



# CLOSING THE FINANCING GAP



**WHY ARE DEVELOPMENT BANKS STILL FUNDING FACTORY FARMING  
DESPITE COMMITMENTS TO THE SUSTAINABLE DEVELOPMENT GOALS?**

A comparison of sustainable livestock farming policies with 2021 project financing by twelve multilateral development banks and recommendations for sustainable progress by 2030.

*A report by World Animal Protection, as a contribution towards the Divest Factory Farming Campaign.*

## About World Animal Protection

World Animal Protection is an international animal welfare organization. Our mission is to create a better world for animals. From the frontlines of disaster zones to the boardrooms of large corporations, we are fighting to create better lives for all animals. World Animal Protection is registered with the Charity Commission as a charity and with Companies House as a company limited by guarantee. World Animal Protection is governed by its Articles of Association. Charity registration number 1081849. Company registration number 4029540. Registered office 222 Gray's Inn Road, London WC1X 8HB.

## About this report

This report investigates the links between industrial livestock and the sustainable development goals, and the related investments of public development bank.

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**Cover image:** Image of a chicken farm. Credit: C.Lotongkum / Shutterstock.com

# BANKS REVIEWED IN THIS REPORT



The African Development Bank  
(AfDB)



The Asian Development Bank  
(ADB)



The European Bank for  
Reconstruction and Development  
(EBRD)



The European Investment Bank  
(EIB)



The Inter-American Bank (IADB)



The Inter-American Bank Group's  
IDB Invest (IDB Invest)



The International Finance  
Corporation (IFC)



The International Fund for  
Agricultural Development (IFAD)



The Islamic Development Bank  
(IsDB)



The New Development Bank  
(NDB)



The West African Development  
Bank (BOAD)



The World Bank Group's International  
Bank for Reconstruction and  
Development and International  
Development Agency (World Bank)

# DEFINITIONS

The terms below are defined as follows for the purposes of this report:

## ANIMAL WELFARE

Caring for the welfare of farm animals not only means ensuring that their normal biological needs are met with adequate food, water, and general good animal husbandry. It also means providing them with consistent opportunities for positive experiences, including performing most of their most important natural behaviours.

## BORROWER

Also referred to as the 'client' or 'recipient'. The recipients of bank financing. This report includes both public sector (sovereign) and private sector (non-sovereign) borrowers.

## FACTORY FARMING

Also referred to as 'industrial' or 'intensive' farm animal production, factory farming refers to practices that do not acknowledge the sentience and welfare of animals, and where negative animal welfare, environmental and labour impacts are significant yet not factored into the costs of production. The business model is characterised by concentrated and highly corporatised management, production efficiency and process control, monocultures, high production volumes, and a strong focus on cost minimisation.

## FARM ANIMALS

Terrestrial animals raised for meat, dairy and eggs, including cows, chickens, goats, pigs, rabbits, sheep and turkeys. This report does not address aquaculture or fish farming, working animals or animals farmed for fur.

## FEEDLOT

Operations where animals are kept on small areas for fattening in which feed is brought in, rather than allowing animals to graze and seek feed on pastures, fields or rangeland.

## FOOD SYSTEM

Food systems gather all the elements (environment, people, inputs, processes, infrastructures, institutions, etc.) And activities that relate to the production, gathering, processing, marketing, distribution, preparation, consumption and disposal of food, and the output of these activities, including health, socio-economic, animal welfare, and environmental outcomes.

## POULTRY CAGES

More commonly used in egg production than in meat production. The wire cages typically do not allow birds to spread their wings. Referred to as 'battery cages' because they are lined up in rows and columns. There are two types: 'barren' and 'furnished' or 'enriched'. Furnished cages are larger than barren cages, but both permanently confine the birds.

## PUBLIC BANK

Financial institutions founded and owned by one or more governments, supporting public or private beneficiaries and with a mission to support development.

## SOW STALLS

Small metal enclosures in which breeding sows are kept, often for the majority of their four-month pregnancy. Referred to as 'gestation crates', the narrow enclosures do not provide space for pigs to turn around.

## SUSTAINABLE FARMING

Food systems that ensure food security and nutrition for all in such a way that the economic, social, and environmental bases to generate food security and nutrition of future generations are not compromised. Examples include agroforestry, silvopastoral, and other agroecological systems that integrate trees, shrubs and bushes into production and rotate crops appropriately. Other key characteristics include the maintenance of a reasonable total number of animals, and the ability for animals to perform natural behaviours and have outside access.



PHOTO 1 Pregnant pigs (sows) are kept in rows of cages (known as gestation crates) on a farm in China. Credit: World Animal Protection



Considering the well-known negative impacts of factory farming on surrounding environments and local communities, and on the prosperity of smaller, emerging companies practicing more sustainable farming methods, it is unacceptable for public banks to continue to support it. This is especially true for the banks we examined who showed public support for sustainable farming but continue to approve factory farming projects.

The United Nations Environment Assembly recently passed an Animal Welfare - Environment - Sustainable Development Nexus resolution, which acknowledges that animal welfare can contribute to achieving the Sustainable Development Goals. Crucially, all Member States acknowledged that there is an increasing need to address the connections between the health and welfare of animals, sustainable development, and the environment. We need to see policy coherence and alignment of financing with this resolution and other commitments such as the Paris Agreement and the Convention on Biological Diversity.

The banks we reviewed are able to influence other public financial institutions. Importantly, they can also drive change within the private markets and, ultimately, create momentum for a transformation of the entire livestock sector. Given their statements about agriculture and their role as sustainable finance institutions, the banks we reviewed also have a duty to do so.



Photo 2 Mother pigs in individual cages are unable to move, turn around or socialize during their pregnancy. Credit: World Animal Protection / Emi Kondo

# KEY FINDINGS OF THIS REPORT

Factory farming hinders the ability to meet the SDGs. Sustainable farming with smaller stocking rates that prioritise women, farmers and small businesses can support the SDGs. Improving animal welfare in livestock production and addressing the overconsumption of animal-sourced food positively impacts multiple SDGs.



98% of the signatories to the SDGs used public money to finance factory farming in 2021 based on ownership in a public bank that approved, signed, disclosed or made their initial investment in a factory farming project in 2021.

0% OF THE BANKS



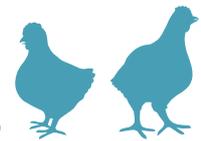
have committed to fully exclude factory farming from funding.

50% OF THE BANKS



approved, signed, disclosed or financed a new project in 2021 likely supporting factory farming, including through production, processing, manufacturing, retailing, feed production and financial intermediaries.

80% OF THE BANKS



that publish E&S summaries supported a new livestock project in 2021 without including animal welfare in the E&S review or the E&S action plan.

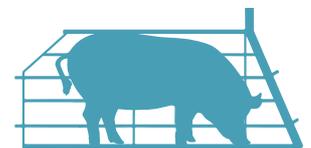
83% OF THE BANKS



do not require higher animal welfare standards than the national and local laws for all their projects.

17% OF THE BANKS

fully or partially exclude poultry cage or sow stall financing.



# LIVESTOCK PRODUCTION AND THE SUSTAINABLE DEVELOPMENT GOALS



In Section 1, we compare the impacts of sustainable farming and factory farming for achieving each of the 17 SDGs. Providing affordable and quality protein to a growing population amid catastrophic risks from climate change, pandemics, zoonotic disease, pollution and resource scarcity is an immense and complex challenge. This is especially true considering the social components of hunger and malnutrition. Yet, the definition of sustainable food production is quite simple. It does not harm the environment. It benefits society. It creates broad economic progress.<sup>xiii</sup>

## **KEY FINDING 1:** **FACTORY FARMING SERIOUSLY JEOPARDISES SDG PROGRESS**

The negative effects of factory farming on the SDGs include the rising levels of GHG emissions, immense deforestation, antibiotic overuse, poor working conditions, the pollution and overuse of water, land and air, the rising costs of grains for food, biodiversity loss and the proliferation of zoonotic disease (SDGs 2, 3, 6, 8, 11-15). Factory farming also increases the wealth of large companies but decreases opportunities for women, family farmers, smallholders, and small and medium-sized enterprises (SMEs) who rely on sustainable farming for their livelihoods (SDGs 1, 5, 8, 10). Factory farms lose millions of animals to extreme weather events, often polluting water with carcasses (SDGs 2, 6, 9). The availability of cheap and unhealthy factory farmed food also contributes to irresponsible consumption (SDG 12) and ill-health (SDG 3).

## **KEY FINDING 2:** **SUSTAINABLE LIVESTOCK PRODUCTION HAS MULTIPLE SDG BENEFITS**

Using agroecological principles and integrating reasonable amounts of farm animals into the surrounding environment can create a number of environmental benefits. These include reforestation and reduced erosion, less use of toxic pesticides, increased crop yields and nutrient recycling, less fossil fuels emitted and enhanced biodiversity (SDGs 2, 6, 13-15). Important social benefits include better employment for rural populations and for women, increased business opportunities for small and medium enterprises (SMEs), and improvements to food security (SDGs 1, 2, 5, 8). Studies also indicate that animal products from high welfare, sustainable farms are healthier, with less fat and more antioxidants – and they even taste better than factory farmed food (SDG 12).

## **KEY FINDING 3:** **ANIMAL WELFARE AND SDG 12 ARE KEYSTONE SDG STRATEGIES**

Factory farms lack responsible animal welfare standards even though experts agree that this area is important for achieving each of the SDGs. The links between improving animal welfare and achieving each of the SDGs were 85% positive and never assessed to be negative. Animal welfare had a mutually reinforcing effect with responsible consumption and production (SDG 12). With consumption, including the willingness of consumers to pay the true cost of animal products and to also eat less of them, the food system's environmental footprint is reduced. Smallholder farmers will also have a better chance to market higher quality products. With production, any strategy to reduce antimicrobial use on farms must include attention to welfare so that animals can stay healthy. Feeding

animals appropriate diets without large portions of human-edible food is important for their welfare and an integral strategy for food security, climate change and more.<sup>xiv</sup>

## RECENT STATEMENTS COMPARED TO NEW LIVESTOCK PROJECTS APPROVED IN 2021

In Section 2, we review the recent policies and public statements of the banks for evidence of support for sustainable farming. We then assess project documents to determine whether the banks approved, signed, disclosed or made their initial investment in a factory farming project in 2021 to determine if they contradicted these statements. We also looked for examples of support for any sustainable livestock projects.

### Q KEY FINDINGS:

1. 98% of the signatories to the SDGs used public money to finance factory farming last year based on being a shareholder of a bank that approved, signed, disclosed or made their initial investment in a factory farming project in 2021.
2. 100% of the banks with a recent policy or public statement related to livestock production indicate support for sustainable farming
3. 0% of the banks have committed to fully exclude factory farming from funding.
4. 50% of the banks approved, signed, disclosed or financed a new project in 2021 likely supporting factory farming, including through production, processing, manufacturing, retailing, feed production and financial intermediaries.
5. 83% of the banks supported sustainable farming in a new project in 2021.

