

Dear IDB Invest Executive Directors,

CC: Carlos Eduardo Narvaez, IDB Invest – Agribusiness Director; Leonardo Mazzei, IDB Invest, Head of Stakeholder Engagement, Environmental, Social, and Corporate Governance Division

Re: CMI Alimentos Expansion, project Number 14509-01

We, the Stop Financing Factory Farming coalition (S3F), are writing to express serious concerns about IDB Invest's [Project 14509-01](#): a proposed loan of up to US\$250 million to support the expansion of the CMI Alimentos and its subsidiaries, mainly in Honduras, Costa Rica, and El Salvador. The projected Board date for the loan is November 14th.

IDB Invest's Environmental and Social Review Summary (ESRS), and proposed Environmental and Social Action Plan (ESAP) assert that the environmental and social risks and impacts associated with the project are expected to be “low to medium intensity” and “reversible and mitigable with measures available with current technologies”. However, our research into CMI Alimentos' operations indicate that these impacts could, in fact, be diverse, irreversible, or unprecedented (Category A) and include adverse impacts on climate via increased GHG emissions (PS1, PS3), deforestation (PS6), indigenous peoples (PS7) and cultural heritage (PS8). It is also unclear that the project will address food security in the region, a key stated aim of the project.¹ Our research suggests the project may have negative consequences in this regard, particularly among vulnerable populations who rely on subsistence agriculture.

Building on IDB Invest's historical support for CMI Alimentos, this proposed investment merits scrutiny prior to a vote. Adding to the concerns laid out above, we urge the board to consider that the project will either directly or indirectly support CMI Alimentos' expansion of its fast food (Pollo Campero) chain into the United States, contributing to the highly problematic over-consumption of animal-based foods in a region where public policy and support should be directed toward shifting consumption patterns toward sustainable diets.²

Important also are CMI Alimentos' claims of “sustainability leadership” in the context of documented issues including human rights violations, a refusal to share information about animal welfare practices, and domicile-related tax avoidance, which may eliminate the company's eligibility for IDB Invest's preferential financing.

Given all these concerns, we request that the Directors either vote “no” on [Project 14509-01](#) or, at a minimum, delay a vote until the concerns enumerated here can be

1

<https://noticiasibo.com/2021/01/26/cmi-alimentos-y-bid-invest-forman-alianza-para-reforzar-la-seguridad-alimentaria-y-el-desarrollo-economico-en-la-region/>

² FAO (2023), State of Food and Agriculture, <https://www.fao.org/3/cc7724en/cc7724en.pdf>;
<https://foe.org/resources/climate-misalignment/#:~:text=%E2%80%9DClimate%20Misalignment%E2%80%9D%20documents%20how%20MDBs,exclude%20industrial%20livestock%20and%20feed.>

investigated in more detail. Please see the attachment for further details on each of the issues noted above.

Sincerely,

Kezia Kershaw

On behalf of the Stop Financing Factory Farming coalition



The Stop Financing Factory Farming campaign is a coalition of organisations working in partnership with locally affected communities and organisations to shift development finance away from harmful industrial animal agriculture.

ATTACHMENT:

