

SEPTEMBER 2025

Assessment Report

Regarding Pronaca Covid – 01 in Ecuador

IFC Project number: 41934

About CAO

The Office of the Compliance Advisor Ombudsman (CAO) is the independent accountability mechanism of the International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA), members of the World Bank Group. We work to facilitate the resolution of complaints from people affected by IFC and MIGA projects in a fair, objective, and constructive manner, enhance environmental and social project outcomes, and foster public accountability and learning at IFC and MIGA.

CAO is an independent office that reports directly to the IFC and MIGA Boards of Executive Directors. For more information, see <http://www.cao-ombudsman.org/about-us>.



List of Acronyms

BIC	Bank Information Center
CAO	Office of the Compliance Advisor Ombudsman
CEDENMA	Ecuadorian Coordinator for the Defense of Nature and the Environment
CONAIE	Confederation of Indigenous Nationalities of Ecuador
FOE	Friends of the Earth
IAM	Independent Accountability Mechanism
IFC	International Finance Corporation
Pronaca	Procesadora Nacional de Alimentos C.A.

1 Executive Summary

On April 6, 2025, a complaint was submitted to CAO by residents of Santo Domingo de los Tsáchila, Ecuador, raising concerns regarding the environmental and social impacts of Pronaca's agricultural operations in various cities and provinces of Ecuador. During CAO's assessment process, summarized in this report, both the complainants and the company expressed interest in participating in a CAO-facilitated dialogue process. In accordance with CAO's policy, the complaint has been transferred to CAO's Dispute Resolution function.

2 Background

2.1 The Complaint

On April 06, 2025, CAO received a complaint from some members of communities residing within Santo Domingo de los Tsáchila, Ecuador, and the Confederation of Indigenous Nationalities of Ecuador (CONAIE) (together referred to as "the complainants"), relating to the operations and activities of the poultry and pig farms of Procesadora Nacional De Alimentos, C.A. (Pronaca). The complaint was submitted with the support of the Ecuadorian Coordinator for the Defense of Nature and the Environment (CEDENMA), the Bank Information Center (BIC), and Friends of the Earth (FOE) USA. The complainants and Pronaca will be referred to as the "parties."

The complainants alleged that Pronaca's activities have resulted in a range of adverse environmental and social impacts affecting both indigenous and non-indigenous communities in the region. The complaint raised concerns including, but not limited to, (i) water, air and health impacts, (ii) lack of access to information and oversight, (iii) threats and reprisals, (iv) loss of livelihood, (v) impacts from associated and third-party operations and lack of oversight, and (vi) lack of compliance with national laws and environmental standards.

CAO found the complaint eligible on April 29, 2025, and began its assessment process.

2.2 The Project

The complaint relates to IFC's investment in Pronaca, referred to as "Pronaca COVID" (the "project"), approved by IFC's Board of Directors on May 21, 2021, and involves an A Loan of up to US\$50 million.¹ Pronaca, a poultry and pork producer and processor in Ecuador, is a company that is dedicated to agricultural activities. According to IFC's public disclosures, the proceeds of the A Loan are to be used to support Pronaca's investment program during 2020-2022. Pronaca's investment program focuses on improving efficiency and capacity expansions at its feed mills, pork farms, and pork and poultry processing facilities. Pronaca's operations comprise over 115 sites, including administrative offices, farms, processing plants, storage facilities, and distribution centers, spread across approximately 10 provinces of Ecuador. In addition to its direct operations, Pronaca maintains a network of qualified poultry and pork suppliers.

¹ [IFC Project #41934](#)

The project was classified as an Environmental and Social Risk Category B.