## ANIMAL WELFARE REVIEW IN 2021 FINANCING

In Section 2, we also examine publicly available information about E&S management plans to determine whether animal welfare was addressed in projects that were approved in 2021. We then assess animal welfare policies to determine whether they exclude factory farming, or certain factory farming practices such as the use of poultry cages or sow stalls.

### Q KEY FINDINGS:

1. 80% of the banks that publish E&S summaries supported a new livestock project in 2021 without including animal welfare in the E&S review or the E&S action plan.
2. 83% of the banks do not require higher animal welfare standards than the national and local laws for all their projects.
3. 17% of the banks fully or partially exclude poultry cage or sow stall financing.



Photo 3 pigs at a high welfare farm in the us. Credit: world animal protection

## RECOMMENDATIONS FOR SUSTAINABLE FINANCING

In Section 3, World Animal Protection offers three key recommendations for more sustainable public financing based on our review.



### KEY RECOMMENDATION 1:

#### IMPROVE SUSTAINABLE FARMING POLICIES

In order to stop supporting factory farming by 2030, public banks will need to act swiftly and implement a process to ensure they only approve sustainable livestock projects. Many of the banks we reviewed also financed sustainable farming but, as a group, they did not appear to prioritise it. Given the harms caused by factory farming, public banks need to prioritise funding agroecological production methods like agroforestry and silvopastoral systems. This is especially true given the widespread harm caused by irresponsible private financing of unsustainable farming practices like cattle and soy supply chains in high deforestation regions.<sup>xv</sup>

The banks we surveyed have a tremendous amount of influence on the global financial and agricultural community. There is already a wave of momentum in the private sector towards improved and more responsible livestock production. Yet, the majority of the more than 80 billion farm animals raised for food each year<sup>xvi</sup> are likely to be raised using industrial and intensive methods. Any continued support for factory farming sets a very unhelpful example – especially when the point of development finance is to drive sustainable progress. For this reason, any proposed industrial livestock project should be classified as ‘Category A’ or ‘high risk’, to allow more time for local communities and civil society to review the proposal and be consulted. Public banks should also increase their support of plant-based

proteins relative to animal-sourced proteins, which tend to be more resource intensive. This is especially relevant in regions where overconsumption of red and processed meat has led to overnutrition and a rise in preventable diseases.



### KEY RECOMMENDATION 2:

#### INCLUDE ANIMAL WELFARE STANDARDS IN THE COMPLETE E&S REVIEW CYCLE

Public banks have a duty to be best-in-class with respect to attention to animal welfare in their complete E&S review cycle, from policy to planning to implementation to reporting. Assessment of animal welfare should be part of the E&S review for any proposed project that might involve livestock. Potential borrowers involved in the livestock supply chain should be required to meet specific standards. The requirements should include the FARMS Initiative Responsible Minimum Standards as a minimum and exclude practices like confinement, painful mutilations, feedlots and other high stocking densities practices that are characteristic of factory farming and incompatible with good animal welfare. The implementation of animal welfare in E&S action plans is crucial not only for the borrowers involved in primary processing that directly manage live animals, but also for the other actors in the supply chain such as retailers and manufacturers.

Yet, in our review of animal welfare policies, we found that most banks did not have specific requirements. Only two banks we reviewed (EBRD and EIB) explicitly excluded a factory farming practice and required, in all circumstances, that borrowers meet an animal welfare standard higher than the national and local laws. Some of the banks recommend that borrowers follow the IFC Good Practice Note on Improving Farm Animal Welfare in Livestock Operations (IFC Good Practice Note) or guidance from the World Organisation for Animal Health (OIE). Some expect that borrowers meet 'best' or 'good' international industry practice. In many projects, banks required borrowers to meet certifications or standards that permit factory farming practices like extreme confinement and high, irresponsible stocking densities. These banks should be recognised for attempting to increase the use of third-party certifications through their E&S requirements, but they may be helping to greenwash an unsustainable farming operation.



### KEY RECOMMENDATION 3:

#### INCREASE PROJECT DISCLOSURE

Central to progress for many of the banks we examined will be disclosure of specific details about the project, allowing an understanding of the nature of the farming and the potential environmental and social impacts. During our review, we found a wide range in terms of the amount of disclosure. Some banks only provided basic information - sometimes without enough details to determine whether the financing borrowers were livestock producers. Other banks published extensive E&S action plans and progress reports.

Most of the banks we reviewed published information about project complaints, which are an important tool for public banks to identify, assess and resolve complaints about projects. Large industrial livestock production creates a number of direct risks and effective project grievance procedures to allow members of the surrounding community to address potential impacts. Timely public disclosure of information about such complaints is therefore integral. To facilitate this, industrial livestock projects should always be classified as 'Category A' or 'high risk' projects, to allow greater consultation with communities and affected groups, and more disclosure of impacts.



Photo 4: an undisclosed poultry farm. Credit: istock / roibu

# INTRODUCTION

## FACTORY FARMING IS RISKY BUSINESS

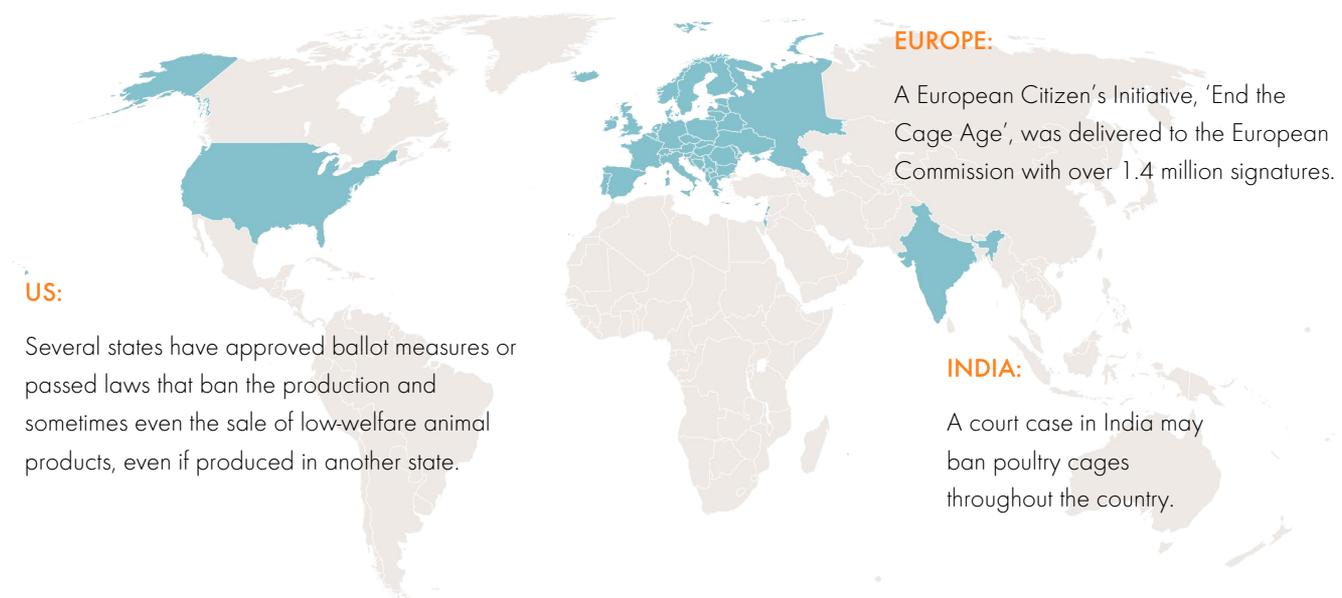
The growing concern for factory farming can be seen in the private financial markets, where investors, commercial banks and insurers are addressing the environmental, social and governance (ESG) risks of companies in their portfolio that are in the business of factory farming. These companies may be primary producers, manufacturers or retailers that sell animal products sourced from factory farming. Reputational risk is one motivation, as they face pressure from clients, employees and the public to better address the consequences of the financial support and services they provide.

For example, the total assets under management of the investor network Farm Animal Investment Risk and Return Initiative (FAIRR) is US\$47tn<sup>xxvii</sup> while the global assets under management only recently was noted as reaching US\$100tn.<sup>xxviii</sup> The investors use FAIRR's ESG research and rankings of protein companies to make better investment decisions and to support more effective company engagement.

Standard Chartered Bank, which operates in 59 markets globally, has committed to excluding some low-welfare factory farming practices from their lending, effective from March 2022. They say, '(We) will not provide financial services directly towards production systems using layer cages for poultry or caged rearing systems for livestock - applicable to producers.'<sup>xxix</sup> The agriculturally focused global bank Rabobank strongly encourages a full transition by all producers to cage-free and group housing by 2025.<sup>xx</sup>

The UN Finance Initiative's Principles for Sustainable Insurance ranked 'Controversial living conditions or use of chemicals/medicines (e.g., overuse of antibiotics)' as 'high or direct' ESG risks for livestock production.<sup>xxi</sup>

Factory farming is not just a reputational risk. It is also a regulatory risk. For example, a European Citizen's Initiative, 'End the Cage Age', was delivered to the European Commission with over 1.4 million signatures. In response, the Commission is proposing 'to phase out and finally prohibit the use of cages' for 'laying hens, sows, calves, rabbits, pullets, broiler breeders, layer breeders, quail, ducks and geese'.<sup>xxii</sup> In the US, several states have approved ballot measures or passed laws that ban the production or even the sale of low-welfare animal products, even if produced in another state.<sup>xxiii</sup> A court case in India may ban poultry cages throughout the country.<sup>xxiv</sup>



Food producers, manufacturers and retailers such as McDonald's, Unilever and Walmart have made hundreds of cage-free egg commitments,<sup>xxv</sup> stall-free pork commitments<sup>xxvi</sup> and more responsible chicken meat production commitments.<sup>xxvii</sup> Many are also

embracing the market for non-animal sourced proteins like alternative dairy and meat, which is estimated to grow 1000% from 2019 to 2029. Barclays foresees ‘a bigger market opportunity for plant-based (and maybe even lab grown) protein than was projected for electric vehicles ten years ago’.<sup>xxviii</sup>

Investors, banks and insurers are primarily focused on the short-term and long-term profits of their portfolio, with an ancillary goal of supporting E&S areas that are most important to their clients, staff and the public. The role of development banks is completely different. They should not prioritise profits over people and the planet by financing factory farming – an unsustainable practice that already receives subsidies and other financial advantages.<sup>xxix</sup>

It is notable that public banks regularly receive serious complaints about livestock projects. The banks we surveyed received grievances alleging ‘adverse impacts to the community’ by a poultry complex in Ukraine,<sup>xxx</sup> ‘non-compliance with EU environmental standards’ in a project supporting ‘pig, poultry and ruminant performance houses’ in Ireland,<sup>xxxi</sup> lack of animal welfare standards in a project in Vietnam,<sup>xxxii</sup> and water contamination by a poultry producer in Ecuador.<sup>xxxiii</sup>

## THE BENEFITS OF SUSTAINABLE FARMING

The reluctance to make a major shift away from factory farming and embrace sustainable farming is not due to lack of examples. Sustainable livestock enterprises that do not rely on industrial practices can be profitable on a larger scale, including with poultry,<sup>xxxiv</sup> ducks,<sup>xxxv xxxvi</sup> beef and dairy cattle,<sup>xxxvii xxxviii</sup> and with pigs.<sup>xxxix</sup> These systems can improve productivity, household incomes and environmental sustainability.