Environmental and Social Sustainability Policy concerns related to CMI Alimentos

1. Corporate tax avoidance and human rights violations

- 1.1 A report from 2019 identifies the complex corporate structure of CMI – including a holding company in Madrid, CMI Hispania, and family foundations in Curacao – as responsible for avoiding at least €4.1 million in taxes between 2015 and 2017, which would have been levied by El Salvador, Panama and Costa Rica.³ This includes the Gutiérrez family minimising taxes on €5.5 million earned from the operations of CMI Alimentos' subsidiary Fábrica de Harinas de Centroamérica in Costa Rica (one of the companies named in project disclosures). Given IDB Invest's mandate to reduce poverty and inequality and the ways in which tax avoidance has contributed to the concentration of wealth in Central America, it is at least perplexing that CMI would continue to be a recipient of IDB Invest support.⁴
- 1.2 CMI (parent company of CMI Alimentos) is reportedly connected to ongoing conflict and rights violations in Guatemala through its subsidiary CMI Energía and subcontractor Grupo Cobra (ACS). CMI Energía constructs, owns and operates hydroelectric dams for power generation in Alta Verapaz, Guatemala.⁵ This includes the Renace plants along the Cahabón River.⁶ The Cahabón river is sacred to the Mayan Q'eqchí communities who have lived in the area for more than 1000 years, thus are deeply connected to the Cahabón river and river basin.^{7,8} In 2019, the Supreme Court of Guatemala ruled that Grupo Cobra, the subcontractor for construction of a fifth Renace dam on the Cahabón river, had not upheld Free, Prior and Informed Consent and consultation with the local Q'eqchí peoples.⁹
- 1.3 The subcontractor for Renace (Grupo Cobra) led reprisals against Q'eqchí groups, who have raised concerns and complaints against the social and environmental impacts of hydroelectric power construction in their territory. These include but are not limited to violation of FPIC, deforestation and pollution.¹⁰ In particular, human rights defender Bernardo Caal Xol was defamed and criminalised after accusations of theft from Grupo Cobra, as they constructed another hydroelectric plant (Oxec) on

³ It is notable that the company structure involves shareholdings in Curacao. El Salvador, one of the target countries for this proposed loan, reportedly penalises companies that are based in Curacao in recognition of its tax haven-like impacts on national tax collection.

<https://www.elfaro.net/es/201906/centroamerica/23462/La-ruta-Madrid-Curacao-as%C3%AD-ahorran-impuestos-los-due%C3%B1os-de-Pollo-Campero.htm>

⁴ Busso and Messina (2020), "The Inequality Crisis: Latin America and the Caribbean at the Crossroads"

<http://dx.doi.org/10.18235/0002629>

⁵ See e.g. https://issuu.com/cmiennergia/docs/sustainability_report_2021_capital

⁶ <https://www.hydropower.org/our-members/renace> and

<https://ager.org.gt/wp-content/uploads/2018/05/casosfinalesartesyweb.pdf>

⁷ https://www.business-humanrights.org/documents/4893/We_defend_Life_CL.pdf

⁸ <https://www.culturalsurvival.org/news/water-defender-bernardo-caal-xol-released-prison>

⁹ <https://efeverde.com/acs-guatemala-consulta-previa-indigenas/>

¹⁰ <https://www.business-humanrights.org/en/latest-news/bernardo-caal-3/>

the Cahabón river.¹¹ Bernardo Caal Xol is the first prisoner of conscience (2018–2022) declared by Amnesty International in Guatemala since the end of armed conflict in the country in 1996, speaking to the severity of the case.¹² Caal himself has said that “all [hydroelectric plants] were granted in a corrupt manner and without consulting the indigenous peoples, as stipulated in ILO Convention 169”, on the Cahabón river – including the 4 currently operational phases of Renace, part of CMI Energía portfolio.¹³ Renace has also reportedly diverted the river without consultation and left Q'eqchí communities without access to water.¹⁴

- 1.4 The ongoing opposition of Q'eqchí groups, and lack of adequate community consultation, undermine CMI Energía's claims of integrity and accountability, and claims that it is implementing the “best global practices of community relations” and promoting “sustainable social development” in the Alta Verapaz region.¹⁵
- 1.5 Additionally, we have concerns about the compliance of CMI Alimentos with the reporting commitments of existing IDB Invest loans. Environmental and Social Action Plans (ESAP) require CMI Alimentos to disclose regular updates on the implementation of the ESAPs for previous loans, but these cannot be found on IDB Invest's, nor on CMI's website. Thus it is unclear whether IDB Invest ensured that CMI Alimentos had met all ESAP requirements relevant to previous loans in advance of proposing [Project 14509-01](#).

