

ENVIRONMENTAL REVIEW SUMMARY (ERS)

Project Name	Ecuador: Favorita II	
Region	Latin America and Caribbean	
Sector	A - Agriculture and Forestry	
Project No.	11633	21 August 2002

Project Description

Favorita Fruit Company (Favorita) operations are vertically integrated through wholly owned subsidiaries in Ecuador. These include Rey Banano del Pacífico C.A. (Reybanpac), one of Ecuador's leading banana growers and exporters. Subsidiary activities encompass trading, shipping, production of cardboard and plastics, fumigation services, and importation and marketing of fertilizers.

This IFC-financed project involves the purchase of 2,200 ha of developed banana plantations. With this acquisition Favorita will have approximately 8,400 hectares devoted to banana production and will be less dependent on production from independent banana growers. Favorita plans to obtain ISO 14001 and ECO-O.K. certifications for the newly acquired plantations. The ECO-O.K. certification is a program of the Sustainable Agricultural Network, a coalition of NGOs that include Rainforest Alliance – USA; Corporación de Conservación y Desarrollo – Ecuador; Imaflora – Brazil; Centro Científico Tropical – Costa Rica; Fundación Interamericana de Investigación Tropical – Guatemala; and Salvanatura – El Salvador.

Additionally, Favorita will fund and manage a program to improve environmental and social practices among independent suppliers. The program will include measures to eradicate harmful child labor and activities to prepare the independent producer's plantations for international certification.

Environmental and Social Issues

This is a category B project according to IFC's environmental review procedure because specific impacts may result that can be avoided or mitigated by adhering to generally recognized performance standards, guidelines or design criteria. The review of this project consisted of appraising technical and environmental information submitted by the sponsor for existing operations, a visit of existing operations and independent producer's plantations, and detailed discussions with Favorita management. The following potential environmental, social, health and safety impacts of the project were analyzed.

- Environmental policy and environmental management;
- Acquisition of developed banana plantations;
- Retrenchment of developed banana plantation employees;
- Supply chain issues;
- Profile of independent producers;
- Employment of minors by independent producers;
- Environmental and social amelioration programs for independent producers;
- Favorita's role in the eradication of harmful child labor;
- Sector initiatives in the eradication of harmful child labor;
- Wong Foundation initiatives; and
- Land Acquisition and resettlement in the port terminal area.

The following paragraphs provide a discussion of how each of these potential impacts will be mitigated.

1. Environmental policy and environmental management. Favorita's existing operations (Reybanpac, Aerovic, Expoplast, Fertisa, and Cartonera Andina) benefit from a comprehensive and effective system to manage environmental and social issues. Notable accomplishments include ISO 14001 certification for all operations and ECO O.K. certification of all wholly owned banana plantations. Existing certifications for each plantation state that the plantation "promotes the ideals of conservation and social well being basic to sustainable development."
2. Acquisition of developed banana plantations. Favorita plans to acquire 2,200 ha of banana plantations during 2002-2003. Negotiations for the purchase of nine developed banana plantations (~1,100 ha) are already underway. The nine plantations are located near the city of Quevedo in the Province of Los Ríos and will be acquired from a single owner. Additional plantations (~1,100 ha) will be acquired during 2003. Favorita will invest in each plantation to ensure that they obtain ISO 14001 and ECO-O.K. certification. Favorita will carry out a detailed environmental and social audit of existing operations at each of the farms. The audit will provide a summary of the remedial measures and action items required to bring plantation operations into compliance with Ecuadorian law and with IFC/WBG guidelines and safeguard policies.
3. Retrenchment of developed banana plantation employees. The areas to be acquired are free of occupants other than caretakers of plantation installations. Favorita will offer employment and housing to caretakers. If necessary, improvements will be made to existing dwellings to provide acceptable living conditions. Workers currently employed on the farms will be terminated by the current owner and compensated in accordance with Ecuadorian law. Favorita will rehire the majority of these workers; however, rehires will exclude minors under the age of 16. Rehired workers will receive training in Favorita's environmental procedures and will have access to health insurance through the *Seguro Social Campesino* (Farmers National Insurance), an uncommon benefit among farm

workers in the banana sector. *Seguro Social Campesino* is critical for patient care in the event of serious illnesses or accidents. Those former employees who choose to stop working on the plantation will be free to invest their compensation payments in other economic activities or projects.