In an integrated crop and free-range livestock system, animals complement their diet with controlled rotational grazing. Nutrients consumed by animals are applied back on the land through their manure. This enhances soil health and carbon sequestration and reduces or eliminates the need for fertilisers. The natural foraging behaviour of pigs tills the land. Chickens and ducks can reduce the need for pesticides because they eat bugs and insects.

Cultivating rice concurrently with free-range ducks can enhance biodiversity and the stability of paddy ecosystems. The system is low-carbon and emits less methane than conventional rice monoculture farms. Silvopastoral beef and dairy cattle systems combine livestock, crops and trees to promote habitat conservation, biodiversity and recovery of degraded areas. Meat and milk produced in this system can be higher in quality as compared to an industrial one, yielding higher prices.

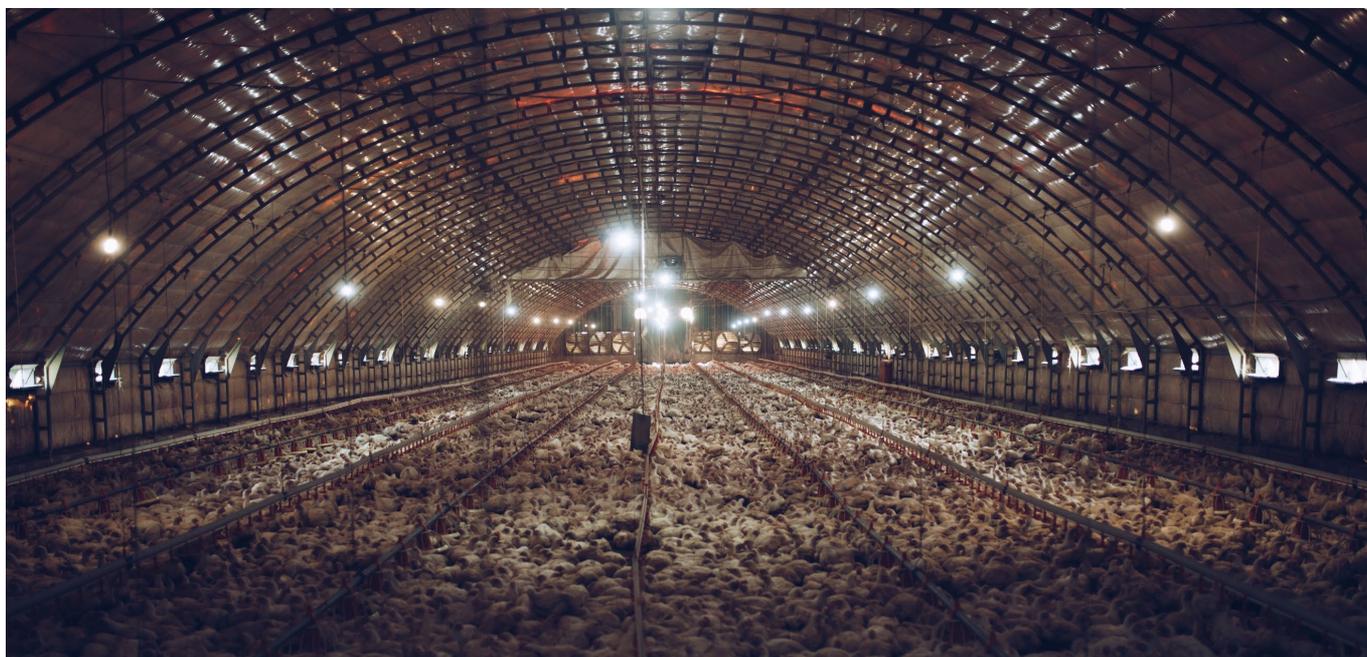


Photo 5 an undisclosed poultry farm. Credit: istock / duxx



Photo 6 cows eating grain through fence. Credit: Getty images

## SECTION 1:

# LIVESTOCK PRODUCTION AND THE SUSTAINABLE DEVELOPMENT GOALS

Adopted in 2015 by the United Nations (UN), the sustainable development goals are a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity. A feature of the SDGs is that each individual SDG can support, or compromise, progress towards each of the others.

For example, urgent action – or inaction – to combat the climate crisis influences the progress towards all the SDGs. The world is already experiencing more heat waves, changes in streamflow, tree diseases, insect outbreaks, heavy downpours, wildfires, erosion, tornados, flooding and sea level rises – and it is projected to get worse. The effects of global warming damage infrastructure, compromise ecosystems, decrease water availability, threaten cities and reduce agricultural yields (SDGs 2, 6, 9, 11, 15). Climate change is both a gender and an equality issue, as women and less developed countries are disproportionately affected (SDGs 5, 10). There is also an accountability issue, as many companies are still not disclosing their emissions (SDG 16).

Like the SDGs themselves, a strategy to improve one area often creates a cascading effect. For example, increased investment in sustainable livestock production can boost rural incomes because it requires more highly skilled labour and the animals are more productive. The work is also more satisfying than on a factory farm, and the food that is produced is of a higher quality (SDGs 2, 8). The impact on local communities from water run-off and pollution is eliminated or reduced (SDG 6). Support for smaller farmers using sustainable methods is also a good strategy to reduce GHG emissions, enhance gender equality, reduce land clearing for animal feed and support the responsible use of antibiotics (SDGs 3, 5, 13, 15).

In our review, it was clear that livestock farming using agroecological principles and maintaining good animal welfare with reasonable stocking densities has multiple benefits. By comparison, factory farming creates numerous negative impacts towards meeting the SDGs. By its very nature, factory farming cannot be improved or upgraded in a way that supports net improvement in all E&S areas like sustainable farming can.



### KEY FINDING 1:

#### FACTORY FARMING SERIOUSLY JEOPARDISES SDG PROGRESS

To be a sustainable part of the food system, livestock production must have positive environmental, social and economic effects.<sup>xi</sup> Environmentally, the effects of large industrial livestock production on the air, land and water are overwhelmingly obvious and, in many locations, irreversible. Socially, the world is grappling with antimicrobial resistance and increased zoonotic diseases, which are both linked to factory farming.<sup>xii</sup> Factory farming also exacerbates food insecurity, particularly by converting food that humans can eat into animal feed, which eventually yields a significantly inefficient calorie conversion rate once the animal-sourced food is produced.

The true costs of factory farmed food can far outweigh the profits made by the companies that produce and sell it. Hidden costs of factory farming include more preventable disease, pollution, deforestation, climate change, antimicrobial resistance, and more. Consumers pay for these through more taxes, higher insurance premiums and the myriad of ways environmental damage is expensive, including paying more for drinking water because pesticides from animal feed produced for factory farms have to be removed. Factory farms also have poor working conditions and import massive amounts of human-edible feed, inefficiently converting it into low-quality calories. Smaller producers, pastoralists and family farmers are all negatively affected by the disproportionate influence that large producers have through their political and economic power.



### KEY FINDING 2:

#### SUSTAINABLE LIVESTOCK PRODUCTION HAS MULTIPLE SDG BENEFITS

Sustainable livestock production, when properly managed, can create a number of benefits, including reducing erosion, eliminating the use of toxic pesticides, increasing crop yields and nutrient recycling, emitting less fossil fuels, improving animal welfare, and enhancing biodiversity. Other benefits from natural and traditional forms of farming include better employment and business opportunities, and improvements to food security.

Evidence shows that an agroecological 'low cost' farm can realise the same income as a 'high-tech' farm and with half the volume of production.<sup>xiii</sup> In these systems, shelters can be made with local materials. If the land is already in use, animals can be integrated into the existing farm, so there is no additional use of land. By the nature of the production, animals are afforded more opportunities for good welfare, including by having access to the outside, social interaction, and food more suited to their breeds and physiological needs. The strategies are applicable to smallholders, cooperatives or companies and reduce external inputs and use internal inputs more efficiently.



### KEY FINDING 3:

#### ANIMAL WELFARE AND SDG 12 ARE KEYSTONE SDG STRATEGIES

Farm animal welfare is a keystone strategy because it supports all of the SDGs.<sup>xiii</sup> The World Organisation for Animal Health (OIE), an intergovernmental organisation representing 182 member states, describes farm animal welfare as 'closely linked to animal health, the health and well-being of people, and the sustainability of socio-economic and ecological systems'.<sup>xiv</sup> The Food and Agriculture Organization of the United Nations (FAO) and the World Bank Group are Partners of the Global Agenda for Sustainable Livestock, who state that consideration of animal welfare is part of their approach to sustainable livestock production.<sup>xv</sup>

Responsible production, including a recognition of the true cost of producing what is actually not 'cheap' animal-sourced protein, cuts across multiple SDG areas. Yet, improvements in the efficiency and sustainability of breeding, raising, transporting, slaughtering and processing farm animals can only take us so far towards achieving the SDGs. With respect to responsible consumption, the world must continue shifting towards more humane and sustainable protein, including traditional foods based on grains, nuts, seeds, legumes and vegetables, as well as fermented products and cultivated meats

## EXAMPLES OF IMPACTS FOR SDGS 1-17



### SDG 1: End poverty in all its forms everywhere

Factory farming tends to encourage the concentration of land in large commercial enterprises. The largest 1% of farms control about two-thirds of the world's agricultural land<sup>xlvi</sup> and put the poor at a disadvantage as farmers, business operators and as consumers.<sup>xlvii</sup> Increasing livestock production does not necessarily decrease rural poverty, and countries like Mali, Ethiopia and Uganda have experienced increases in livestock production without a parallel drop in poverty.<sup>xlviii</sup>

Investing in small-scale livestock farming is instrumental for advancing gains in SDG 1, 'especially by increasing rural households' assets and their resilience to shocks'.<sup>xlix</sup> Business opportunities are also created in allied industries providing services for animals on small farms.<sup>l</sup> As noted by the Director General of the FAO, there is a 'need to make sure that smallholders and pastoralists will not be pushed aside by large capital-intensive operations'.<sup>li</sup> Improving the welfare of animals can lead to increased income for a number of reasons, including lower veterinary costs, improved production, and increased product value.<sup>lii</sup>



### SDG 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture

Relative to the amount of calories they produce, factory farms use an enormous amount of crop calories. Globally, approximately three-quarters of all soy<sup>liii</sup> and one-third of all cereals are used for animal feed.<sup>liv</sup> With forecasts for the demand for meat and milk rising, any increase in factory farming will likely further exacerbate food security issues related to feeding such an enormous amount of potential human calories to farm animals.

One aspect of sustainable farming is feeding animals non-human edible crops like grass and food by-products such as sunflower meal, which is positive for food security. Improving conditions for farm animals, including by feeding them a more appropriate diet, leads to healthier products and better production.



