International finance institutions, export credit agencies and farm animal welfare

September 2016
EU Member States own shares in multiple international financial institutions (IFIs) that invest in animal agriculture outside of the EU. Member States also provide insurance in the form of export credits to domestic companies selling farm animal housing and equipment abroad. As will be detailed in this report, some of these investments and export credits support extreme farm animal confinement systems, such as barren battery cages for laying hens, cages for broiler chickens and sow stalls for pigs. The use of such housing systems violates EU legislation on Farm Animal Welfare (See Appendix). Further, it is difficult to ascertain the exact prevalence of Member State investment and insurance practices that are in contradiction to EU animal welfare standards, as IFI and export credit agency (ECA) project documents frequently lack detailed information on animal housing and rearing practices. EU Member States must take the following steps to ensure that they do not continue to fund and insure farm animal operations that violate EU legislation:

1. As major shareholders of IFIs, including the World Bank Group's International Financial Corporation (IFC) and other development banks, EU Member States should ensure IFIs adopt binding animal welfare standards that are consistent with EU standards.

2. EU Member States should take advantage of the Organisation for Economic Co-operation and Development's (OECD's) updated Common Approaches policy governing export credits as it now allows for countries to apply stricter standards to their export credits. EU Member States must apply EU standards, as a minimum, to all exports insured.

3. EU Member States should compel IFIs and ECAs to disclose indicators of animal welfare in project summaries, such as stocking density and the type of housing systems.

In addition to reducing animal suffering, the adoption of animal welfare standards by international lenders makes financial sense. As stated in the IFC's Good Practice Note (GPN) on Improving Animal Welfare in Livestock Operations, “animals that are healthy, well-rested, and handled in a way as to prevent stress yield products of greater quality; using practices that prevent and control disease helps animal welfare and is economically beneficial.”

Further, the global and domestic markets for products produced without basic animal welfare standards are declining. An expanding number of multinational food companies are phasing out the usage of battery cages, sow stalls and other abusive practices from their supply chains for eggs, meat and milk. Throughout the world, governments, including in Asia, Latin America and Africa, have already adopted, or are considering adopting, farm animal welfare legislation in response to public concerns.

Many small farmers already practice extensive farm animal production and exceed good international industry practice. With proper support, the promotion of animal welfare standards could give these farmers a market advantage. Ultimately, all producers of animal products, from the smallholder farmer to the large agribusiness conglomerate, will benefit from a transition to more humane methods of farming.

Additional progress since the release of the 2013 report includes the European Bank for Reconstruction and Development (EBRD) adding animal welfare in its updated Environmental and Social Policy, the European Investment Bank (EIB) committing to ensure that their lending reflects EU animal welfare standards, and the World Bank's Safeguards Policies including a brief mention of animal welfare. However, much work remains to be done to strengthen and implement these new policies. Additionally, such policies should be adopted by other development banks in which EU Member States hold shares.
**Introduction**

In 2013, Humane Society International (HSI) released a report that exposed many projects, funded by EU Member States either through IFIs or ECAs, which fail to meet EU standards for animal welfare. Since then there have been calls for reform in a number of EU Member States.

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<th>Country</th>
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<tr>
<td>Austria</td>
<td>Strategic Guidelines for International Financial Institutions included a call for “animal husbandry criteria that meet the European standards.”</td>
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<td>Denmark</td>
<td>Agriculture Minister declared intention “to promote animal welfare in the framework of national and international financial institutions that engage in the farming sector, as well as … for national export credit agencies.”</td>
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<td>Germany</td>
<td>Agriculture Ministers called on the Government to ensure export credit guarantees only go to farm animal operations that comply with or exceed national and EU standards. They also asked the Government to work within the IFIs towards binding animal welfare criteria based on EU laws.</td>
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<tr>
<td>Netherlands</td>
<td>Agriculture Minister declared intention “to promote animal welfare in the framework of national and international financial institutions that engage in the farming sector, as well as … for national export credit agencies.”</td>
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<td>United Kingdom</td>
<td>The Government called on multilateral banks to ensure that their lending “strongly supports the delivery of appropriate animal welfare standards.”</td>
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**International finance institutions**

**Bank:** European Bank for Reconstruction and Development  
**Details:** The EBRD is owned by the EU, the EIB and 64 countries. From 1991 to 2014, the EBRD financed more than 4,000 projects amounting to a business volume of over EUR 90,000,000,000. As of January 2015, the EBRD had a net cumulative investment in agribusiness of EUR 8,600,000,000.  
**Animal Welfare:** Performance Standard 6 “Biodiversity Conservation and Sustainable Management of Living Natural Resources,” paragraph 28: “Clients involved in the farming, transport and slaughtering of animals for meat or by-products (e.g. milk, eggs, wool) will adopt and implement national regulatory requirements, relevant EU animal welfare standards and [Good International Practice], whichever is most stringent, in animal husbandry techniques.”

