strategic location as a transportation hub between the highlands and the coast, which has attracted investor interest due to its accessibility.¹¹
- 1.3 **Tsáchila Indigenous communities.** The Province has traditionally been inhabited by Indigenous Tsáchila communities, whose name means “true people.”¹² The Tsáchila are one of Ecuador’s original Indigenous peoples, with their language, Tsáfiqui, recognized as part of the country’s linguistic heritage. The Tsáchila people are currently in the process of being recognized by UNESCO as Intangible Cultural Heritage.¹³ The people’s territory and population is gradually shrinking due to successive waves of colonization, land invasions, disease,

⁴ GAD SDT, [General data](#).

⁵ FLACSO Ecuador, Alejandra Bonilla, Gustavo Durán, Manuel Bayón and Katherine Abad, [Santo Domingo de los Tsáchilas: El rentismo y sus efectos en las periferias al sur de la ciudad](#), 2020, p.3.

⁶ INEC, [2010 census results](#).

⁷ INEC, [Censo 2022](#), Reporte Técnico, 2024, p.43.

⁸ INEC, [Resultados Principales](#), Santo Domingo de los Tsáchilas.

⁹ INEC, [Resultados Principales](#), Santo Domingo de los Tsáchilas.

¹⁰ See Primicias, [Guayaquil vuelve a ser la ciudad más poblada de Ecuador](#), 2023.

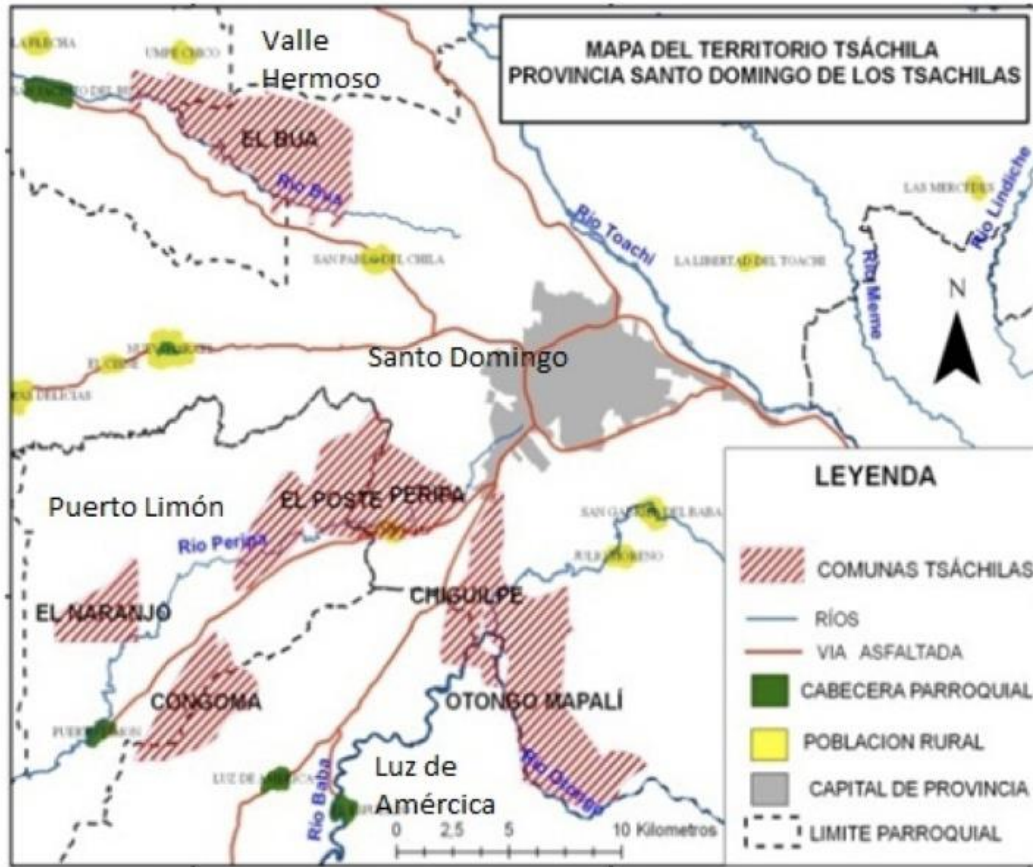
¹¹ FLACSO Ecuador, Alejandra Bonilla, Gustavo Durán, Manuel Bayón and Katherine Abad, [Santo Domingo de los Tsáchilas: El rentismo y sus efectos en las periferias al sur de la ciudad](#), 2020, p.3.

¹² Ministry of Tourism of Ecuador, [Comunidades Tsáchilas muestran toda su riqueza cultural](#), 2021.

¹³ National Assembly of the Republic of Ecuador, [Nacionalidad Tsáchila en la ruta hacia el reconocimiento internacional](#), 2024.

territorial fragmentation, and ethno-cultural blending.¹⁴ According to data from the Ministry of Tourism of Ecuador, about 2,000 individuals belong to this people, distributed in the following seven communities: El Poste, Peripa, Chigüilpe, Otongo Mapalí, Los Naranjos, Colorados del Búa, and Cóngoma Grande.¹⁵

Figure 1. Map showing the location of the seven Tsáchila communities in the Province.



Source: Decentralized Autonomous Government of the Province of Santo Domingo de los Tsáchilas.

1.4 **Economic activities of the Tsáchila communities.** The Tsáchila communities primarily engage in the cultivation and sale of agricultural products, livestock farming, and fishing. They also practice traditional medicine using plants native to the area.¹⁶ Tourism is also an important activity,¹⁷ supported by the development

¹⁴ Gallardo Platzer, Daniela Monserrat, Francisco Antonio Zurita, [Análisis Ambiental del Rio Peripa debido a descargas agroindustriales en la zona de influencia de la Parroquia Puerto Limón de Santo Domingo de los Tsáchilas](#), Escuela Politécnica Nacional, 2015, p.72; La Hora, [Tsáchilas, entre el poder y la extinción](#), 24 June 2007.

¹⁵ Ministry of Tourism of Ecuador, [Comunidades Tsáchilas muestran toda su riqueza cultural](#), 2021.

¹⁶ Ministry of the Environment and Water, Nacionalidad Indígenas Tsáchila, [Protocolo Comunitario "Yo Pinda" para el acceso, uso y aprovechamiento de los conocimientos tradicionales asociados o no a la biodiversidad \(recursos biológicos y genéticos\)](#), 2020, p.6.

¹⁷ According to the 2020 Land Use Plan, the Province received 244,109 domestic tourists and 26,208 international visitors. See GAD Provincial, [Plan de Desarrollo y Ordenamiento Territorial, Santo Domingo de los Tsáchilas 2020-2030](#), p.311.

of family-run cultural centers in some communities. These centers offer traditional healing practices and generate additional income through the sale of handicrafts and natural remedies, among other items. However, these activities have been seriously affected by river pollution in the Province.¹⁸

- 1.5 **Industrialization in the Province.** In addition to rapid population growth, Santo Domingo de los Tsáchilas has undergone significant industrial expansion, especially in agro-industry and pork production. According to academic studies, the urban area of the Province expanded from 10.28 hectares in 1990 to more than 877 hectares by 2014.¹⁹
- 1.6 **Economic activity in the area.** The Province's main productive activities include commerce, agriculture, livestock, fishing, forestry, hunting, and tourism.²⁰ According to publicly available data, the Province is the second-largest pork producer in the country, after El Oro Province, producing 21% of the national total.²¹ The two provinces account for 45% of national pork output between them.²²
- 1.7 **Water resources in the area.** The Province is situated in a water-rich region, encompassing five major basins and micro-basins: to the east and northeast is the middle and lower course of the Toachi River, which is part of the Blanco River basin; To the south lies the Borbón sub-basin, which forms part of the larger Guayas River basin and is connected to the Babis River (also known as Niño Torres); the Peripa River sub-basin is located to the southwest, while the Quinindé River sub-basin lies to the northeast. The latter, together with the Blanco River sub-basin to the northwest, is part of the Esmeraldas River basin.²³ In addition, the Lelia River is important in the central area of the province as a key tributary, serving both as a water source and as part of the road infrastructure, thereby complementing the local hydrographic network.²⁴
- 1.8 **Complaints of river pollution in the Province.** Instances of pollution in the rivers of Santo Domingo de los Tsáchilas have been reported over the course of several decades.²⁵ Urban expansion, agro-industrial activities, and the absence of adequate wastewater treatment systems and sewage infrastructure are the

¹⁸ Ministry of Environment and Water, Nacionalidad Indígenas Tsáchila, [Protocolo Comunitario "Yo Pinda" para el acceso, uso y aprovechamiento de los conocimientos tradicionales asociados o no a la biodiversidad \(recursos biológicos y genéticos\)](#), 2020, p.15.

¹⁹ Gallardo Platzer, Daniela Monserrat, Francisco Antonio Zurita, [Análisis Ambiental del Río Peripa debido a descargas agroindustriales en la zona de influencia de la Parroquia Puerto Limón de Santo Domingo de los Tsáchilas](#), Escuela Politécnica Nacional, 2015, p.133.

²⁰ Ministry of Tourism of Ecuador, [Comunidades Tsáchilas muestran toda su riqueza cultural](#), 2021; FLACSO Ecuador, Archivo de Lenguas y culturales del Ecuador, [Tsáfiqui](#); [Sistema Socio Económico Provincial](#); Ministry of Tourism, [Encuesta de Turismo Interno](#), 2022.

²¹ El Productor, [Santo Domingo de los Tsáchilas denominada capital de la carne](#); La Hora, [La Capital de la carne, una marca para la provincia Tsáchila](#), 2021.

²² Primicias, [Cinco factores explican el aumento del consumo de carne de cerdo en Ecuador](#), 2024.

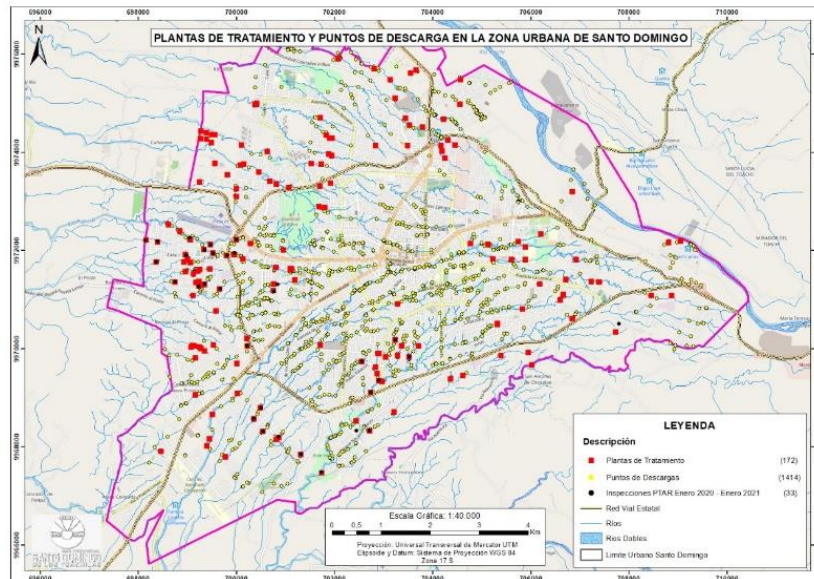
²³ GAD SDT, [General data](#).

²⁴ La Hora, [Santo Domingo, nuevamente sin agua potable por temporada invernal](#), 2025.

²⁵ The Requesters have denounced water, air, and soil pollution since 2008. See also, Visión 360, [¿Ríos o alcantarillas?](#) Temporada 8, Capítulo 9, 2023.

primary causes,²⁶ resulting in significant waste being discharged into rivers. According to the Decentralized Autonomous Government of the Province of Santo Domingo de los Tsáchilas (GAD SDT), numerous industries, businesses, and households discharge their untreated effluent directly into nearby riverbeds, impairing the natural recovery capacity of these water bodies.²⁷ According to Agrocalidad records,²⁸ the Province has over 524,330 pigs, accounting for 49.2% of pork production in the highland region and 18.5% of output nationally.²⁹ Figure 2 shows that in urban areas of the Province, where the headwaters of the Peripa River are located, there are more than 1,000 direct discharge points.

Figure 2. Map showing discharge points in urban areas of Santo Domingo de los Tsáchilas.



Source: GAD SDT.

1.9 **Complaints of river pollution in Santo Domingo de los Tsáchilas.** Since the 1990s, civil society organizations have been reporting river pollution in Santo Domingo de los Tsáchilas, allegedly caused by untreated industrial discharges. In 1998, the parish government of Puerto Limón declared that Pronaca had violated human rights.³⁰ In 2003, Frente Anticontaminación de Valle Hermoso (an environmental group) filed complaints with various authorities, accusing Pronaca of environmental pollution.³¹ That same year, an interagency technical commission

²⁶ Ministry of the Environment, Water and Ecological Transition, [MAE realizó muestreo en el río Pove en Santo Domingo de los Tsáchilas](#); GAD SDT, [Plan de Desarrollo y Ordenamiento Territorial Santo Domingo de los Tsáchilas, 2020-2030](#), p.194; and Teamazonas Ecuador, [El 80% de los ríos de Santo Domingo de los Tsáchilas están contaminados](#).

²⁷ [GAD SDT, Plan de Desarrollo y Ordenamiento Territorial 2020-2030](#), pp.194 and 200.

²⁸ Agrocalidad is formally described in Ecuador as “the agency responsible for overseeing and regulating the protection and enhancement of animal health, plant health, and food safety” (unofficial translation). See the agency’s website [here](#).

²⁹ [GAD SDT, Plan de Desarrollo y Ordenamiento Territorial 2020-2030](#), p. 273.

³⁰ Cited in [Decision of the Constitutional Court of Ecuador, Case 567](#), 2009, p.2.

³¹ Cited in [Decision of the Constitutional Court of Ecuador, Case 567](#), 2009, p.2.

found that occasional odors emanating from Pronaca facilities adversely affected the quality of life of nearby communities and tourism-related activities.³² In 2010, local stakeholders in Santo Domingo de los Tsáchilas filed a complaint with the Office of the Compliance Advisor Ombudsman (CAO).³³ The CAO ultimately concluded that the case did not warrant a compliance audit of the International Finance Corporation (IFC), and the matter was closed in 2011.³⁴

- 1.10 **Decision of the Constitutional Court of Ecuador and creation of a monitoring commission.** In 2009, a group of Ecuadorian citizens filed an amparo action with the Constitutional Court of Ecuador (the Court), alleging that Pronaca's agro-industrial activities—specifically the installation of six biodigesters—were polluting the water, air, and soil. However, in July of that year, the Court dismissed the action, reasoning that if the biodigesters were functioning properly, the alleged rights violations would not be substantiated.³⁵ Despite rejecting the amparo action, the Court ordered the establishment of a monitoring commission, led by the Ecuadorian Ombudsman's Office. That commission, composed of representatives from various government entities and local communities, was tasked with overseeing the operation of the biodigesters, monitoring water usage, and supervising Pronaca's waste management practices.³⁶ The commission was formally constituted in July 2010 and carried out inspections in November that year.³⁷ Subsequently, in April 2011, the Ombudsman's Office submitted a report to the Court recommending a technical assessment of water quality in rivers potentially affected by Pronaca's operations. However, those studies were never conducted.³⁸
- 1.11 **Complaint (2013) alleging pollution of rivers filed with Office of the President of the Republic.** In October 2013, the Tsáchila governor publicly denounced the high level of pollution in the Province's rivers. As a result, the Office of the President of the Republic signed a commitment to assess polluting discharges in 37 rivers across the region. The study revealed that all rivers had at least one parameter exceeding regulatory standards, particularly as regards oil and grease levels. A total of 64 industrial discharge points were sampled, none of which were found to be in full compliance with the national maximum allowable limits.³⁹

³² Cited in [Decision of the Constitutional Court of Ecuador, Case 567](#), 2009, p.2.

³³ The Office of the Compliance Advisor Ombudsman (CAO) is the independent accountability mechanism for projects supported by the IFC and the Multilateral Investment Guarantee Agency (MIGA), members of the World Bank Group. See CAO, [About Us](#).

³⁴ CAO, [Appraisal Report](#), Pronaca, 3 November 2011.

³⁵ [Decision of the Constitutional Court of Ecuador, Case 567](#), 2009, p.5.