### SDG 3: Ensure healthy lives and promote well-being for all at all ages

The expansion of factory farming is associated with less healthy diets and other detrimental impacts to our quality of life, including antimicrobial resistance, the spread of disease, pollution, land degradation, and the release of dangerous greenhouse gas. Most human pathogens have zoonotic origins and the health impacts of food-borne zoonotic diseases disproportionately affect poorer populations.<sup>lv</sup> When people eat less red meat, including beef, pork and lamb, and especially processed meats, they live longer and healthier lives.<sup>lvi</sup> High consumption of red and processed meat is associated with greater risks of non-communicable disease, particularly heart disease, diabetes and bowel cancer.<sup>lvii</sup>

Animals raised in environments respecting their natural behaviours are healthier with increased immunity to zoonotic diseases. This leads to less use of antimicrobials and a lower risk of disease spreading to humans<sup>lviii</sup> and other animals. Sustainable farming, with attention to animal welfare, also offers skilled and positive work opportunities, and produces healthier food with less harm to the environment.



#### **SDG 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all**

Factory farming, with its reliance on unskilled labour and automated machinery, requires little continued education from its work force. On the other hand, educating more farmers about sustainable practices, including how to properly interact with and care for animals, is a long-term strategy which will provide more workers with a useful and rewarding vocation. It will benefit agricultural sustainability and productivity too.<sup>lx</sup> Sustainable farming supports the use of and continued access to traditional ecological knowledge.<sup>lx</sup>

Local, sustainable farming initiatives are potential opportunities for farmers to share knowledge about implementing animal welfare improvements.<sup>lxi</sup> Educating farmers, adult consumers and children about animal welfare can improve attitudes both in terms of developing markets for higher welfare products, but also generally with respect to empathy and conflict resolution. There is also evidence that farmers using organic agricultural methods both earn more and spend more money on education for their children, in part so they can learn business skills needed for record-keeping for submitting organic certification documents.<sup>lxii</sup>



#### **SDG 5: Achieve gender equality and empower all women and girls**

In some regions where factory farming replaced sustainable farming, women's roles and incomes decreased. In lower middle-income countries, there are unequal opportunities for women to profitably manage extensive and labour-intensive livestock operations due to lack of access to finance, land and other support.<sup>lxiii</sup> Women are likely to be disproportionately affected by climate change as they have more economic challenges and rely more on natural resources.<sup>lxiv</sup>

Agroecological and silvopastoral systems draw on local knowledge, community dialogue and support local decision making. They offer greater opportunities for the individual and collective empowerment of women in terms of solving economic, community and environmental issues.<sup>lxv</sup> Women are often responsible for tending to farm animals, so improving animal welfare strengthens their capacity to do so.<sup>lxvi</sup>



#### **SDG 6: Ensure availability and sustainable management of water and sanitation for all**

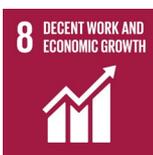
Runoff and nutrient leaks from livestock waste generated on factory farms damages freshwater sources as well as the ocean and marine life.<sup>lxvii</sup> Increasing production of pigs and poultry – mostly indoors – with a decrease in extensively raised cattle, sheep and goats, has caused an increase in direct competition for scarce water. This is chiefly due to feed production and high concentrations of animals. As a result, there is a growing impact on water quality, with water contamination occurring from feed additives, antibiotics, sediments, agrochemicals, manure, and heavy metals.<sup>lxviii</sup>

Sustainable farming, including integrating crops with livestock, is a proven way to reduce pressure on water sources.<sup>lxix</sup> In terms of water footprint, animal products have a larger footprint per calorie and per ton of product.<sup>lxx</sup>



#### **SDG 7: Ensure access to affordable, reliable, sustainable and modern energy for all**

Sustainable farming systems can enhance the availability of firewood for the billions of people globally who rely on it as an energy source.<sup>lxxi</sup> Dangers exist with using firewood though, and long-term there is a need for more varied and renewable energy sources.



## **SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all**

Large capital-intensive operations threaten the livelihoods of small-scale, pastoral farmers<sup>lxxxii</sup> who lack resources to compete – especially given that they do not get the same regulatory and market advantages that larger companies do.<sup>lxxxiii</sup> Social consequences related to the intensification of livestock systems include low pay and dangerous working conditions. Migrant workers are especially vulnerable in this regard.<sup>lxxxiv</sup>

According to the Director General of the FAO, sustainable farming supports new and better employment because the work is more skilled and labour-intensive. This is especially important for the livelihoods of people in rural areas, many of whom depend on the livestock sector for income.<sup>lxxxv</sup> On farms designed to respect the animals' natural behaviours, workers are able to have more positive interactions with the animals they tend to. Attention to animal welfare also encourages economic growth because farm animals are healthier and more productive.



## **SDG 9: Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation**

Due to the disproportionate power of large industrial producers, there is little motivation to invest in new technologies that could benefit small farmers.<sup>lxxxvi</sup> There are examples of successful large, commercially-friendly, sustainable farming operations,<sup>lxxxvii</sup> but a knowledge gap exists among some large producers about the benefits of more sustainable farming.<sup>lxxxviii</sup> Giving small-scale producers opportunities for new technologies, access to new sources of employment and a stronger infrastructure for support is 'essential to accelerating poverty reduction'.<sup>lxxxix</sup>

Innovations with respect to alternatives to animal-sourced protein (such as plant-based, fermented, and cultivated meats) could have a number of benefits with respect to the environment, nutrition and animal welfare. As noted by the FAO, 'economic development is not just about constantly improving the production of the same set of goods, [it also requires] more sophisticated products'.<sup>lxxx</sup>



## **SDG 10: Reduce inequality within and among countries**

Factory farming creates conditions for inequality because small businesses and household farmers often lack the economic and political power to compete with large businesses using large-scale, industrial production. This can be especially true for women and women-owned businesses. The current approach of the livestock sector, the FAO notes, will hinder, rather than help, the goal of reducing inequality by 2030.<sup>lxxxxi</sup> According to the United Nations Environment Programme, industrial farming 'entrenches inequality'.<sup>lxxxii</sup>

Livestock businesses, according to the FAO, 'are potent catalysts for smallholder income growth with relatively low investment and input costs'.<sup>lxxxiii</sup> With respect to reducing inequalities, though, they warn that 'unless the consequences of expanded and intensified livestock production on rural households in developing countries are considered, the overall impact on small-scale farmers will be negative'.<sup>lxxxiv</sup> Supporting increased farm animal welfare requirements in loans and trade agreements is a potential way to reduce inequalities among trading nations and between large and small farmers.<sup>lxxxv</sup>



## **SDG 11: Make cities and human settlements inclusive, safe, resilient and sustainable**

In recent decades, factory farms increasingly clustered around major cities. Concentrating animals in populated areas, usually far from crop fields where slurry could be used, causes environmental problems.<sup>lxxxvi</sup> With respect to air quality-

related deaths linked to food production, the overwhelming majority were found to be associated with animal products according to recent United State statistics.<sup>lxxxvii</sup>

When animals are raised near the populations that consume them, reductions in their transport time is a potential benefit.<sup>lxxxviii</sup> However, given the smaller environmental footprint of plant-based foods, strategies for urban agriculture must not focus on livestock production. Growing vegetables using urban gardens, indoor greenhouses, rooftops and walls can help provide improvements in overall community diet and nutrition.<sup>lxxxix</sup> This is especially important given some urban populations lack access to affordable - or any - fresh fruits and vegetables at local retail outlets.<sup>xc</sup>



### **SDG 12: Ensure sustainable consumption and production patterns**

Sustainable farming does not rely on human edible feed, so it does not stress the global food supply or contribute to other problems associated with animal feed production. This, according to the FAO, is responsible for 45% of the livestock sector's total greenhouse gas emissions.<sup>xcj</sup> The links between animal welfare and responsible consumption and production are perhaps the least acknowledged, even though they support all the other SDGs.<sup>xcii</sup>

Experts surveyed found that improving animal welfare would have the greatest impact on responsible consumption and production. Less antibiotics are used when farm animals are better tended to, better housed, and given proper veterinary care. Additionally, the increase of animal-rich diets facilitates unhealthy eating and negative environmental consequences.<sup>xciii</sup>



### **SDG 13: Take urgent action to combat climate change and its impacts**

At projected rates of expansion, livestock production will take up almost half of the total global GHG budget for all sectors allowable under the Paris Agreement's 1.5°C target by 2030.<sup>xciv</sup> Yet, in a recent survey of large meat and dairy producers, only 3.3% reported their entire GHG emissions while also achieving a reduction in emissions over 1.23% year-to-year. 33% of companies reported an increase in emissions. 77% of companies failed to disclose climate change mitigation or adaptation strategies.<sup>xcv</sup>

Sustainable farming has been cited by the FAO as a livestock production strategy consistent with climate change adaptation.<sup>xcvi</sup> While calculating the carbon footprint of livestock products can be challenging, there is a general consensus that better animal welfare improves production efficiency<sup>xcvii</sup> and that healthy animals can emit less greenhouse gas.<sup>xcviii</sup> Based on their size and design, factory farms are particularly vulnerable to extreme weather events<sup>xcix</sup> and mass loss of animals due to flooding occurs regularly.<sup>c ci</sup>



### **SDG 14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development**

Similar to the effects of increased factory farming, pollution is an issue with unmanaged expansion in the aquaculture sector.<sup>cii</sup> Fish stocks are also declining, threatening livelihoods and a source to alleviate hunger and malnutrition.<sup>ciii</sup> Like terrestrial animals, when fish are well cared for, they have less disease and higher survival rates. Higher fish welfare also lowers rates of parasitic transmission between farmed and wild fish and it also requires less feed.<sup>civ</sup> Protein from fish is considered healthier than meat with respect to reducing the risk of heart disease, high blood pressure and obesity.<sup>cv</sup>

Terrestrial factory farms also have significant negative impacts on water quality, through eutrophication and subsequent degradation of marine ecosystems. Eutrophication occurs when the levels of nutrients such as nitrogen and phosphorus increase. The excessive nutrients decrease oxygen concentrations and cause algal blooms, leading to a decrease in water quality, build-up of hypoxic and anoxic zones, death of macrofauna and an overall degradation of the aquatic ecosystem.<sup>cvi</sup>



### **SDG 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss**

The intensive agriculture used to produce soy and cereal-based animal feed for the factory farming industry has been shown to contribute to biodiversity loss,<sup>cxvii</sup> deforestation,<sup>cxviii</sup> overuse and pollution of water<sup>cxix</sup> and soil degradation.<sup>cx</sup> Disputes over land and forest with large producers can harm the livelihoods of small farmers and the cultures of indigenous peoples.<sup>cxii</sup>

Sustainable farming is less dependent on monoculture feed, so there is reduced use of chemicals and pesticides, improving quality of water and soil, and increasing biodiversity.<sup>cxiii</sup>

According to the UN's Intergovernmental Panel on Climate Change, agroforestry enables 'continuous production on the same unit of land with higher productivity without the need to use shifting agriculture systems to maintain crop yields'.<sup>cxiiii</sup> Farm animal welfare requirements, especially responsible minimum space allowances, is an effective strategy to stop the practice of concentrating large numbers of animals in relatively small areas, stressing the surrounding land.