2. Potential inadequate application of PS1, PS3, PS6: GHG emissions, Paris Alignment, supply chain deforestation

- 2.1 IDB Invest is rightly committed to Paris Alignment. The Bank's Paris Alignment Implementation Approach requires “additional information and activity elements to acknowledge and manage the risk of carbon lock-in and/or climate transition risks” for GHG-intensive activities including livestock.¹⁶ Further, livestock operations require “specific assessment” to determine Paris alignment.¹⁷
- 2.2 However, IDB Invest has not required CMI Alimentos to assess or disclose the full scope of its greenhouse gas emissions before considering investment. The project disclosures state that CMI Meat Solutions (within CMI Alimentos) is developing a GHG emissions management plan, which is stated as “expected to begin in the first half of 2023, with annual results by 2024”.¹⁸ It is unclear whether this timeline has

¹¹ <https://www.washingtonpost.com/opinions/2021/11/01/bernardo-caal-xol-mayan-activist-guatemala/>

¹² <https://www.amnesty.org/en/latest/news/2020/07/guatemala-bernardo-caal-xol-presos-conciencia/>

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<https://elpais.com/planeta-futuro/2022-04-05/criminalizar-es-la-forma-en-la-que-guatemala-persigue-a-los-pueblos-originarios.html>

¹⁴ <https://www.washingtonpost.com/opinions/2021/11/01/bernardo-caal-xol-mayan-activist-guatemala/>

¹⁵ <https://cmi-energia.com/en/press-room-post>

¹⁶ Page 10. IDB (2023). *IDB Group Paris Alignment Implementation Approach: Principles, Methodology, and Technical Guidance*. <https://drive.google.com/file/d/1yD1xR5Xo-LB6EPLiTaR3LviFpLwWHmCA/view>

¹⁷ Page 18. Ibid.

¹⁸ Page 12 of the [Project 14509-01 ESRS](#).

been adhered to, or whether this covers Scope 1, 2 and 3 emissions. The ESRS also indicates that other business units within CMI Alimentos are required to report on only direct emissions from fuel consumption (Scope 1) and indirect emissions from electricity consumption (Scope 2). There is no mention of GHG emissions reductions commitments or targets, or alignment with a “well below” 2°C pathway as the Paris Agreement requires. Nor does the ESRS for [Project 14509-01](#) contain a “specific assessment” of CMI Alimentos’ livestock operations; this comprises a failure to comply with the bank’s Paris Alignment Implementation Approach.

- 2.3 The section of the ESRS for [Project 14509-01](#) that deals with GHG emissions lacks credibility and sharply diverges from scientific consensus. The ESRS explicitly states that CMI Meat Solutions is preparing an inventory of emissions “that potentially contribute to climate change” (original Spanish: “que potencialmente contribuye al cambio climático”).¹⁹ There is no uncertainty: all GHG emissions contribute to climate change, and industrial animal agriculture is a leading cause of climate change.²⁰ Any investor in the industry’s expansion must be held accountable for the industry’s negative impacts on climate rather than permitted to obscure them. IDB Invest can be no exception.
- 2.4 [Project 14509-01](#) may also run afoul of IDB Invest’s Environmental and Social Sustainability Policy and IFC Performance Standard 3 (PS3): Resource Efficiency and Pollution Prevention.²¹ PS3 states that for projects “expected to or currently produc[ing] more than 25,000 tonnes of CO₂-equivalent annually”, clients must quantify Scope 1 and 2 emissions (including non-energy related sources like methane and nitrous oxide).²² Rough estimates readily indicate that the GHG emissions of CMI Meat Solutions is likely to exceed this threshold. Calculating based on figures stated by IDB Invest in the ESRS for a previous (2018) loan to CMI Alimentos, the company produced 300,000 metric tons of chicken meat annually.²³ Poore and Nemecek (2018) calculate that, on average, producing 1kg chicken meat emits 9.87kg CO₂e.²⁴ This produces an estimate of total GHG emissions for CMI Alimentos’ poultry operations alone as approximately 2,961,000 metric tonnes kg CO₂e, across Scope 1, 2 and 3. From this a conservative estimate of Scope 1 and 2 emissions from direct on-farm energy use and manure storage/processing is 414,540 metric tonnes kg CO₂e (i.e. 14% of the 2,961,000) – far greater than the

¹⁹ Ibid.