³⁶ [Decision of the Constitutional Court of Ecuador, Case 567](#), 2009, p.8.

³⁷ [Decision of the Constitutional Court of Ecuador, Case 567](#), 2009, p.5.

³⁸ Gallardo Platzer, Daniela Monserrat, Francisco Antonio Zurita, [Análisis Ambiental del Rio Peripa debido a descargas agroindustriales en la zona de influencia de la Parroquia Puerto Limón de Santo Domingo de los Tsáchilas](#), Escuela Politécnica Nacional, 2015, p.67.

³⁹ Gallardo Platzer, Daniela Monserrat, Francisco Antonio Zurita, [Análisis Ambiental del Rio Peripa debido a descargas agroindustriales en la zona de influencia de la Parroquia Puerto Limón de Santo Domingo de los Tsáchilas](#), Escuela Politécnica Nacional, 2015, p.67.

B. About the project

- 1.12 **Background.** In 2020, Ecuador was in the grip of one of the most severe economic crises in its recent history, driven by a sharp decline in oil exports—its primary source of revenue—and the impact of the COVID-19 pandemic. That year, the country’s gross domestic product was US\$66.308 billion, a 7.8% contraction, according to data provided by the Central Bank of Ecuador.⁴⁰ The pandemic also significantly disrupted the supply of agri-food products to both markets and consumers.⁴¹ In that context, IDB Invest decided to participate in the project described below,⁴² with the aim of supporting food security during the public health emergency.⁴³
- 1.13 **The project.** “Procesadora Nacional de Alimentos C.A. and La Estancia Investment Holding S.L.” (11598-04) (the project) was approved by the Board of Executive Directors on 18 June 2020. The approved financing was US\$50 million, with a term of up to eight years, including a two-year grace period.⁴⁴
- 1.14 **Clients.** The project clients are the Ecuadorian company Procesadora Nacional de Alimentos C.A.⁴⁵ and La Estancia Investment Holding S.L. (La Estancia).⁴⁶ According to the environmental and social review summary (ESRS) of the project, prepared by IDB Invest, PRONACA is an Ecuadorian company with more than 60 years of experience in the agricultural and livestock sector. In 2023, Pronaca had more than 100 operations centers,⁴⁷ distributed in 10 provinces around the country. Those facilities include: 59 poultry, swine, cattle, and crop farms; 15 processing plants, 6 distribution centers; 30 storage facilities; 6 regional offices and administrative centers; 4 laboratories/research centers, and 11 warehouses and farms.⁴⁸ [REDACTED] These locations enable Pronaca to have a commercial presence in all 24 provinces of Ecuador.⁵⁰
- 1.15 **Project objective.** The IDB Invest financing is partly allocated to: (1) execute the 2019-2020 investment plan for organic growth in Ecuador; (2) refinance a previous IDB Invest loan; and (3) finance La Estancia’s inorganic growth in the region through the acquisition of an equity interest in Panavícola I S.A., in Panama.⁵¹

⁴⁰ Central Bank of Ecuador, [La pandemia incidió en el crecimiento 2020: La economía ecuatoriana decreció 7.8%](#), 2021.

⁴¹ See, for example, World Bank, [A Shock Like No Other: Coronavirus Rattles Commodity Markets](#), 2020.

⁴² Formerly the Inter-American Investment Corporation. In November 2017, the IIC was rebranded as IDB Invest (in English) and BID Invest (in Spanish, French, and Portuguese).

⁴³ [ESRS](#).

⁴⁴ IDB Invest website for project [PRONACA II](#).

⁴⁵ Pronaca has been a client of IDB Invest in the past. In 2012, IDB Invest provided Pronaca with a loan of US\$10 million to expand its installed capacity for producing value-added food products, replace and upgrade equipment, and invest in logistics, administration, and sales. See IDB Invest, [Pronaca](#).

⁴⁶ IDB Invest website for project [PRONACA II](#) and [ESRS](#), p.1.

⁴⁷ Pronaca, [Memoria de Sostenibilidad 2023](#), p.33.

⁴⁸ Pronaca, [Memoria de Sostenibilidad 2023](#), p.33.

⁴⁹ [REDACTED]
⁵⁰ [ESRS](#), p.3.

⁵¹ [ESRS](#), p.1.

Pronaca's investments in Ecuador will enable it to: increase chicken and swine production, due to increased installed capacity; boost productivity; retrofit its productive facilities via maintenance investments; and improve its internal policies and corporate efficiency. Inorganic growth is part of Pronaca's internationalization strategy, aimed at expanding its presence in the region, diversifying the risks associated with business concentration in Ecuador, and transferring knowledge and best practices to other companies in the region.⁵² As the loan finances capital expenditures, the project summary does not disclose the specific locations of those investments.

- 1.16 **Project category and environmental and social impacts identified.** The project was classified as a Category "B" operation because IDB Invest determined that its potential environmental and social risks and impacts would be limited, largely reversible, and manageable using technologies that would be available and feasible to implement in the context of the operation.⁵³

C. The MICI process

- 1.17 **Phases of the MICI process.** When a complaint related to an IDB Group project is submitted to MICI, it is processed according to the procedure established by the Mechanism's Policy applicable to the institution concerned: [CII/MI-1-4](#) in the case of IDB Invest, and [MI-47-8](#) in the case of the IDB. In this case, the former is applicable because it is an IDB Invest project. The phases of the process, as applied in this case and outlined in Figure 3, are as follows:

- 1.18 (1) **Registration.** It is verified that the request meets the formal requirements and is not subject to any of the exclusions set forth in the Policy.

(2) **Eligibility.** In this phase, the request is analyzed to determine whether or not it is eligible. MICI requests a response from Management to the allegations presented by the Requesters. If the case is declared eligible, it may proceed to the Consultation Phase and, if applicable, to the Compliance Review Phase, if requested.⁵⁴

(3) **Consultation Phase.** The objective of the Consultation Phase is to resolve the issues raised by the Requesters through agreements that are mutually acceptable to all parties involved.

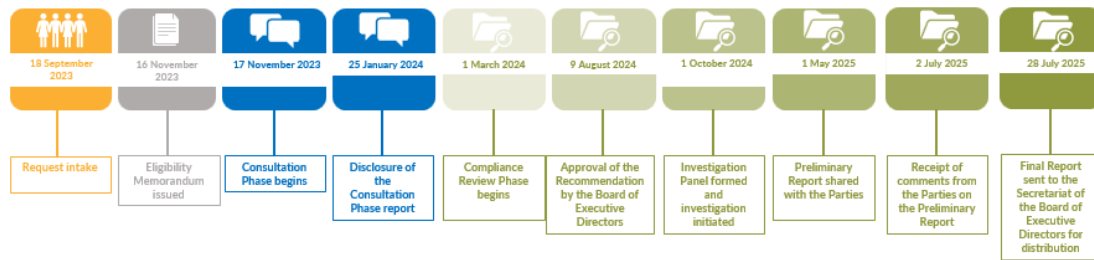
(4) **Compliance Review Phase.** In this phase, MICI impartially and objectively investigates allegations of harm, as well as compliance and noncompliance with IDB Group environmental and social policies and standards.

⁵² [ESRS](#), p.1.

⁵³ [ESRS](#), p. 2 and [Environmental and Social Sustainability Policy](#), p.16.

⁵⁴ If the Requesters choose both phases, processing will begin with the Consultation Phase.

Figure 3. Milestones in the MICI process for the case



Source: Prepared by MICI.

- 1.19 **The Requesters.** On 18 September 2023, MICI received a request submitted by the Tsáchila people, represented by their governor,⁵⁵ their legal advisor, and two community members (the Requesters). These communities are being represented, for the purposes of the MICI process, by the Ecuadorian Coordinator of Organizations for the Defense of Nature and the Environment (CEDENMA). They are also supported and advised by Friends of the Earth and the Bank Information Center.⁵⁶
- 1.20 **Update of Requesters.** On 13 May 2025, following the forwarding of the Preliminary Report to the Parties, MICI received a letter from the Governor of the Tsáchila people announcing his decision to withdraw from the case, stating that “they have made the respective approaches and have observed the company Pronaca’s good practices.” In response, MICI held meetings with the Parties and contacted the other signatories of the original request. On 19 June 2025, the remaining signatories confirmed in writing their desire to continue with the MICI process in a personal capacity. This decision was communicated to IDB Invest. The Mechanism will continue processing the Request with these individuals, who will also continue to be represented by CEDENMA, with the support of the Bank Information Center and Friends of the Earth.
- 1.21 **Allegations made in the Request.** The Requesters allege that as a result of the identified breaches of the Relevant Operational Policies,⁵⁷ the Indigenous

⁵⁵ The Tsáchila Governor is the main spokesperson for the Tsáchila people. The Governor is elected by internal vote for a four-year term and presides over the People’s Congress. This Congress serves as the highest authority within the Tsáchila organizational structure, which comprises three main bodies: (1) the Congress of the Tsáchila People; (2) the Governing Council; and (3) the Municipal Councils. See Ministry of the Environment and Water, Nacionalidad Indígenas Tsáchila, [Protocolo Comunitario “Yo Pinda” para el acceso, uso y aprovechamiento de los conocimientos tradicionales asociados o no a la biodiversidad \(recursos biológicos y genéticos\)](#), 2020, p.6.

⁵⁶ [Request in Case MICI-CII-EC-2023-0218](#), pp.1 and 7; and [Eligibility Memorandum for Request MICI-CII-EC-2023-0218](#), p. 6.

⁵⁷ The Requesters noted potential noncompliance with the IDB Invest Environmental and Social Sustainability Policy, as well as with several International Finance Corporation (IFC) Performance Standards, specifically: [Performance Standard 1](#) (Assessment and Management of Environmental and Social Risks and Impacts), [Performance Standard 3](#) (Resource Efficiency and Pollution Prevention), [Performance Standard 4](#) (Community Health, Safety, and Security), [Performance Standard 6](#) (Biodiversity Conservation and Sustainable Management of Living Natural Resources), and [Performance Standard 7](#) (Indigenous Peoples).

communities have suffered harm, including environmental impacts (such as water, odor, and soil pollution), adverse health effects, and loss of livelihood. They also mention a lack of relevant information about the project, particularly regarding its area of influence, its negative impacts on the communities, and the allocation of the investment. The Requesters further allege an absence of activities to engage the population potentially affected by the project, along with the absence of a monitoring process to assess the impact of the production chain on climate change. They also point out a lack of information on how the project and/or its suppliers manage adverse environmental impacts.

- 1.22 **Harm alleged by the Requesters.** The Requesters allege harm as a result of IDB Invest's shortcomings and omissions in the design and implementation of the project. In particular, they report environmental impacts that have resulted in health problems, such as an increase in cases of stomach, lung, and skin cancer. They also highlight that river pollution has disrupted their livelihoods, preventing them from engaging in traditional activities such as fishing, agriculture, personal hygiene, cooking, recreation, laundry, and providing tourism services. They also claim that Pronaca's intensive pig and chicken breeding and slaughtering operations produce strong odors that pollute the air and diminish the quality of life in nearby communities.
- 1.23 **IDB Invest response to the Request.** Management notes that the project was evaluated in accordance with the Environmental and Social Sustainability Framework. Specifically, IDB Invest indicated that: (1) studies were conducted to mitigate odors from operations; (2) ammonia emissions and odors from manure, dust, and waste management were monitored; (3) farms are located at a reasonable distance from neighbors, in compliance with national regulations; (4) wastewater undergoes adequate treatment prior to discharge into water bodies, with constant monitoring at each operating facility; and (5) solid waste is managed through a composting process at a high-tech plant.⁵⁸ In addition, it reports that it has maintained an ongoing dialogue with the Peripa community and that the information requests submitted by the Requesters have been handled appropriately.⁵⁹
- 1.24 **Registration and eligibility.** The Request was registered on 19 September 2023,⁶⁰ and the eligibility memorandum issued on 16 November 2023.⁶¹
- 1.25 **Consultation Phase.** The Consultation Phase began on 17 November 2023.⁶² However, on 22 January 2024, Pronaca advised the MICI director in writing that it did not consider the Mechanism's intervention necessary in that phase. As a result of this and the obstacles to moving forward identified, the Consultation Phase concluded on 26 February 2024.⁶³
- 1.26 **Compliance Review Recommendation and Terms of Reference.** On 16 May 2024, MICI distributed the draft Compliance Review Recommendation and Terms

⁵⁸ [IDB Invest Response to Request MICI-CII-EC-2023-0218](#), pp. 1, 3, and 4.

⁵⁹ [IDB Invest Response to Request MICI-CII-EC-2023-0218](#), pp. 1, 3, and 4.

⁶⁰ [Notification of registration of Request MICI-CII-EC-2023-0218](#), 2023.

⁶¹ [Eligibility Memorandum for Request MICI-CII-EC-2023-0218](#), 2023.

⁶² [Consultation Phase Assessment Report for Request MICI-CII-EC-2023-0218](#).

⁶³ [Consultation Phase Assessment Report for Request MICI-CII-EC-2023-0218](#).

of Reference (Recommendation) to the parties for comment. Following the granting of an extension, comments were submitted on 20 June 2024. On 2 August 2024, MICI forwarded the Recommendation to the Board of Executive Directors, which approved it on 9 August that year.

- 1.27 **Relevant Operational Policies.** In keeping with the Recommendation, the investigation is focused on determining compliance with the [Environmental and Social Sustainability Policy](#); the Environment and Safeguards Compliance Policy ([OP-703](#)), specifically its Directives B.1. (Bank Policies),⁶⁴ B.2. (Country Laws and Regulations), B.5. (Environmental Assessment Requirements), B.6. (Consultations), and B.7. (Supervision and Compliance); the Indigenous Peoples Policy ([OP-765](#)); the [IDB Invest Access to Information Policy](#) (AIP); the IFC performance standards, in particular [Performance Standard 1](#) (Assessment and Management of Environmental and Social Risks and Impacts), [Performance Standard 3](#) (Resource Efficiency and Pollution Prevention), and [Performance Standard 7](#) (Indigenous Peoples); all in relation to the allegations raised by the Requesters.
- 1.28 **Scope of the Compliance Review.** The recommendation to investigate, approved by the Board of Executive Directors, encompasses three areas:⁶⁵
- (1) **Environmental impacts and management measures.** The investigation examines whether IDB Invest ensured that potential impacts on water, air, and soil were identified and adequately managed in accordance with the Environmental and Social Sustainability Policy, OP-703, and IFC Performance Standards 1 and 3.
 - (2) **Access to information.** The investigation assesses whether IDB Invest ensured that the Requesters had adequate access to information about the project. Specifically, it examines whether, beyond publishing certain mandatory disclosures on its website, IDB Invest should have provided additional relevant environmental and social assessments, in accordance with the AIP and IFC Performance Standard 1.
 - (3) **Consultations.** The investigation examines whether IDB Invest ensured compliance with consultation obligations toward the Tsáchila Indigenous Peoples of Santo Domingo, in accordance with the Environmental and Social Sustainability Policy, Operational Policies OP-703 and OP-765, and IFC Performance Standards 1 and 7. Specifically, it assesses whether conducting a consultation was warranted given the project's Category B classification, and whether there was appropriate engagement with stakeholders.
- 1.29 **Compliance Review Panel and field mission.** The Compliance Review Panel was chaired by MICI's Director,⁶⁶ Andrea Repetto Vargas, and included two

⁶⁴ Given that Directive B.2. of [OP-703](#) was approved by the Board for inclusion in this Compliance Review, and considering that it must be interpreted in conjunction with Directive B.1., MICI will also analyze the latter.

⁶⁵ [Compliance Review Recommendation](#), MICI-CII-EC-2023-0218.

⁶⁶ Although Article 42 of the [MICI Policy](#) establishes that the Compliance Review panel will be composed of the Compliance Review Phase coordinator and two independent experts, the Compliance Review Phase coordinator recused herself from the case on 25 April 2024 to avoid any appearance of a potential conflict of interest.

independent experts: Jay Wagner, who evaluated the social component, and Luis Enrique Sánchez, who assessed the environmental component. In addition, Rolando Luque Mogrovejo served as an external advisor. MICI’s Compliance Review Phase team provided technical support and the investigation was conducted from 1 October 2024 to 1 May 2025, including a fact-finding mission to the project site from 13 to 16 January 2025.