3 Assessment Purpose & Methodology

3.1 Assessment Purpose

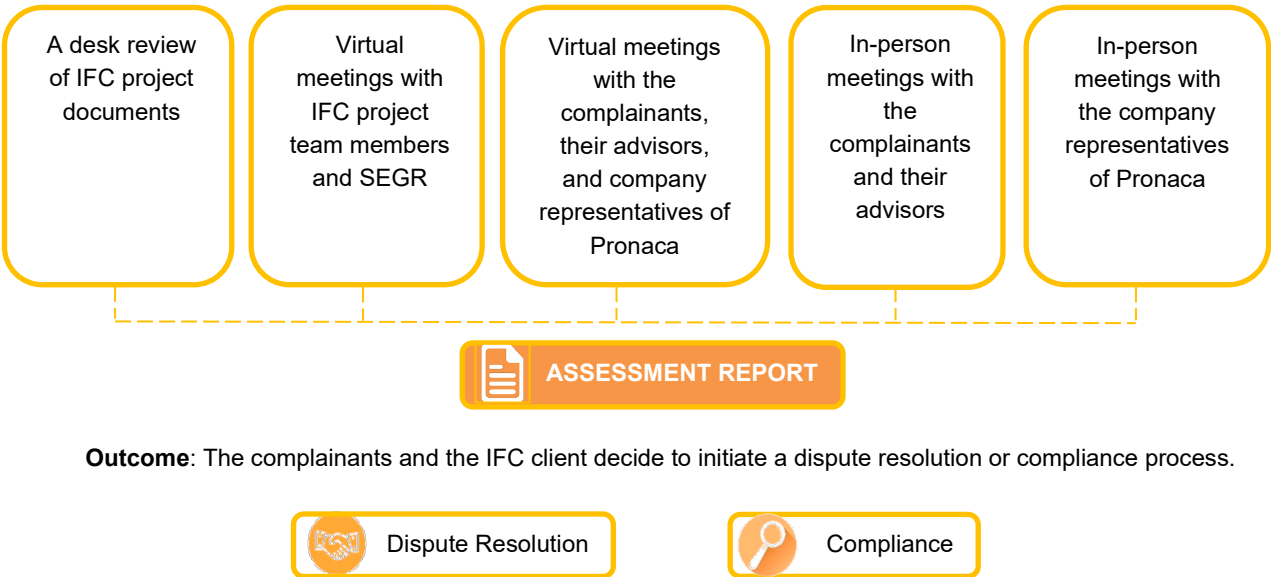
The aim of the CAO assessment process is to develop a thorough understanding of the issues and concerns raised by the complainants, gather information on the views of different stakeholders, and determine whether the complainants and IFC/MIGA’s client would like to pursue a dispute resolution process facilitated by CAO, or whether the complaint should be handled by CAO’s Compliance function for appraisal of IFC’s environmental and social Performance Standards (see Appendix A for CAO’s complaint-handling process).

CAO’s assessment process does not entail a judgment on the merits of the complaint; rather, it seeks to understand the parties’ perspectives and empower those involved to make informed decisions on how to address the issues raised.

3.2 Assessment Methodology

Figure 2 shows the approach and methodology to be applied in CAO’s assessment process.

Through the assessment process, CAO aims to get a better understanding of the issues and determine whether the parties wish to address the complaint through a dispute resolution or compliance process. This assessment involves:



Outcome: The complainants and the IFC client decide to initiate a dispute resolution or compliance process.

Figure 1. CAO Assessment Process

The assessment was conducted by the CAO team, with the support of a local mediator and an interpreter based in Quito, Ecuador. The CAO team communicated with the parties and collected information through in-depth online and in-person conversations.

This report summarizes the views heard by the CAO team from the parties and describes the next steps based on the decisions taken by the complainants and the company.

4 Complainants' Perspective

During the assessment, the complainants raised concerns regarding the environmental and social impacts they consider associated with Pronaca's operations in Santo Domingo de los Tsáchila.² Their perspectives are summarized below.

Water, air and health impacts

The complainants shared with CAO that the company's farming operations led to the pollution of the Peripa River, which is relied upon by local residents for household use, agriculture, and cultural practices.

