

World Bank Board of Directors  
1818 H Street  
Washington, DC 20433

13 September 2023

**Re: Request to delay the proposed IFC investment to MHP pending compliance processes**

Dear Members of the World Bank Board of Directors,

As the IFC considers a new investment to Ukrainian agribusiness MHP,<sup>1</sup> we would like to bring to your attention several systematic issues with MHP. Despite local community members' attempts to raise these issues to MHP and to lenders dating back many years, including through ongoing complaint processes at the IFC CAO<sup>2</sup> and EBRD IPAM<sup>3</sup> since 2018, these issues remain unresolved. As the projected Board date for the proposed new IFC loan approaches, it is necessary to take into account the existing failures to meet social and environmental requirements in previous Bank investments to MHP and the serious risks of unmitigated harm to local communities and the environment through further IFC investments.

In 2018, local villagers living near MHP's Vinnytsia poultry farm (Vynnytska Ptakhofabryka LLC) submitted complaints to CAO and IPAM. They raised issues including the environmental impacts of the company's operations, the lack of meaningful consultation, and poor information disclosure, including the lack of a holistic impact assessment that covers all MHP's local operations. After 3 years of unsuccessful problem-solving these complaints are currently in the compliance phase at both mechanisms and the underlying issues, they raised are still unresolved. While the processes have suffered delays, in part due to the Russian war, the IPAM draft investigation report is expected in early autumn 2023.

The proposed IFC loan would support MHP to expand the biogas facility at its Vinnytsia poultry complex – the same industrial complex that is the subject of the complaints – adding a new facility to process manure into biomethane. MHP commissioned the environmental impact assessment (EIA) during the summer 2023 for their planned new biomethane facility. Recognizing the potential benefit of biomethane production from part of the waste generated by the poultry factory, there is a significant risk that the project will only further the past issues with MHP. We

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<sup>1</sup> MHP project disclosure: <https://disclosures.ifc.org/project-detail/SII/46415/mhp-loan-2023>

<sup>2</sup> CAO case database: Ukraine: [Ukraine: MHP-01/Vinnytsia Oblast | Office of the Compliance Advisor/Ombudsman \(cao-ombudsman.org\)](#)

<sup>3</sup> IPAM case register: [MHP Corporate Support Loan, MHP Biogas \(ebrd.com\)](#)

urge you to ensure that any new investment in MHP addresses the longstanding issues raised by local communities and CAO complainants:

Inadequate **Environmental monitoring** obscures the impacts of the farm and prevents local communities from accessing trusted information relevant to their health and wellbeing. Poor state monitoring network, and therefore lack of data on environmental conditions and tendencies, in the area of the Vinnytsia poultry farm limits possibilities for independent environmental assessment, jeopardizing the sustainability of the area and any mid and long-term economic activity there. Any further developments need to be accompanied by environmental monitoring network development.

The EIA for the biogas and biomethane facilities does not include water monitoring, even though water from the river South Buh is consumed in these facilities, contributing to the Vinnytsia poultry farm's status as the biggest water consumer in the area. While the proposed loan's E&S disclosures report that MHP conducts groundwater monitoring within 500 meters of the biogas plant,<sup>4</sup> this monitoring is neither independent nor are the results publicly disclosed and scoping it so narrowly around individual facilities risks missing detection of significant impacts.

For instance, Ecoaction conducted a citizen science initiative on water monitoring in 2021, the results of which show that groundwater in locations near the farm is heavily polluted with ammonia substances (nitrates, nitrites). Surface water samples from a testing location downstream of MHP's wastewater treatment facility show high amounts of nitrites. Any new financing to MHP's operations should include a requirement for regular, independent water monitoring, the results of which should be publicly disclosed.

The same is true for the air monitoring plans, as the EIA report suggests air quality testing 4 times per year within the sanitation area. The biogas and planned biomethane plants have the highest capacity of production in Ukraine, both in terms of manure amounts stored and processed, as well as power generation capacity. Therefore, air emissions from the facilities need constant "on pipe" as well as independent monitoring.

The Vinnytsia poultry farm lacks a **comprehensive impacts and life cycle assessment**, hindering the systematic oversight of the EBRD/IFC investments into MHP. Instead, impact assessments have been sliced down to only cover separate facilities, parts of the production lines. The same is the case for the recent EIA for the biomethane facility. By narrowly focusing on impacts directly related to the biomethane facility, some impacts risk falling through the gaps. For example, local people have observed a rise in the use of processed post-biogas liquid as fertilizer. MHP itself uses this liquid byproduct on its fields. MHP's monitoring of groundwater within 500 meters of the biogas facility would not detect any impacts from this practice.

Due to high fertilizer prices, farmers in the area have started to buy this cheaper liquid byproduct. From MHP and to commission their services and equipment to apply the product on their fields.