D. Compliance Review methodology

- 1.30 **Applicable policies and regulatory framework.** The Compliance Review process is governed by paragraphs 36 to 49 of the MICI Policy ([CII/MI-1-4](#)). In this case, the investigation covered the period between the approval of the project in June 2020 and the date of issuance of this report.
- 1.31 **Documentary review.** The investigation included an analysis of relevant social and environmental documentation from both the preparation and implementation stages of the project. This review includes, but is not limited to: (1) environmental impact studies; (2) environmental and social monitoring reports; (3) project monitoring reports and other documents generated by IDB Invest throughout the project life cycle; (4) documentation submitted by the Parties and other key stakeholders; and (5) reports and materials prepared by the independent experts who participated in the investigation. Relevant information was requested from IDB Invest at different stages of the process, both before and after the field mission. In addition, as part of the investigation’s information-gathering process, testimonies and relevant information were obtained through interviews and both in-person and virtual meetings.
- 1.32 **Compliance Review mission.** The investigation team conducted a mission to the cities of Quito and Santo Domingo de los Tsáchilas in Ecuador from 13 to 16 January 2025. During the mission, meetings and interviews were held with the Requesters; IDB Invest officials and Pronaca employees; national, provincial, and municipal authorities; and members of the Tsáchila communities. The table below shows the main activities carried out and the institutions visited in the course of the mission.

Table 1. Activities carried out during the field mission

Activity	Date
Assembly with leaders of the Tsáchila Nationality	13 January 2025
Meeting with representatives of the Requesters and tour of the Tsáchila community area	13 January 2025
Visit to the Chanchos Plata I plant	14 January 2025
Visit to Chanchos Socorro plant	14 January 2025
Visit to Valle Hermoso plant	14 January 2025
Visit to food processing and slaughtering plant (formerly FRIMACA)	14 January 2025
Meeting with representative of the Office of the Ombudsman of Santo Domingo de los Tsáchilas	15 January 2025
Meeting with the Client’s staff and management in Quito, accompanied by an IDB Invest official	16 January 2025

Source: Prepared by MICI.

II. THEMATIC ANALYSIS

- 2.1 **Introduction.** This chapter presents the findings of the investigation—based on a documentary review and interviews—organized into the following thematic sections:
- A. Environmental impacts and management measures;
 - B. Access to information; and
 - C. The consultation process.
- 2.2 Each of the sections—A, B and C—are subdivided into the following subsections: (1) Issues raised; (2) Requesters' comments on the recommendation to investigate; (3) Management comments on the recommendation to investigate; (4) Relevant Operational Policies; (5) Findings; and (6) MICI's assessment of the existence of harm and its connection to the noncompliance.
- A. Environmental impacts and management measures**
- 1. Issues raised**
- 2.3 **Alleged environmental impacts.** The Tsáchila Indigenous communities claim that pollution of the rivers in their territory has prevented them from continuing to use the water as their main source of food, as well as for personal hygiene, recreation, and certain cultural practices. They argue that this situation affects their way of life and their Indigenous worldview. They say that Pronaca is responsible for part of this pollution. Specifically, they identify the Chanchos Plata 1 farm (the Farm), situated 290 meters from the Tsáchila Peripa community,⁶⁷ as a source of noxious odors that directly impact their quality of life. They also raise concerns about potential soil contamination resulting from the use of treated water to clean the sheds where the pigs bred there are kept. Lastly, a series of complaints and legal proceedings have been brought against Pronaca since the early 1990s, when it began operations in the Province. These complaints reportedly increased as Pronaca expanded its activities.⁶⁸
- 2.4 **What MICI must determine.** MICI will determine whether IDB Invest ensured that the potential impacts and risks related to the alleged water, soil, and air pollution were adequately identified and assessed. It will also assess whether these impacts were managed in accordance with the requirements set forth in the Relevant Operational Policies.
- 2.5 **Determination of actual or potential harm.** MICI will also assess whether any noncompliance may have caused or contributed to actual or potential harm to the Requesters, including impacts on their health and loss of livelihoods, as alleged in the Request.

⁶⁷ Escuela Politécnica Nacional, [Análisis Ambiental del Río Peripa debido a descargas agroindustriales en la zona de influencia de la Parroquia de Puerto Limón de Santo Domingo de los Tsáchilas](#), p.134.

⁶⁸ Background information presented in an amparo action before the Constitutional Court of Ecuador. [Decision of the Constitutional Court of Ecuador, Case 567](#), Registro Oficial (Official Gazette) supplement, 2009.

2. Requesters' comments on the recommendation to investigate

- 2.6 The Requesters expressed concern regarding the possible lack of adequate oversight of wastewater treatment and odor emissions from Pronaca's operational centers located near the Tsáchila communities. In particular, they refer to the Farm, situated just meters from the Peripa community and a secondary road leading to it. According to the Requesters, this situation violates Agrocalidad Resolution 228.⁶⁹

3. Management comments on the recommendation to investigate

- 2.7 With respect to water quality, IDB Invest explained that the project has a wastewater management procedure in place that includes daily internal monitoring conducted at its own laboratories and external testing by accredited laboratories.⁷⁰ Regarding odors, IDB Invest stated that during the Environmental and Social Due Diligence (ESDD) process, Management visited the Chanchos Plata 1 and 2 farms and noted no strong odors outside the facilities. It also said that there are no records of any complaints filed with environmental authorities and that odors are managed through ventilation systems in the sheds and by adjusting the animal feed. These measures are assessed during monitoring missions and documented in odor management plan reports.⁷¹ Lastly, concerning soil pollution, Management reported that it had been verified that the project has an integrated solid waste management plan that is currently being implemented. It also highlighted the use of rice husks to facilitate the decomposition of organic matter and the application of lime for odor control.⁷²

4. Relevant Operational Policies

- 2.8 **Relevant Operational Policies applicable to the project.** In analyzing the Requesters' allegations regarding environmental impacts and management measures, MICI will rely on the following regulatory instruments: The Environmental and Social Sustainability Policy; the Environment and Safeguards Compliance Policy ([OP-703](#)), Directives B.1., B.2., and B.5.; the Operational Policy on Indigenous Peoples ([OP-765](#)); and IFC Performance Standards [1](#), [3](#), and [7](#).

5. Findings

- 2.9 In this section, MICI analyzes how IDB Invest identified potential impacts on water, soil, and air quality associated with the project, and how the relevant management measures were designed and implemented. This section also includes a specific analysis of the identification of impacts and mitigation measures related to the Farm, given its location within the direct area of influence of the Tsáchila people and its close proximity to the Peripa community.

⁶⁹ [Requesters' comments on the draft Recommendation](#), p.3.

⁷⁰ [Management Response to the Recommendation for a Compliance Review](#) pp.4-5.

⁷¹ [Management Response to the Recommendation for a Compliance Review](#), p.4.

⁷² [Management Response to the Recommendation for a Compliance Review](#), p.5.

Identification of potential socioenvironmental impacts associated with the project and measures adopted for their management.

- 2.10 **Requirement to implement an environmental and social management system.** Where environmental or social risks and impacts are identified, the Client is required to manage them through its environmental and social management system (ESMS) consistent with Performance Standard 1.⁷³ In accordance with the nature and scale of the project, the ESMS will incorporate the following elements: (1) policy; (2) identification of risks and impacts; (3) management programs; (4) organizational capacity and competence; (5) emergency preparedness and response; (6) stakeholder participation;⁷⁴ and (7) monitoring and evaluation.⁷⁵ The ESMS applies a methodological approach to risk and impact management in a structured and consistent manner. An effective ESMS is a dynamic and continuous process and involves collaboration between the Client, its employees, local communities directly affected by the project, and, where appropriate, other stakeholders.⁷⁶ Lastly, an adequate ESMS appropriate to the nature and scale of the project promotes sound and sustainable environmental and social performance, and can lead to improved financial, social, and environmental outcomes.⁷⁷
- 2.11 **The importance of an effective ESMS.** In a capital expenditure operation such as this project, the ESMS is key to identifying and managing the environmental and social impacts of Pronaca's different activities within a single system.⁷⁸ This approach serves to guide the project's performance in accordance with the applicable Relevant Operational Policies. In addition, the ESMS serves as the primary tool for IDB Invest to assess progress in the implementation of both management measures and the project itself. Given that Pronaca operates over 100 facilities with diverse activities across the country, monitoring without an integrated system would pose a significant challenge.
- 2.12 **Lack of a complete and effective ESMS.** For this project, IDB Invest conducted an ESDD process, which resulted in the preparation of the ESRS and the environmental and social action plan⁷⁹ (ESAP). This plan included the requirement to establish an ESMS only for the processing plants covered by the project (two facilities in the province, of the more than 100 that the company has in the country as a whole), with the obligation to identify risks and impacts, design management programs, and monitor their implementation.⁸⁰ In this regard, MICI found that the ESAP failed to require the development of an ESMS for the pig breeding farms, as

⁷³ [Performance Standard 1](#), p.ii.

⁷⁴ This aspect is analyzed in section C of this report.

⁷⁵ [Performance Standard 1](#) and [IFC Guidance Notes](#), GN7.

⁷⁶ [Performance Standard 1](#), p.1.

⁷⁷ [Performance Standard 1](#), p.1.

⁷⁸ It should also include potential impacts that Pronaca's pig suppliers could cause or contribute to with respect to environmental issues, such as water use and odor emissions. [REDACTED]

⁷⁹ Environmental and social assessments include an ESAP to close gaps in the Relevant Operational Policies, if any. Once agreed upon, the ESAP along with the project environmental and social management plans form an integral part of the subsequent legal agreements between the IIC and the Client: [Environmental and Social Sustainability Policy](#), 2013, pp.4 and 5.

⁸⁰ [ESAP](#).

mandated by Performance Standard 1. As a result IDB Invest did not verify the development of a comprehensive and effective ESMS for the entire project, which constituted noncompliance with the requirements of Performance Standard 1, as the investigation concluded that: (1) there was inadequate monitoring and evaluation of management programs related to potential odor impacts from the Chanchos Plata 1 and 2 farms (see paragraphs 2.24 to 2.33 of this report), and (2) stakeholder participation in the project was insufficient (see paragraphs 2.74 to 2.78 of this report). These shortcomings constituted noncompliance with the requirements of Performance Standard 1.⁸¹

Identification of potential socioenvironmental impacts specifically related to the Farm

- 2.13 **Requirement for adequate identification of potential environmental impacts and their management measures.** Directive B.5. of OP-703 requires the identification of potential environmental risks and impacts associated with the operation, as well as an indication of the measures foreseen to control those risks and impacts.⁸² For its part, Performance Standard 1 establishes that, where assets to be developed, acquired, or financed have yet to be defined, an environmental and social due diligence process must be carried out to identify risks and impacts at a point in the future.⁸³ In addition, Performance Standard 3 requires the application of technically and financially feasible resource efficiency and pollution prevention principles and techniques that are best suited to avoid, or where avoidance is not possible, minimize adverse impacts on human health and the environment.⁸⁴
- 2.14 **Identification of potential impacts on water, soil, and air.** In this case, MICI verified that, for the Farm,⁸⁵ which is located 290 meters from the Tsáchila Peripa

⁸¹ [Performance Standard 1](#); [IFC Guidance Notes](#), GN7 and GN8; and [REDACTED].

⁸² [OP-703](#), Directive B.5. Environmental Assessment Requirements, pp.9 and 10; and [Implementation Guidelines for OP-703](#), pp.30-34: Ensure that the environmental assessment meets the following objectives, among others: (1) correctly identify risks and opportunities, (2) define actions to address environmental issues summarized in an action plan for appropriate follow-up, and (3) ensure that relevant environmental information has been gathered and is available for decision-making.

⁸³ [Performance Standard 1](#), para. 7.

⁸⁴ [Performance Standard 3](#), para. 4; [IFC Guidance Notes](#), GN29: Emissions should be monitored to ensure that the requirements of Performance Standard 3 are being met. The frequency with which pollutant emissions are monitored should be appropriate to the nature, scale, and variability of potential impacts. Monitoring may be daily, monthly, annually, or less frequently; and [IFC Guidance Notes](#), GN30: Monitoring processes and indicators should be included within their ESMS to alert them to significant increases in pollutant emissions or impacts on ambient conditions.

⁸⁵ The Chanchos Plata 1 farm is the subject of specific analysis, as the investigation confirmed that it is an operational facility situated 290 meters from the Tsáchila community of Peripa.

community,⁸⁶ potential impacts on surface water,⁸⁷ soil,⁸⁸ and air (odors) were identified and scoped.⁸⁹ Initial management measures to address these impacts were also defined. These impacts and measures are included in the environmental impact assessment (EIA) and various versions of the Farm-specific environmental management plan. Although this information is identified in various project documents, not all of this key socioenvironmental information is posted on the project or Pronaca websites. Based on this review, MICI concludes that the identification of potential impacts related to water, soil, and air at the Farm was carried out in accordance with the Environmental and Social Sustainability Policy, Directive B.5. of OP-703, and IFC Performance Standards 1 and 3.

- 2.15 **Requirement to design management measures.** The Environmental and Social Sustainability Policy, Directive B.5. of OP-703,⁹⁰ and IFC Performance Standards 1⁹¹ and 3⁹² all state that specific measures must be designed to manage and control potential impacts. These measures should employ techniques aimed at preventing adverse impacts to human health and the environment, or minimizing them when they cannot be completely avoided. The following paragraphs present MICI's findings from its analysis of the design and implementation of management measures intended to prevent and minimize potential impacts related to water, soil, and odors.

Findings on the implementation of measures to manage water impacts.

- 2.16 **Change from the traditional system to deep bedding on the Farm.** As part of the management measures to prevent potential water, soil, and air pollution, MICI notes that, in 2000, the Farm production process transitioned from the traditional pig farming model to the deep bedding system.⁹³ The traditional system included the cleaning of sheds with water, which was subsequently treated in three ponds

⁸⁶ Gallardo Platzer, Daniela Monserrat, Francisco Antonio Zurita, [Análisis Ambiental del Río Peripa debido a descargas agroindustriales en la zona de influencia de la Parroquia Puerto Limón de Santo Domingo de los Tsáchilas](#), Escuela Politécnica Nacional, 2015, p.134.

⁸⁷ [REDACTED]; EIA, 2010, p.70; [REDACTED]; and Plan de Manejo Ambiental, 2020-2023, p.6. Identificación de potenciales impactos al agua: Degradación de la calidad de aguas superficiales.

⁸⁸ [ESRS](#) Annex 1, p.18. Identification of potential soil impacts: degradation of soil quality resulting from the generation of solid waste and the infiltration of wastewater into the soil through fertigation.

⁸⁹ [ESRS](#), Annex 1, pp. 17 and 18; and the environmental management plan evaluation matrix, January to December 2024, p.2. Identification of potential odor impacts: degradation of air quality due to odor emissions from the farm. The environmental impact assessment (EIA) for Chanchos Plata I and II establishes an environmental quality standard for the management and disposal of solid and nonhazardous waste, aimed at preventing and controlling environmental pollution. This is mainly in relation to air, water, and soil resources. Specifically, it establishes that the sanitary landfill must be designed and managed according to appropriate technical standards to prevent contamination of groundwater, surface water, air, food, and the soil itself.

⁹⁰ [OP-703](#) Directive B.5. Environmental assessment requirements, pp. 9 and 10.

⁹¹ [Performance Standard 1, Assessment and Management of Environmental and Social Risks and Impacts.](#)

⁹² [Performance Standard 3, Resource Efficiency and Pollution Prevention](#), para. 4.