The complainants argue that Pronaca's past waste disposal practices (particularly the discharge of animal waste) contributed to the degradation of the soil and water quality in the Peripa River. They shared that when Pronaca began its operations, community members started experiencing illnesses such as skin diseases, rashes and stomach pain, and they could no longer consume fish from the river, as it had become polluted and made them sick. They also reported numerous cases of stomach cancer and other gastrointestinal illnesses in the community throughout the years.

Complainants reported that the river is no longer usable for fishing and domestic activities, or for women to wash clothes and bathe their children. As a result, they now rely on water from wells that they dig themselves, although this water is allegedly also contaminated.

While they acknowledge that there are currently multiple sources of pollution of the Peripa River, including a growing population upstream without adequate water treatment systems, they claim that Pronaca's practices contributed significantly to the river's degradation. The complainants also acknowledge that the deep-bedding system may have helped mitigate the pollution in recent years, but that it is an insufficient solution. The complainants claim Pronaca has tested the water but has not disclosed the results of those tests. The complainants also referenced a preliminary water sampling study they conducted in June 2024 that shows high levels of contamination.

The complainants would like the water of the Peripa River to be restored as well as native and medicinal plants alongside the river to be replanted, as they have died over the years as a result of the contamination. As a start, they would like to see a comprehensive participatory monitoring process conducted on the Peripa River.

² Santo Domingo de los Tsáchila is one of the twenty-four provinces that make up the Republic of Ecuador, located in the north-central part of the country, in the geographical area known as the Coastal region, on the outer slopes of the western range of the Andes.

Additionally, the complainants shared with CAO that air quality in the area has deteriorated due to persistent strong odors emanating from pig waste coming from the company's pig farms as well as other independent pig farms operated by third parties in association with Pronaca. The complainants expressed that the odor from the farm can be smelled as far as 6 kilometers away, with the same intensity as next to the facility. They noted that the smell can be persistent and worsens at night. They reported that the odors cause headaches and disrupt daily life for nearby residents.

Lack of access to information and oversight

The complainants stated that they were not adequately consulted prior to or during the implementation of activities linked to the project and that very limited information (if any) was and is disclosed about Pronaca's expansion plans. They shared that no meaningful efforts were made to inform communities of the potential risks, benefits, or mitigation measures associated with Pronaca's operations.

In particular, they noted that indigenous Tsáchila communities were not consulted in a culturally appropriate manner and that no information was provided in local languages.

In particular, the complainants allege that Pronaca does not proactively disclose key information about its expansion plans or environmental impacts. They stated that relevant documents, such as environmental assessment studies or project timelines, were not shared with affected communities. In their view, this lack of disclosure further limited their ability to engage meaningfully in decisions that could affect their rights, land, and environment.

They further allege that the company's grievance channels were inaccessible or ineffective for many rural and indigenous residents, particularly those with limited internet access or lack of familiarity with digital platforms. In their view, the absence of practical mechanisms for raising concerns left communities without a meaningful avenue to seek redress or influence decisions affecting their environment and well-being.

Threats and reprisals

The complainants informed CAO that the long-standing tensions related to Pronaca's operations in the area have contributed to divisions within the broader community. They observed that the company influences the community through various initiatives, such as providing pork, chicken, scholarships, seasonal gifts, and support for the community media (such as Radio Tsáchila). According to the complainants, some community members have chosen not to voice concerns about the company's practices, citing the need to safeguard their families' well-being, livelihoods, and employment.

The complainants also expressed concerns about protecting their identities, noting that they fear possible repercussions if their participation in the complaint process becomes known. They stated that this includes apprehension that other community members might share their identities with the company. They clarified that while threats do not come directly from the company, they may manifest through third parties. The complainants alleged that the company's approach creates a dynamic in which individuals who are at risk of losing their jobs, are economically dependent on the company, or receive benefits or royalties, may discourage others from speaking out. They further reported that, in the past, certain individuals have faced the prospect of legal action in connection with their opposition to the company's activities.