4. Supply chain issues. Independent producers currently supply about 18 million banana boxes to Favorita, which represent approximately two-thirds of Favorita's sales volume. Existing social and environmental practices among independent growers do not meet Favorita's plantation standards. Favorita implements technology transfer programs aimed at improving suppliers' product quality; however, a more formal program is required and will be implemented to significantly assist suppliers in the implementation of environmental and social improvements.
5. Profile of independent producers. Roughly 400 independent banana producers are regular Favorita suppliers and benefit from Favorita's technical assistance and credit programs. The average size of independent farms is 60 ha but varies significantly (10-60 ha). The number of employees varies as well. Family operations may have a few or no external employees. Others may employ up to 60 workers. Typically, 40% of the non-family workers are regular employees, while 60% are hired for specific tasks such as the day on which the bananas are packed and shipped. As part of this investment Favorita will enter into more formal arrangements with the suppliers, assist them in issues identification through conduct of a detailed gap analysis (audit) to delineate environmental and social issues that must be resolved to facilitate certification. Additionally, Favorita will augment its existing quality control programs to ensure that the management systems required to bring about needed changes on suppliers' farms are in place. Favorita will work closely with the suppliers with the aim of achieving ECO-O.K. certification for all by 2006.
6. Employment of minors by independent producers. Approximately 10–15% of the supplier farms' workforce is made up of minors, typically 15-18 years of age. Younger adolescents and children can be found working occasionally. In general, the incidence of child labor is inversely related to farm size. Minors account for 5-10 % of the workforce of independent producers. Most are 14-17, although the employment of younger individuals is not uncommon, particularly on farms that rely primarily on family labor. Minors are preferred for certain tasks, such as covering the bananas with plastic while they mature in the tree and placing stickers on them after harvest. In general, minors who work cannot study. Long distances between farms and schools make it difficult to combine work and study. Employment of minors between the ages of 14 and 17 is legal in Ecuador and is also consistent with the requirements of the International Labor Organization (ILO). Ecuador ratified the ILO's Minimum Age Convention (C138) in 2000, which states that the minimum age for admission to employment or work shall not be less than 15 years. However, countries with "insufficiently developed" economies and educational facilities can "initially specify a minimum age of 14

years.” Employment of minors between the ages of 12 and 14 is legal if the minors have been authorized to work by Ecuador’s *Tribunal de Menores* (Juvenile Court) and if such minors have completed primary school or are attending primary school. *Tribunal de Menores* authorization is granted when it can be proven that the minor needs to be employed to support the individual or other family members who are unable to work.

7. Environmental and social amelioration programs for independent producers. Favorita will implement a program to formally assist independent producers to improve environmental and social practices with the objective of obtaining ECO-O.K. certification. Key improvements required on individual farms to achieve certifications include: eradication of harmful child labor practices; implementation of reforestation programs; management of plastic waste; construction of solid waste and wastewater (sanitary and process) management systems; implementation of integrated pest management programs; construction of enclosed chemical products application chambers; and other priority issues that are identified in gap analyses. Small farmer’s certification-mandated investments may not yield greater profits; this is an inherent disincentive that Favorita will need to overcome over time. ECO O.K. certification will be a long-term goal for most independent producers. However, significant environmental and social improvements, which can be achieved quickly with minimal cost, will be a priority for Favorita’s implementation teams. Child labor, for example, can be eradicated over a short period of time, particularly on farms that do not rely primarily on family labor; natural vegetation can be preserved and enhanced to reduce erosion and associated surface water contamination; reforestation programs can be implemented in irregular areas, around packing plants and other installations, and near roads and rivers; and plastic collection and recycling can be implemented. Other improvements will require capital investments and will therefore take more time to put into effect. Most independent producers are not likely to achieve ECO-O.K. certification in the near future. Thus, Favorita will create a system to track progress towards certification, develop intermediate certification stages to reward small producers who implement significant environmental and social improvements (but insufficient to obtain ECO-O.K. certification) and other measures to maintain motivation among independent suppliers.
8. Favorita’s role in the eradication of harmful child labor. Favorita proposes to play a critical role in the eradication of harmful child labor among its suppliers and has developed a plan with this objective (see Attachment B). Commercial relations and concomitant technical assistance and finance (credit) with suppliers delivered on a farm by farm basis through Favorita Quality Teams will be made contingent upon on strict compliance with Ecuadorian legislation that will also enable the independent producers to meet ECO-O.K. certification requirement regarding child labor.