⁹³ Deep bedding is a technique used in livestock production—particularly common in pig farming—in which the animals are kept on a thick layer of dry organic material (such as wood shavings, sawdust, rice husks, or straw) that accumulates over time and composts on-site throughout the fattening cycle. Tierra Adentro (Jan/Feb), [Deep bedding o cama profunda nuevo sistema de crianza de ganado porcino.](#), Vol. no. 30. p.45.

located along the Peripa River.⁹⁴ These ponds were closed and, according to MICI's observations during its field mission, have been restored.⁹⁵ The deep bedding system currently used does not generate wastewater, nor does it use fertigation as part of the production process at the Farm.⁹⁶

- 2.17 **No discharges into the Peripa River and no fertigation at the Farm.** In the field, MICI found that: (1) there is a rainwater collection system; (2) fertigation is not used as part of the Farm's activities; and (3) since 2000, the Farm has not discharged wastewater into the Peripa River. This is because the Farm uses the deep bedding system,⁹⁷ which eliminates the need for wastewater treatment or its use as a means of final disposal.⁹⁸ Therefore, MICI concludes that this measure—the adoption of the deep bedding system at the Farm—complies with the requirements of the Environmental and Social Sustainability Policy; Directive B.5 of OP-703; and IFC Performance Standards 1 and 3, as it is a technique that prevents pollution of the soil and the Peripa River and promotes good industrial practices. However, MICI notes that there are 9 other breeding farms operating in Santo Domingo de los Tsáchilas under the traditional system—along with 1 farm that uses a combination of systems—that generate wastewater, which, after being treated, is used for fertigation.⁹⁹
- 2.18 **Requirement to consider historical pollution in soil or groundwater as part of the ESDD analysis.** Performance Standard 3 states that where historical pollution such as land or ground water contamination exists, the client will seek to determine whether it is responsible for mitigation measures. If responsible, it shall take action in accordance with national law and, where national legislation is silent, in accordance with international best practices recommended for the industry in question.¹⁰⁰ Specifically, GN33 to Performance Standard 3 states that contamination management options will be site-specific, should be developed in consultation with other social stakeholders, and may include contamination containment, isolation/buffer zones, as well as mitigation.¹⁰¹
- 2.19 **Omission to consider and analyze historical water pollution in the ESDD.** MICI found no evidence that IDB Invest had taken into account Pronaca's socioenvironmental history in that part of the country, particularly the prior

⁹⁴ EIA, 2010.

⁹⁵ Back to Office Report (BTOR), MICI, 2025; and EIA, 2010, p.117.

⁹⁶ Fertigation is the process of applying irrigation water mixed with diluted fertilizers directly to plants or their root zone, typically through drip or sprinkler irrigation systems. See IFC, [Handbook for Scaling Irrigation Systems](#), 2022, p.141.

⁹⁷ In the deep bedding system, the sheds have earthen floors covered with a 60 cm layer of rice husk, which absorbs and retains the pigs' slurry and urine. The defining feature of this system is that it does not generate liquid effluents, as these are contained within the rice husk bedding (EIA, 2010).

⁹⁸ BTOR, MICI, 2025.

⁹⁹ EIA Chanchos Campo Lindo, 2008; EIA Chanchos Toachi 1, 2010; EIA Chanchos Toachi 2, 2010; EIA Chanchos Paraíso, 2010; EIA Chanchos Colorados, 2010; ██████████, EIA Chanchos Oro, 2010; EIA Chanchos Valentina, 2008; EIA Chanchos Socorro, 2008; EIA Chanchos San Javier, 2010; EIA Chanchos Plata 1 and 2, 2010; EIA Chanchos Tropicales, 2010; and EIA Chanchos Afortunados, 2008.

¹⁰⁰ [Performance Standard 3](#), para.10.

¹⁰¹ [IFC Guidance Notes](#), GN33.

environmental complaints filed by local communities against the company.¹⁰² MICI also found no evidence that, during the ESDD, IDB Invest evaluated critical aspects of the local context, such as: (1) deficiencies in provincial territorial planning, including rapid population growth; (2) the inadequate state of the sanitation system in the Province; and (3) the historical and current pollution of rivers in the area, including an analysis to determine if Pronaca is responsible for adopting management measures, taking into account that discharges¹⁰³ from the Farm into the Peripa River occurred prior to 2000.¹⁰⁴

2.20 **Conclusion regarding the omission to consider and analyze historical water pollution in the ESDD.** As a result of this omission, the ESAP did not include any follow-up actions related to the issues raised in previous complaints and grievances, or in the request submitted to MICI (air, groundwater, and soil pollution).¹⁰⁵ In light of the above, MICI concludes that there was noncompliance with Performance Standard 3, as the due diligence review failed to consider or document key socioenvironmental aspects of Pronaca’s management, including existing socioenvironmental liabilities and the necessary analysis to determine responsibility for adopting mitigation measures in relation to the historical pollution of the Peripa River’s surface waters.

2.21 **Access to environmental information and community perception of water and soil pollution.** As noted above, the ESDD conducted by IDB Invest did not include a comprehensive analysis of the socioenvironmental liabilities, including the historical pollution of rivers in Santo Domingo de los Tsáchilas. In addition, the Tsáchila community continues to believe that Pronaca has contributed to, and remains a source of, this pollution—a perception caused in part by the lack of disclosure of project-related information. As will be analyzed in the social chapter of this report, this lack of information led to perceptions that, over time, became associated with Pronaca’s operations. In this context, MICI considers that the issues raised in this complaint could potentially have been mitigated if the civil society organizations representing the Requesters had been assured adequate access to project information from the outset.

2.22 **Water quality monitoring under the project.** Lastly, MICI concluded that the documentation related to the project’s water quality monitoring is incomplete. In particular, there are information gaps concerning various aspects of monitoring:

[REDACTED]

¹⁰² [Decision of the Constitutional Court of Ecuador, Case 567](#); and CAO, [Appraisal Report](#), Pronaca, 3 November 2011.

¹⁰³ León Vega, Xavier, [Impactos Económicos y Sociales de la Agroindustria Avícola y Porcícola en las Poblaciones Rurales de Santo Domingo de los Tsáchilas](#), FLACSO, 2012, p.26; and Gallardo Platzer, Daniela Monserrat, Francisco Antonio Zurita, [Análisis Ambiental del Río Peripa debido a descargas agroindustriales en la zona de influencia de la Parroquia Puerto Limón de Santo Domingo de los Tsáchilas](#), Escuela Politécnica Nacional, 2015; and [REDACTED]

¹⁰⁴ [REDACTED]

¹⁰⁵ [ESAP](#).

[REDACTED].¹⁰⁷ The missing information is necessary to interpret the results of surface and groundwater quality monitoring, identify potential impacts and risks or confirm their absence, design appropriate management programs, and carry out proper follow-up and evaluation, as required by Performance Standard 1. Based on the available information, it is not possible to determine whether the ESMS for water quality and monitoring is adequate and sufficient to manage potential impacts associated with the project's operations. This amounts to noncompliance with the requirements of Performance Standard 1 regarding the ESMS.

Findings on the implementation of measures to manage soil impacts.

- 2.23 **Adequate application of management measures related to potential soil impacts at the Farm.** As explained above, the Farm does not use fertigation as a final disposal method, as no wastewater is generated. Accordingly, the Farm's management measures related to soil impacts focus on the proper handling and final disposal of solid waste, among other actions. During the field visit, MICI verified that these measures were being appropriately applied at the Farm to prevent and minimize pollution of this resource. All of the foregoing, in accordance with the stipulations set forth in the Environmental and Social Sustainability Policy, including Directive B.5 of OP-703¹⁰⁸ and IFC Performance Standards 1¹⁰⁹ and 3¹¹⁰ regarding the design and adequate application of specific measures to manage and control potential impacts.

Findings on the implementation of measures to manage odor impacts.

- 2.24 **Approach to odor analysis.** Regarding the allegation of foul odors emanating from the Farm, MICI evaluated the effectiveness of the design and implementation of the two main management measures: (1) the use of deep bedding; and (2) the distance separating the Farm and the population centers.
- 2.25 **Requirement to monitor management measures and assess their effectiveness.** Performance Standard 1 states that procedures should be established to monitor and measure the effectiveness of management programs. In addition, information should be recorded to track performance, relevant operational controls established, and dynamic mechanisms, such as internal inspections and audits, used to verify compliance and progress towards the desired outcomes. Monitoring results should be documented, and the necessary corrective or preventive actions integrated into the amended management

¹⁰⁶ EIA Chanchos Campo Lindo, 2008; EIA Chanchos Toachi 1, 2010; EIA Chanchos Toachi 2, 2010; EIA Chanchos Paraíso, 2010; EIA Chanchos Colorados, 2010; [REDACTED], EIA Chanchos Oro, 2010; EIA Chanchos Valentina, 2008; EIA Chanchos Socorro, 2008; EIA Chanchos San Javier, 2010; EIA Chanchos Plata 1 and 2, 2010; EIA Chanchos Tropicales, 2010; and EIA Chanchos Afortunados, 2008.

¹⁰⁷ [REDACTED]

¹⁰⁸ [OP-703](#), Directive B.5. Environmental Assessment Requirements, pp.9 and 10.

¹⁰⁹ [Performance Standard 1](#).

¹¹⁰ [Performance Standard 3](#), para. 4.

programs and plans to ensure their effectiveness.¹¹¹ Likewise, Guidance Note GN30 to Performance Standard 1 states that due diligence should include an assessment of management and mitigation measures, identify additional corrective actions required to ensure compliance, and establish the baseline for the implementation of such actions and development of an effective ESMS for the project to be financed.¹¹²

2.26 Requirement to establish differentiated measures for vulnerable groups.

Performance Standard 1 establishes that where individuals or groups are identified as vulnerable, differentiated measures should be proposed and implemented so that adverse impacts do not fall disproportionately on them and they are ensured equitable access to development benefits and opportunities.¹¹³ In addition, Performance Standard 7 states that the client will identify, through an environmental and social risks and impacts assessment process, all communities of Indigenous Peoples within the project area of influence who may be affected by the project, as well as the nature and degree of the expected direct and indirect economic, social, cultural, and environmental impacts on them.¹¹⁴ Lastly, the Operational Policy on Indigenous Peoples (OP-765) indicates that the institution will require and verify that the project conduct evaluations to determine the seriousness of potential adverse impacts on Indigenous peoples, as well as identifying the affected peoples.¹¹⁵

2.27 First prevention measure: odor reduction through the deep bedding system.

One of the key differences from the traditional system is that the deep bedding system significantly reduces odor generation associated with daily pig farming activities. MICI was able to confirm this difference in comparison to the traditional system used at other operational facilities.¹¹⁶ The deep bedding system involves raising animals on a layer of dry material—rice husks¹¹⁷ in this case—which eliminates the production of effluent and wastewater.¹¹⁸ MICI considers that IDB Invest met the requirements set out in the Environmental and Social Sustainability Policy, Directive B.5. of OP-703, and IFC Performance Standards 1 and 3, by ensuring that a prevention measure was designed and implemented using a technique that minimizes the potential impacts of foul odors to sensitive receptors in the vicinity of the Farm. However, MICI notes that nine breeding farms in Santo Domingo de los Tsáchilas continue to use the traditional system, which generates considerable odors.¹¹⁹

¹¹¹ [Performance Standard 1](#), para. 22.

¹¹² [Performance Standard 1](#) and [IFC Guidance Notes](#), GN30.

¹¹³ [Performance Standard 1](#), para. 12.

¹¹⁴ [Performance Standard 7](#), para. 8.

¹¹⁵ [OP-765](#), p.8.

¹¹⁶ BTOR, MICI, 2025.

¹¹⁷ [REDACTED]; and EIA, 2010.

¹¹⁸ EIA, 2010, p.32.

¹¹⁹ EIA Chanchos Campo Lindo, 2008; EIA Chanchos Toachi 1, 2010; EIA Chanchos Toachi 2, 2010; EIA Chanchos Paraiso, 2010; EIA Chanchos Colorados, 2010; [REDACTED], EIA Chanchos Oro, 2010; EIA Chanchos Valentina, 2008; EIA Chanchos Socorro, 2008; EIA Chanchos San Javier, 2010; EIA Chanchos Plata 1 and 2, 2010; EIA Chanchos Tropicales, 2010; and EIA Chanchos Afortunados, 2008.

- 2.28 **Second prevention measure: limitations in the effectiveness of the community distancing measure.** As noted above, the applicable policy requirements were met in the design of a management measure to prevent foul odor impacts; however, Pronaca failed to comply with Performance Standards 1 and 3 regarding the verification of its effectiveness. This shortcoming stems from: (1) the failure to identify the Tsáchila Peripa community as part of the project’s area of influence, despite its proximity to the Farm; and (2) the failure to consider that Peripa is an Indigenous community requiring differentiated attention—as established in Performance Standards 1 and 7, as well as OP-765—to ensure that adverse impacts do not fall disproportionately on that community.¹²⁰
- 2.29 **Failure to adequately identify potentially affected communities.** Proper identification of sensitive receptors is essential for designing effective management measures.¹²¹ Regarding the identification of communities potentially affected by the project, MICI found that the specific characteristics of Indigenous communities—such as dispersed housing, small population size, and other traits—were not analyzed.¹²² For instance, there is no evidence that the Tsáchila Peripa community, which is located 290 meters from the Farm,¹²³ was identified or that odor management measures were implemented for this community. This omission may stem from the fact that, although Agrocalidad regulations require a minimum distance of 3 kilometers between pig farms and population centers, they do not clearly define what constitutes a “population center.” The possibility of a gap in national legislation defining a “population center” for distancing purposes from the Farm was also not considered.¹²⁴
- 2.30 **Assessment of odor impacts of Chanchos Plata 1 and 2 farms.** [REDACTED]

¹²⁰ Gallardo Platzer, Daniela Monserrat, Francisco Antonio Zurita, [Análisis Ambiental del Rio Peripa debido a descargas agroindustriales en la zona de influencia de la Parroquia Puerto Limón de Santo Domingo de los Tsáchilas](#), Escuela Politécnica Nacional, 2015, p.134; and EIA 2010, pp.80, 84, and 116.

¹²¹ MICI, [Discuss, Inform or Involve? Community Consultations and Access to information under MICI's Analysis](#), pp.26 and 27.

¹²² [Resolution 0228](#) Manual de procedimientos para la certificación de granjas de ganado porcino (Manual of procedures for the certification of swine farms).

¹²³ Although the project documentation indicates that Peripa is part of the project’s direct area of influence, there is no record that the Chanchos Plata I facilities were visited during the due diligence. See ESRS, C. [Environmental and Social Review Summary](#), p.2; Gallardo Platzer, Daniela Monserrat, Francisco Antonio Zurita, [Análisis Ambiental del Rio Peripa debido a descargas agroindustriales en la zona de influencia de la Parroquia Puerto Limón de Santo Domingo de los Tsáchilas](#), Escuela Politécnica Nacional, 2015, p.134.

¹²⁴ Agrocalidad internal standards establish a minimum distance of 3 kilometers between pig farms and population centers. However, they do not expressly define what constitutes a “population center,” although different agencies have attempted to define this concept. For example, the National Institute of Statistics and Census ([INEC](#)) defines “population center” as any named location in the national rural or urban territory that is inhabited with the purpose of permanent settlement, and whose inhabitants are linked by common economic, social, cultural, and historical interests. Depending on their characteristics, such population centers can be classified as hamlets, villages, towns, cities, or metropolises.

[REDACTED]

[REDACTED]

[REDACTED] MICI found no evidence that IDB Invest considered this or any other preexisting study on odor impacts during its ESDD process, or that it ensured the implementation of effective measures to manage such emissions in the course of the project's life cycle.

2.31 **Failure to address persistent complaints of foul odors.** Complaints from local communities about odors emanating from Pronaca's facilities were already known at the time of the ESDD [REDACTED].¹²⁶ However, this information was not incorporated into the ESRS, nor were specific actions included in the ESAP to address the foul odors, or an analysis conducted to justify their exclusion from management measures. There was also no assessment of whether existing odor management measures were sufficient or adequate, despite persistent complaints.¹²⁷ [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]¹³⁰ This omission constitutes a breach of the Environmental and Social Sustainability Policy; OP-703 Directive B.5; and IFC Performance Standards 1 and 3.¹³¹

2.32 **Requirement to address potential adverse project impacts on existing ambient conditions.** To address potential adverse project impacts on existing ambient conditions, Performance Standard 3 states that the client will consider relevant factors, including, for example: the potential for cumulative impacts with uncertain and/or irreversible consequences.¹³²

2.33 **Lack of assessment of cumulative project impacts.** In this case, IDB Invest acknowledged that cumulative impacts had not been assessed and included a provision in the ESAP to conduct such an assessment. However, this measure was limited to the project's new operational facilities and, since no new facilities were planned, potential cumulative impacts from existing operations were not

125 [REDACTED]

126 [REDACTED]

127 [REDACTED]

128 [REDACTED]

129 [REDACTED]

130 [REDACTED]

¹³¹ [Environmental and Social Sustainability Policy](#), 2013, p.2; [OP-703](#), Directive B.5. Environmental Assessment Requirements, pp.9 and 10; and [Performance Standard 3](#) para. 4.