### **SDG 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels**

To formulate reasonable aspirations with respect to the SDGs, sufficient information about the current state of affairs in the livestock sector is required. Yet, in an assessment of sixty major animal protein companies, there was a lack of disclosure of important ESG issues. For example, only 17% disclose the amount of antibiotics used, just 30% report greenhouse gas emissions and less than half disclose worker fatality statistics.<sup>cxiv</sup> Conflict between local, sometimes indigenous, communities and factory farming operations are commonplace, including disputes about land, polluted waterways, noxious air and worker treatment. Increased participation by stakeholders can improve animal welfare regulations and their effectiveness.<sup>cxv</sup>



### **SDG 17: Strengthen the means of implementation and revitalise the global partnership for sustainable development**

In the last five years, hundreds of food retailers have either implemented or pledged to improve their supply chains, including requirements that eggs come from laying hens who have been raised cage-free<sup>cxvi</sup> and pork comes from producers who do not confine sows in stalls.<sup>cxvii</sup> There is also a growing number of local and national governments that are banning the use of factory farming practices such as confinement and forced-feeding. Many of these are in Europe and North America,<sup>cxviii</sup> but also potentially in India, where a High Court case recently declared battery cages illegal.<sup>cxix</sup>

In order to support this growing demand for higher welfare products, public and private initiatives can support sustainable agriculture, including animal welfare improvements. Trade agreements can also be used to incentivise higher standards.<sup>cxx</sup>



Photo 7 photo: high welfare chicken farm located in the Netherlands. Credit: world animal protection / Valerie Kuypers

## SECTION 2

# WHAT THE BANKS SAID AND WHAT THE BANKS DID

In this section we review each bank in turn to compare what they said in their recent policies and public statements about their support for sustainable farming with their actions. These actions are divided into five areas: the new livestock projects they approved, the sustainable livestock farming they supported, the animal welfare reviews they undertook, the animal welfare policies they have in place, and whether they had a factory farming exclusion.

Our review was limited to the available information. Project summaries and E&S documents often contained only basic details, so we used other sources such as news items and annual reports.

## NEW LIVESTOCK PROJECTS APPROVED IN 2021

We reviewed 2021 project summaries to determine if the banks approved, signed, disclosed or made an initial investment in any factory farming projects.

### Q FINDINGS

**98%**  **OF THE SIGNATORIES**

to the SDGs used public money to finance factory farming last year based on being a shareholder of a bank that approved, signed, disclosed or made their initial investment in a factory farming project in 2021.

**100%**  **OF THE BANKS**

with a recent policy or public statement related to livestock production indicated support for sustainable farming.

**92%**  **OF THE BANKS**

approved, signed, disclosed or financed a new project supporting livestock production in 2021.

**50%**  **OF THE BANKS**

approved, signed, disclosed or financed a new project in 2021 likely supporting factory farming, including through production, processing, manufacturing, retailing, feed production and financial intermediaries.

**0%**  **OF THE BANKS**

have a policy excluding factory farming.

**83%**  **OF THE BANKS**

supported sustainable farming in a new project in 2021.

Virtually every country that agreed to implement the 2030 SDGs is supporting factory farming with public money based on their ownership in the public banks that financed factory farming.

Ironically, every public bank we reviewed that had a policy or statement about livestock financing appeared to support more sustainable farming methods. Despite this, 50% of the banks that approved, signed, disclosed or financed a new livestock project in 2021 appeared to either directly or indirectly finance the factory farming industry, including through support to primary processors and producers, retailers and manufacturers, animal feed companies and financial intermediaries.

## SUPPORT FOR SUSTAINABLE LIVESTOCK FARMING IN 2021

We also found widespread support for sustainable farming. 83% of the banks that supported livestock production or processing supported at least one project that appeared to have clear or significant support for smaller and more sustainable farming – even if a portion of the loan also supported factory farming.

## ANIMAL WELFARE REVIEWS IN 2021

We reviewed project summaries and E&S documents to determine if the banks accounted for animal welfare in their 2021 livestock financing. We also examined animal welfare policies to determine if they require, in all projects, specific standards beyond the relevant national or local regulations and whether they exclude any factory farming practices.

### Q FINDINGS

**80%**   
**OF THE BANKS**

that publish E&S summaries supported a new livestock project in 2021 without including animal welfare in the E&S review or the E&S action plan.

**83%**  
**OF THE BANKS**

do not require higher animal welfare standards than the national and local laws for all their projects.



**17%**   
**OF THE BANKS**

fully or partially exclude sow stall or poultry cage financing.

## ANIMAL WELFARE POLICIES

Only the EBRD and EIB have animal welfare policies that explicitly require borrowers to meet, under all circumstances, a higher standard than the national regulations in the borrower's country. Most of the banks make recommendations, including referencing terms such as 'best practice' and 'good practice', or guidance from the OIE Terrestrial Codes (OIE Codes) and the IFC Good Practice Note.

OIE Codes have a broad range of usefulness. Some recommendations are helpful, but many sections are undemanding and non-specific. Regarding pig welfare, the OIE Codes states, 'pregnant sows and gilts should preferably be housed in groups', as opposed to in sow stalls.<sup>cxix</sup>

The creation of the IFC Good Practice Note in 2014 was a step forward for public financing in the livestock sector because it lays out the business case for farm animal welfare. The IFC Good Practice Note also describes 'extreme confinement' and 'barren environments' as having 'inherent major disadvantages for animal welfare' with no 'potential to provide satisfactory outcomes'.<sup>cxix</sup> Nevertheless, ultimately it does not include a full range of specific and measurable animal welfare requirements, which is a key component to an effective standard.

Three banks, BOAD, IsDB and NDB, do not have animal welfare policies though, in effect, borrowers are required to meet the same standard as the banks who include recommendations, not requirements, in their animal welfare policies. That is to say, the most basic E&S policy would, at a minimum, require adherence to the host country's laws and regulations.

## EXCLUSIONS

Only two banks we reviewed, the EBRD and EIB, explicitly excluded certain factory farming practices. The EBRD requires all borrowers, including outside the EU, to meet European Council Directives for farm animals (EU Directives). EU Directives, commonly referred to as 'EU standards', ban the use of some types of poultry cages<sup>cxix</sup> and restrict the use of sow stalls after 28 days.<sup>cxix</sup> The EIB also requires "compliance with the EU animal welfare standards and internationally recognised "Five Freedom" Standard".<sup>cxix</sup> Other banks have policies and recommendations that discourage specific factory farming practices, but they do not have strict requirements excluding their use by all borrowers of their financing in all circumstances.

Not a single bank reviewed has excluded financing factory farming entirely.

## OTHER EXAMPLES

As part of this research, we found many more examples of projects with the banks supporting factory farming than just those that are listed below. These included 30 new projects supporting primary processors and producers, 11 new projects supporting large food retailers and manufacturers, ten new projects supporting animal feed production, and four new projects supporting financial intermediaries with the livestock industry as a potential funding area. We also found eight new projects supporting livestock production but due to lack of information, it was difficult to determine whether the focus of the projects were larger, industrial production or more sustainable, smaller-scale activities.

This lack of transparency is an ongoing problem among development finance institutions. It means that the projects we can identify as being directly linked to factory farming are probably only the tip of the iceberg in terms of the true level of support for the industry as a whole.



## WHAT DID THEY SAY?

*'Livestock Investment Master Plan' (2021) says '[F]or most developing countries the starting point for an inclusive and sustainable transformation of the livestock sector is the hundreds of millions of small to medium scale farmers who already practice mixed or pastoral animal husbandry'. But they have a 'dual approach to strengthen both smallholder and large production systems'.<sup>cxxvi</sup>*

<p><b>DID THEY SUPPORT FACTORY FARMING IN 2021?</b></p>	<p><b>Yes.</b> They likely supported factory farming through a grant to the Government of Chad for UA\$15mn. This supported 200 'fattening farms' and 20 dairy farms, including 'intensive' units for dairy farms.<sup>cxxvii</sup></p>
<p><b>DID THEY SUPPORT SUSTAINABLE FARMING IN 2021?</b></p>	<p><b>Yes.</b> We found two clear examples where they did:</p> <ol style="list-style-type: none"> <li>1. A grant to the Government of the Central African Republic for UA\$17.9mn. One of the project's 'specific objective[s] is to increase and diversify agro-pastoral production', including livestock. 'The project will provide direct support to 500 women/youth enterprises and groups, particularly young, budding or established agricultural entrepreneurs.'<sup>cxxviii</sup></li> <li>2. A loan to the Government of Gambia for UA\$1 mn. One goal is livestock production increases for households.<sup>cxxix</sup></li> </ol>
<p><b>DID THEY FAIL TO INCLUDE ANIMAL WELFARE IN A PROJECT?</b></p>	<p><b>Yes.</b> Although the project appraisal for 'Chad: The Project to Support the Productivity and Competitiveness of the Meat and Dairy Value Chains' states that the 'project will pay particular attention to animal welfare', there was no evidence of any animal welfare KPIs, standards or review.<sup>cxxx</sup></p>
<p><b>DO THEY HAVE AN ANIMAL WELFARE POLICY THAT REQUIRES STANDARDS ABOVE THE HOST COUNTRY'S LAW AND REGULATIONS FOR ALL PROJECTS?</b></p>	<p><b>No.</b> AfDB's Integrated Safeguards System (2013),<sup>cxxxi</sup> states, 'The borrower or client follows agricultural and livestock best practices, and uses methods that do not deplete the natural resource base'.</p>
<p><b>DO THEY HAVE A FACTORY FARMING EXCLUSION?</b></p>	<p><b>No.</b></p>



## WHAT DID THEY SAY?

*'Financing Sustainable and Resilient Food Systems in Asia and the Pacific' (2021) says that 'unsustainable agricultural practices in our region pose serious threats to long-term food security. Balancing the health of people, animals, and the environment is crucial for sustainable and resilient recovery from the pandemic.'*<sup>cxxxii</sup>

<p><b>DID THEY SUPPORT FACTORY FARMING IN 2021?</b></p>	<p><b>Yes.</b> They likely supported factory farming through a loan to a company in China for US\$1.5mn. A multi-story, intensive pig breeding operation 'which will produce up to 170,000 breeding and commercial pigs per year'.<sup>cxxxiii</sup></p>
<p><b>DID THEY SUPPORT SUSTAINABLE FARMING IN 2021?</b></p>	<p><b>Yes.</b> The bank approved a project to provide technical assistance across the Asia and Pacific Region on a green and resilient COVID-19 recovery.<sup>cxxxiv</sup> One output of the project was 'feasibility studies to identify alternative measures to improve animal health and animal disease control that drastically reduce antibiotic use and avoid antimicrobial resistance in selected livestock value chains (One Health approach for food safety); support regenerative agriculture; and increase agroecological sustainability, including by reducing agrochemicals in farming and aquaculture and introducing a circular system.'<sup>cxxxv</sup></p>
<p><b>DID THEY FAIL TO INCLUDE ANIMAL WELFARE IN A PROJECT?</b></p>	<p><b>Yes.</b> In the summary for 'Mongolia: Climate-Resilient and Sustainable Livestock Development Project',<sup>cxxxvi</sup> the loan to the government includes support for up to 20 sheep feedlots each with capacity of 500-800 animals, but there was no evidence of any animal welfare KPIs, standards or review.<sup>cxxxvii</sup></p>
<p><b>DO THEY HAVE AN ANIMAL WELFARE POLICY THAT REQUIRES STANDARDS ABOVE THE HOST COUNTRY'S LAW AND REGULATIONS FOR ALL PROJECTS?</b></p>	<p><b>No.</b> ADB's Environmental Safeguards Good Practice Sourcebook (2012) references<sup>cxxxviii</sup> IFC Performance Standard 6 which states, 'Clients who are engaged in such industries will manage living natural resources in a sustainable manner, through the application of industry-specific good management practices and available technologies. Where such primary production practices are codified in globally, regionally, or nationally recognized standards, the client will implement sustainable management practices to one or more relevant and credible standards as demonstrated by independent verification or certification.'<sup>cxxxix</sup></p>
<p><b>DO THEY HAVE A FACTORY FARMING EXCLUSION?</b></p>	<p><b>No.</b></p>

