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Briefing: Problematic MHP expansion in Ukraine with EBRD support

Myronivsky Hliboproduct PJSC, typically known as MHP, is a long-term EBRD client. On 28 October 2015 the bank approved a USD 85 million Corporate Support Loan¹ to support agricultural working capital needs. Previously the company received USD 100 million from the EBRD in 2013 to finance acquisition of agricultural and grain infrastructure and capital expenditures related to agricultural equipment for MHP Group's agricultural farming operations in Ukraine, as well as USD 65 million in 2010 for the client's expansion strategy and to ensure market expansion and competition.

While the agricultural sector is widely viewed as one of the engines of the Ukrainian economy, it is hard to see that the loan from the EBRD will "*promote its growth and competitiveness by working with companies like MHP*"² as currently MHP has a near monopoly on the national poultry production subsector.

There are regular reports by local NGOs and activists about persistent concerns from communities in the regions where MHP is present, related both to environmental and social issues. Moreover, now with MHP's expansion plans in four regions (Dnipropetrovsk, Vinnytsya, Cherkasy and Kyiv oblasts) its operations will impact new communities, so there are more issues to be taken into account and assessed and urgent improvements in the company's performance are now needed.

Among the most important issues we want to raise are problems associated with stakeholder engagement, MHP's disregard of local communities' decisions, failures in adequate assessment and mitigation of environmental and social impacts.

The EBRD made a monitoring visit (involving consultants and EBRD staff) with regards to the MHP project during the week 16-20 November 2015. National Ecological Centre of Ukraine experts met³ with the group and advised on which communities they should visit in order to properly assess the company's stakeholder engagement practices and other outstanding issues. However, only two meetings in Kyiv (Maslivka-Shandry communities) and the Vinnytyssa region (Ladyzhyn NGO) took place. At the same time the villagers from Chetvertynivka near Ladyzhyn, where the road blockades in November 2015 took place,⁴ did not receive attention as the bank's

¹ <http://www.ebrd.com/work-with-us/projects/psd/mhp-corporate-support-loan.html>

² <http://www.ebrd.com/news/2015/ebrd-extends-new-loan-to-ukraines-mhp.html>

³ Meeting on 16th November, Kyiv

⁴ <http://lad.vn.ua/suspilstvo/chetvertynivka-zbuntuvalasya-proti-budivnictva-drugoi-chergi-ptashnikiv-na-svoih-zemlyah.html>

mission chose not to visit them. Promised Skype calls with activists did not happen either. This raises questions about the willingness of the EBRD and consultants to evaluate MHP's approach to stakeholder engagement in a comprehensive and all-inclusive manner. We would welcome receiving the report from the mission which may be able to provide necessary information related to the issues raised below.

Communities' Opposition

MHP has persistent problems in its engagement with local communities. According to contacts with village councils and local civil society representatives, MHP asserts systemic pressure in order to start construction in communities where people have explicitly expressed their opposition to the development of new MHP facilities.

In March 2015 in Yabluniv village (Cherkasy region), people at a village public hearings voted against the construction of the poultry farm⁵. However, the company neglected this decision and currently the poultry rearing house is in the final stages of its construction.

There are other locations where MHP is expanding, but where flawed stakeholder engagement gives a negative image of the company. In the villages of Shandry and Maslivka (Kyiv region),⁶ people opposed construction during the summer of 2015. In Chetvertynivka village (Vinnytsa region), at a public meeting the community voted against construction, yet MHP still made an attempt to build. As a response, locals set up a road blockade in early November 2015.^{7,8} Only after prolonged protests, the company agreed not to construct in Chetvertynivka without community approval and signed a Memorandum of Understanding to this effect.

Beating of activists

Shortly after the the road blockade resolution an activist from Chetvertynivka village was beaten up by unknown assailants at the Ladyzhyn city market.^{9,10} The victim considers this event to be related to his active position against MHP's construction in Chetvertynivka. A similar event took place earlier involving a civil society activist from Ladyzhyn who supports local communities in their dialogue with MHP¹¹.