In addition, the complainants described broader safety risks, emphasizing that the provinces of Santo Domingo and Los Ríos are currently experiencing heightened insecurity due to the surge in drug trafficking and related activities of organized crime. They believe that this overall climate of violence not only discourages people from coming forward with complaints, but also places them, as complainants, in a position of greater personal risk, thereby exacerbating the challenges and dangers they face in pursuing their concerns.

Loss of livelihood

The complainants alleged that Pronaca's inefficient use of the land has negatively impacted their traditional use of the land and traditional economic activities, particularly for indigenous Tsáchila communities.

The complainants reported a decline in fishing and tourism along the Peripa River, which they stated had historically contributed to both food security and household income. Some complainants also raised concerns regarding the expansion of corn monoculture linked to Pronaca's supply chain, alleging that this had led to inefficient land and water use and could limit broader access to natural resources for local communities.

Impacts from associated and third-party operations and lack of oversight

In addition to their concern about the environmental impacts stemming from Pronaca's own farms, the complainants also raised concerns about neighboring chicken and pig farms operated by third-party suppliers under contract with Pronaca. They alleged that these farms were not subject to the same level of environmental or labor oversight as Pronaca's facilities, despite playing an integral role in their production model. They noted that such operations were located near their communities and reportedly contributed to odor, pollution, and landscape degradation.

The complainants further allege that employees working at these facilities lack basic protections, including formal contracts and access to social security, and that the environmental impacts of these farms were often not monitored or reported as part of Pronaca's operations. None of the complainants were employees of the third-party suppliers.

Lack of compliance with national laws and environmental standards

The complainants alleged that some of Pronaca's farms were operating in violation of national regulations that mandate minimum distances from residential areas and public roads. They claim that certain farms were located less than 700 meters from community settlements, despite regulations requiring greater distances for biosecurity and environmental protection.

They also referenced a 2008 court ruling related to water contamination from Pronaca's biodigesters, alleging that the company had failed to fully implement the monitoring measures ordered by the court. The complainants expressed that, taken together, these legal and regulatory issues raised broader concerns about the company's adherence to national standards governing environmental practices.

5 IFC Client's Perspective

During the assessment, Pronaca provided its response to the concerns raised in the complaint. The company's perspective on the issues is summarized below.

Water, air and health impacts

Pronaca shared with CAO that the Peripa River is already polluted by the time it reaches their area. The river originates from a spring in the city of Santo Domingo and flows through several pollution points where it receives water discharges from sources unrelated to Pronaca.

The company reported that it no longer discharges water into the Peripa River from its Chanchos Plata facility, having transitioned to a deep-bedding system in 2010 that, according to the company, eliminates the need for water in waste disposal. Pronaca stated that animal waste from the current system is used off-site as fertilizer. The company further explained that, prior to this transition, it operated a wastewater treatment system consisting of three oxidation pools connected by conduction channels. According to the company this system was implemented in accordance with the environmental standards in effect at the time and under the oversight of the Municipality of Santo Domingo, which was the competent authority for environmental regulation in the area at the time. Pronaca stated that the waste generated through the new deep bedding system is used as raw material in their fertilizer plant.

Pronaca also stated that it has adopted water management plans with support from the IFC, using standardized measurements of impacts, receptors, pathways, and sources, based on the specific risk profile of each farm. The company claims that it conducts quarterly sampling of the Peripa River both upstream and downstream of its farms. Pronaca shared with CAO that they are part of the Coalition for Ecuador's Hydric Security³ and are committed to contributing to the restoration of the Peripa River. This Coalition has recently concluded an initial study to assess water quality in the Peripa basin. The study was led by the Higher Polytechnic School of the Litoral (*Escuela Politécnica del Litoral* or ESPOL) and included participation by the Peripa Tsáchila community and the community of San Miguel. According to Pronaca, results will be shared soon and are expected to inform public policy decisions to improve the management of the basin and the province in general.

The company also shared with CAO that population growth is outpacing the city's development and infrastructure improvements and that a large urban development is under construction next door to Pronaca's Chanchos Plata I facility without any planned sanitation infrastructure. This construction has been approved by the Municipality and is unrelated to Pronaca.

