To: IFC board members
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International Finance Corp.
2121 Pennsylvania Ave., NW Washington, DC 20433 USA

September 26th, 2024

Dear IFC board members,

We are writing to express our concerns in relation to the proposed US$ 60 million IFC investment in MCS Holding LLC and its subsidiary Metagro LLC (project nr. 47487).

We believe the expansion of Metagro's factory farming operations in the Chandgana valley, Kherlen soum, Khentii province of Mongolia to be potentially detrimental to the environment and stakeholders' rights, farmed animal welfare, and seemingly at odds with the World Bank Group's commitment to aligning its strategies, investments, and activities with the goals of the Paris Agreement, the Global Biodiversity Framework and the SDGs.

We kindly request the IFC Board of Directors to reconsider the investment in MCS Holding and its subsidiary Metagro, for all the reasons summarized below:

1. **Deforestation from feed production**: The industrial scale production of livestock requires large areas of land for the production of feed. Metagro is not self-sufficient and sources thousands of tonnes of feed on the domestic and international markets, with no traceability. The international demand for soy for feed for livestock has been a major driver of deforestation and biodiversity loss in countries like Brazil. As the ESIA notes, Metagro's "supplier management process lacks the explicit measures to meet PS6 requirements." (p160)
2. **Biodiversity loss from agrochemicals**: Metagro is currently not self-sufficient in feed, but claims yields will grow in the coming year (p159), without providing a clear reasoning of why it will increase, and by how much. It does mention it will source agrochemicals and other inputs from China and Russia. The use of agrochemicals is likely to have a very detrimental impact on the environment and can be dangerous for people.
3. **Water stress from irrigated agriculture**: Metagro's intention to increase the area of irrigated agriculture has the potential to greatly increase water stress in the region. The ESIA notes that "Small inter-annual variations in precipitation can lead to severe drought events, with some regions not experiencing rainfall at all. No long-term trend in precipitation change is evident, however variability in rainfall seems to have increased in

recent years. The WRI Aqueduct Tool recognises the Project area as extremely high risk for overall water stress". The issue of water availability is of existential importance both to the Project and to the local community and should therefore be examined exhaustively prior to any decision on a loan.

4. **Driver of further land conversion and biodiversity loss**: Though the project is partly meant to address overgrazing and the consequent degradation of pasturelands, the project, just like any other expansion of industrial farming activities, is likely to achieve opposite results to the ones it anticipates. The fact that Metagro is open "to making long-term cooperation agreements with individuals and entities with large herds" indicates that the company's expansion will most probably have a cascading effect on its suppliers and will promote the expansion of their activities too - accelerating pastureland degradation instead of mitigating it.
5. **The project does not address food insecurity**: FAO data shows that 8% of the Mongolian population face malnutrition. This is despite Mongolia's large livestock production of almost 65 million animals, compared to a human population of 3.5 million people. According to the ADB, Mongolia is a significant exporter of beef. This raises the question if Metagro's industrial, expensive and high-quality beef will contribute to food security, or if it will produce mainly for exports.
   On the other hand, the ADB reports that production of some of the most commonly consumed vegetables is limited in Mongolia, and that the country still heavily relies on imports which weigh on public and private debt. In light of this, investments that promote plant-based diets and food crops could contribute to food security more meaningfully than those that further meat production for exports.
6. **Metagro does not meet international animal welfare standards**: the (planned) use of fast-growth animal breeds is highly problematic from an animal welfare point of view, as animals from these breeds suffer from a variety of ailments caused by the fast growth traits. In addition, in the feedlots the animals have little space to move around, are fed a diet with a lot of grain which can cause digestive diseases and even death, are often exposed to the elements and can get foot infections. The ESIA also identifies that one of the "most prevalent supply chain risks is potential animal welfare issues with cattle suppliers."
7. **Not in line with Mongolia's NDCs**: The aim of public investments in Mongolia should be to reduce herd sizes by 5 percent per year, as committed in Mongolia's Nationally Determined Contributions objectives and the government's commitments to protect the global climate. Investing in the expansion of livestock farming does not seem to align with these objectives.
8. **Not aligned with climate goals**: Industrialized cattle production is a major source of methane emissions as well as carbon emissions from deforestation worldwide. This obliges public financial institutions and governments that have made commitments to aligning their activities and investments with the goals of the Paris Agreement to consider the their support for the industry's expansion in the context of aligning the global livestock sector with a 1.5°C pathway and the Global Methane Pledge's call to reduce global methane emissions at least 30 percent from 2020 levels by 2030. (Mongolia is a signatory

to both agreements.) IFC's investment in Metagro may also contribute to carbon lock-in via the entrenchment of high-emitting industry infrastructure.

