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Re: Second letter of concern in relation to project nr. 47487

22 October 2024

Dear Anup and colleagues,

Thank you for taking time to hear and address our concerns, and share the IFC's rationale behind the proposed investment in MCS Holding LLC, and its subsidiary Metagro LLC, in Mongolia.

We appreciate your efforts to engage in a dialogue with us.

At the same time, we feel one hour was not enough time to appropriately address all the points of concern regarding this investment, and the conversation we had raised additional concerns among the participants that we would like to discuss further with you on a call, possibly ahead of the projected Board date on November 5th.

Below, we outline concerns around potential violations of Mongolia's legal framework, of IFC's commitments and of international sanctions on Russia. In addition, we follow up on some concerns raised in our [first letter](#) and addressed in our call on October 10th, 2024.

- **International and Domestic Legal Framework** – Mongolia has a strong international and domestic legal framework for enabling biodiversity conservation and mitigating the effects of climate change. Mongolia is party to the *Convention on Biological Diversity (CBD)* and has a monist legal system (i.e., its international law commitments are automatically incorporated into domestic law). It also has 'the right to a healthy environment' enshrined in its Constitution.

By financing this project, the IFC may be infringing the above legal framework and potentially facilitating a breach by Mongolia of its international and domestic law commitments:

- For example, firstly, the ESIA identifies water availability (and pollution) as a "*major Project risk*". 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 a final investment decision. Any decision to approve the investment in Metagro prior to such an exhaustive examination would expose the IFC to the legal and reputational risk of facilitating a breach by Mongolia of its citizens' 'right to a healthy environment', as enshrined in the Mongolian Constitution. Mongolia is also subject to the 'precautionary principle' under international law, pursuant to which activities which are likely to pose a significant risk to nature or human health shall be preceded by an exhaustive examination; their proponents shall demonstrate that expected benefits outweigh potential damage to nature and human health; and where potential adverse effects are not fully understood, the activities should not proceed.

- Secondly, the ESIA identifies biodiversity impact as a “*likely*”, “*high consequence*” risk of the Project, and the Critical Habitat Assessment concludes that “*critical habitat is triggered under criterion 1 for the Mongolian marmot*”. When ratifying the CBD, Mongolia reaffirmed that “*States are responsible for conserving their biological diversity*” and that “*the fundamental requirement for the conservation of biological diversity is the in-situ conservation of ecosystems and natural habitats and the maintenance and recovery of viable populations of species in their natural surroundings*”. Mongolia is expressly obligated under Article 8 of the CBD to “*promote the protection of ecosystems, natural habitats and the maintenance of viable populations of species in natural surroundings*” and to “*rehabilitate and restore degraded ecosystems and promote the recovery of threatened species*”. The potential impact on biodiversity, including the endangered Mongolian marmot, should be examined exhaustively by the IFC prior to making a final investment decision to avoid the legal and reputational risk of facilitating a breach by Mongolia of its international law obligations under the CBD and the 'precautionary principle'.
- **IFC's Climate commitments** - In terms of the IFC's own international commitments, we note that the IFC has committed to align 100% of its financial flows with the Paris Agreement from 1 July 2025. The Paris Agreement affirms, inter alia, that developed countries should take the lead in providing financial assistance for climate change mitigation. Globally, the livestock sector accounts for about 20% of total greenhouse gas emissions,¹ and about 35% of the world's habitable land use.² According to the Environmental Statement, Mongolia has set a target to reduce emissions by 22.7% by 2030, yet the project will result in 105,028.4 tonnes of CO2 equivalents per year³, contributing to an overall *increase* in GHG emissions in Mongolia, potentially giving rise to a breach of the 'right the healthy environment.' Metagro has not conducted a current and future baseline GHG emissions study, nor has it estimated its predicted Scope 1 and 2 emissions, and as a result there is no evidence that mitigation measures will be effective

¹ Xu, X., Sharma, P., Shu, S. et al. Global greenhouse gas emissions from animal-based foods are twice those of plant-based foods. *Nat Food* 2, 724–732 (2021). <https://doi.org/10.1038/s43016-021-00358-x> *the food system accounts for 35% of global GHG emissions, and livestock accounts for 57% of food emissions. 57% of 35% is 19.95%.