9. Sector initiatives in the eradication of harmful child labor. Strict compliance with Ecuadorian legislation regarding the employment of minors among Favorita's suppliers could merely transfer illegal activity to other banana producers. Thus, Favorita's Executive Vice president, in his capacity as president of the *Corporación de Promoción de Exportación e Inversión* (Corpei), which is a non-governmental organization that promotes private exports and foreign direct investment, led a sector-wide initiative to eradicate harmful child labor practices. As part of this initiative, Ecuador's major banana companies and the members of the *Asociación de Exportadores de Bananos de Ecuador* (AEBE) and the *Unión de Bananeros Ecuatorianos* (in aggregate these organizations account for 80% of Ecuador's banana production and 60% of exports) signed a formal agreement on July 23, 2002 in which they committed to eliminate the practice of hiring minors below the age of 15 within a 12-month period. The agreement also states that the signatories to the agreement will employ minors between the ages of 15 and 18 in strict compliance with the requirements of Ecuadorian law. The agreement was endorsed by the Ministry of Labor, the Ministry of Education, UNICEF, the ILO and the *Instituto Nacional de la Familia* (Ecuador's national Family Institute). As part of the agreement, banana exporters and producers will establish a Banana Business Forum (*Foro Empresarial del Banano*) to establish policies to eradicate harmful child labor in the banana sector. The policies will be implemented by an Executive Commission, whose members will represent banana producers and exporters, as well as government agencies, international organizations and labor unions.
10. Wong Foundation initiatives. The Wong Foundation, established in 1993 to develop and manage social programs, will support efforts to eradicate harmful child labor by increasing its support to educational activities. The Foundation currently supports 27 primary schools (14 private and 13 public) and implements various educational, environmental and health programs. Going forward, the Foundation will also support technical schools at the *ciclo básico* (fundamental program) level of secondary education. Technical schools at this level will be an attractive option for minors between the ages of 12 and 15 and can complement Favorita's efforts to eradicate harmful child labor among its suppliers.
11. Land Acquisition and resettlement in the port terminal area. In Early 1999 and continuing to mid 2002 Fertisa, which is Favorita's port operator, acquired possession rights over 153 lots located to the south of the port area. A total of 612 persons sold their property rights through a willing-buyer/willing seller process and resettled voluntarily. Fertisa assisted the families during their move and provided information on government housing programs and potential relocation sites. Fertisa plans to acquire approximately 150 additional lots in this manner by the end of 2003.
12. Based on its review of available information regarding potential environmental and social impacts and specific mitigation measures (addressed in the attached corrective action plan), IFC concludes that the proposed project is being designed

to meet Ecuadoran government regulatory requirements, as well as IFC and World Bank policies and environmental, social, health and safety guidelines.

13. IFC will monitor compliance with Ecuadoran regulations and World Bank policies and guidelines and with the attached corrective action plan during the life of the project. Favorita will submit annual environmental monitoring reports. IFC will evaluate these monitoring reports and Favorita's proposed remedial measures as needed to maintain compliance. Additionally, IFC will conduct periodic site reviews during project supervision.