The latest case of activist beating occurred in Yasnoziryia village (Cherkasy region). We learned that Vasyl Tkachenko, Chairman of Yasnoziryia Village Council, was severely beaten in the village council premises on the afternoon of 21 December 2015¹². Tkachenko has been actively opposing the construction of MHP chicken facilities on the territory of the village. According to witnesses,

⁵<http://dzvin.org/nasha-ryaba-oskarzhyt-provalni-sluhannya-za-dopomohoyu-lystiv-trudyaschyh-dokumenty/>

⁶<http://www.mironovka.in.ua/gromada-maslivka/1697-maslivchany-pidhotuvaly-lyst-vidpovid-na-zvernennia-pat-myronivskiy-khliboproduct>

⁷<http://lad.vn.ua/suspilstvo/chetvertynivka-zbuntuvalasya-proti-budivnictva-drugoi-cherghi-ptashnikiv-na-svoih-zemlyah.html>

⁸<http://lad.vn.ua/skandaly/nn.html>

⁹<http://vn.20minut.ua/Novyny-Ladyzhyna/Ladyzhyn/aktivistu-z-ladizhina-dali-po-golovi-kastetom-za-kurochku-10472022.html>

¹⁰http://lad.vn.ua/skandaly/pobito-aktivista-protestiv-proti-budivnictva-ptashnikiv-na-vinnichchini_-peremirya-zirvano.html

¹¹<http://lad.vn.ua/skandaly/ladizhinskii-pravozahisnik-andrii-skakodub-stav-zhertvoyu-nevidomih-zlochinciv.html>

¹²<http://dzvin.org/nevidomi-sered-biloho-dnya-pokalichyly-holovu-sela-yasnoziryia/>

two men, who are unknown in the village, entered the village council building and started to beat Mr. Tkachenko. As of now¹³, and for almost a month, Tkachenko is still in hospital. The incident was reported to the police and we have asked for a fair investigation of these cases by the authorities. MHP has rejected any connection to the activist beating incidents.

Members of the Yasnoziryia Village Council believe that the only explanation for the attack on the village head is his tough stance against the construction of the MHP poultry farm in the territory of Yasnoziryia and surrounding villages.

The example of the Yasnoziryia village in Cherkasy region¹⁴ is also instructive – it has a long history of opposition to chicken farm constructions. This opposition began in 2003, when MHP expressed an interest to start construction but received a negative response from the community¹⁵. In 2014 MHP attempted the construction again, but the Yasnoziryia Village Council reconfirmed its negative decision on the construction¹⁶. Nevertheless, MHP started preparatory measures for construction on land in the village during spring-summer 2015: it removed soil at one of the fields and delivered construction materials. As a response, Yasnoziryia residents physically blocked the construction site during summer 2015 and prevented the machinery from working there; the community meeting and village council voted against construction.^{17,18} The local people also informed state authorities at different levels about the position of the community. However, due to weak community protection legislation and weak enforcement practices, the Yasnoziryia community is still afraid that the construction will take place. Similar situations have taken place in the nearby Moshny village (Cherkasy region), where locals set up a road block in summer 2015^{19,20} to stop construction.

A similar pattern of MHP neglect towards community positions has been noticed in three different regions of Ukraine (Kyiv, Cherkasy, Vinnytsya) involving at least six local communities²¹. Communities that explicitly stated their position against construction reported the company's subsequent attempts to build on their territory. It is thus clear that MHP is repeatedly and persistently failing to establish proper dialogue with communities.

Environmental and Social Impact Assessment

We demanded from the EBRD to ensure that its client MHP will implement the spirit and the letter of EBRD's policies on transparency and public consultation by ensuring disclosure of both detailed ESIA's and nontechnical summaries before meaningful public consultations for negotiating new land leases for the MHP's expansions. However, this did not materialise until now.

We were impressed how much more open for the information disclosure than the EBRD is the Dutch Export-Credit Agency Atradius which provided the full environmental impact assessments

¹³ As of January 18, 2015

¹⁴ <http://progolovne.ck.ua/archives/131728>

¹⁵ Minutes of community meeting in Yasnoziryia village, 4 December 2003.

¹⁶ Decision of the Yasnoziryia Village Council, 29 December 2014.

¹⁷ Minutes of community meeting in Yasnoziryia village, 24 May 2015.

¹⁸ Decision of the Yasnoziryia Village Council, 14 August 2015.

¹⁹ <http://progolovne.ck.ua/archives/130126>

²⁰ <http://dzvin.org/v-moshnah-bunt-selyany-chetvertu-hodynu-pidryad-blokuyut-trasu-cherkasy-kaniv-foto-video/>

²¹ Villages of Ulianivka, Chernyshivka, Shandry, Maslivka, Yasnoziryia, Moshny.

documentation for category A projects (new constructions) for the review of all interested parties. Previously in October the EIB provided parts of the EIA documentation for review as well.

So, having reviewed the available EIA documentation we found the deficiencies in impact assessment and design of mitigation measures for social and environmental impacts. The EIAs, provided by the company to Atradius were not sufficient enough for the assessment of the impacts on the environment and local communities.