9. **Impact on air quality**: The ESIA (p. 151) fails to properly assess the cumulative impacts of Metagro's livestock farming operations with the ones from the existing open-pit coal mine nearby. Although according to the ESIA (p. 59), "ambient air quality is very good across the Project site", this may rapidly deteriorate with the intensification of factory farming activities and the presence of the coal mine merely 10 kms away from the cattle farm.
10. **Lack of meaningful stakeholder engagement**: The project impacts on communities living downstream the Moron river - in terms of pollution of water bodies and consequently of agricultural lands - have been acknowledged in the project ESIA, but it appears that these communities have not been involved in stakeholder consultations, nor have they been notified about the potential impacts on their livelihoods.[1] Until these potentially affected communities have been identified and consulted, and their consent to the project has been recorded, the investment must not be approved.
11. **Lack of democratic space**: Considering the alleged human rights violations linked to Metagro's parent company, MCS Holding, and the closing civic space in Mongolia, we are concerned that the company may be unable to establish a well-functioning grievance redress mechanism to address stakeholders' complaints.
12. **Heavy reliance on imports**: As it appears from the company's website, most of its primary and secondary inputs (including machinery, vaccines, and digital technologies) are sourced from outside of the country and mostly from large Western companies and multinationals. This does not support the development of local, resilient, and sustainable value chains, nor does it promote skills and opportunities among the Mongolian population.
13. **Precautionary principle**: Under international law, the precautionary principle – as articulated, for example, in Article 11(b) of the UN World Charter on Nature – requires that "Activities which are likely to pose a significant risk to nature shall be preceded by an exhaustive examination; their proponents shall demonstrate that expected benefits outweigh potential damage to nature, and where potential adverse effects are not fully understood, the activities should not proceed."
14. **Lack of IFC's additionality**: MCS Holding, the project client, is "the largest private sector business in Mongolia" (ESIA, p. 6). It is a company with hundreds of millions in annual revenues (in 2020 it paid more than US$ 150 million in taxes), and activities among the most profitable industrial sectors in the country. The proposed project seems to be another project to increase profits, without contributing to sustainability goals. Due to the lack of additionality of the project, we believe there is no justification for the IFC to finance it.

IFC should support investments that empower smallholder farmers, improve food and nutrition sovereignty among vulnerable populations, and facilitate the adoption of agroecological practices that have high animal welfare standards, address desertification and land degradation, biodiversity loss, and GHG emissions, among other impacts. As acknowledged by the Asian

[1] Please see the ESIA on pages 109-113

Development Bank, in Mongolia investments in food crops are urgently required to increase the production of vegetables and plant-based proteins in the country and contribute to food security, sovereignty, and diversification.

Approving this investment would also be at odds with the World Bank's "Recipe for a Livable Planet," which recommends redirecting subsidies for red meat and dairy to the production of fruits and vegetables, among others. It also highlights how low-income countries can bypass a high-emissions development pathway by adopting practices like agroforestry for greener and more competitive economies.
We would be happy to have a call to discuss this further.

Kind regards,

Organization	**Country**
AbibiNsroma Foundation	Ghana
Academic	Ecuador
Alianima	Brazil
Animals Aotearoa	New Zealand
Animals Asia Foundation	Hong Kong
Animetrics	Turkiye
Aquatic Life Institute	USA
Arba	Perú
Asociación Unión de Talleres 11 de septiembre	Bolivia
Bretton Woods Project	UK
Canadian Society for the Prevention of Cruelty to Animals	Canada
Catman y Dogin Rescate Animal	Ecuador
CEDENMA	Ecuador
Chilis on Wheels	USA
Coalition of African Animal Welfare Organisations - CAAWO	South Africa
Compassion in World Farming	UK
COMPPART Foundation for Justice and Peacebuilding	Nigeria
Compromiso Verde	UK
Connect For Animals	USA
Direct Action Everywhere	USA

Edge Hill University	UK
Eurogroup for Animals	Belgium
Faculty of Life network science	Japan
Farm Sanctuary	USA
FATA	Ecuador
Feedback Global	UK
Fórum Nacional de Proteção e Defesa Animal	Brazil
Foundation and Dissemination	Tanzania
Friends of the Earth (England, Wales, Northern Ireland)	UK
Fundación Derecho y Defensa Animal	Chile
Fundación Econexión	Ecuador
Fundación Rescate Animal Ecuador	Ecuador
Green REV Institute	Poland
In Defense of Animals	USA
Independent	USA
International Accountability Project	Global
Kite Insights	UK
Law Scholars For Change	USA
Legal Resources Centre	South Africa
LogicSense Ltd	Scotland
Lumière Synergie pour le Développement	Senegal
Mazingira Network - Tanzania (MANET)	Tanzania
Mercy for Animals	Brazil
Mercy for Animals	USA
Mongolian organization 1	Mongolia
Mongolian organization 2	Mongolia
Mongolian organization 3	Mongolia
Mongolian organization 4	Mongolia
Mongolian organization 5	Mongolia
Movimiento Animalista Nacional del Ecuador	Ecuador
NGO Ecoaction	Ukraine

NGO Ecosistemas	Chile
Osaka University	Japan
Peace Point Development Foundation	Nigeria
Peace Point Development Foundation-PPDF	Nigeria
Phoenix Zones Initiative	USA
Plant Based Cities Movement	Canada
Plant Based Treaty	Canada
Plant-Based Cities Movement	Canada
Plataforma ALTO	Colombia
Polish Ecological Club in Gliwice	Poland
Protección Animal Ecuador	Ecuador
Red de Observadores Ciudadanos A.C.	Mexico
Renevlyn Development Initiative (RDI)	Nigeria
Rivers without Boundaries Coalition	Regional
Sanctuary for Health and Reconnection to Animals and Nature	India
Sinergia Animal	Global South
Sustainable Holistic Development Foundation (SUHODE Foundation)	Tanzania
Terranimal Ecuador	Ecuador
The Humane League USA	USA
The Humane League UK	UK
Urgewald	Germany
Uzbek Forum for Human Rights	Germany
Vegan Activist Alliance	USA
Vege zajednica	Serbia
Water Justice and Gender	Peru
Witness Radio	Uganda

* Mongolian organizations are anonymous due to safety concerns