**Bank:** European Investment Bank  
**Details:** The EIB is owned by the EU Member States. In 2014, the EIB made investments worth over EUR 77,000,000,000, making it the world’s largest multilateral lender.  
**Animal Welfare:** The EIB’s Environmental and Social Policy, published in 2009, does not mention animal welfare. According to a 2015 communication from the EIB, animal welfare standards will be included in the next Environmental and Social Practices and Procedures Handbook, including that operations in non-EU countries will align with EU law.
Export credit agencies

ECAs provide government-backed loans, guarantees and insurance to companies from their home country to export their products to developing countries and emerging markets. Along with the World Trade Organization, the OECD provides the legal structure for ECAs and their operation.

The OECD’s Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence (Common Approaches) recommend standards against which to benchmark the social and environmental sustainability of exports receiving government support. Under the Common Approaches, ECAs should use relevant aspects of the World Bank Safeguard Policies, IFC Performance Standards and EHS Guidelines when assessing projects receiving officially supported export credits. ECAs may also “benchmark projects against the relevant aspects of any other internationally recognised standards, such as European Union standards, that are more stringent” than the aforementioned standards.

European ECAs have granted export credit insurance for farm animal equipment and housing that clearly violates, or appears to violate, EU law and other good practices with regard to animal welfare. Like with the IFIs, information about how animals are treated is often not available in documentation about ECA transactions or otherwise not provided by those who administer the export credit insurance.
Projects supported by IFIs and ECAs in violation of EU directives

Company: Myronivsky Hliboproduct (MHP)

Funded: IFC loans totaling over USD 500,000,000 since 2003,36 EIB loan of EUR 85,000,000 in 2014,37 EBRD loans totaling USD 205,000,000 in 2010, 2013 and 201438,39,40

Insured: Atradius Dutch State Business (Atradius), the Dutch ECA, totaling almost EUR 100,000,00041,42,43

MHP, according to a 2015 business presentation, is aiming to become the largest poultry producer in Europe.44 MHP claims its Vinnytsia poultry farm, which the above loans supported, is the largest poultry farm in Europe.45 From June 2014 to the end of December 2014, MHP exported more than 16,500,000 kg of poultry meat to the EU with zero import duty.46 From 1st January 2015 to 1st October 2015, MHP’s sales of chicken meat to the EU increased by 80%.47

On its website, MHP claims to adhere to EU standards for animal protection and that MHP is “committed to the most humane methods of poultry rearing.”48 In March 2016, MHP announced a partnership with Gezondheidsdienst voor Dieren (GD), a Dutch animal and research agency. Under the partnership, GD would provide animal welfare monitoring services and, according to the MHP CEO, the “agreement will become for [the European consumers] an additional guarantee that the production process of MHP is in full compliance with European standards.”49

The fact that MHP is currently in the process of taking steps to ensure compliance with EU standards seems inconsistent with earlier 2010, 2013 and 2015 loan documents indicating that the company’s facilities were already generally operating to a level consistent with national and EU standards for animal welfare.50,51,52 Neither loan documents nor MHP literature provides enough information to ascertain whether the stocking density at Vinnytsia exceeds the maximum stocking density prescribed by the EU Directive governing the welfare of broiler chickens.

MHP has been the subject of a number of investigations, including by the National Ecological Centre of Ukraine, the Dutch Centre for Research on Multinational Corporations, the Central and Eastern European Bankwatch Network, and Compassion in World Farming. The reports by these organisations detail social and environmental problems with MHP’s operations.53,54,55,56

Atradius, the Dutch ECA, insured numerous export credits to MHP despite a 2012 resolution passed by the Dutch Parliament calling on the Government not to contribute to financing of “mega-sized” livestock operations abroad.

Company: Nyva Pereyaslavshchyny (Nyva)

Funded: EBRD loan of USD 30,000,000 in 2014,57 IFC loan of USD 25,000,000 in 201458

Insured: Oesterreichische Kontrollbank Aktiengesellschaft (OeKB), the Austrian ECA, totaling less than EUR 1,000,00059

The EBRD stated that the Nyva project will “set standards” for pig breeding including the “gradual adoption of the most recent EU standards on animal welfare.” The loan documents, however, describe how Nyva fell short of EU animal welfare standards. The loan documents state that problems with animal welfare will be addressed in the “Environmental and Social Action Plan (ESAP), which has been reviewed and agreed with [Nyva].”60 This could not be confirmed, as the ESAP is not publicly available for this EBRD project.

