

21 October 2013

Open letter from civil society groups regarding the EBRD's potential increase of debt exposure to MHP group

Dear EBRD Board members,

The EBRD is considering increasing debt exposure to MHP Group up to USD 100 million to finance the acquisition of agricultural and grain infrastructure operations and capital expenditures related to agricultural equipment¹. The board date for the project is scheduled for 29 October 2013. However, the operations of MHP group in Ukraine have raised serious environmental and social concerns among locals and civil society groups. We ask you to review and address these concerns before any additional support for the MHP group is considered.

The environmental and social concerns relate to MHP group's livestock production facilities in the Vinnitsa and Dnipropetrovsk regions of Ukraine. In particular, these include:

- Questionable economics and labour relations at MHP enterprises – due to the limited employment opportunities and the possible use of trial labour at the Vinnytsa poultry farm, the positive economic influence on the region is questionable and does not match with the expected results, causing dissatisfaction among the local population; waste management practices – problems exist at the Vinnytsa poultry farm with the use of biological and manure storage;
- issues with land acquisition, with locals asserting that the company has claimed at least one part of a field in the Vinnytsa region outside of its contractual concession;
- shortcomings in the impact assessments – for some MHP facilities, cumulative assessments of the environmental and social impacts, environmental impact assessments of the construction phase and an analysis of alternative locations for the facilities were not done;
- failures to address environmental and social needs during the construction phase of the new facilities, including the use of village roads causing damage to residential buildings and increase exposure to dust;
- limited access to environmental and social information required by public;
- a history of irresponsible operations, including the Oril Leader poultry farm where violations of environmental safety measures for manure storage occurred and as well at the new facilities in Ladyzhyn.

¹<http://www.ebrd.com/english/pages/project/psd/2013/45253.shtml>

The failure to resolve existing problems at MHG poultry farms demonstrates the limited leverage that EBRD financing can have in ensuring that a project's negative impacts are mitigated successfully. We believe the company should not be rewarded for its shortcomings, and that the EBRD rather should enhance the sustainability of its operations.

Therefore we ask not to increase financing to the MHP group for the proposed activities until the company improves its performance and information flow with all stakeholders.

Thank you in advance for your positive consideration of this request, and we look forward to your response.

Sincerely,

National Ecological Centre of Ukraine, Ukraine

Ladyzhyn civil council, Ukraine

Public centre of ecological control, Ukraine

Non-governmental environmental organization "Voice of the Nature", Ukraine