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<sup>4</sup> MHP Loan 2023, Environmental and Social Mitigation Measures, <https://disclosures.ifc.org/project-detail/ESRS/46415/mhp-loan-2023>.

Local community members are concerned that inappropriate application methods may lead to air, groundwater and soil pollution. It is not clear if the farmers are informed about the liquid manure's composition and the quantity needed to be applied, but again this practice has not been included within any impact assessment or monitoring effort.

Community members have requested the holistic environmental assessment of the whole farm from MHP many times but have not received it. The closest document we have seen is the EIA produced as part of OPIC's due diligence process, but this was based on a desk review only and we believe it does not include all of the facilities in the current Vinnytsia poultry farm.

MHP has a history of **poor consultation practices** with local villagers directly affected by the Vinnytsia poultry farm. Historically, the only opportunity for discussion of MHP's operations has been at village council meetings, as part of the village council's approval of individual MHP facilities. In practice, the company occupies such a position of power at the local level that these meetings were highly politicized and biased, creating a hostile environment for any genuine discussion of concerns or negative impacts. This, combined with the company's poor disclosure practices, the lack of an impact assessment covering MHP's full local operations, and inadequate environmental monitoring, has prevented local residents from gaining the information they desire and deserve regarding MHP's operations and their impacts - particularly the negative ones. Now, given the challenges presented by the war, local residents do not have even these opportunities to learn about MHP's proposed operations.<sup>5</sup>

An important element of these consultation challenges is the risk of retaliation that local residents have felt - and the actual retaliation that some have faced who dared to raise concerns about MHP's operations publicly.<sup>6</sup> Since the war, the perceived risk of speaking up against MHP has once again increased, as MHP is seen to have the power to influence which local residents are sent to the front line and which are relieved of army duties due to their essential employment at the Vinnytsia poultry farm.

EBRD and IFC investments have essential importance for Ukraine's reconstruction and further development that must be aligned with Ukraine's EU accession, implementing respectful policies, standards and production approaches. New investments must use the momentum for application of proper environmental requirements, as IFIs and other donors at the moment are well-placed to promote and catalyze sustainable and green methods of business development - even, and especially, in this challenging moment for Ukraine. The environmental reforms in Ukraine will be on a way<sup>7</sup> as the country wishes to prepare for the EU accession process and MHP

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<sup>5</sup> The E&S disclosures for the loan acknowledge that public consultations have become digital but don't propose a solution to this, stating simply that "MHP will look for other ways to engage with stakeholders". Environmental and Social Review Summary, MHP Loan 2023, <https://disclosures.ifc.org/project-detail/ESRS/46415/mhp-loan-2023>.

<sup>6</sup> The history of these issues is well-documented in the report, "Beatings, Framings and Industrial Chicken Farms: a Human Rights Briefing on MHP Projects and International Public Finance in Ukraine," <https://bankwatch.org/sites/default/files/briefing-EBRD-MHP-humanrights-05May2017.pdf>.

<sup>7</sup> Comments to EU enlargement report, Ecoaction, April 2023: [ecoaction\\_comments\\_eu\\_reform\\_climate\\_energy.pdf](https://ecoaction.org/ecoaction_comments_eu_reform_climate_energy.pdf)

has to prepare for them already now. New investments in MHP must address the systemic failures seen in prior investments to MHP. Specifically, we urge lenders to ensure any new loan to MHP addresses the past issues raised by local communities, including by:

**Delaying any new financing until after the IPAM and CAO compliance reports are completed**, to ensure that any lessons from the compliance process can be fed into new Bank engagements with this client; and

**Whether or not the loan approval is delayed, making any new financing conditional on resolution of past environmental and social compliance issues, including:**

- Comprehensive assessment of the impacts of the whole Vinnytsia poultry farm;
- Regular, independent water, air and soil monitoring and information disclosure on it;
- Meaningful public consultations on the proposed biomethane expansion. Consultations should be based on prior information disclosure and should allow participation of all affected people and include measures to promote open expression of different viewpoints, absent any pressure or intimidation.
- Remedy and/or compensation for complainants by MHP as a condition to future investments.

While we understand and thankful for support to Ukraine, there are also real questions about the benefits of this proposed loan for the people of Ukraine<sup>8</sup>. Civil society see the agriculture sector being reformed and developing in a direction to decentralised food systems and support to small farms<sup>9</sup>.

On behalf of the community advisors' team:

CEE Bankwatch Network  
Accountability Counsel,  
Ecoaction

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<sup>8</sup> Report [European tax havens help Ukrainian poultry giant to feather its nest - SOMO, 2020](#)

<sup>9</sup> Green Principles for Post war Reconstruction in Ukraine, [Ecoaction's Principles of the Green Post-war Reconstruction of Ukraine – Ecoaction, 2022](#)