¹³² [Performance Standard 3](#), para. 11.

addressed.¹³³ In this case, MICI did not find noncompliance with Performance Standard 3, as the standard does not mandate a cumulative impact assessment. However, MICI considers that it would have been advisable for IDB Invest to assess the relevance of conducting such a study, given the production chain and the intensification of swine-related activities in the Province—factors potentially linked to the financing provided by IDB Invest.¹³⁴ MICI underscores the importance of such an analysis as part of a comprehensive socioenvironmental assessment for a project of this scope, particularly to determine whether odors from the 15 breeding farms located in Santo Domingo de los Tsáchilas are generating cumulative negative impacts on local communities, as alleged by the Requesters in multiple complaints described above.

6. MICI's opinion on the existence of harm and its connection with noncompliance

- 2.34 **Harm related to allegations of soil and groundwater pollution.** Regarding the allegations of potential soil pollution at the Farm, MICI found no noncompliance by IDB Invest, as the potential impacts on soil were appropriately identified. MICI also verified during the field visit that management measures are being properly implemented to prevent pollution. However, MICI notes that nine breeding farms in Santo Domingo de los Tsáchilas use the traditional pig-rearing system involving fertigation and that, since groundwater is not being monitored at these farms, any potential groundwater contamination could eventually affect the surface waters of rivers relied upon by the Requesters. This could harm not only their health but also their culture, given the spiritual significance of the river and the traditional practices conducted there.
- 2.35 **Historical water pollution.** Regarding the allegation of water pollution, MICI concluded that no wastewater has been generated at the Farm since it transitioned from the traditional rearing system to the deep bedding system in 2000. However, prior to that year, discharges were being made into the Peripa River. As a result of the investigation, MICI found that IDB Invest failed to ensure that Pronaca's potential contribution to the historical pollution of the Peripa River was analyzed and taken into account to determine any responsibility and, if applicable, to implement appropriate management measures. This omission may have contributed to negative impacts on the quality of life of the Requesters and their Indigenous worldview, as they are no longer able to use the river as a primary source of food, personal hygiene, recreation, and cultural practices, as indicated in the Request.
- 2.36 **Inadequate design and implementation of odor management measures.** Regarding the allegation of foul odors emanating from the Farm, MICI concluded that there were breaches of the Relevant Operational Policies relating to the appropriate design and implementation of management measures. MICI underscores that the purpose of such measures is to prevent or minimize potential impacts; however, to ensure their effectiveness, adequate monitoring by

¹³³ [REDACTED]

¹³⁴ [ESAP](#), p.21.

IDB Invest is key. This is particularly important to ensure that the Tsáchila Peripa community—given its proximity to the Farm and its status as an Indigenous community in a situation of vulnerability—is not being adversely affected by the project’s activities and receives the differentiated attention, as required under the Relevant Operational Policies.

- 2.37 **Contribution to the harm to the Requesters from exposure to foul odors.** MICI considers that the lack of adequately implemented odor management measures under the project may have contributed to harm experienced by the Requesters. First, it may have affected the close relationship that the Indigenous communities maintain with their natural environment, impacting their traditional practices and spiritual connection to the land. Additionally, it may also have had a socioeconomic impact on key sectors for the Requesters, such as tourism and agriculture,¹³⁵ both of which rely on a clean and healthy environment.

B. Access to Information

1. Issues raised

- 2.38 **Allegations on the lack of key information regarding the project.** The Requesters belong to Indigenous communities that have historically raised concerns about Pronaca’s operations in their territory. These vulnerable communities, scattered across rural areas, claim they were not adequately informed about the loan granted by IDB Invest to Pronaca. They state that they do not know the objectives of the financing—whether it involves an expansion of operations or an increase in production—and how it may affect them directly or indirectly. Despite their efforts to obtain information from IDB Invest through communications with CEDENMA, the NGO representing them in this request, they report having been referred only to a webpage containing three documents, which do not address their environmental and social concerns.¹³⁶

- 2.39 **What MICI must determine.** MICI will determine whether IDB Invest complied with its disclosure obligations under the Relevant Operational Policies by ensuring that potentially affected communities had access to essential information on the financing, its implementation, and its impacts throughout all stages of the project. It will also assess whether the classification of certain content as “commercially sensitive information” unduly limited access to relevant data and prevented the concerns of those filing the complaint with the Mechanism from being adequately addressed. Lastly, MICI will evaluate whether IDB Invest properly oversaw the project’s provision of timely and sufficient information, and whether the disclosure mechanisms employed met the standards required by the Relevant Operational Policies.

- 2.40 **Determination of actual or potential harm.** MICI will also assess whether a possible failure to comply with disclosure obligations may have caused or

¹³⁵ Ministry of Environment and Water, Nacionalidad Indígenas Tsáchila, [Protocolo Comunitario “Yo Pinda” para el acceso, uso y aprovechamiento de los conocimientos tradicionales asociados o no a la biodiversidad \(recursos biológicos y genéticos\)](#), 2020.

¹³⁶ Currently, there are three documents published on the project webpage: (1) Update on IDB Invest Supervision of Pronaca; (2) Pronaca ESRS and ESAP; (3) Pronaca - Complementary Environmental and Social Information. See [Pronaca II](#) website.

contributed to actual or potential harm to the Requesters by preventing them from making informed decisions about potential impacts on their rights, hindering their ability to participate meaningfully, and fostering dynamics of distrust and conflict within the community.

2. Requesters' comments on the recommendation to investigate

- 2.41 **Lack of basic information on objectives, impacts, and expansion.** The Requesters state that they have not had access to basic information about the project. Specifically, they mention lack of access to: (1) the objectives of the loan, the disbursement dates, and the allocation of the funds; (2) potential negative impacts, associated risks, and their respective management measures; (3) details about possible expansions of Pronaca, its location, and the increase in production; and (4) information regarding the consultation process, including the mapping of communities and the area of influence of the project. They also note that, to date, it remains unclear whether the loan—understood by them as being intended to support Pronaca's expansion—will entail an increase in the number of animals produced, the development of new infrastructure, or impacts on their territories.¹³⁷
- 2.42 **Allegation regarding the lack of ongoing reporting.** The Requesters believe that the environmental impact assessments were not disclosed in a timely manner, preventing them from properly reviewing and analyzing the information. They also allege that IDB Invest failed to comply with the principle of “ongoing reporting,” as much of the data related to environmental and social impact studies was classified as confidential and, therefore, not disclosed.¹³⁸ Furthermore, they consider that initiatives such as “Pronaca Comunica”—a series of newsletters published on Pronaca's website—do not meet the standards of the Access to Information Policy (AIP). They contend that these bulletins focus on company activities, acknowledgments, and promotional content, but do not provide information on the use of the loan or its impact on the communities of Santo Domingo de los Tsáchilas.¹³⁹

3. Management comments on the recommendation to investigate

- 2.43 **Affirmation of IDB Invest's formal compliance with the AIP.** Management states that it has complied with the disclosure requirements set forth in the AIP. Specifically, it asserts that IDB Invest provided the Requesters with the requested disbursement information. However, it did not disclose details related to payment cancellations, as this was deemed confidential and covered under the “commercially sensitive information” exception provided by the AIP.¹⁴⁰ IDB Invest also notes that the results of the ESDD were published on its website, including the ESRS, which was disclosed on 23 April 2020, along with the mitigation measures outlined in the ESAP.¹⁴¹

¹³⁷ [Requesters' comments on the draft Recommendation](#), p.1-4.

¹³⁸ [Requesters' comments on the draft Recommendation](#), p.1-4.

¹³⁹ [Requesters' comments on the draft Recommendation](#), p.2.

¹⁴⁰ [Management Response to the Recommendation for a Compliance Review](#), p.6.

¹⁴¹ [Management Response to the Recommendation for a Compliance Review](#), p.3.

4. Relevant Operational Policies

- 2.44 **Applicable Relevant Operational Policies.** To analyze the Requesters' allegations regarding access to information, MICI will rely on the requirements set forth in IDB Invest's Access to Information Policy ([AIP](#)) and its Implementation Guidelines, IDB Invest's Environmental and Social Policy, Directives B.1., B.2., and B.5. of [OP-703](#), as well as the principles outlined in IFC Performance Standards [1](#) and [7](#).¹⁴²

5. Findings

- 2.45 In this section, MICI analyzes whether IDB Invest ensured that: (1) sufficient project-related information has been disclosed during its evaluation; (2) periodic information on the project has been provided to the affected communities; (3) the disclosure of information has been sufficient to ensure adequate stakeholder participation; and (4) the classification of classified information has complied with the requirements of the Relevant Operational Policies.

Disclosure of project-related information

- 2.46 **Requirement to disclose sufficient information prior to approval.** Directive B.5. of OP-703 states that the environmental assessment process should include, at a minimum, screening and scoping for impacts; timely and adequate consultation and information dissemination process; and examination of alternatives, including a scenario without the project. In addition, it states that Category B operations will normally require an environmental and social analysis focused on specific issues identified during the screening process, as well as an environmental and social management plan.¹⁴³ Performance Standard 1 states that affected communities should have access to information on the purpose, nature, and scale of the project, as well as its risks, potential impacts, and mitigation measures. In addition, this information must be accessible to all sectors of the affected communities.¹⁴⁴ In turn, Performance Standard 7 establishes that, in the case of Indigenous Peoples, a joint work process should be carried out, including adequate dissemination of information.¹⁴⁵
- 2.47 **Information disclosure in accordance with the AIP.** Likewise, Directive B.1. of the AIP establishes that it is the client's responsibility to generate and disclose key environmental and social information throughout the investment cycle, as part of the project's risk and impact management process, commensurate with its environmental and social risk category.¹⁴⁶ In particular, for direct investments (Category A, B, or C projects), IDB Invest prepares and discloses an ESRS as part of the investment summary, which includes the conclusions and recommendations

¹⁴² For international human rights standards related to access to information, see, for example, Inter-American Court of Human Rights, Case of the Inhabitants of La Oroya versus Peru, Preliminary Objections, Merits, Reparations, and Costs, [Judgment of 27 November 2023](#), Series C No. 511, paras. 144-148.

¹⁴³ IDB, [Environment and Safeguards Compliance Policy](#), Directive B.5., Environmental Assessment Requirements.

¹⁴⁴ [Performance Standard 1](#), para. 29.

¹⁴⁵ [Performance Standard 7](#), para. 10.

¹⁴⁶ [IDB Invest AIP](#), 2019; para. 31.

resulting from its own assessment.¹⁴⁷ The ESRS should include: (1) a description of the main environmental and social impacts and risks; (2) key measures identified to mitigate those risks and impacts; and (3) electronic copies or web links to the EIA or other environmental and social impact evaluations prepared by or on behalf of the client.¹⁴⁸

2.48 **IDB Invest failed to disclose sufficient information on the project's objectives prior to approval.** The ESRS¹⁴⁹ and the IDB Invest website¹⁵⁰ indicate that the aims of Pronaca's investments in Ecuador are to: (1) increase chicken and swine production, given its increased installed capacity; (2) increase productivity; (3) retrofit its productive facilities via maintenance investments; and (4) improve its internal policies and corporate efficiency. However, no specific information is provided on planned activities in Santo Domingo de los Tsáchilas, despite the ESAP itself indicating that investments are expected to take place in the area.¹⁵¹ IDB Invest also failed to provide local communities with sufficient and relevant information, particularly regarding the purpose and allocation of the funds, the socioenvironmental impacts, and the measures adopted for their management. In response to information requests from the Tsáchila Indigenous communities, IDB Invest referred them to three documents available on its website.¹⁵² However, those documents do not adequately address the communities' concerns, such as the potential expansion of Pronaca's presence in the Province or odor management at the breeding farms. This constituted a breach of OP-703, IFC Performance Standards 1 and 7, and the AIP.

2.49 **Inconsistent messages about the presence of the project in the Province.** As mentioned above, the Requesters have sought general information about the activities carried out under the project in Santo Domingo de los Tsáchilas. However, Management's response has been inconsistent. This is evinced by the fact that IDB Invest has, at times, stated that the financing does not involve the construction of new facilities or any greenfield initiatives in the Province.¹⁵³ At other times, however, it has indicated that the funds were used to improve animal growth facilities and chicken and pig processing plants located near the Province.¹⁵⁴ For its part, Pronaca, too, has indicated to MICI that the financing was not earmarked for any expansion or activity within the Province¹⁵⁵ [REDACTED]

¹⁴⁷ [IDB Invest AIP](#), 2019; para. 32.

¹⁴⁸ [IDB Invest AIP](#), 2019; para. 32.

¹⁴⁹ [ESRS](#).

¹⁵⁰ [Pronaca II website](#).

¹⁵¹ As indicated, during the due diligence process, site visits were conducted in Santo Domingo, including to the Valle Hermoso Pig Processing Plant (FRIMACA) and the Valle Hermoso Poultry Processing Plant, along with meetings held with the Environmental Directorate of the Autonomous Decentralized Provincial Government, see [ESRS](#), p.2.

¹⁵² Currently, there are three documents published on the project webpage: (1) Update on IDB Invest supervision of Pronaca; (2) Pronaca ESRS and ESAP; (3) Pronaca - Complementary Environmental and Social Information. See [Pronaca II](#) webpage.

¹⁵³ [Management Response to MICI Request-CII-EC-2023-0218](#), para. 2.3.

¹⁵⁴ [Management Response to the Recommendation for a Compliance Review](#).

¹⁵⁵ [Consultation Phase Assessment Report](#) for Request MICI-CII-EC-2023-0218, para. 3.22.

[REDACTED].¹⁵⁶ Despite these different responses, Management has not issued a formal clarification. The information disseminated through Pronaca’s corporate channels—such as “Pronaca Comunica”¹⁵⁷ and its sustainability reports¹⁵⁸—have not helped close the existing information gaps regarding the scope of the project, particularly with respect to activities in Santo Domingo de los Tsáchilas, their potential socioenvironmental impacts, and measures for their management. This lack of clarity and consistency in the information provided constitutes noncompliance with Performance Standard 1.

Ongoing reporting on the project to affected communities

2.50 **Requirement to provide periodic information to affected communities.** Performance Standard 1 requires the client to provide periodic reports on project action plans to affected communities at a frequency proportionate to their concerns and not less than annually. It also indicates that information should be provided in response to their grievances, as a means of engaging them in the environmental and social performance of the project.¹⁵⁹ In the same vein, the AIP stipulates that key environmental and social information must be disclosed throughout the investment cycle as part of the project’s risk and impact management process.¹⁶⁰

2.51 **Failure to respond to the concerns of the Requesters.** MICI found no evidence that the Requesters, from their communities, have received periodic and adequate information about the project or in response to the concerns they have expressed over several years about its potential impacts.¹⁶¹ In 2022, for example, the Requesters sought clarification from IDB Invest on whether the financing provided would result in increased production in Santo Domingo de los Tsáchilas. However, Management merely referred them to the project description available on the IDB Invest website, which—as mentioned—did not address their questions or concerns.¹⁶² In meetings with MICI, the Requesters explained that they submitted the complaint to the Mechanism precisely because of the lack of clear responses and the generic and inconsistent nature of the information provided by IDB Invest in response to their inquiries. Therefore, MICI concludes that IDB Invest failed to comply with Performance Standard 1 and the AIP by not guaranteeing an adequate and timely flow of information.

Information to ensure stakeholder participation.

2.52 **Information requirement to ensure meaningful participation.** Performance Standard 1 stipulates that periodic reports should be provided to the communities

¹⁵⁶ [REDACTED]

¹⁵⁷ [Pronaca Comunica](#).

¹⁵⁸ [Memoria de Sostenibilidad](#).

¹⁵⁹ [Performance Standard 1](#), para. 36; and [IFC Guidance Notes](#), GN12.

¹⁶⁰ [IDB Invest AIP](#), Directive B1, 2019;

¹⁶¹ CEDENMA, [Environmental and Social Impacts of IDB Invest and IFC Investments in Pronaca’s Santo Domingo de los Tsáchilas Operations in Ecuador: Policy Failures and Recommendations](#).