ATTACHMENT A
FAVORITA II CORRECTIVE ACTION PLAN

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Environmental, Health and Safety Action Item		Required Completion Date
1. Conduct environmental/social audit/gap analysis of all banana plantations to be acquired during 2002 (approximately 1,100 ha). List all required social and environmental improvements in labor, training, water and wastewater and agrochemical management. Prioritize all activities and prepare target implementation schedules (specific dates) for each affected farm. Complete all required activities to bring newly acquired plantations and infrastructure up to Favorita quality standards.	January 2005	
2. Conduct environmental/social audit/gap analysis of all banana plantations to be acquired during 2003 (approximately 1,100 ha). List all required social and environmental improvements in labor, training, water and wastewater and agrochemical management. Prioritize all activities and prepare target implementation schedules (specific dates) for each affected farm. Complete all required activities to bring newly acquired plantations and infrastructure up to Favorita quality standards.	January 2006	
3. Offer employment and housing to caretakers of plantations purchased during 2002 and, if necessary, make improvements to existing dwellings to provide acceptable living conditions.	January 2003	
4. Offer employment and housing to caretakers of plantations purchased during 2003 and, if necessary, make improvements to existing dwellings to provide acceptable living conditions.	January 2003	
5. Obtain ISO 14001 and ECO-O.K. certification for banana production plantations purchased during 2002.	January 2006	
6. Obtain ISO 14001 and ECO-O.K. certification for banana production plantations purchased during 2003.	January 2007	
7. Develop formal agreement for ongoing relationships between Favorita and independent suppliers that stipulate the obligations of independent suppliers required to obtain continuing technical assistance, credit and Quality Teams support from Favorita.	June 2003	

FAVORITA II CORRECTIVE ACTION PLAN

Environmental, Health and Safety Action Item	Required Completion Date
8. Conduct environmental/social audit/gap analysis of all independent suppliers. Delineate the social and environmental improvements required to obtain ECO-O.K. certification for each independent supplier. Prioritize all activities and prepare target implementation schedules for each independent supplier.	June 2004
9. Modify existing Favorita Quality Control programs and procedures to ensure implementation of production and infrastructure practices on independent supplier farms to bring environmental and social activities into compliance with Ecuadorian laws and regulations and ECO-O.K. certification requirements of the Sustainable Agricultural Network	June 2003
10. Develop phased certification program for independent suppliers; conduct training for suppliers to facilitate their understanding of the short-term and long-term requirements to achieve the interim certification phases.	June 2003
11. Develop standardized and appropriate technical designs for wastewater and solid waste management systems and chemical treatment isolation chambers that can be constructed/implemented by independent suppliers for minimal costs.	June 2003
12. Eliminate purchases of bananas from suppliers without certification	January 2008

ATTACHMENT B

**PLAN PARA LA ERRADICACIÓN DEL TRABAJO INFANTIL
EN PLANTACIONES BANANERAS DEL ÁREA COMERCIAL
DE PROVEEDORES TERCEROS
(PLAN TO ERADICATE CHILD LABOR AMONG FAVORITA SUPPLIERS)**

**PLAN PARA LA ERRADICACION DEL
TRABAJO INFANTIL EN PLANTACIONES
BANANERAS DEL AREA COMERCIAL DE
PROVEEDORES TERCEROS”**

GUAYAQUIL, AGOSTO 14 DEL 2002

Guayaquil, Agosto 14/02

Señores
IFC

La empresa privada *Favorita Fruit Company* en un afán de colaborar con la disminución de un problema social, está dispuesta a formalizar un plan de capacitación dirigido a la protección del niño trabajador, el cual lleva como nombre. "ERRADICACION DEL TRABAJO INFANTIL EN PLANTACIONES BANANERAS DEL AREA COMERCIAL DE PROVEEDORES TERCEROS".

ANTECEDENTES:

Como una referencia de la problemática mundial, la Organización Internacional del Trabajo (OIT) explica que los principales sectores donde trabajan los niños son: la agricultura, la pesca, las ventas en la calle y la explotación sexual. El Jefe del Programa Nacional de la OIT, Eduardo Araujo, afirma que del total de niños que trabajan en América Latina el 70% se dedica a la agricultura.

Entre las causas del trabajo infantil señaladas por los expertos de la OIT se destacan: la pobreza, la inestabilidad política, la discriminación, la emigración, las prácticas culturales tradicionales, la falta de trabajo para adultos, la protección social inadecuada, la escasez de escuelas y el deseo de bienes de consumo.

Como una observación general del avance realizado por el Grupo Proveedores Terceros en las diferentes zonas bananeras del país, se deduce lo siguiente:

- Falta de información y conocimiento de los riesgos que conlleva el trabajo infantil.
- Necesidad de fuerza laboral de menores como un aporte a la economía familiar.
- Localización de escuelas muy distantes del medio familiar.
- Necesidad de trabajo, al evadir el maltrato familiar.