²⁰ See e.g. IPCC (2014) AR5, Chapter 11: Agriculture, Forestry and Other Land Use (AFOLU), <https://www.ipcc.ch/report/ar5/wg3/agriculture-forestry-and-other-land-use-afolu/>

²¹ Pages 5-6. IDB Invest (2020), Environmental and Social Sustainability Policy https://idbinvest.org/sites/default/files/2022-11/idb_invest_sustainability_policy_2020_EN.pdf

²² Pages 2-3. IFC (2012) Performance Standards. <https://www.ifc.org/en/insights-reports/2012/ifc-performance-standards>

²³ 2018 ESRS available at: <https://idbinvest.org/sites/default/files/environmental-and-social-review-835-en.pdf>. Given company growth since 2018, a more up-to-date estimate would be higher.

²⁴ Poore and Nemecek (2018), “Reducing food’s environmental impacts through producers and consumers”. <https://doi.org/10.1126/science.aag0216>

25,000 tonnes threshold of PS3.²⁵

- 2.5 At the same time, the PS 3 requirement is explicitly acknowledged in the ESRS (4.3.a.i, footnote 23), in relation to the other business divisions of CMI Alimentos. It is unclear why this was not also considered for CMI Meat Solutions. Scope 1 and 2 emissions for 2022 were only reported for the CMI-B4B unit in El Salvador and Costa Rica, and not CMI Alimentos as a whole (ESRS 4.3.a.i).
- 2.6 While most of CMI Alimentos' grain is imported from the U.S (as stated in the project ESRS at 4.6.a), our research revealed that key suppliers of grains for its animal feed (Cargill, Bunge, ADM) are directly linked to deforestation activities in the Amazon region through their contractors (e.g., SLC Agrícola, Fazenda Santa Ana). There is no guarantee that this grain is not ending up in the CMI Alimentos supply chain.

3 Potential inadequate application of PS3, PS4, PS6, PS7, PS8: Direct impacts of CMI Alimentos on indigenous communities, including water use and pollution

- 3.1 A forthcoming report by S3F includes accounts from members of the Xinkas indigenous people, about the negative impacts they have suffered as a result of the expansion of pig and poultry operations in the Jalapa region, Guatemala. This includes the operations of CMI Alimentos. This indicates potential violations of PS7 and PS8. Unfortunately, risks to local communities are not accounted for in the [Project 14509-01](#) ESRS.²⁶
- 3.2 Among other impacts, individuals report lack of food security, and emigration from the areas where industrial meat operations have expanded, due to the impact on crop cultivation and the loss of available, unpolluted freshwater.

"[Industrial livestock operations] use a lot of water to produce animals, and then there is no water for us. Our crops die, as well as our animals. Some days, we only have three hours of water supply, and we can only use it to drink and cook. [...] Many members of our tribe are going to the USA or other cities in Guatemala because it is impossible to live here without water. This migration endangers our culture; if there are no Xinkas here, how will we perform our rituals? Our culture is dying." – Respondent 1

"The presence of companies in the region has driven up land prices, making the plots more expensive. ... There are murders in the region because of the [unavailability of] land. It is no longer safe as it used to be in the time of our ancestors" – Respondent 2

²⁵ Using FAO LCA average calculations for % of emissions across chicken meat supply chains: 78% of emissions from feed production; 8% from direct on-farm energy use; 7% postfarm processing and transport of meat; 6% manure storage/processing. To map to the IFC PS3 requirements that cover Scope 1 and Scope 2 only, this final calculation takes 14% of the total estimated emissions for CMI poultry operations (8% of emissions direct on-farm energy use + 6% of emissions from manure storage/processing). MacLeod et al. (2013) *Greenhouse gas emissions from pig and chicken supply chains. A global life cycle assessment*. Available at: <https://www.fao.org/3/i3460e/i3460e.pdf>

²⁶Page 2 of the [Project 14509-01 ESRS](#).