¹⁶² IDB Invest response to request for information, 2022.

on the planned stakeholder participation process.¹⁶³ Likewise, Directives B.5. and B.6. of OP-703 establish that information disclosure is a necessary condition in undertaking a meaningful consultation process.¹⁶⁴ According to Directive B.1.(b) of the AIP, it is the client's responsibility to generate and disclose key information throughout the investment cycle. In particular, Directive B.1.(d) of that standard establishes that IDB Invest must disclose adequate and comprehensible information to enable affected communities and other stakeholders to participate substantively in the processes prior to the approval of an investment.¹⁶⁵ This information should incorporate the elements established in the Environmental and Social Sustainability Policy.¹⁶⁶

- 2.53 **Limited project-related socioenvironmental information available to the public.** MICI found no evidence that IDB Invest ensured that the Client disseminated sufficient information to fully understand the project's potential socioenvironmental impacts throughout the investment cycle, and the corresponding measures for their management. Nor is there any evidence that IDB Invest ensured that the project evaluated the cultural appropriateness of corporate disclosure channels, or that it considered key cultural aspects such as language, customs, and community decision-making processes. In addition, as noted in paragraphs 2.14 and 2.48, IDB Invest has not disclosed complete information on planned activities in Santo Domingo de los Tsáchilas, nor has it provided updated information throughout the project cycle on key socioenvironmental impacts and measures for their management. Consequently, MICI concludes that IDB Invest breached IFC Performance Standard 1, the AIP, and OP-703 Directives B.5. and B.6. by not ensuring that the Client disclosed key information about the project and by failing to divulge adequate socioenvironmental information throughout the project cycle.

Classification of privileged information

- 2.54 **Requirement to maximize access to information.** The AIP establishes the principle of maximum access to information and a presumption in favor of disclosure, except in cases where clearly defined exceptions apply. These exceptions are based on the premise that disclosing certain information could cause greater harm than benefit to the rights and interests of the affected parties.¹⁶⁷ Similarly, regarding the exception for commercially sensitive information, the AIP defines this as including commercial, proprietary, financial, privileged, intellectual property, or other information related to clients, co-financiers, investors, or third parties.¹⁶⁸ This may include documentation related to investments, negotiations, Board documents, business plans, financial projections, and trade or commercial secrets.¹⁶⁹
- 2.55 **Denial of access to requested data without sufficient justification.** Since 2021, the Requesters have asked IDB Invest for information on the general

¹⁶³ [Environment and Safeguards Compliance Policy](#) Directives B.5. and B.6.

¹⁶⁴ [Performance Standard 1](#), para. 36.

¹⁶⁵ [IDB Invest AIP](#) Directive B1, 2019.

¹⁶⁶ [IDB Invest AIP](#) Directive B1, 2019.

¹⁶⁷ [IDB Invest AIP](#), 2019, p.1, 2.

¹⁶⁸ [IDB Invest AIP](#), Chapter IV, Exceptions, 2019.

¹⁶⁹ [IDB Invest Access to Information Policy Implementation Guidelines](#), 2020, para. 56.

conditions of the loan, including payment dates and modalities. In response, they were informed that such data is protected under the “commercially sensitive information” exception, without a clear justification for the application of this exception. They also requested specific documentation on Pronaca’s socioenvironmental performance, including: (1) the ESMS Evaluation Report; (2) copies of the ESMS for each processing plant; (3) compliance reports on wastewater discharges at treatment plants; and (4) a copy of the Internal Supplier Qualification Program. These requests were also denied under the same confidentiality rationale, and the only response provided was a referral to Pronaca’s sustainability reports, which contain limited and general information that does not address their specific concerns.¹⁷⁰

2.56 Noncompliance with the maximum-access principle of the AIP. MICI notes that IDB Invest adopted an overly formalistic approach in responding to requests for information.¹⁷¹ No reasons were provided for classifying the requested information as “commercially sensitive,” as required by the AIP,¹⁷² and Pronaca’s designation of the information as “confidential” was automatically accepted without evaluating its consistency with the AIP’s principles of maximum access to information—which include providing explanations of decisions when denying access to information¹⁷³—in a broad and simple manner, contributing to efficient and timely disclosure.¹⁷⁴ Moreover, IDB Invest did not provide the Requesters with the key socioenvironmental information on the project’s activities, risks, potential impacts and management measures in Santo Domingo de los Tsáchilas, in line with their concerns, but merely referred them to the limited information about the project available on the IDB Invest website. Taken together, these actions constitute noncompliance with AIP Directives B1 and B2.

6. MICI’s opinion on the existence of harm and its connection with noncompliance

2.57 Lack of access to information and its contribution to harm. As detailed above (paragraphs 2.48-2.53), MICI determined that adequate information about the project—its purpose, nature, scale, risks, impacts, and mitigation measures—was not disseminated. There was also a failure to provide environmental information to respond to the concerns of the Requesters and allow their participation, which constituted noncompliance with IFC Performance Standard 1, the AIP, and Directives B.5. and B.6. of OP-703. MICI finds that the lack of access to key socioenvironmental information—particularly in the context of historically tense relations between Pronaca and the Indigenous communities—caused harm to the Tsáchila communities. This information gap prevented them from fully understanding the project’s potential impacts and limited their ability to participate meaningfully in the design of environmental and social management measures

¹⁷⁰ IDB Invest response to request for information, 2022.

¹⁷¹ In the El Dorado Compliance Review Report, MICI noted that, while it recognizes that private sector operations generally require higher levels of confidentiality than public sector operations, there is a risk that the confidentiality obligation is being interpreted too broadly with respect to environmental and social information (in that case, in relation to OP-102). See Compliance Review Report, [El Dorado International Airport Project](#), (CO-L1029), para. 4.10.

¹⁷² [IDB Invest AIP](#), Chapter IV, Exceptions, p. 9.

¹⁷³ IDB Invest AIP, Directive B2, 2019, pp.2-3

¹⁷⁴ [IDB Invest AIP](#), Directive B2, 2019, pp.2-3.

aligned with their interests and concerns. Moreover, the lack of transparency contributed to increased tensions between Pronaca and the Tsáchila communities and may have undermined social cohesion within them. All of this should be understood within the framework of the historical relations between the two parties, given that, as has been documented on several occasions, the Tsáchila communities have expressed their opposition or have denounced Pronaca's activities for several years.¹⁷⁵

C. The Consultation Process

1. Issues raised

2.58 **Possible deficiencies in the meaningful consultation and participation process.** The Requesters are members of the Tsáchila, one of the Indigenous peoples of Ecuador. These Indigenous communities claim to be within the project's area of influence and state that they have not been consulted or included in participatory processes from the project's inception to the present. Management, for its part, argues that because the project is classified as medium to low risk, the focus was placed not on consultations, but on strengthening Pronaca's stakeholder engagement initiatives.

2.59 **What MICI must determine.** MICI will assess whether IDB Invest ensured the adequate identification of affected communities, including Indigenous peoples; the design of a suitable engagement plan; and the implementation of culturally appropriate, continuous, and two-way meaningful consultation and participation processes with potentially affected Indigenous communities in a timely manner.

2.60 **Determination of actual or potential harm.** MICI will evaluate whether any noncompliance may have caused or contributed to actual or potential harm to the Requesters, as outlined in their claim.

2. Requesters' comments on the recommendation to investigate

2.61 **Allegation regarding the lack of meaningful consultation with the Tsáchila Indigenous communities.** The Requesters contend that IDB Invest failed to ensure that a consultation process was carried out with the Tsáchila Indigenous communities, which claim to have been affected by the project's operations. Although Management states that it has maintained ongoing dialogue with the Peripa community, the Requesters argue that there is no evidence of a meaningful dialogue actively involving the community, its representatives, or members, nor any documentation such as meeting minutes, agendas, or participant lists to support that.¹⁷⁶

2.62 **Allegation on the lack of adequate mapping of the area of influence.** The Requesters also claim that it is unclear whether IDB Invest conducted an adequate mapping of the project's area of influence and the affected communities.¹⁷⁷ They view it as inconsistent for IDB Invest to assert that there are no Indigenous peoples

¹⁷⁵ See paragraphs 1.9 to 1.11 of the Geographic Context section.

¹⁷⁶ [Requesters' comments on the draft recommendation](#), pp.1-2.

¹⁷⁷ [Requesters' comments on the draft recommendation](#), pp.1-2.

within the area of influence while simultaneously preparing a document titled “Statement on Engagement with Indigenous Peoples,” which, in any case, they consider insufficient to ensure genuine engagement with the community.¹⁷⁸

3. Management’s comments on the recommendation to investigate

- 2.63 **Application of the principle of proportionality in matters of consultation.** Management argues that any public consultation should be proportionate to the project’s nature and its environmental and social risk category. In this case, it states that the IDB Invest team classified the project’s risks as medium to low.¹⁷⁹ Consequently, since this was not a new project, IDB Invest opted to work with Pronaca to strengthen its stakeholder engagement activities rather than carry out a public consultation. It also notes that, under Ecuadorian regulations, public consultation or participation processes are not required for the expansion or renovation of existing farms and processing plants, as is the case in this instance.¹⁸⁰
- 2.64 **Participation and engagement mechanisms implemented by Pronaca.** Regarding engagement activities, Management states that Pronaca has operated in the Peripa region since 2003,¹⁸¹ when a pig farm was established, and that it has maintained ongoing dialogue with the Tsáchila community within the area of influence since then. It further notes that, during the ESDD process, the existence and implementation of the “Hablemos Comunidad” program was verified—a mechanism for receiving and addressing claims and grievances from communities and other social actors in connection with Pronaca’s operations. Additionally, Management reports that an Indigenous Peoples Participation Plan was formalized, outlining actions aimed at strengthening community relations with Indigenous peoples.¹⁸²

4. Relevant Operational Policies

- 2.65 **Applicable Relevant Operational Policies.** In order to analyze the allegations of the Requesters regarding the consultation process, MICI will rely on the requirements set out in the Environmental and Social Sustainability Policy,

¹⁷⁸ [Requesters’ comments on the draft recommendation](#), pp.1-2.

¹⁷⁹ On this point, MICI notes that the determination of risk level is not discretionary but derives from the categorization of the project in accordance with Directive B.3. of [OP-703](#). This directive establishes: “Operations that are likely to cause mostly local and short-term negative environmental and associated social impacts and for which effective mitigation measures are readily available will be classified as Category B.”

¹⁸⁰ [Management Response to the Recommendation for a Compliance Review](#), p.3.

¹⁸¹ According to information available to MICI, operations at Chanchos Plata 1 Farm commenced in February 1994. See Estudio de Impacto Ambiental Ex Post, Granja Porcícola Chanchos Plata 1 y 2, p.1.

¹⁸² [Management Response to the Recommendation for a Compliance Review](#), p.4. The Statement on Engagement with Indigenous Peoples provides for social participation only in the management of new production centers. See Pronaca, [Statement on Engagement with Indigenous Peoples](#), point 2.

Directives B.1., B.2., B.5., and B.6. of [OP-703](#), [OP-765](#), and IFC Performance Standards [1](#) and [7](#),¹⁸³ as well as domestic legislation.¹⁸⁴

5. Findings

- 2.66 For its analysis in this section, MICI evaluates three aspects. First, it examines whether IDB Invest ensured the adequate identification of potentially affected communities within the project's area of influence and conducted a prior assessment of their vulnerability. Second, it assesses whether IDB Invest ensured the proper design of an effective engagement plan with the affected communities. Lastly, it evaluates whether IDB Invest ensured that meaningful consultation and participation processes were carried out with the communities potentially affected by the project.

Identification of potentially affected communities and prior vulnerability assessment.

- 2.67 **Requirement to identify affected Indigenous communities.** Performance Standard 7 states that during the environmental and social risks and impacts assessment process, all communities of Indigenous peoples within the project area of influence who may be affected by the project must be identified, as must the nature and degree of those impacts.¹⁸⁵ Performance Standard 1 requires the identification of relevant stakeholders, including vulnerable or disadvantaged communities (...).¹⁸⁶ It also requires mapping of the impact zones by placing the affected communities within a geographic area, which should help define or refine the project's area of influence.¹⁸⁷ Similarly, OP-765 establishes that the Bank will require and verify that the project proponent identifies the affected Indigenous peoples and their legitimate representatives and internal decision-making procedures.¹⁸⁸
- 2.68 **Importance of a comprehensive social baseline.** As MICI has previously stated, establishing a comprehensive social baseline of affected communities is an essential first step for stakeholder identification. This identification should be carried out at the earliest possible stages, even if it is later supplemented and adjusted based on input from the local communities regarding the context in which

¹⁸³ For international human rights standards related to consultations see, for example: Inter-American Court of Human Rights., Case of the Rama and Kriol Peoples, the Black Creole Indigenous Community of Bluefields et al. versus Nicaragua, Merits, Reparations and Costs, [Judgment of 1 April 2024](#), Series C 552, paras. 229-240.

¹⁸⁴ In particular, the Código Orgánico del Ambiente (Organic Law on the Environment) and its regulations.

¹⁸⁵ [Performance Standard 7](#), para. 8.

¹⁸⁶ [Performance Standard 1](#), paras. 26, 27, 30.

¹⁸⁷ [IFC Guidance Notes](#), GN95.

¹⁸⁸ See [OP-765](#), p.8. MICI also recalls its opinion on consultations in the investigation report in case [MICI-ME-2012-0053](#) concerning the "Mareña Renovables Wind Project" (pp. 41-46 and 52-54) and in case [MICI-CII-GU-2018-0136](#) concerning the "Generadora San Mateo S.A. and Generadora San Andrés S.A. Projects." In both cases, MICI analyzed the necessary elements to comply with the consultation and good-faith negotiation process in relation to OP-765. See also MICI, [Discuss, Inform or Involve? Community Consultations and Access to Information under MICI's analysis](#).

the project is being implemented. The actual design of community participation processes should be conditioned by this identification process.¹⁸⁹

2.69 **No evidence that affected communities were identified.** MICI found no evidence that, during the ESDD, IDB Invest ensured the proper identification of the communities within the project's area of influence. Both the ESRS and the ESAP state that in the development of new operational facilities efforts will be made to avoid impacting Indigenous peoples. However, there is no reference to ongoing operations or the identification of potential impacts on Indigenous peoples within the project's area of influence.¹⁹⁰ [REDACTED]

[REDACTED]¹⁹¹

2.70 **Failure to identify the Tsáchila people.** MICI found no evidence that the Tsáchila Peripa community, which is located 290 meters from the Farm,¹⁹² was identified or that steps were taken based on that information to define the project's area of influence. This omission stems in part from a lack of clarity in national regulations. Specifically, Agrocalidad's provisions establish a minimum distance of 3 km between pig farms and population centers, but do not explicitly define what constitutes a population center, as noted in paragraph 2.29.¹⁹³ This ambiguity allows for discretionary interpretations and may lead to the conclusion that no restriction applies to small communities like Peripa or to dispersed Indigenous communities such as those of the Tsáchila. There is also no evidence that the project identified other Tsáchila communities that could be affected in parishes such as Chigüilpe—where MICI received allegations of negative impacts related to odors from Pronaca's farms—and Valle Hermoso [REDACTED]. Accordingly, MICI concludes that IDB Invest failed to comply with the requirements contained in Performance

¹⁸⁹ MICI, Compliance Review Report, [Generadora San Mateo S.A. and Generadora San Andrés S.A. Projects](#), para. 281.

¹⁹⁰ [ESRS](#); [ESAP](#).

¹⁹¹ [REDACTED]

[REDACTED] In March 2025, IDB Invest shared two stakeholder mappings related to Pronaca. However, there is no clarity regarding the objectives of those mappings or the types of stakeholders identified, although they appear to include both government authorities and institutions—such as the Mayor's Office, Prefecture, and EPMAPA of Santo Domingo (water and sewerage authority)—as well as local residents. In addition, the mappings appear to assess Pronaca's negative impact on these stakeholders using a scale from 1 to 5.

¹⁹² Although the project documentation indicates that Peripa is part of the project's direct area of influence, there is no record that the Chanchos Plata I facilities were visited during the due diligence review. See ESRS, C. [Environmental and Social Review Summary](#), p.2; Gallardo Platzer, Daniela Monserrat, Francisco Antonio Zurita, [Análisis Ambiental del Río Peripa debido a descargas agroindustriales en la zona de influencia de la Parroquia Puerto Limón de Santo Domingo de los Tsáchilas](#), Escuela Politécnica Nacional, 2015, p.134.