Regarding odor management, Pronaca informed the CAO that it applies international best practices, including techniques used in Chile, Germany, and Colombia. While the company acknowledges that a completely odor-free operation may not be feasible, it stated that it is continuously seeking ways to minimize odors from its pig farming operations.

Pronaca reported that approximately 50% of the complaints it receives through their grievance mechanism are related to odors. The company claims it investigates each case to verify whether

³ See <https://seguridadhidricaec.org/>

the source is linked to its operations and seeks feedback from individuals who report odor incidents. Pronaca also claims that, in some cases, they had identified that the source of the odors were backyard animals kept by local residents.

Lack of access to information and oversight

Pronaca described its stakeholder engagement system as structured and ongoing, coordinated by a dedicated sustainability team. It reported holding regular meetings with communities using various channels, including in-person visits, WhatsApp, and printed outreach materials. Pronaca stated that it has, on several occasions, invited members of the community to visit its farms. However, the company claims that due to the biosecurity protocols in place (bathing, disinfection of materials, and sanitary waiting periods, among others) community members have declined the invitations.

The company highlighted its efforts to engage indigenous Tsáchila communities, particularly in Peripa, and shared that it developed communication materials in the local Tsafiki language. While Pronaca primarily interacts with this community, they shared that they also maintain relationships with the governor's office, which represents all seven Tsáchila communities.

Pronaca shared that expansion in Santo Domingo supported by IFC's investment has focused on improving production efficiency within existing facilities, rather than expanding the physical footprint of its operations. The company shared that it has upgraded its processing plant to allow them to increase efficiency and production capacity throughout the years without territorial expansion in the province. Pronaca informed CAO that it is expanding operations in rural areas in other provinces, aiming to bring employment and development to local communities. Pronaca explained that its expansion plans in those regions are confidential due to the security situation in those regions.

Pronaca also stated that it has operated a grievance mechanism since 2018, supported by a digital system for tracking complaints and monitoring resolution. According to the company, all complaints since 2019 have been addressed internally, and it is working to improve accessibility through expanded awareness and anonymous reporting options.

Threats and reprisals

Pronaca rejects claims that it threatens or takes reprisals against those who have complained about their operations. The company claims they have been subject to unfair and frivolous accusations over the years and have never initiated legal action against anyone. They also informed CAO that their internal grievance mechanism, which addresses complaints from workers and consumers, has an explicit zero-tolerance policy for threats and reprisals, and that both their internal and external grievance mechanisms allow for anonymous complaints to be filed.

Loss of livelihood

Pronaca explained that corn used in its animal feed is primarily sourced from other provinces, such as Manabí, Los Ríos, and Guayas, and that corn production is limited in Santo Domingo due to climate conditions. As a result, Pronaca shared that they do not purchase from corn suppliers in Santo Domingo and that their procurement practices do not impact local agricultural livelihoods in the complainants' area. It further emphasized that corn is a regulated commodity in Ecuador, and that its purchases support smallholder farmers through nationally mandated pricing and sourcing rules.

Impacts from third-party operations and lack of oversight

Pronaca reported that it works with multiple qualified poultry and pork suppliers (one pork, two turkey and forty-nine chicken suppliers) through short-term contracts, under an “integration” model. With qualified poultry/pork suppliers, the business model involves Pronaca selling animals and feed to these suppliers, who then have the option to sell the animals back to Pronaca or to other buyers, although most choose to sell to Pronaca. With the external pig farm, Pronaca maintains ownership of the animals. Contracts are issued on a lot-by-lot basis, typically lasting around 60 days for poultry suppliers and six months for pork suppliers, and do not include any guarantee for renewal. The company emphasized that, for biosecurity reasons, it only purchases from farms that meet its internal qualification standards; farms that do not meet these standards are excluded from the supply chain.