IFC loan documents state “that some practices were noted as being non-compliant to EU legislation.” The IFC noted that “the company does not provide group housing for sows,” there were “space constraints” and a “need for more consistent provision of environment enrichment.” While the IFC stated Nyva would meet EU requirements for two of its new farms, it is conceded that a farm already under construction and a farm already “designed” would not meet EU standards.61

During a 2014 interview, a Nyva executive stated that “[e]very pig complex is typical” and “all our pig complexes are similar.” Asked about innovations, he replied that “[t]he old well-tried thing is better than a new one.”62 On the “Pigs in Ukraine and in the World” website, the profile of Nyva dated 2nd December 2014 includes pictures of sow stalls being used on Nyva farms.63
Company: Avangardco Investments (Avangard)
Insured: Euler Hermes, the German ECA, totaling EUR 26,390,000,64,65 Atradius totalling over EUR 14,000,000,66 SACE, the Italian ECA, totalling SDR 21,990,00067

Avangard claims to be the largest producer of shell eggs and egg products in Europe.68 According to Avangard’s website, Avangard’s Avis complex can hold 5,202,000 hens.69 The hens are housed in battery cages supplied by Germany’s Big Dutchman.70,71 The Italian company FACCO provided poultry equipment for Avis.72 A video entitled “Avis” on Avangard’s website shows hens in battery cages.73 Avangard’s Chornobaivske complex has a capacity of 5,977,000 hens.74 Chornobaivske uses battery cages supplied by SALMET, another German company.75

Avangard’s Chief Executive Officer is quoted as saying that the “[Avis and Chornobaivske] projects comply with the highest international standards and with the EU regulations on poultry keeping.” A 2012 press release stated that the “cages used at [Avis and Chornobaivske] meet the European Council Directive 1999/74/EC on the protection of laying hens.”76 However, asked if the planned housing systems comply with German or EU laws, the German government responded: “No. Here the international requirements set by the OECD environment guidelines are the relevant examination criteria for granting export credit guarantees.” The Government stated that “in both [complexes] a battery cage system will be used. Cage size complies with Ukrainian standards. According to the Government’s knowledge, these provide 400 to 450 cm² (+/- 10%) for white laying hens and 500 to 550 cm² (+/- 10%) for brown laying hens.”77 EU standards, though, mandate 750 cm².78

Other questionable projects funded by the EIB, the EBRD and the IFC

Project descriptions often lack information that would allow an assessment of animal welfare. If animal welfare is referenced, details of key indicators like housing conditions or stocking density are rarely mentioned. This is true even when animal welfare is listed as a key environmental risk and issue. When animal welfare is cited as substandard, corrective actions are often absent from the tasks a company must complete before project completion. As such, there is rarely a way to judge whether IFIs are in fact adhering to their lending guidelines and whether companies are following the standards.

Bank/Year: IFC / 2013
Company/Location: Muyuan Foodstuff Company / China
Amount: USD 20,510,000
Details: Develop 400,000 annual capacity hog farm
Animal Welfare: IFC loan documents state housing for sows “is the one area that could be subject to a change in practice to better align it with contemporary practices in the industry elsewhere in the world.” Nevertheless, animal welfare is not listed in the IFC’s ESAP, which describes tasks for Muyuan to complete.79

Bank/Year: IFC / 2014 (as of 11 August 2016, the loan/equity has yet to be disbursed)
Company/Location: Beijing Sinofarm Stud Livestock / China
Amount: USD 30,000,000 (20,000,000 loan and 10,000,000 equity)
Details: Construct 20,000 cow dairy farm
Animal Welfare: Loan documents list animal welfare as a key environmental and social issue and risk.80 Nevertheless, in the corresponding Environmental & Social Review Summary, there is no further explanation of why animal welfare is a key issue and risk, despite numerous other project details being expanded upon. Indeed, treatment of animals is not discussed at all.81
Bank/Year: IFC / 2014  
**Company/Location:** Shandong Hekangyuan Poultry Breeding / China  
**Amount:** USD 10,000,000  
**Details:** Expand duck and broiler chicken breeding facilities  
**Animal Welfare:** Loan documents state that “IFC’s Good Practice Note on Animal Welfare and its applications to [Hekangyuan’s] operations and sub-contractors has also been assessed during the appraisal” without providing any details on compliance. Loan documents lack any mention of key animal welfare indicators such as housing or stocking density. According to loan documents, the annual breeding capacity is anticipated to rise to 189,000,000 day-old ducks and 90,000,000 day-old broilers by 2016.82