DESARROLLO DEL PLAN

De acuerdo a las necesidades reales de las zonas con sus circunstancias y características relacionadas con la problemática del niño trabajador, se ha organizado una carta de compromiso (véase Anexo No. 1) estableciendo los términos y políticas corporativas del Grupo Proveedores Terceros y un cronograma de trabajo a cumplir. (Véase el cuadro No.1.)

De acuerdo a la propuesta de la comisión ejecutiva para el sector bananero coordinada por la Corporación de Promoción de Exportaciones e Inversiones (CORPEI) establecimos una evaluación de los compromisos básicos para determinar el grado de implementación y avance. (Véase cuadro No. 2.)

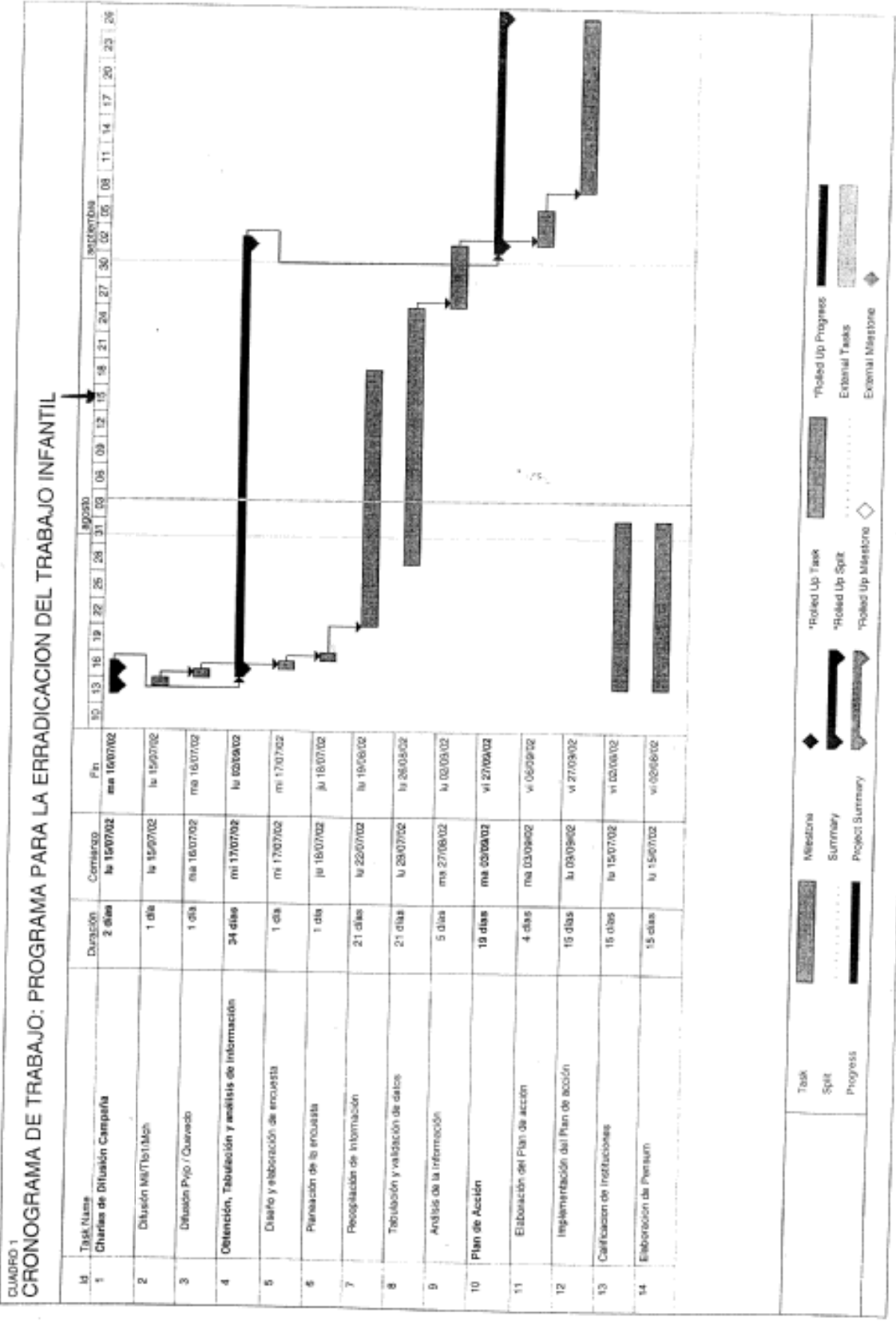
Con la información obtenida se dará un ordenamiento estadístico, de tal manera que se midan las necesidades para lograr los resultados a mediano y largo plazo en el mejoramiento y formación del sector a través de su participación en programas de calificación de mano de obra y calificación artesanal, con la cobertura y calidad de un pénsum.