The company stated that all qualified poultry/pork suppliers are regularly monitored, and that the Joshua farm mentioned in the complaint specifically operates under a valid environmental permit, with workers registered in social security. While third-party suppliers are responsible for their own labor management, Pronaca indicated that it encourages labor compliance through regular oversight.

Lack of compliance with national laws and environmental standards

Pronaca maintained that its facilities comply with applicable laws and that it holds all necessary permits for its operations. The company noted that its Chanchos Plata farms were constructed over 30 years ago, prior to the introduction of current distance regulations, and have remained the same size.

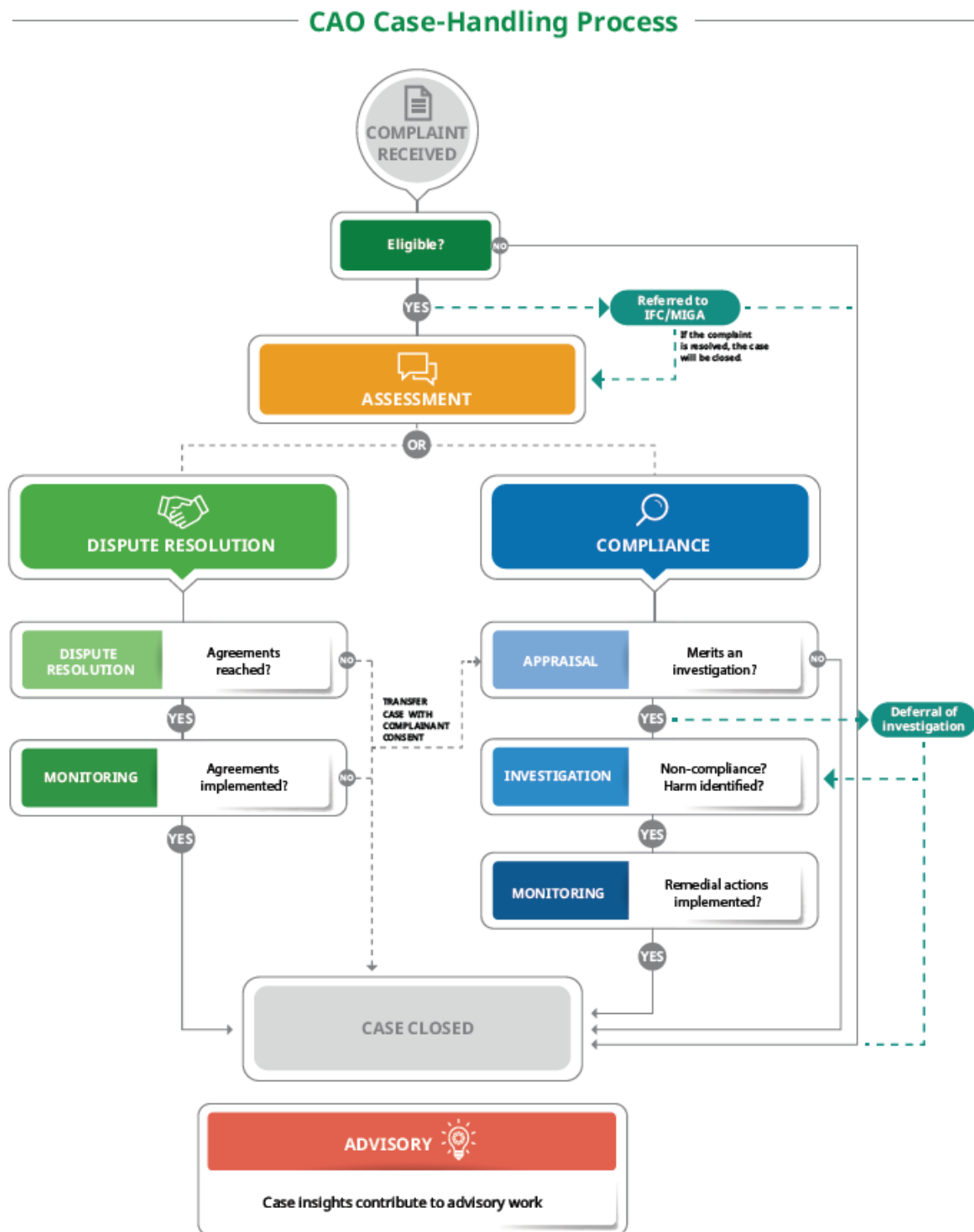
However, Pronaca explained that recent urban expansion has brought residential developments closer to its facilities. They stated that Santo Domingo’s population grows by 5% annually, and the Municipality continues to allow for houses to be built near farms. Pronaca claims that even though it continues to adhere to all regulations, it is left with few expansion possibilities in the area.