*'Agribusiness Sector Strategy' (2019-2023) states, 'Projects in the Agribusiness sector may involve intensive or extensive management of living natural resources, including livestock'. It says that the focus should be to, 'Maximise sustainable investments along the value chain to produce more and diverse food with less resources and less pollutants (organic). Support reductions in CO2 emissions and improved resource use (energy, land, water, etc.) And explore business opportunities to use the agricultural sector as a carbon sink'.<sup>cxl</sup>*

<p><b>DID THEY SUPPORT FACTORY FARMING IN 2021?</b></p>	<p><b>Yes.</b> They likely supported factory farming through a loan to a company in Serbia for EU30mn. According to the E&amp;S summary, the company has '7,000 milking cows and 16,800 total cattle' which 'are housed permanently indoors with no outdoor access for grazing'. On four farms, a 'tethering system for cattle' is used.<sup>cxli</sup></p>
<p><b>DID THEY SUPPORT SUSTAINABLE FARMING IN 2021?</b></p>	<p><b>Yes,</b> via an equity investment of EU30mn in a company in the Czech Republic. One objective of the company is to expand its network of organic supplier farms in Hungary and Romania.<sup>cxlii</sup></p>
<p><b>DID THEY FAIL TO INCLUDE ANIMAL WELFARE IN A PROJECT?</b></p>	<p><b>No.</b> For all the projects we reviewed involving support to companies directly managing farm animals, EBRD performed an animal welfare review and indicated specific areas of improvement. EBRD financed a number of food retailers and did not specifically address animal welfare. They did, however, reference following EU law, which arguably includes the EU Animal Welfare Directives which the EBRD enforces.</p>
<p><b>DO THEY HAVE AN ANIMAL WELFARE POLICY THAT REQUIRES STANDARDS ABOVE THE HOST COUNTRY'S LAW AND REGULATIONS FOR ALL PROJECTS?</b></p>	<p><b>Yes.</b> EBRD's Environmental and Social Policy (2019) states, 'Where the client is involved in the farming, transport and slaughtering of animals for meat or by-products (e.g. Milk, eggs, wool), the client will adopt and implement national regulatory requirements, relevant EU animal welfare standards and GIP, whichever is most stringent, in animal husbandry techniques.'<sup>cxliii</sup></p>
<p><b>DO THEY HAVE A FACTORY FARMING EXCLUSION?</b></p>	<p><b>No.</b> Certain factory farming practices are excluded. For example, EU Directives, which EBRD enforces, do not allow the use of barren battery cages for laying hens,<sup>cxliv</sup> sow stalls beyond 28 days after pregnancy<sup>cxlv</sup> or veal crates.<sup>cxlvi</sup> However, there is no overall exclusion for factory farming.</p>

## WHAT DID THEY SAY?

*'Climate Roadmap 2021-2025' stated their position as follows: 'Supported: Production of proteins from more sustainable and/or innovative sources or production systems with a lower carbon footprint (e.g. fish, algae, insects) with a focus on animal welfare. Not Supported: Meat and dairy industries based on production systems that involve unsustainable animal rearing and/or lead to increased GHG emissions as compared to best industry, low-carbon standards/benchmarks...'*<sup>cxlvii</sup>

<p><b>DID THEY SUPPORT FACTORY FARMING IN 2021?</b></p>	<p><b>No.</b> We did not find evidence that the bank supported a project that likely included factory farming in 2021.</p>
<p><b>DID THEY SUPPORT SUSTAINABLE FARMING IN 2021?</b></p>	<p><b>Yes,</b> via a loan to the Government of Poland for EU300mn. 'The programme also provides substantial support to investments by small and medium-sized enterprises (SMEs) in upgrades to agricultural production and food processing, particularly in higher value-added and labour-intensive spheres of production including livestock (dairy, pork, beef)'. Priority areas also include 'restoring, preserving and enhancing ecosystems in agriculture' and improving 'animal welfare'.<sup>cxlviii</sup></p>
<p><b>DID THEY FAIL TO INCLUDE ANIMAL WELFARE IN A PROJECT?</b></p>	<p><b>No.</b> EIB did not specifically address animal welfare in some projects, however they did reference following EU law, which includes the EU Animal Welfare Directives. According to the EIB Group Environmental and Social Policy that was active from 2009-2021 the EIB required compliance with these Directives unless not 'practical and feasible'.<sup>cxlix</sup></p>
<p><b>DO THEY HAVE AN ANIMAL WELFARE POLICY THAT REQUIRES STANDARDS ABOVE THE HOST COUNTRY'S LAW AND REGULATIONS FOR ALL PROJECTS?</b></p>	<p><b>Yes.</b> The EIB Group Environmental and Social Policy (February 2022) states that "in respect to farmed animals, compliance with the EU animal welfare standards and internationally recognised "Five Freedom" standard promoting animal welfare is required."<sup>cli</sup></p>
<p><b>DO THEY HAVE A FACTORY FARMING EXCLUSION?</b></p>	<p><b>No.</b> Some factory farming practices are not allowed, as the EIB requires compliance with EU law. However, there is no overall exclusion for factory farming. Their 2021-2025 Climate Roadmap states EIB will not support 'unsustainable animal rearing' but does not specify what that means.<sup>cli</sup></p>

## WHAT DID THEY SAY?

*IADB's 'Agriculture and Rural Development Home Page' says, 'We seek to accelerate growth of agricultural output in Latin America and the Caribbean while promoting efficient and sustainable management of natural resources in order to enhance food security, increase incomes for the rural population, and reduce poverty.'*<sup>clii</sup>

*'Protecting all life on Earth: sustainable management of biodiversity in projects' (2021) states. 'It is important to remember that while farming, livestock [...] are key economic sectors in the region, they are also drivers of deforestation and other impacts to natural habitats, species, and ecosystem services. The key is finding the balance!' It also references support to 'small-scale, indigenous and traditional' farmers.*<sup>cliii</sup>

<p><b>DID THEY SUPPORT FACTORY FARMING IN 2021?</b></p>	<p><b>No.</b> We did not find evidence that the bank supported a project that likely included factory farming in 2021.</p>
<p><b>DID THEY SUPPORT SUSTAINABLE FARMING IN 2021?</b></p>	<p><b>Yes,</b> via two investment grants totalling US\$2mn to financial intermediaries and two technical assistance projects totalling US\$675,000 for small farmers in Guatemala. The grants support a 'guarantee scheme to promote the use of sustainable agricultural technologies and practices with small scale farmers', including agroforestry.<sup>cliv clv</sup> The technical assistance focuses on climate-smart agriculture, including forest management.<sup>clvi clvii</sup></p>
<p><b>DID THEY FAIL TO INCLUDE ANIMAL WELFARE IN A PROJECT?</b></p>	<p><b>Yes.</b> The project summaries for 'Guatemala: Partial Guarantee Mechanism to Promote the Use of Agricultural Technologies and Practices among Small Farmers' do not reference animal welfare.<sup>clviii</sup></p>
<p><b>DO THEY HAVE AN ANIMAL WELFARE POLICY THAT REQUIRES STANDARDS ABOVE THE HOST COUNTRY'S LAW AND REGULATIONS FOR ALL PROJECTS?</b></p>	<p><b>No.</b> IADB's Environmental Social Policy Framework (2021) states, 'Where such primary production practices are codified in globally, regionally, or nationally recognized standards, the Borrower will implement sustainable management practices to one or more relevant and credible standards as demonstrated by independent verification or certification.'<sup>clix</sup></p>
<p><b>DO THEY HAVE A FACTORY FARMING EXCLUSION?</b></p>	<p><b>No.</b></p>

*'Regenerative Agriculture Offers Fresh Solutions for Latin America & the Caribbean' (2021) states, 'The bank will continue supporting sustainable land use and seeks to be the partner of choice for investing in innovative regenerative business models in LAC'.<sup>clx</sup> 'Sustainability Debt Framework' asserts support for climate-smart agriculture and converting uncertified production to third party certified.<sup>clxi</sup>*

<p><b>DID THEY SUPPORT FACTORY FARMING IN 2021?</b></p>	<p><b>Yes.</b> They approved a credit line to Norson, a company in Mexico for US\$30mn. The loan will support 'the design, construction, operation and maintenance of facilities for pig farms'.<sup>clxii</sup> Though project documents do not specify the type of pig farms, there is evidence that the company's recent expansion in the same region includes construction of what are likely to be factory farms.<sup>clxiii</sup></p>
<p><b>DID THEY SUPPORT SUSTAINABLE FARMING IN 2021?</b></p>	<p><b>No.</b> There is no evidence of support for sustainable livestock farming.</p>
<p><b>DID THEY FAIL TO INCLUDE ANIMAL WELFARE IN A PROJECT?</b></p>	<p><b>Yes.</b> The E&amp;S review for 'Mexico: Norson Holdings' references the company's commitment to animal welfare, including that the company meets OIE's general animal welfare principles - however there is no reference to animal welfare in the E&amp;S action plan.<sup>clxiv</sup></p>
<p><b>DO THEY HAVE AN ANIMAL WELFARE POLICY THAT REQUIRES STANDARDS ABOVE THE HOST COUNTRY'S LAW AND REGULATIONS FOR ALL PROJECTS?</b></p>	<p><b>No.</b> Annex A of IDB Invest's Environmental and Social Sustainability Policy (2021) states, 'Clients must comply with IFC and World Bank EHS and Performance Standards'. IFC Good Practice Notes and Guidance Notes are 'Implementation Tools'. The IFC Good Practice Note on Animal Welfare is listed in the Implementation Manual for the Sustainability Policy (2020).<sup>clxv</sup> IDB's Sustainability Debt Framework programme was independently assessed as free from 'controversial' animal welfare areas,<sup>clxvi</sup> though in the 2020 policy document for the programme there is no animal welfare reference or standards.<sup>clxvii</sup></p>
<p><b>DO THEY HAVE A FACTORY FARMING EXCLUSION?</b></p>	<p><b>No.</b></p>



## WHAT DID THEY SAY?

*'IFC's Priorities in Agribusiness' states that their priorities include supporting small farmers, rural enterprises and women. 'Sustainable Agribusiness' says, 'IFC seeks commercially viable solutions and helps companies set benchmarks for responsible production in line with industry best practices. The initiatives we support enhance sustainability across the agribusiness value chain.'*