Anexo 1
CARTA DE COMPROMISO

AGOSTO DEL 2002
Oficinas FAVORITA FRUIT COMPANY

1. Los productores se comprometen a un proceso selectivo y de separación progresiva de los niños menores de 15 años.
2. Los productores se comprometen a obtener una autorización del representante de cada adolescente mayor de 15 años y evitar su participación en trabajos riesgosos.
3. Adoptar las políticas Corporativas para el Grupo Proveedores Terceros que sustenten el compromiso y la responsabilidad en el cumplimiento de la legislación ecuatoriana y de la internacional en cuanto a controlar las condiciones laborales incluido el trabajo infantil, la salud, y seguridad en el trabajo.
4. Brindar apertura para realización de visitas de verificación periódica sobre la situación de menores en el sector.
5. Colaborar y brindar apertura para un estudio censal sobre la situación laboral y de trabajo infantil en el área bananera.
6. Impulsar el mejoramiento y formación del sector a través de su participación en programas de calificación de mano de obra y capacitación artesanal con la cobertura y calidad de un pènsum diseñado bajo los lineamientos agroecològicos y corporativos del Grupo Proveedores Terceros para el desarrollo integral del sector bananero.

Establecidos los términos y políticas corporativas del Grupo Proveedores Terceros los cuales constan en la presente **CARTA DE COMPROMISO**, los abajo firmantes nos comprometemos a cumplir con los mismos.



EVALUACION DE LA SITUACION ACTUAL DE LOS PRODUCTORES DEL GRUPO PROVEEDORES TERCEROS PARA FORMAR ESTRATEGIAS QUE COLABOREN CON LA ERRADICACION DEL TRABAJO INFANTIL

**"PROTEGIENDO Y EDUCANDO AL NIÑO, ASEGURAMOS LA PRODUCCION Y EL BIENESTAR DE LA NACION"
(PROPUESTA)**

	ZONAS					
	QUEVEDO	P. VIEJO	MILAGRO	TRUJUNFO	NARANJAL	MACHALA
A. COMPROMISOS BASICOS						
-DIFUNDIR LAS LEYES SOBRE TRABAJO INFANTIL	X	X	X	X	X	X
-AUTORIZACION DEL TRABAJO DE ADOLESCENTES MAYORES DE 15 AÑOS						
-APOYAR LAS INICIATIVAS DE LA PROPUESTA IPEC-OIT						
-ESTABLECER LA NO PARTICIPACION DE ADOLESCENTES EN ACTIVIDADES PELIGROSAS: (PEGAR Y ABASTECER CARTON, EMPACAR, PEGAR ETIQUETAS, PESAR Y CLASIFICAR CLUSTERS, SACAR ESPONJAS Y DAIPAS, DESFLORAR, QUITAR CINTA Y PLASTICO DEL TALLO, MISCELANEO, DESHOJAR PLANTILLAR.)						
-ESTABLESCA UN REGISTRO ESPECIAL PARA MENORES	X	X	X	X	X	X
-APERTURA PARA VERIFICACION PERIODICA SOBRE LA SITUACION DE MENORES EN EL SECTOR.						
B. EVALUACION PRIMARIA						
NUMERO DE MENORES POR ZONA (CAMPO-EMPACADORA) *:	67-66	96-13	3-19	2-2	3-15	22-2
NUMERO DE ESCUELAS DE LA FUNDACION WONG POR ZONA	25	1				2
NUMERO DE ESCUELAS POR ZONA	32	49	40	14	13	**
PRODUCTORES POR ZONA	65	57	29	22	17	85
*SE APRECIA QUE LOS PRODUCTORES HAN SUBESTIMADO LA PARTICIPACION DE LOS INFANTES EN ESTA PRIMERA EVALUACION.						

** ESTOS DATOS SE ESTAN CHEQUEANDO.

Robert B. Horner
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