Pronaca also referenced a 2008 court case concerning biodigesters in some of its facilities, stating that the ruling was resolved in the company’s favor and that the court-mandated monitoring commission did not conclude its work. The company emphasized its continued adherence to national legal requirements.

6 Conclusion & Next Steps

During the assessment process, both parties expressed an interest in engaging in a CAO-facilitated dialogue process. In accordance with CAO’s policy, the complaint has been transferred to CAO’s Dispute Resolution function. CAO will facilitate the dispute resolution process, including assisting the parties in preparing for dialogue, agreeing on ground rules and on the scope of the dialogue, and working collaboratively with the parties to try to reach a resolution to the issues raised in the complaint and summarized in this assessment report.

Appendix A: CAO Complaint Handling Process



As per the IFC/MIGA Independent Accountability Mechanism (CAO) Policy, the following steps are typically followed in response to a complaint that is received:

- Step 1: **Acknowledgment** of receipt of the complaint.
- Step 2: **Eligibility:** A determination of the complaint's eligibility for assessment under the mandate of CAO (no more than 15 business days).
- Step 3: **Assessment:** Assessing the issues and providing support to stakeholders in understanding and determining whether they would like to pursue a consensual solution through a collaborative process convened by CAO's Dispute Resolution function or whether the case should be handled by CAO's Compliance function to review IFC's/MIGA's environmental and social due diligence. The assessment time can take up to a maximum of 90 business days, with the possibility of extension for a maximum of 30 additional business days if, after the 90-business day period, (1) the parties confirm that resolution of the complaint is likely or (2) either Party expresses interest in dispute resolution, and there is potential that the other Party will agree.
- Step 4: **Facilitating settlement:** If the parties choose to pursue a collaborative process, CAO's Dispute Resolution function is initiated. The dispute resolution process is typically based on or initiated by a Memorandum of Understanding and/or mutually agreed-upon ground rules between the parties. It may involve facilitation/mediation, joint fact finding, or other agreed resolution approaches leading to a settlement agreement or other mutually agreed and appropriate goals. The major objective of these types of problem-solving approaches will be to address the issues raised in the complaint, and any other significant issues relevant to the complaint that were identified during the assessment or the dispute resolution process, in a way that is acceptable to the parties affected.

OR

Compliance Appraisal/Investigation: If the parties opt for an investigative process, the complaint is transferred to CAO's Compliance function. The complaint is also transferred to the Compliance function when a dispute resolution process results in partial or no agreement. At least one Affected Community Member must provide explicit consent for the transfer, unless CAO is aware of concerns about threats and reprisals. CAO's Compliance function reviews IFC/MIGA's compliance with environmental and social policies, assesses related harm, and recommends remedial actions where appropriate following a three-step process. First, a compliance appraisal determines whether further investigation is warranted. The appraisal can take up to 45 business days, with the possibility of extending by 20 business days in exceptional circumstances. Second, if an investigation is warranted, the appraisal is followed by an in-depth compliance investigation of IFC/MIGA's performance. An investigation report will be made public, along with IFC/MIGA's response and an action plan to remediate findings of noncompliance and related harm. Third, in cases where noncompliance and related harm are found, CAO will monitor the effective implementation of the action plan.

- Step 5: **Monitoring and Follow-up**