*The IFC's Annual Report (2021) states, 'We help companies improve productivity and sustainability by focusing on operational efficiency, food safety and standards, adoption of technology to the agribusiness value chain, good soil and water management, and professionalization of smallholder farmer supply chains, while applying climate-smart and gender smart practices.'*

<p><b>DID THEY SUPPORT FACTORY FARMING IN 2021?</b></p>	<p><b>Yes.</b> They supported factory farming through a loan to a company in Ecuador for US\$50mn. This loan supports the expansion of pig farms, and pig and poultry slaughterhouses, among other things. The company uses factory farming practices such as sow stalls in its pig farms.<sup>clxviii</sup></p>
<p><b>DID THEY SUPPORT SUSTAINABLE FARMING IN 2021?</b></p>	<p><b>Yes.</b> For example, through an \$80 million loan to a financial institution, to support its financing of green Latin American SME agribusinesses. The project states 'use of proceeds will be exclusively focused on financing green eligible agribusinesses, with qualifying underlying projects likely to include [...] water use and efficiency, and sustainable agricultural practices.'<sup>clxix</sup></p>
<p><b>DID THEY FAIL TO INCLUDE ANIMAL WELFARE IN A PROJECT?</b></p>	<p><b>Yes.</b> The IFC generally conducts animal welfare reviews for projects involving primary producers. In some projects with dairy producers, however, they failed to address animal welfare in the supply chain, including in loans to Parag Dairy<sup>clxx</sup> and Dodla Dairy.<sup>clxxi</sup></p>
<p><b>DO THEY HAVE AN ANIMAL WELFARE POLICY THAT REQUIRES STANDARDS ABOVE THE HOST COUNTRY'S LAW AND REGULATIONS FOR ALL PROJECTS?</b></p>	<p><b>No.</b> The IFC's Good Practice Note on Animal Welfare (2014) is not a set of binding standards but instead contains recommendations for improving animal welfare, including, 'Scientific research shows that certain housing systems have inherent major disadvantages for animal welfare and do not have the potential to provide satisfactory outcomes, for example, systems of extreme confinement of animals or barren environments.'<sup>clxxii</sup></p>
<p><b>DO THEY HAVE A FACTORY FARMING EXCLUSION?</b></p>	<p><b>No.</b></p>



## WHAT DID THEY SAY?

*'Livestock and rangeland' states, 'We work closely with governments and partners to scale up successful livestock interventions so that we can reach larger numbers of smallholders and improve production systems at the farm level'.<sup>clxxiii</sup> 'Let's give smallholder livestock farmers of the developing world a chance' (2018) asserts, 'We need to make sure that the concentration of livestock production in large-scale units does not displace most smallholders, as happened in industrial countries over the past 50 years'.<sup>clxxiv</sup>*

<p><b>DID THEY SUPPORT FACTORY FARMING IN 2021?</b></p>	<p><b>No.</b> There is no evidence of support for factory farming. All identified projects appeared to support sustainable farming.</p>
<p><b>DID THEY SUPPORT SUSTAINABLE FARMING IN 2021?</b></p>	<p><b>Yes.</b> We found three clear examples:</p> <ol style="list-style-type: none"> <li>1. A loan and grant to the Government of South Sudan totalling US\$9.8mn. 'The primary target group is poor, food insecure farmers, and agro-pastoral and pastoralist households engaged in fishing, cropping, and livestock activities.'<sup>clxxxv</sup></li> <li>2. A loan to the Government of Lesotho for US\$11.3mn for small-scale livestock production.<sup>clxxxvi</sup></li> <li>3. A loan to the Government of Zimbabwe for US\$35.7mn for small-scale livestock production.<sup>clxxxvii</sup></li> </ol>
<p><b>DID THEY FAIL TO INCLUDE ANIMAL WELFARE IN A PROJECT?</b></p>	<p><b>Yes.</b> There is no reference to animal welfare in the project design report for the 'Zimbabwe: Smallholder Agriculture Cluster Project'. This is a loan to the government for US\$35.7mn<sup>clxxxviii</sup> to support multiple types of production, including beef, goats, pigs, poultry and sheep.<sup>clxxxix</sup></p>
<p><b>DO THEY HAVE AN ANIMAL WELFARE POLICY THAT REQUIRES STANDARDS ABOVE THE HOST COUNTRY'S LAW AND REGULATIONS FOR ALL PROJECTS?</b></p>	<p><b>No.</b> IFAD's Social, Environmental and Climate Assessment Procedures (2020) state, 'Any IFAD-supported project shall ensure the sustainable management of living natural resources ... [and] apply appropriate industry-specific best management practices and, where codified, credible certification and verification systems. IFAD will require the borrower/recipient/partner to adopt appropriate measures, where relevant, to promote animal welfare.' The document references the IFC Good Practice Note on Animal Welfare.<sup>clxxx</sup></p>
<p><b>DO THEY HAVE A FACTORY FARMING EXCLUSION?</b></p>	<p><b>No.</b></p>

## WHAT DID THEY SAY?

*'Inclusive Growth: Making Markets work for Smallholder Farmers' (2019) states, 'The new business strategy for IsDB [...] aims to promote inclusive and sustainable value chains that improve the incomes of smallholders and create youth employment opportunities.'*<sup>clxxxix</sup> *IsDB's 'Sustainable Finance Framework' de facto excludes investments to expand livestock production on sustainability grounds.*<sup>clxxxii</sup>

<p><b>DID THEY SUPPORT FACTORY FARMING IN 2021?</b></p>	<p><b>No.</b> There is no evidence of support for factory farming in 2021, though the IsDB's project database is currently under maintenance.</p>
<p><b>DID THEY SUPPORT SUSTAINABLE FARMING IN 2021?</b></p>	<p><b>Yes.</b> According to a 2021 news article, IsDB is a co-financer of a loan along with AfDB and IFAD to the Government of Nigeria for US\$210mn. The loan will 'support smallholder farmers producing strategic crops and livestock'.<sup>clxxxiii</sup></p>
<p><b>DID THEY FAIL TO INCLUDE ANIMAL WELFARE IN A PROJECT?</b></p>	<p><b>Unknown.</b> The IsDB project database is 'Under Scheduled Maintenance'.</p>
<p><b>DO THEY HAVE AN ANIMAL WELFARE POLICY THAT REQUIRES STANDARDS ABOVE THE HOST COUNTRY'S LAW AND REGULATIONS FOR ALL PROJECTS?</b></p>	<p><b>No.</b><sup>clxxxiv</sup></p>
<p><b>DO THEY HAVE A FACTORY FARMING EXCLUSION?</b></p>	<p><b>No.</b><sup>clxxxv</sup></p>



## WHAT DID THEY SAY?

*The NDB only recently took steps to possibly expand into livestock support as part of their financing strategy, signing memorandums of understanding (MoUs) with the FAO in 2018 and with the Agricultural Development Bank with China in 2021.<sup>clxxxvi</sup> There is no evidence of a specific policy or approach with respect to livestock support.*

<p><b>DID THEY SUPPORT FACTORY FARMING IN 2021?</b></p>	<p><b>No.</b> We did not find evidence that the bank supported a project that likely included factory farming in 2021, though some indirect support may have been given.<sup>clxxxvii</sup></p>
<p><b>DID THEY SUPPORT SUSTAINABLE FARMING IN 2021?</b></p>	<p><b>No.</b> We did not find evidence of support for sustainable livestock farming.</p>
<p><b>DID THEY FAIL TO INCLUDE ANIMAL WELFARE IN A PROJECT?</b></p>	<p><b>Unknown.</b> NDB financed at least two projects possibly supporting livestock, but there were limited details and information provided about the borrowers or the E&amp;S review generally.</p>
<p><b>DO THEY HAVE AN ANIMAL WELFARE POLICY THAT REQUIRES STANDARDS ABOVE THE HOST COUNTRY'S LAW AND REGULATIONS FOR ALL PROJECTS?</b></p>	<p><b>No.</b><sup>clxxxviii</sup></p>
<p><b>DO THEY HAVE A FACTORY FARMING EXCLUSION?</b></p>	<p><b>No.</b></p>



## WHAT DID THEY SAY?

*'Guidelines for the Management of Agricultural Practices' discusses the risk from livestock because of 'the conversion of habitat for pasture. This is especially serious in the cases of large scale animal breeding and ranches'.<sup>clxxxix</sup> 'Guidelines for Livestock and Rangeland Management' sets out pathways to improve sustainability, including through restricting the number of livestock, mixing species, and reseeded and reforestation to reduce soil erosion.<sup>cx</sup>*

<p><b>DID THEY SUPPORT FACTORY FARMING IN 2021?</b></p>	<p><b>No.</b> We did not find evidence that the bank supported a project that likely included factory farming in 2021.</p>
<p><b>DID THEY SUPPORT SUSTAINABLE FARMING IN 2021?</b></p>	<p><b>Yes,</b> via a loan to the Government of Togo for XOF10.7bn. Part of the Oti Plain Project's objective is to 'accelerate sustainable land management and restoration for achieving land degradation neutrality while benefitting agro-pastoral livelihoods and globally significant biodiversity.'<sup>cxci</sup></p>
<p><b>DID THEY FAIL TO INCLUDE ANIMAL WELFARE IN A PROJECT?</b></p>	<p><b>Yes.</b> The documents for 'Togo: Oti Plain Agricultural Land Development Project' do not contain any references to animal welfare.<sup>cxcii</sup></p>
<p><b>DO THEY HAVE AN ANIMAL WELFARE POLICY THAT REQUIRES STANDARDS ABOVE THE HOST COUNTRY'S LAW AND REGULATIONS FOR ALL PROJECTS?</b></p>	<p><b>No.</b><sup>cxiii</sup></p>
<p><b>DO THEY HAVE A FACTORY FARMING EXCLUSION?</b></p>	<p><b>No.</b><sup>cxiv</sup></p>



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## WHAT DID THEY SAY?