² Hannah Ritchie and Max Roser (2019) - “Land Use” Published online at OurWorldInData.org. <<https://ourworldindata.org/land-use>> *Agriculture accounts for 44% of habitable land use. Livestock grazing and crops for livestock account for 80% of agricultural land use. 80% of 44% is 35% of total habitable land use.

³ 'Earth Active Environmental and Social Impact Assessment - Metagro July 9 2024' page accessed on <<https://disclosures.ifc.org/project-detail/ESRS/47487/mcs-agri>>

in fully offsetting the GHG emissions.⁴ We would respectfully invite the IFC Board to consider carefully whether investing in the Metagro project (which risks degrading natural resources, increasing methane emissions, and threatening people's right to a healthy environment) is consistent with its commitment to the Paris Agreement and climate change mitigation, especially considering that Mongolia is experiencing some of the highest rates of climate change in the world.

- **Potential violation of international sanctions on Russia** - the ESIA records that Metagro is sourcing a large share of its primary inputs from Russia, meaning that the IFC investment, if approved, would provide indirect revenue streams to Russian companies operating in the industrial – most likely oil and gas – sector, and therefore to the Russian central government, with the consequent risk of fueling war activities in Ukraine and breaching international sanctions.
- **Sustainable industrial feed production is a utopia** - a Mighty Earth report from this year found 60,000ha of recent soy driven deforestation in the Amazon and Cerrado. Large-scale mono-crops are linked to biodiversity loss and soils degradation, as well as to the pollution of water sources, and involuntary resettlement of local communities. Wildfires similar to the ones currently provoking almost irreparable damage to the Amazon rainforest have been linked to industrial cattle farms and feed production. There is ample proof (linking one of many reports) that large-scale livestock feed production is a major driver of deforestation.
- **Overgrazing** - this project will not effectively address the issues related to overgrazing, and it may actually worsen them. As you also acknowledged during our previous call, the large herd sizes are a problem in Mongolia. With this project, herd sizes are expected to increase. And while they may remain less of their life on the pastures, their place will be **taken by new cattle**. The project is bound to be an example of the Jevons Paradox, where increase in efficiency lowers prices and leads to more resource consumption, and this more overgrazing.
- **No food security through luxury meat production** - meat production is clearly not an issue in Mongolia where the livestock population is larger than the human population. As noted in the previous letter, Metagro's industrial scale meat production is clearly geared towards the high value export market, and will therefore not contribute to address malnutrition neither in Mongolia nor abroad. We also once more highlight a study from your peer, the ADB, which highlights the need for more fruit and vegetables production in Mongolia, rather than more meat production.
- **Malnutrition** - During the call, IFC members mentioned concerns about micronutrient related malnutrition, specifically identifying amino acids as a concern, appearing to suggest that investment in meat products is necessary to address malnutrition. We

⁴ 'Earth Active Environmental and Social Impact Assessment - Metagro July 9 2024' page accessed on <<https://disclosures.ifc.org/project-detail/ESRS/47487/mcs-agri>>

disagree and note that plant foods have all 20 amino acids,⁵ and that legumes (beans, lentils, soy) in particular are high in protein. Far from improving human health, red meat has been classified as a group 2A carcinogen by the International Agency for Research on Cancer meaning that beef is ‘probably carcinogenic to humans.’⁶ We note that, contrary to the IFC’s plan to invest in livestock, the Director General of the WHO has called for a shift to more plant based diets.⁷

We note that the IFC could consider investing in other projects that would be more beneficial to the people of Mongolia. For example, a project by the Food and Agriculture Organization and the South-South Cooperation resulted in very successful greenhouse and horticulture cultivation, leading to 24 tonnes of vitamin-rich cabbages and 600 kg of strawberries being made available to Mongolian consumers. According to Mr Khanimkhan, Head of Department, MOFALI, formerly National Agricultural Extension Centre (NAEC), “SSC support in greenhouse cultivation was the most successful SSC activity, and has led to further government support through Mongolia’s first sovereign bond, the Chinggis Bond Loan. Greenhouse procurement is also exempt from customs and value-added tax.”⁸