¹⁹³ The [INEC](#) defines "population center" as any named location in the national rural or urban territory that is inhabited with the purpose of permanent settlement, and whose inhabitants are linked by common economic, social, cultural, and historical interests. Depending on their attributes, these population centers may fall into categories such as: hamlet, village, town, town, city, and metropolis.

¹⁹⁴ [REDACTED]

Standards 1 and 7, as well as OP-765, by not ensuring the proper identification of Tsáchila communities and the adoption of specific measures to manage potential impacts on them.

2.71 Requirement to conduct a prior vulnerability assessment of Indigenous peoples. Performance Standard 1 stipulates that stakeholders that may be interested in the project's actions should be identified, including vulnerable communities, and an engagement plan should be developed to ensure their inclusion in the process.¹⁹⁵ In particular, it establishes that, where applicable, the Stakeholder Engagement Plan will include differentiated measures to allow the effective participation of those identified as disadvantaged or vulnerable.¹⁹⁶ For its part, Performance Standard 7 reinforces this obligation by recognizing that Indigenous peoples' communities may be particularly vulnerable to the loss of, alienation from, or exploitation of their lands and access to natural and cultural resources. Therefore, projects are required to incorporate mitigation and compensation actions agreed upon with the participation of—and in consultation with—the affected communities of Indigenous peoples, and contained in a time-bound plan, such as an Indigenous Peoples Plan.¹⁹⁷

2.72 Failure to recognize the vulnerability of the Tsáchila people. MICI found no evidence that IDB Invest conducted a prior vulnerability assessment of the Tsáchila communities or identified them as a group at risk. In this regard, MICI notes that, as outlined in the context section of this report, the Tsáchila people are in a situation of vulnerability, with both its population and territory gradually shrinking. That is why the Tsáchila are currently in the process of being recognized by UNESCO as Intangible Cultural Heritage, as their customs, language,¹⁹⁸ traditional clothing, ancestral medicine, and cultural practices are at risk of disappearing.¹⁹⁹ Although the ESAP included an action to develop a "Procedure for Engaging with Indigenous Peoples,"²⁰⁰ that document, which is only five pages in length, focuses solely on new production facilities and does not include consultation or engagement procedures for existing operational facilities not earmarked for modification. Therefore, MICI concludes that this omission constitutes noncompliance with Performance Standards 1 and 7 for failing to carry out a prior vulnerability assessment.

Design of an effective engagement plan with the affected communities.

2.73 Requirement to have an effective engagement plan. Performance Standard 1 requires the design and implementation of a stakeholder engagement plan that is aligned with the project risks, impacts, and development stage, as well as with the characteristics and interests of the affected communities.²⁰¹ According to its

¹⁹⁵ [Performance Standard 1](#), para. 26.

¹⁹⁶ [Performance Standard 1](#), para. 27.

¹⁹⁷ [Performance Standard 7](#), paras. 9-11.

¹⁹⁸ Tsáfiqui is considered part of Ecuador's linguistic heritage. See Ministry of Tourism of Ecuador, [Comunidades Tsáchilas muestran toda su riqueza cultural](#), 2021.

¹⁹⁹ El Comercio, [Los Tsáchilas buscan ser patrimonio cultural](#), 2017.

²⁰⁰ Pronaca, [supplementary environmental and social information](#), [Statement on Engagement with Indigenous Peoples](#), 2021; [ESAP](#), p.27.

²⁰¹ [Performance Standard 1](#), para. 27.

guidance note, the level of complexity and detail of this plan should be commensurate with the project risks to and impacts on the affected community and, in some cases, it could include engagement with a broader set of stakeholders.²⁰² Ecuador's Organic Law on the Environment establishes that the right to live in a healthy and ecologically balanced environment includes the participation—within the framework of the law—of individuals, communes, communities, peoples, nationalities, and collectives in any activity or decision that may cause or generate environmental impacts or harm.²⁰³ The Law's Regulations establish that citizen participation processes must be conducted prior to the issuance of the corresponding environmental administrative authorizations, and sets forth mechanisms to facilitate such participation.²⁰⁴

- 2.74 **Lack of an effective engagement plan with the affected communities.** Following the ESDD process, IDB Invest did not ensure that an engagement plan was in place or requested its development for potentially affected communities.²⁰⁵ The failure to identify the Tsáchila people as a community potentially affected by the project limited the ability to design an appropriate plan that considered their characteristics as an Indigenous community in a situation of vulnerability, a situation compounded by their distribution in small, scattered settlements. [REDACTED]

[REDACTED]

²⁰² [IFC Guidance Notes](#), GN98.

²⁰³ [Código Orgánico de Ambiente](#) (Organic Law on the Environment).

²⁰⁴ [Regulations to the Organic Law on the Environment](#), Articles 465 and 469. Specifically, Article 469 on participation stipulates that the following mechanisms are established for citizen participation in the environmental regularization process: (a) Public presentation assembly: An event that brings together the population residing in the area of direct social influence of the project, work, or activity, at which the operator presents the project's environmental study in a didactic manner adapted to local sociocultural conditions. The assembly serves as a space for dialogue where concerns about the project, work, or activity are addressed, and participants' observations and opinions on socioenvironmental matters are received. The operator, the designated facilitator, and the person(s) responsible for the environmental study must be present at this meeting; (b) Environmental socialization workshops: Workshops may be held to allow the operator to gather the perceptions of the population residing in the area of direct social influence of the project, work, or activity, with the aim of incorporating mitigation and/or compensatory measures into the Environmental Management Plan in accordance with the specific conditions of the environment where the project, work, or activity is to be carried out; (d) Webpage: A mechanism through which all stakeholders may access information about the project, work, or activity online via the Sistema Único de Información Ambiental (Single Environmental Information System), as well as through other online platforms that may be established in due course by the competent environmental authority; (e) Public Information Center: The Public Information Center shall provide the population residing in the area of direct social influence of the project, work, or activity with access to the environmental study, along with documentation describing the project and the corresponding environmental management plan. It must be located in an easily accessible place and may be either permanent or mobile. A representative of the operator and the person(s) responsible for the Environmental Study must be present. The information must be presented in a didactic and clear manner and, at a minimum, include a description of the project, maps showing the location of project activities and infrastructure, communities, and properties; and, (f) other mechanisms as established in the technical standard issued by the national environmental authority.

²⁰⁵ See [ESRS](#), p.7 and [ESAP](#), p.21.

MICI emphasizes that, to date, IDB Invest has not ensured the development of an engagement plan that recognizes local, vulnerable communities—including Indigenous communities—or addresses their concerns related to the project. This omission constitutes noncompliance with Performance Standard 1.

Meaningful consultation and participation processes.

- 2.75 **Requirement for ongoing and bidirectional consultation.** The Environmental and Social Sustainability Policy requires rigorous public consultation with affected communities.²⁰⁷ Similarly, in Directive B.5., OP-703 stipulates that the EIA process should include, at a minimum, timely and adequate consultation, while Directive B.6. states that for Category B projects affected parties must be consulted at least once, preferably during the preparation or review of the environmental and social management plan or its equivalent.²⁰⁸ Such consultations should,²⁰⁹ at a minimum, provide information to affected parties and facilitate a dialogue on the scope of the project and proposed mitigation measures. In addition, an adequate level of information disclosure and consultation must be maintained after project approval.²¹⁰ Performance Standard 1 states that when a community is exposed to adverse impacts from a project, a consultation process should be undertaken to ensure that affected communities are provided with opportunities to express their views on project risks, impacts, and mitigation measures, and that those opinions are considered and responded to.²¹¹
- 2.76 **Heightened requirement for consultation with respect to Indigenous peoples.** The Operational Policy on Indigenous Peoples (OP-765) establishes that, in cases of potential adverse impacts on Indigenous peoples, it is required—and must be verified—that the project includes measures to minimize such impacts, including consultation processes.²¹² These consultations should facilitate a genuine exchange to achieve a satisfactory level of support for the project and

²⁰⁶ [REDACTED]

²⁰⁷ [Environmental and Social Sustainability Policy](#), 2013, p.3.

²⁰⁸ [OP-703](#), p.11.

²⁰⁹ Within the framework of MICI cases, different types of information processes have been reviewed that have not met the requirements to be deemed meaningful consultation. In particular: 1.Meetings that seek to make a first encounter with the population, present the project, and listen to initial views. 2.Meetings that seek to obtain information from stakeholders or identify them: censuses, surveys, characterization studies. Although characterization is a requirement for adequate consultations, it cannot replace the consultation. 3.Public hearings in which a limited presentation of the project is made and queries or feedback from attendees are heard. In these cases, in order to decide whether or not they constitute meaningful consultations for MICI, it is important to review how these hearings were held. 4.Publicity with general project information distributed through brochures, mass media, or other means. 5.Meetings to discuss employment opportunities in the project. 6.Meetings to negotiate contracts with the affected population. 7.Meetings to provide information on construction progress and logistical aspects of a project. 8.Meetings to discuss project benefit or compensation programs. For example, scholarship support, entrepreneurial support, or community events. 9.Broad dialogue about a community's situation or its development generally, without focusing on the discussion of the project in question. MICI, [Discuss, Inform or Involve? Community Consultations and Access to Information under MICI's Analysis](#), p.39.

²¹⁰ [Implementation Guidelines for Operational Policy OP-703](#), pp.35-37.

²¹¹ [Performance Standard 1](#), para. 30.

²¹² [OP-765](#), p.8.

the related mitigation and compensation measures from the affected Indigenous peoples.²¹³

2.77 Elements of an appropriate process of consultation and participation with Indigenous peoples. Performance Standard 7 requires consultation and participation processes to be carried out in a culturally appropriate manner.²¹⁴ According to the guidance note for that policy, the consultation: (1) should start as early as possible in the risks and impacts assessment process; (2) the community engagement process should aim to ensure that the entire population of affected communities of Indigenous peoples is aware of and understands the risks and impacts associated with project development; (3) must make available all project information in an understandable format, using Indigenous languages where appropriate; (4) should ensure that communities have sufficient time for consensus building and developing responses to project issues that impact their lives and livelihoods; and (5) the client should allocate sufficient time to fully consider and address Indigenous peoples' concerns and suggestions about the project in the project's design and implementation.²¹⁵ The consultation process with Indigenous communities may be iterative, i.e., sustained throughout the project cycle.²¹⁶

2.78 Applicability of consultation and participation for Category B projects. In its comments on MICI's recommendation, IDB Invest stated that, in accordance with the Environmental and Social Sustainability Policy, the relevance of conducting a consultation should be proportional to the nature of the risks and impacts. Therefore, given that the project was classified as medium to low risk, the focus was placed on working with Pronaca to enhance stakeholder engagement activities.²¹⁷ IDB Invest further stated that the obligation to carry out a consultation applied only to new operational centers.²¹⁸ On this point, MICI notes, first, that the project was classified as Category B, meaning that it is an operation that may cause localized and short-term adverse impacts.²¹⁹ Category B projects require consultation with affected parties, regardless of whether or not they are completely new projects.²²⁰ Moreover, a systematic reading of the Relevant Operational Policies indicates that, particularly in the case of Indigenous peoples, consultation is not a one-time event but an iterative process of exchange throughout the project cycle.²²¹ Accordingly, in the following section, MICI assesses whether the engagement initiatives implemented in the project meet the criteria for meaningful consultation and ensure adequate participation for affected communities.

²¹³ [Operating Guidelines, Indigenous Peoples Policy \(IPP\)](#), p.17.

²¹⁴ [Performance Standard 7](#), para. 10.

²¹⁵ [IFC Guidance Notes](#), GN19.

²¹⁶ [IFC Guidance Notes](#), GN20.

²¹⁷ [ESAP](#).

²¹⁸ [ESAP](#).

²¹⁹ [OP-703](#), p.9

²²⁰ [OP-703](#), p.11.

²²¹ [IFC Guidance Notes](#), GN20; See IDB, [Meaningful Stakeholder Consultation](#), 2017, pp.8-9.

2.79 **Lack of meaningful consultation processes²²² and adequate engagement affected communities.** IDB Invest informed MICI of several information exchange initiatives carried out with the Tsáchila people that, in its view, fulfill the same function as consultations.²²³ These include the “Hablemos Comunidad”²²⁴ grievance mechanism and the “Pronaca Comunica” platform,²²⁵ as well as various reported interactions between Pronaca and Tsáchila communities, particularly the Peripa community.²²⁶ However, MICI finds that none of these initiatives or events meet the criteria for a consultation process because no evidence was found that: (1) they are two-way dialogues in which the communities have been informed about the environmental and social impacts and risks of the project; (2) information has been provided to the affected communities on mitigation measures to be adopted; and (3) community concerns or observations have been recorded in order to be taken into account in the design and implementation of the project. Although as evidence of participation, photographs of different meetings held with the Tsáchila communities were shared with MICI, no information was presented on the attendees, the topics addressed, the information shared, or the discussion process, among other elements that would enable the nature and scope of these initiatives to be understood. Therefore, MICI concludes that these activities do not demonstrate compliance with the standards for meaningful consultation set out in the Environmental and Social Sustainability Policy, Directives B.5. and B.6. of OP-703, OP-765, and IFC Performance Standards 1 and 7.

6. MICI's opinion on the existence of harm and its connection with noncompliance

2.80 **Impact of lack of consultation and meaningful engagement.** As discussed in the previous sections, MICI found that adequate meaningful consultation and engagement processes were not carried out with the affected communities, particularly the Peripa Indigenous community. Participation and information disclosure processes are essential to identify and manage the potential socioenvironmental impacts of projects. This omission may have contributed to direct harm to the Indigenous communities, as it prevented them from fully understanding the potential socioenvironmental impacts of the project and from participating in the design of measures for managing those impacts. As a result,

²²² According to the IDB Group, for a consultation to be meaningful, it must incorporate at least the following 10 principles: (1) it should be an ongoing and iterative process throughout the project cycle, starting as early as possible; (2) it must ensure that different categories of stakeholders are represented and involved; (3) it must be supported with sufficient resources; (4) it must be transparent and based on factual information; (5) it must be equitable and nondiscriminatory, and ensure that poorer and more vulnerable stakeholders are given a voice; (6) stakeholders should have prior information about relevant aspects of the project in appropriate formats; (7) it must be respectful and free of coercion or retaliation; (8) confidentiality of information and stakeholders should be ensured where appropriate; (9) it should avoid consultation for consultation's own sake, or excessive discussions that do not lead to anything; (10) the process should be systematically documented, and relevant aspects of it should be disclosed publicly. See IDB, [Meaningful Stakeholder Consultation](#), 2017, pp. 8-9.

²²³ See [Management Response to the Recommendation for a Compliance Review](#), p.3.

²²⁴ Hablemos, Comunidad is a mechanism designed to facilitate the exchange of information between the community and Pronaca through various communication channels in order to enable timely management of requests and complaints.

²²⁵ Pronaca Comunica is an information dissemination mechanism developed by the client.

²²⁶ MICI has been provided with a 50-page document containing photographs showing the client's engagement activities in Peripa. Those activities primarily consist of initiatives promoted by the client in areas such as education, agricultural support, health, sports, and community cohesion in Peripa.

they were unable to express their observations and ensure that these measures reflected their interests and concerns, as required by the Relevant Operational Policies.²²⁷ This may also have contributed to a climate of distrust and alienation between Pronaca and the Tsáchila people, given the history of strained relations outlined in the context section of this report.²²⁸

III. CONCLUSIONS AND RECOMMENDATIONS

A. Conclusions on IDB Invest's supervision process regarding compliance with the Relevant Operational Policies in the project

3.1 **Compliance review contributes to the IDB Group's continuous improvement process.** The Compliance Review is a fundamental tool in the continuous improvement of the IDB Group. This process provides value in two key areas: The first relates to the operation under investigation and seeks to strengthen project sustainability and, where possible, remedy any noncompliance. The second concerns broader areas or issues linked to the various operational policies, which often present implementation challenges. In this regard, MICI's independent perspective can support IDB Invest's continuous improvement efforts. It is worth noting that IDB Invest recently amended its Environmental and Social Sustainability Policy; therefore, any recommendations in this report will focus on weaknesses in the previous framework that have not been addressed by the new policy.