Moreover, full EIA documentation has not been disclosed and consulted with the public and all interested parties by the company prior to the public hearings, as interviews with locals reveal. The practice of public hearings with discussion of the company's plans, access to the full documentation and informing about planned activities is not being implemented by the company and even if the community meetings take place.

On the ground, operations are organised in a way that several rearing zones are located in one area, within the distance of 1-3 km from one another. However, the EIAs are done separately for each rearing zone, the EIAs for a new facility does not include cumulative impact from already existing constructions. The future plans for the expansion or additional construction by the same company are not properly communicated as well. For example, near Yabluniv village and in close proximity to the poultry brigades MHP's subsidiary announced plans to construct a mink factory²². Such developments should be evaluated together in cumulative impact assessment as their impacts add up - as the mink farm will be taking the water from the artesian wells, similarly as the poultry farm.

The biodiversity assessment is insufficient in the provided environmental impact assessments (EIAs). For instance, there is no mention in the documentation related to Yabluniv village that the farm site will be constructed very near a projected nature protected site - the Serednyodniprovisky National Nature Park.

The EIAs focus a lot on air emissions. However, some of the EIAs lack an assessment of ammonia, dust, hydrogen sulphide and nitrous oxide emissions from the chicken housing, which should be assessed in line with the best EU practices²³. Quite significant amounts of greenhouse gases are also being emitted.

The EIAs mention significant levels of artesian water intake (for around 100 m³ per hour per rearing zone), however the EIAs lack a hydrogeological assessment of the potential effects of such water intake. The use of artesian water for technological processes should be questioned.²⁴ As the Kozarivka Village Council has pointed out, the villages were promised that MHP will provide water supply from the River Dnipro for the first stages of the chicken farms, yet in practice this did not happen.

The EIAs lack a description of the manure management system, including manure storage and disposal. Visual examinations of MHP manure storage sites located in Vinnytsa and Cherkasy regions suggest that the company uses one uncovered manure storage site (concrete floor and walls, no roof) for manure from several rearing zones, which is not in line with EU best practices²⁵. Such open air sites are potentially sources of odour and air pollution as well as

²² <http://pocherk.in.ua/241-do-kurey-kanevu-sche-hochut-pdkinuti-norok.html>

²³ European Commission. IPPC. Reference document for the best available technologies for the intensive rearing of poultry and pigs. 2003. http://eippcb.jrc.ec.europa.eu/reference/BREF/irpp_bref_0703.pdf

²⁴ <http://www.kaniv.net/news.php?p=32198&s=0&vc=0>

²⁵ ibid

greenhouse gases emissions. From the experience in the Vinnytsya region, manure is being stored in so-called temporary storage piles on the fields, with potentially negative environmental impacts. These are not mentioned in the EIAs.

Finally, the EIAs lack a social impact assessment, e.g. the impact of intensified road use on the local population, with dust and vibrations from increased traffic. No gender impact assessment has been carried out either, in spite of the negative impacts of MHP's operations on rural women.

The reviews of the EIA documentation only confirmed the concerns which communities and NGOs have regarding MHP's practices. The company's failure to fully and comprehensively assess social and environmental impacts has resulted in a lack of planned mitigation measures.

Recommendations:

1. We ask the EBRD to share the report from the EBRD's monitoring visit in November 2015 with a wide audience. We hope that the report addresses all or most of the issues discussed above. The EBRD should make it available for comments.
2. We call on the EBRD to help the company to improve information flows with impacted communities, as well as consultations with the communities so that local voices can be heard. The company must also adopt an internal practice to stop approaching communities if the community has made a public statement against construction signed by a majority of its residents.
- 3 Prior to any construction, adequate environmental impact assessments and meaningful public consultations should take place. The company should have a minimum package of documents for public disclosure and adopt procedures for meaningful public consultations before the decisions on construction are made. Communities should be presented with EIAs, non-technical summaries and a stakeholder engagement plan prior to the public consultations.
4. The EIAs should include assessment of cumulative impacts of already constructed facilities and proposed facilities in the area.
5. MHP's performance should be in line with European regulations²⁶.
6. The fulfillment of the recommendations should be subject to the disbursements of EBRD project finance to MHP.

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²⁶ European Commission. IPPC. Reference document for the best available technologies for the intensive rearing of poultry and pigs. 2003: http://eippcb.jrc.ec.europa.eu/reference/BREF/irpp_bref_0703.pdf