*‘The Livestock Sector and the World Bank’ (2021) states, ‘The Bank supports countries to manage and respond to growing demand for animal protein in ways that are significantly less harmful for the environment and contribute significantly less to climate change ... Bank supported projects seek to improve various dimensions of livestock systems and value chains, using levers such as efficiency gains, balancing of animal rations and sustainable sourcing of feeds, carbon sequestration in agricultural landscapes, energy-efficient technologies and renewable energy sources, animal health and welfare, and better manure management.’<sup>cxcv</sup>*

**DID THEY SUPPORT FACTORY FARMING IN 2021?**

**Yes.** They likely supported factory farming through a loan to the Government of Liberia for US\$55mn. The project information document states, ‘Land clearing associated with farming and provision of infrastructure could contribute to deforestation, forest degradation, destruction of natural habitats, soil erosion and depletion of biodiversity. Agricultural intensification could trigger extensive use of pesticides with adverse repercussions on human health and biodiversity. The proposed support to the poultry and piggery industry will produce animal waste (manure) which could contaminate ground and surface water as well as contribute to green-house gas emissions if poorly managed.’<sup>cxcvi</sup>

**DID THEY SUPPORT SUSTAINABLE FARMING IN 2021?**

**Yes.** We found several examples, including a loan to the Government of the Central African Republic for US\$50mn. ‘The objectives of the project are to increase food production and to improve resilience of targeted smallholder farmers and food insecure households in affected areas.’<sup>cxcvii</sup>

**DID THEY FAIL TO INCLUDE ANIMAL WELFARE IN A PROJECT?**

**Yes.** The documents for ‘Liberia: Rural Economic Transformation Project’ do not contain any references to animal welfare.<sup>cxcviii</sup>

**DO THEY HAVE AN ANIMAL WELFARE POLICY THAT REQUIRES STANDARDS ABOVE THE HOST COUNTRY’S LAW AND REGULATIONS FOR ALL PROJECTS?**

**No.** World Bank’s Environmental Social Framework (2018) states, ‘The Borrower involved in the industrial production of crops and animal husbandry will follow GIIP to avoid or minimize adverse risks or impacts. The Borrower involved in large-scale commercial farming, including breeding, rearing, housing, transport, and slaughter of animals for meat or other animal products (such as milk, eggs, wool) will employ GIIP in animal husbandry techniques, with due consideration for religious and cultural principles’. This statement has a footnote to the IFC Good Practice Note.<sup>cxcix</sup>

**DO THEY HAVE A FACTORY FARMING EXCLUSION?**

**No.**

# SECTION 3

## RECOMMENDATIONS FOR SUSTAINABLE FINANCING

In our review of financing, we discovered a haphazard approach whereby there is significant support by the banks we reviewed for both sustainable farming and factory farming.

We did not find any evidence that a single bank has attempted to determine and disclose what portion of their livestock financing supports larger, more industrialised, intensive production as compared to smaller, agroecological farming. This is not surprising as their agriculture sector strategies lack specific timelines or benchmarks to transition to more sustainable protein sector financing.

Nevertheless, our review of their policies and public statements did show the banks understand the importance of transitioning the sector towards more sustainable production. With animal welfare, only two banks that we reviewed excluded certain factory farming practices for all their livestock projects. Most banks failed to assess animal welfare during E&S reviews or to include it in E&S action plans. Many banks also failed to disclose basic information in project summaries and E&S documents.

### KEY RECOMMENDATIONS:

1. Public banks must create concrete plans to cease financing factory farming, including updating their exclusion lists.
2. Public banks must support the transition to sustainable food systems in their action plans by creating animal welfare policies, implementing KPIs linked to the SDGs and animal welfare in their E&S reviews.
3. Public banks must classify livestock projects as 'Category A' due to their potential E&S impacts, increase project disclosure throughout the project cycle and publish all project complaints.



Photo 8 photo: pigs at a higher welfare indoor farm in the Netherlands. Credit: world animal protection



## KEY RECOMMENDATION 1: SHIFT FINANCING POLICIES AWAY FROM FACTORY FARMING AND TOWARDS SUSTAINABLE FARMING

World Animal Protection recommends that public banks create time-bound and public commitments to fully transition away from funding factory farming and towards funding sustainable livestock farming. Proven alternatives like agroforestry and silvopastoral systems exist, and public banks should only support sustainable production like these.

While factory farming may increase the availability of inexpensive, often unhealthy food, once the costs and harms are taken into account, it is failing to feed the world in a sustainable way. Factory farming must not continue to be financed in the name of sustainable development when, by its very nature, it is unsustainable.

A sustainable livestock strategy should not support upgrades within factory farms, like group housing instead of stall use in pig production. Even though it is encouraging that public banks are helping companies embrace important improvements, banks should support projects implementing smaller, more agroecological farming rather than trying to improve an inherently unsustainable practice.

Key to this item is to ambitiously define factory farming and sustainable farming, respectively, and to align financing with such definitions. As noted by IFAD, 'Managing the environmental and social impacts of the livestock sector requires, at a minimum, disaggregating between extensive and intensive production, although it is recognized that the line between the two is sometimes blurred. Nevertheless, there is considerable difference between extensive livestock production, in which livestock are reared outdoors on natural and semi-natural forage, and intensive production of livestock, often indoors and based on cultivated inputs or by-products.'<sup>cc</sup>

A significant challenge of ensuring that direct loans to private companies only support sustainable farming relates to the client's supply chain. Logistically, banks can assess direct operations of client companies without considerable burden. Monitoring the larger supply chain will take more ambition, but it is ultimately necessary. Manufacturers and retailers that are receiving tens of millions of dollars in support should have the resources to account for the activities of their entire supply chain.

With governments and financial intermediaries, banks have less opportunity to directly monitor the end results of their financing. They can, however, take steps to better control the more indirect effects of their financing, including first by creating the parameters by which to measure what is and what is not sustainable. Part of an effective agriculture sector policy must also address the overconsumption of some proteins. There must be an acknowledgement of the need to transition away from the animal-sourced food products that are resource intensive and, in many regions and countries, also a large contributor to overnutrition and non-communicable disease.



## KEY RECOMMENDATION 2: INCLUDE ANIMAL WELFARE STANDARDS IN THE COMPLETE E&S REVIEW CYCLE

World Animal Protection recommends that public banks update or create farm animal standards to include specific requirements, rather than mere recommendations. Animal welfare policies should apply to all financing, including loans to companies, governments or financial institutions. The final client of support should account for their practices and be required to meet, or create a plan to meet, a required standard of animal welfare.

Many stakeholders cite the FARMS Initiative's Responsible Minimum Standards (RMS)<sup>cci</sup> as a basis for creating specific and measurable animal welfare policies. Short, concise standards for five commonly farmed species, the RMS have been referenced in guidance by UNEP initiatives for banking<sup>ccii</sup> and insurance,<sup>cciii</sup> the Climate Bond Initiative<sup>cciv</sup> and private banks.<sup>ccv ccvi</sup> They have also been endorsed by over 80 civil society organisations.<sup>ccvii</sup> The standards also reflect the principles of frameworks like the IFC Good Practice Note, EU Directives and OIE Code. Some on-farm assurance programmes permit confinement of poultry and pigs, two practices that create a high risk of animal cruelty scandals, and comparing certifications to the RMS is an effective way of assessing whether they are meaningful.

If a public bank finances breeding, raising, transporting, slaughtering or transporting of farm animals, the borrowers must be required to provide information about animal welfare KPIs. This information should include whether animals have outdoor access and for how long, the amount of space they have, and whether antibiotics are regularly used. It should also detail the maximum transport time for animals, whether routine surgical procedures are conducted without pain relief, and which safeguards are used during the slaughter process.

Banks also need to consistently enforce their standards for retailers, manufacturers and financial intermediaries. This should include establishing specific requirements to ensure they are not ultimately undermining improvement by the primary processors that are using higher animal welfare standards by supporting supply chains that are using lower standards. Stronger farm animal welfare policies by public banks will set a positive example for private financial institutions and food companies. It will also help enable the sustainable farming industry to better compete with the factory farming industry.

Banks can also support improvements by creating learning modules for all actors in the supply chain, not just primary producers. Supporting more technical training, auditing and reporting creates more business opportunities for companies in livestock-related industries, but banks must invest in it more. For example, 'humane treatment of livestock training' is part of an active ADB project supporting the Government of China and was approved in 2017. Providing animal welfare training is a very positive move, but in project documents for the US\$90mn project, we only found evidence of one training at a cost of US\$5,000, even though an egg producer received US\$6.8mn as part of a single sub loan.<sup>ccviii</sup>

### KEY RECOMMENDATION 3: INCREASE PROJECT DISCLOSURE



World Animal Protection recommends that public banks disclose more animal welfare information in their publicly available E&S reviews and action plans. For this reason, any proposed industrial livestock project should be classified as 'Category A' or 'high risk', to allow more time for local communities and civil society to review the proposal and be consulted. This must apply when financing enterprises in which borrowers are directly responsible for farm animals or those who are relying on suppliers in their business chain to be. Before a project goes to board review for final approval, more details about it must be published so that stakeholders have sufficient opportunity to understand its impacts. These details should include the number of animals, the type of housing, and the features of the project that qualify it as sustainable.

E&S reviews must be published and also disclose specific KPIs and the company's progress towards meeting items on the E&S action plan. Once implemented, regular updates on the project must be published, including evidence that the borrower is respecting the E&S conditions of the contract. These should state whether the borrower is meeting commitments to improve practices and whether, ultimately, the project achieved its stated objectives.

Some public banks currently withhold disclosure of KPIs based on claims of confidentiality by loan clients related to the secrecy of their business operations. Banks also withhold such information based on confidentiality with regard to the contract. It is beyond the scope of this report to address the legal merits of these claims, including whether courts and legislators would determine that information such as stocking density or cage housing usage are trade secrets. It is reasonable to suggest that disclosure would have positive effects on the livestock industry. There is also an opportunity for positive change through the requirement of more disclosure from financial intermediaries about their final lending clients, including animal welfare indicators.

Most of the public banks we reviewed disclosed project financing complaints. This mechanism is an integral tool in improving the end results of public financing because it addresses local issues. Transparent and independent accountability mechanisms help community groups and civil service organisations to address harms from public financing. This supports sustainable financing even in cases when disputes are not fully resolved.

An example of this can be found in an on-going case before IFC's Compliance Ombudsman Panel brought by the community surrounding a large poultry complex. Even though the parties have not yet agreed to a resolution, the company agreed to some positive items in a preliminary mediation. These included a continuous line of communication between the parties about pressing items, a pilot study on the impacts to the community, plus disclosure of pesticide use, including the type, the amounts and the application methods.<sup>ccix</sup>

# CONCLUSION

## THE ROLE OF DEVELOPMENT FINANCE

The argument that public banks need to support larger industrial producers in the developing world because there is not sufficient private investment does not hold today. Financial services companies are increasingly expanding their operations. Many multinational companies are already investing in more global value chains, including in the developing world.

There would be a ripple effect if, as a group, public banks stopped funding factory farming and required sustainable livestock production, including higher animal welfare standards. Food companies and private financial institutions could then learn how to be more sustainable from the public banks. Of course, that is one of the aims of development finance.

Public banks are particularly well placed to help drive progress because of the opportunities for blended finance projects. In those circumstances, they can enable improvements by private sources of funding if the bank requires the project to follow its higher standards. With loans to financial intermediaries and investments in funds, they can support larger improvements if they implement measures to enforce them with respect to sub loans and investments.

Public banks acknowledge the importance of sustainable farming on paper. Many of the banks have statements or policies supporting more sustainable agriculture or emphasising the importance of animal welfare. Yet, based on new projects in 2021, they are not translating these words into action. Half of the banks approved a project which likely supported factory farming, and several others approved projects which possibly have links to factory farming. Most of the banks failed to include animal welfare in the E&S review or action plan.

Truly sustainable public financing of the food system must start with a specific and complete commitment to exclude factory farming from funding. This should be accompanied by investments in truly sustainable protein production, underpinned by stronger animal welfare and environmental standards and more robust project disclosure.

Without question, the impacts of their actions – or inactions – are massive. Indeed, according to the UN, '[s]ustainable food systems don't just help to end hunger' but they can also 'help the world achieve critical progress on all 17 Sustainable Development Goals'.<sup>ccc</sup>



Photo 9 dairy cows grazing on pastures at Eastby Farm, UK. Credit: World Animal Protection / Campaign Film Ltd

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