3.2 **Lack of oversight in the development of an ESMS for the project's processing plants.** This project was approved in June 2020²²⁹ as a capital expenditure operation. As part of the ESDD, IDB Invest included in the ESAP the requirement that the project have an ESMS for each processing plant.²³⁰ However, MICI found that that action failed to include that the breeding farms also have an ESMS in accordance with the requirements of Performance Standard 1. This instrument is necessary to systemically manage the potential impacts on project operations as a whole. The lack of an adequate ESMS for breeding farms constituted noncompliance with Performance Standard 1, which requires maintaining an ESMS appropriate to the nature and scale of the project,²³¹ particularly in a case such as this, given that Pronaca has more than 100 operational facilities. Therefore, MICI concludes that IDB Invest failed to comply with Directives B.1. and B.7. of OP-703 and the Environmental and Social Sustainability Policy, which establish that the institution will monitor compliance with all safeguard requirements.²³²

²²⁷ According to MICI, consultation allows individuals to be aware of their rights and responsibilities in relation to a project. See MICI, [Discuss, Inform or Involve? Community Consultations and Access to Information under MICI's Analysis](#), p.24; Performance Standard 1 establishes that the participation of social actors is a key element for adequate management of the environmental and social impacts of a project. See [Performance Standard 1](#), para. 25.

²²⁸ See paragraphs 1.9 to 1.11 of the section on geographic context.

²²⁹ [Project webpage](#).

²³⁰ [ESAP](#), 2020.

²³¹ [Performance Standard 1](#).

²³² [OP-703](#), p. 11; [Environmental and Social Sustainability Policy](#), 2013, para. 20; and [Performance Standard 1](#).

- 3.3 **Lack of contextual risk analysis when performing the ESDD.** MICI's review of the project's context and chronology revealed the existence of both current and legacy environmental and social issues in Santo Domingo de los Tsáchilas, linked to the province's rapid growth and the historical pollution of its rivers. In addition, a history of more than 25 years of tensions between Pronaca and the Tsáchila Indigenous communities was identified, characterized by repeated complaints of river pollution, odors from plant operations, and adverse impacts on local livelihoods. MICI concluded that this context was not taken into account by IDB Invest during the ESDD to analyze and address those social and environmental liabilities. As a result, both the ESRS and the ESAP were developed without the necessary information to design appropriate management measures for foul odors emanating from the operational facilities or to assess whether Pronaca bore responsibility for the historical pollution of the rivers, in noncompliance with Performance Standard 3. Furthermore, the lack of contextual analysis led to the absence of tools for engaging with Indigenous communities, resulting in noncompliance with Performance Standard 1. Therefore, MICI considers that IDB Invest failed to comply with Directives B.1. and B.7. of OP-703 and the Environmental and Social Sustainability Policy, which establish that the institution will monitor compliance with all safeguard requirements.
- 3.4 **Lack of adequate monitoring of the effectiveness of odor management measures.** MICI found that, since the Farm's 2010 EIA, potential impacts on water, air, and soil were identified and assessed, and corresponding management measures were designed. Over time, various instruments were developed, such as the environmental management plans [REDACTED], which identified new odor-related impacts and, consequently, proposed preventive and mitigation measures. Despite these efforts, complaints from the Requesters regarding foul odors from the project's activities persist. In this regard, MICI found that, although impact management measures for odors were designed, IDB Invest did not assess their effectiveness, preventing verification of whether they were properly functioning and mitigating the impact. In view of the above, MICI concludes that IDB Invest failed to comply with Directives B.1. and B.7. of OP-703 and the Environmental and Social Sustainability Policy, which establish that the institution will monitor compliance with all safeguard requirements.
- 3.5 **Lack of supervision of ongoing reporting to the communities.** In its oversight role, IDB Invest did not ensure that communities potentially affected by the project received basic information about its activities, risks, potential impacts, and management measures. On the contrary, as detailed throughout this report, IDB Invest adopted a restrictive approach to information access, which limited the right of affected communities to obtain essential information. This was due in part to the classification by IDB Invest of information as confidential without sufficient justification, and the failure to disclose key socioenvironmental information through official channels, such as its website. In addition, there is no evidence of actions aimed at ensuring that the project's communication mechanisms were effective and ongoing, or that they complied with the standards established in Performance Standard 1 and the AIP. For these reasons, MICI finds that IDB Invest failed to comply with Directives B.1. and B.7. of OP-703 and the Environmental and Social Sustainability Policy, which establish that the institution will monitor compliance with all safeguard requirements.

- 3.6 **IDB Invest did not adequately monitor the identification of potentially affected Indigenous communities.** In its supervisory role and during the ESDD stage, IDB Invest did not ensure the proper identification of the Tsáchila Indigenous communities or the preparation of impact zone maps that would allow for a precise definition of the project’s area of influence.²³³ [REDACTED]
[REDACTED]
[REDACTED] MICI notes that had this mapping been conducted from the outset, Santo Domingo de los Tsáchilas would have been identified as a critical location—both due to the presence of Indigenous peoples and the documented history of litigation and disputes with the community. This early identification would have enabled timely action in line with Performance Standards 1 and 7. Therefore, MICI concludes that IDB Invest failed to comply with Directives B.1. and B.7. of OP-703 and the Environmental and Social Sustainability Policy, which require the institution to monitor compliance with all safeguard requirements.
- 3.7 **Lack of oversight by IDB Invest in the design and implementation of community engagement plans.** Following the project ESDD process, IDB Invest did not ensure that an engagement plan was designed for potentially affected communities. The failure to identify the Tsáchila people limited the ability to design an appropriate plan that considered their characteristics as an Indigenous community in a situation of vulnerability, a situation compounded by their distribution in small, scattered settlements. The design of this plan should have been verified in the wake of the ESDD, in accordance with the requirements established in Performance Standards 1 and 7. Therefore, MICI concludes that IDB Invest failed to comply with Directives B.1. and B.7. of OP-703 and the Environmental and Social Sustainability Policy, by failing to ensure compliance with the applicable safeguard requirements.
- 3.8 **Lack of IDB Invest oversight of meaningful consultation and community engagement processes.** IDB Invest did not ensure that Pronaca’s existing engagement mechanisms—such as “Hablemos Comunidad,” the “Pronaca Comunica” platform, and other related initiatives—met the standards for meaningful consultation and engagement. In particular, a two-way dialogue space—enabling the communities not only to understand the impacts and risks of the project, as well as the planned mitigation measures, but also to express their concerns, so that they might be considered in the design and implementation of the project—was not ensured, in accordance with IFC Performance Standards 1 and 7, Directives B.5. and B.6. of OP-703, and OP-765. Therefore, MICI concludes that IDB Invest failed to comply with Directives B.1. and B.7. of OP-703 and the Environmental and Social Sustainability Policy, which establish that the institution will monitor compliance with all safeguard requirements.

B. Recommendations

- 3.9 **Publication of the Compliance Review Report.** Pursuant to paragraph 48 of the MICI Policy, after Board consideration of this report, it will be published on MICI’s

²³³ The Client is currently carrying out a stakeholder mapping exercise; however, as this process has not yet been completed, MICI is not in a position to confirm its alignment with the Relevant Operational Policies.

Public Registry.²³⁴ Management's and the Requesters' responses will be published along with this report, and the final decision of the Board on the recommendations put forward recorded.

- 3.10 **Monitoring of the action plan.** The MICI Policy establishes that if the Board accepts the recommendations and considers them pertinent, it may request Management to prepare an action plan in consultation with the Mechanism and submit it for consideration. As applicable, in accordance with paragraph 49 of the MICI Policy, this Mechanism will monitor the implementation of any action plans or remedial or corrective actions agreed upon as a result of this Compliance Review. Below is a table summarizing the recommendations derived from the findings on noncompliance identified in this investigation.

²³⁴ See [Public registration of the case](#).

Table 2. Summary of conclusions and recommendations

Summary of conclusions	Recommendations
Environmental impacts	
<p>IDB Invest failed to comply with Directives B.1. and B.7. of OP-703 and the Environmental and Social Sustainability Policy by failing to ensure that the project had an ESMS for the breeding farms in accordance with the requirements of IFC Performance Standard 1.</p>	<p>Recommendation 1. Development of an environmental and social management system (ESMS) for the breeding farms. Verify the development and implementation of an environmental and social management system (ESMS) for the breeding farms, ensuring compliance with Performance Standard 1, especially in the area of influence of the Tsáchila communities.</p>
<p>IDB Invest failed to comply with Directives B.1. and B.7. of OP-703 and the Environmental and Social Sustainability Policy by not considering or analyzing whether the company should have implemented management measures related to the historical pollution of the rivers, given that the Farm discharged into the Peripa River prior to 2000.</p>	<p>Recommendation 2. Management measures on historical water pollution. Prepare and submit to MICI an institutional analysis to determine whether Pronaca bears responsibility for implementing management measures related to the historical pollution of the rivers in Santo Domingo de los Tsáchilas, taking into account its current and past operations in the Province. A non-technical summary of that analysis should be shared with the Requesters.</p>
<p>IDB Invest failed to comply with Directives B.1. and B.7. of OP-703 and the Environmental and Social Sustainability Policy by failing to ensure that the measures designed to manage foul odors were adequate and effective in preventing or minimizing their impacts.</p>	<p>Recommendation 3. Odor management plan. Verify the development and implementation of an odor management plan for the operational centers in Santo Domingo de los Tsáchilas that includes at least the following components:</p> <ol style="list-style-type: none"> 1. Identify sensitive receptors, including nearby communities, with a detailed characterization of monitoring conditions (such as sampling points, measurement frequency, and methodologies used) and define specific measures to reduce foul odor emissions, including monitoring of management measures during both the rainy and dry seasons. 2. Establish a participatory monitoring system that incorporates mechanisms for collaboration and ongoing feedback including a monitoring committee. This committee should allow for the involvement of the Requesters, their representatives, and the leadership of the various Tsáchila communities, enabling the effectiveness of the measures adopted to be evaluated and allowing for adjustments when necessary, based on perceptions and monitoring results.
Access to Information	
<p>IDB Invest failed to comply with Directives B.1. and B.7. of OP-703 and the Environmental and Social Sustainability Policy by failing to ensure that communities had access to information on the project's purpose, nature, scale, risks, impacts, and mitigation measures.</p>	<p>Recommendation 4. Socioenvironmental information. IDB Invest should:</p> <ol style="list-style-type: none"> 1. Post additional socioenvironmental information on its website to enable potentially affected communities, including the Requesters, to understand the project's risks, impacts, and corresponding management measures. This information should include, at a minimum, issues raised by the Requesters, particularly in relation to: (1) odors from pig farms, (2) water quality, and (3) land use. 2. Oversee and monitor that the client disseminates directly to potentially affected communities information regarding the project's purpose, scale, location, risks, impacts, and mitigation measures. Furthermore, it should explain how the activities carried out in Santo Domingo de los Tsáchilas under the investment—including potential plant expansions or other associated facilities—may generate positive or negative impacts for these communities.

<p>IDB Invest failed to comply with the AIP, Directives B.1. and B.7. of OP-703 and the Environmental and Social Sustainability Policy by classifying information as commercially sensitive without adequately justifying that decision, which prevented the disclosure of the minimum necessary socioenvironmental information relevant to the Requesters' concerns, in contravention of the AIP's principle of maximum access to information.</p>	<p>Recommendation 5. Classification protocol for the client. Develop an information classification protocol to guide clients in the proper application of the Access to Information Policy. This protocol should ensure consistency in classification decisions, in alignment with the principles of the AIP, and should include, at a minimum, the following elements:</p> <ol style="list-style-type: none">1. The principle of maximum disclosure and the presumption in favor of disclosure as the guiding standard in all classification decisions.2. A clear description and explanation of the limited scope and restrictive application of the exceptions provided under the AIP.3. The ability of IDB Invest to request, at any point during the project cycle, the declassification of relevant socioenvironmental information that has been restricted but is important for addressing concerns in that regard.4. A follow-up process to monitor compliance with declassification requests made by IDB Invest. <p>This protocol should guide the effective implementation of the Access to Information Policy, in conjunction with its Implementation Guidelines.</p>
	<p>Recommendation 6. Provide training to clients on their disclosure obligations. Develop and deliver at least two annual training sessions—virtual or in person—for clients on their disclosure obligations under the Access to Information Policy (AIP). These trainings should cover, among other topics:</p> <ol style="list-style-type: none">1. The principle of maximum access to information.2. The clear and limited scope of the exceptions to disclosure.3. The obligation to disclose key environmental and social information throughout the project cycle.4. The benefits of providing essential information to potentially affected communities.
	<p>Recommendation 7. Training for IDB Invest staff to ensure compliance with the AIP with respect to maximizing access to key socioenvironmental information. Develop and carry out training for the IDB Invest team responsible for implementing the AIP regarding appropriate and limited use of the “commercially sensitive information” classification, in line with the principle of maximum access to information established in the AIP. Such training should include, at a minimum:</p> <ol style="list-style-type: none">1. The importance of providing clear, specific, and sufficient justification when restricting access to socioenvironmental information.2. The benefits of disclosing as much socioenvironmental information as possible, along with the policy requirements in that regard.3. IDB Invest's role in situations in which clients classify information as confidential that should be public, including its authority to request the client's consent to disclose key socioenvironmental information.

<p>IDB Invest failed to comply with the AIP, Directives B.1. and B.7. of OP-703 and the Environmental and Social Sustainability Policy by not providing affected communities with periodic updates on the project's action plans and by failing to disclose key environmental and social information throughout the investment cycle.</p>	<p>Recommendation 8. Design of a reporting plan. Ensure that the client designs and implements a plan for ongoing reporting to the Tsáchila people. The plan should incorporate cultural relevance criteria to ensure the provision of updated information on the project's environmental and social performance, as well as on key environmental and social considerations. It should also take into account the interests and concerns of the communities to identify the most appropriate and culturally sensitive methods of information disclosure.</p>
<p>Meaningful consultation and engagement</p>	
<p>IDB Invest failed to comply with Directives B.1. and B.7. of OP-703 and the Environmental and Social Sustainability Policy by not verifying whether the community engagement initiatives undertaken by the client met the required standards for meaningful consultation and effective stakeholder participation. In particular, there was no evidence that these initiatives involved two-way dialogue or mechanisms to inform communities about the environmental and social impacts and risks of the project, or the measures planned to manage them. Nor did IDB Invest verify that community concerns or observations were recorded with the aim of incorporating them into the design and implementation of the project.</p>	<p>Recommendation 9. Strengthen community engagement initiatives. Ensure that the client updates the delimitation of the project area of influence through an analysis that identifies all potentially affected communities, including impact maps and a justification aligned with applicable operational policies.</p> <p>In parallel, it will ensure that the client strengthens its community engagement initiatives, taking into account the characteristics and interests of the affected communities, to ensure meaningful participation, through clear and accessible dialogues, registration and follow-up of concerns, and timely communication of responses. This strengthening should take account of the customs, livelihoods, and decision-making mechanisms of the communities potentially affected by the project.</p>
<p>General matters</p>	
<p>Recommendation 10. Guidelines for supervision of capital expenditure projects. Develop specific guidelines for IDB Invest's socioenvironmental monitoring of projects financed as capital expenditure operations, establishing clear criteria to verify compliance with the Relevant Operating Procedures.</p> <p>Such guidelines should include, at a minimum, verification by IDB Invest of:</p> <ol style="list-style-type: none"> 1. Meaningful consultation and participation processes with affected communities in cases of potential adverse or significant impacts—even when financing involves existing assets—and not new facilities. 2. Adequate dissemination of information to potentially affected communities, both in the case of new facilities and in the improvement or expansion of existing ones. 3. The implementation and effectiveness of the instruments established for the project, such as the ESAP, ESMS, and EMP, as applicable. 	
<p>Action plan</p>	
<p>Recommendation 11. Develop an action plan. Develop an action plan in consultation with MICI to implement the Board-approved recommendations contained in this report that within 60 business days following its approval. This plan must include an implementation timeline, which MICI will monitor in accordance with paragraph 49 of its Policy.</p>	

Source: Prepared by MICI.

ANNEX I. MANAGEMENT'S RESPONSE TO THE DRAFT COMPLIANCE REVIEW REPORT

<https://www.iadb.org/document.cfm?id=EZIDB0000559-27852951-1086>

ANNEX II. REQUESTERS' RESPONSE TO THE DRAFT COMPLIANCE REVIEW REPORT

<https://www.iadb.org/document.cfm?id=EZIDB0000559-27852951-1026>