"It is a problem because we can no longer produce our own food (mainly corn), so we have to buy it, and it is too expensive. Many of us are hungry" – Respondent 3

- 3.3 To the extent public support can be leveraged to bolster food security among such populations, funds should be directed toward assisting Indigenous, women and other local community farmers in continuing to practise, or adopting, more ecological, resilient and climate-adapted farming techniques.
- 3.4 CMI is also connected to the ongoing harms of intensive pig farms in the Santo Domingo de los Tsáchilas region of Ecuador via its equity stake in Pronaca, another IDB Invest client.²⁷ The subject of CAO (IFC) and MICI (IDB) complaints, Pronaca has allegedly breached the banks' policies and performance standards by failing to consult locally impacted indigenous communities or adequately mitigating environmental damage in the community.²⁸
- 3.5 It is well-documented that people living near industrial animal agriculture suffer from high rates of respiratory diseases and other mental and physical illness, due to widespread noise, traffic, methane, ammonia, particulate matter, and other types of pollution.^{29,30} Inextricably, industrial animal agriculture operations degrade local environments, including through pollution of groundwater and surface water with pesticide-based toxic chemicals, as well as nitrates, antibiotics, pathogens and other contaminants contained in animal manure.³¹
- 3.6 The ESRS acknowledges that risks of the project include "generation of air pollutant emissions" and "solid ... and liquid waste".³² However, neither the ESRS or ESAP outline a detailed plan for dealing with air pollutant emissions such as ammonia, or CMI Alimentos' total (Scope 1–3) GHG emissions.

²⁷ CMI acquired a 50% stake in Pronaca in 2017. <https://somoscmi.com/es/marca/pronaca/>

²⁸ <https://www.cedenma.org/pronaca-contamina/> (ESP), or <https://foe.org/news/pronaca-report/> (ENG)

²⁹ See above for the evidence provided in relation to the Pronaca case in Ecuador. See also e.g. Lee (2022), "Racist Animal Agriculture" <https://academicworks.cuny.edu/clr/vol25/iss2/2/>; Nicola (2013) "CAFOs and Environmental Justice: The Case of North Carolina" <https://doi.org/10.1289%2Fehp.121-a182>; Berger (2022) <https://www.vox.com/future-perfect/23003487/north-carolina-hog-pork-bacon-farms-environmental-racism-black-residents-pollution-meat-industry>

³⁰ On air and particulate matter pollution, see e.g. Lavaine et al (2020), "Health, air pollution, and animal agriculture", <https://doi.org/10.1007/s41130-020-00124-w>; de Rooij et al. (2019), "Endotoxin and particulate matter emitted by livestock farms and respiratory health effects in neighboring residents", <https://doi.org/10.1016/j.envint.2019.105009>; Smit et al. (2014), "Air pollution from livestock farms, and asthma, allergic rhinitis and COPD among neighbouring residents", <https://doi.org/10.1136/oemed-2013-101485>; van Kersen et al. (2020) "Acute respiratory effects of livestock-related air pollution in a panel of COPD patients", <https://doi.org/10.1016/j.envint.2019.105426>.

³¹ See e.g. Global Partnership on Nutrient Management and International Nitrogen Initiative / Sutton et al. (2013) *Our Nutrient World*. Available at: <https://www.unep.org/resources/report/our-nutrient-world>; Bouwman et al. (2011) "Exploring global changes in nitrogen and phosphorus cycles in agriculture induced by livestock production over the 1900–2050 period". Available at: <https://doi.org/10.1073/pnas.1012878108>; Sutton et al. (2011) The European Nitrogen Assessment. Available at: https://assets.cambridge.org/97811070/06126/frontmatter/9781107006126_frontmatter.pdf.

³² Page 1, point 2 of the [Project 14509-01 ESRS](#).