- **No Animal Welfare guarantees** - In our call on October 10, 2024, IFC members stated that the animal welfare on the farm would be at a ‘European standard’ and ‘best in class.’ This is hardly reassuring, since ‘best in class’ farms in Europe have repeatedly been exposed by undercover investigations to have extremely poor animal welfare. For example, in the UK, ‘high welfare’ Red Tractor and RSPCA assured farms have been repeatedly exposed for horrific conditions.⁹ Outdoor cattle feedlots give rise to numerous welfare concerns, including dusty conditions that can lead to respiratory health problems.¹⁰ Moreover, cattle in feedlots are given a high proportion of grain in their diets. However, cattle do not digest grain well; as a result feedlot cattle are vulnerable to digestive disorders including ruminal acidosis, liver abscesses and laminitis.¹¹ The Environmental Statement notes that Metagro’s Animal Health and Welfare policies have not yet been finalized.¹² These should be released to the public before the project is taken any further.

⁵ Christopher D Gardner, Jennifer C Hartle, Rachael D Garrett, Lisa C Offringa, Arlin S Wasserman, Maximizing the intersection of human health and the health of the environment with regard to the amount and type of protein produced and consumed in the United States, *Nutrition Reviews*, Volume 77, Issue 4, April 2019, Pages 197–215, <https://doi.org/10.1093/nutrit/nuy073>

⁶ IARC Monographs evaluate consumption of red meat and processed meat. International Agency for Research on Cancer. Press release No. 240. World Health Organisation (2015) <https://www.iarc.fr/en/media-centre/pr/2015/pdfs/pr240_E.pdf>

⁷ Dr Tedros Adhanom Ghebreyesus, Director-General, WHO, video-message for the COP28 official event organized on 11 December 2023.

<https://www.youtube.com/watch?v=kHXJ5O5EDlc&t=83s&ab_channel=WorldHealthOrganization%28WHO%29>

⁸ ‘Improving Agrifood systems in Mongolia’ pp 25-28 <<https://openknowledge.fao.org/server/api/core/bitstreams/d8673833-1ca8-4240-92b5-6b7e18cb0457/content>>

⁹ See ‘Red Tractor Overview - Can it be Trusted?’ Viva! <<https://viva.org.uk/red-tractor-overview/>>, and ‘RSPCA Assured: Covering Up Cruelty on an Industrial Scale’

<https://www.animalrising.org/_files/ugd/ead451_3e9d75f915814cae8cf9ebb298ee9ba1.pdf>

¹⁰ Grandin, Temple. “Evaluation of the welfare of cattle housed in outdoor feedlot pens.” *Veterinary and Animal Science*, vol. 1–2, Dec. 2016, pp. 23–28, <https://doi.org/10.1016/j.vas.2016.11.001>.

¹¹ Sanz-Fernandez et al, 2020. Targeting the Hindgut to Improve Health and Performance in Cattle. *Animals (Basel)*. 2020 Oct 6;10(10):1817. doi: [10.3390/ani10101817](https://doi.org/10.3390/ani10101817)

¹² ‘Earth Active Environmental and Social Impact Assessment - Metagro July 9 2024’ p104, accessed from <<https://disclosures.ifc.org/project-detail/ESRS/47487/mcs-agri>>

- **MDBs must transition out of GHG intensive food systems** - facilitate the transition of GHG-intensive and otherwise environmentally destructive industrial farming systems to climate-impact mitigating and adaptive agroecological systems. These systems should prioritize the production of crops for human consumption and integrate livestock only where such integration can deliver ecological and social benefits and effectively address—rather than exacerbate—food insecurity and gender inequalities.
- **Lack of implementation of mitigation measures** - From your comments during our previous call, we perceived that the climate and biodiversity impacts have not been - and are likely not going to be - properly addressed. Metagro LLC has not fully implement the safeguard measures proposed in the project ESIA, and once the investment is approved, it will not be incentivized to do so.
- **Access to full ESIA documents** - During the call, IFC members made reference to environmental and social information not available in the ESIA dated July 9, 2024. We ask that an updated ESIA be made available to the public, and that any decisions regarding this project are delayed until sufficient time can be given to members of the public to review the updated environmental and social impact assessment.

In light of these many concerns, we welcome the opportunity to discuss these with you again in an online meeting ahead of the new projected Board date on November 5th. We look forward to hearing from you regarding a suitable date for it.

Kind regards,

On behalf of partner organizations,

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