- 3.7 Nor do the documents contain a detailed plan for mitigating water pollution due to pesticide and manure runoff and/or leakage, or effluent discharge from the various elements of CMI Alimentos' operations—most notably CMI Alimentos' owned and contracted animal rearing and slaughtering facilities, which are served by the company's feed production operations. Rather, the documents include only limited requirements for GHG inventories and effluent monitoring and management for non-livestock business divisions of CMI Alimentos.³³ While full GHG and pollution monitoring should be required for both the non-meat (e.g. feed, milling) and Meat Solutions divisions of CMI Alimentos, a failure to monitor pollution from CMI Meat Solutions is particularly salient and raises the question of whether the company's current and/or proposed activities are PS3 compliant.
- 3.8 [Project 14509-01](#) may also have adverse impacts on other communities, including indigenous or economically disadvantaged communities, at sites of planned expansion, including those named in the project disclosures:³⁴
- a. Antiguo Cuscatlan, El Salvador (La Sultana, S.A. de C.V. and Harisa, S.A. de C.V.)
 - b. Pozon, Orotina, and Alajuela, Costa Rica (Alimentos del Norte, S.A.)
 - c. Puntaneras, Costa Rica (Fábrica de Harinas de Centroamérica, S.A)
- 3.9 Given the potential impacts on Indigenous and other communities, adequate investigations and consultations should be undertaken by IDB Invest before any further loan to CMI Alimentos can be considered. In the [Project 14509-01](#) documentation, there is no mention of such consultation being undertaken by either CMI Alimentos or IDB Invest

4. Animal welfare

- 4.1 The [Project 14509-01](#) ESRS states at 4.6 that CMI Meat Solutions is implementing “good animal welfare practices” that are aligned with “the animal welfare conditions based on the general principles of the Livestock Production Systems” of WOA (formerly OIE).³⁵ However, there is little evidence or disclosure of adequate animal welfare policies to support this claim. This is particularly concerning with regard to CMI Alimentos' system of “Wean to Finish” in their pig production units, and in

³³ According IDB Invest, CMI Alimentos employs “sanitary or wastewater management system[s] ... where the effluent receives biological treatment to reduce organic matter and nutrients to the levels allowed by the discharge regulations of each country, for subsequent discharge into receiving bodies or for use in fertigation.”

³⁴ Economically disadvantaged communities “generally have fewer socioeconomic resources and thus less capacity to adapt to the challenges of climate change[;] experience the highest rate of mental health issues alongside poorer overall health, reduced mobility, reduced access to health care, and economic limitations that affect access to goods and services”.

<https://www.climatehubs.usda.gov/hubs/northwest/topic/economically-disadvantaged-communities>

³⁵ In the original Spanish: “implementando buenas prácticas de bienestar animal que se alinean a las condiciones de bienestar animal basados en los principios generales de los Sistemas de Producción Pecuarios de la Organización Mundial de Sanidad Animal”.

poultry sites where more than 3 million chickens are produced per year.³⁶ For the latter, it is unclear what production system is used, including whether birds are caged.

4.2 Previously, IDB Invest has not shared information on animal welfare policies or reporting, when requested by a researcher.³⁷ IDB Invest labelled this “Commercially Sensitive Information” (CSI). Evidence of animal welfare policies and compliance with best practices of animal welfare should not be considered CSI, and CSI should not be used to block third-party scrutiny and accountability.

4.3 Refusal to share such information about animal welfare raises questions about whether the company can possibly be following the EHS Guidelines for Mammalian Livestock Production, and/or best practices for restricting veterinary antimicrobial use in response to antimicrobial resistance. The ESRS contains no mentions of antibiotics or antimicrobials.

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<https://noticiasibo.com/2023/05/19/cmi-y-jurimar-inauguran-granja-sostenible-que-fortalece-la-produccion-avicola-nacional>

³⁷ IDB Invest Administration Committee (2023). *Review of an Information Denial*. [Available here](#)