Bank/Year: IFC / 2015  
**Company/Location:** New Hope Singapore (subsidiary of New Hope Group) / various  
**Amount:** USD 40,000,000  
**Details:** Expand poultry operations  
**Animal Welfare:** New Hope Group is a Chinese enterprise that claims to be China’s “leading agribusiness operator,” processing 750,000,000 heads of poultry, 8,500,000 pigs and 500,000,000 litres of milk annually.83 A report based on an assessment of poultry facilities “identified areas for improvement related to food safety and animal welfare and accordingly came up with an action plan, which New Hope is now implementing.” Nevertheless, the Environmental & Social Review Summary mentions nothing specific relating to animal welfare, such as housing standards or stocking density. There is also no mention of the types of improvement relating to animal welfare needed or a timeline for when changes should occur.84

Bank/Year: IFC / 2015  
**Company/Location:** Atopco Beef (subsidiary of New Hope Group) / China  
**Amount:** USD 30,000,000  
**Details:** Develop meat processing facilities  
**Animal Welfare:** There is no mention of animal welfare in the Environmental & Social Review Summary.85

Bank/Year: EBRD / 2016  
**Company/Location:** FoodMaster (Kazakhstan), an affiliate of Group Lactais (France)  
**Amount:** EUR 15,000,000  
**Details:** Upgrade dairy processing and dairy farming  
**Animal Welfare:** According to an assessment by the EBRD, a number of actions were required to ensure that the farms comply with EU standards. An ESAP was prepared, but the ESAP is not publicly available.86

Bank/Year: EBRD / 2016  
**Company/Location:** Industrial Milk Company / Ukraine  
**Amount:** USD 20,000,000  
**Details:** Dairy farming  
**Animal Welfare:** Industrial Milk developed and accepted an “Animal Welfare Action Plan”, which included “introduction of the loose housing system.” According to loan documents, the EBRD will monitor the project “on an annual basis through the Annual Environmental and Social Reports.” The ESAP is not publicly available. No specific details about stocking density are provided. Finally, it is not clear whether the EBRD monitoring the project through a single Annual Environmental and Social Report is sufficient to ensure compliance with EU regulations, as there are no details of past or improved conditions that are or would be publicly disclosed.87
Bank/Year: IFC / 2016  
Company/Location: Adeco Agropecuaria (Adeco) / Argentina  
Amount: USD 78,000,000  
Details: Dairy farming  
Animal Welfare: There is no reference to animal welfare or indicators of animal welfare in the loan documents despite that fact 80,000,000 litres of raw milk are produced per year on two of Adeco’s dairy farms and that cows have “limited movement.”

Bank/Year: IFC / 2016  
Company/Location: Bel Ga / Vietnam [Bel Ga is a subsidiary of BDH Asia (Netherlands), a joint venture of De Heus (Netherlands) and Belgabroed (Belgium)]  
Amount: USD 4,000,000  
Details: Expand poultry breeding and hatching operations  
Animal Welfare: According to loan documents, Bel Ga JSC is engaging with IFC on disseminating best practices on animal welfare standards. Additionally, IFC documents state that animal welfare is a key issue for Bel Ga Vietnam’s business. Nevertheless, no specifics about animal housing or rearing practices are provided, nor are remedial measures addressed in the loan documents. Indeed, the ESAP could not be found on the IFC website. As such, there is no way to assess animal welfare or to ascertain to what measures, if any, are being taken to improve animal welfare.

Bank/Year: IFC / 2016  
Company/Location: Frieslandcampina (FC) (Netherlands) / Pakistan  
Amount: €150,000,000 (€100,000,000 loan and €50,000,000 equity)  
Details: Funding will be used to help FC acquire a controlling interest in Engro, a leading dairy processor in Pakistan  
Animal Welfare: Loan documents state that “the practices related to the handling of livestock by dairy farmers could be further improved to be consistent with best practices such as IFC’s Good Practice Note.” According to the ESAP, “Engro shall increase awareness training on practices related to the handling of livestock by dairy farmers to be consistent with best practices such as IFC’s Good Practice Note.”

Bank/Year: IFC / 2016  
Company/Location: Number Two Piggeries / South Africa  
Amount: USD 30,000,000 equity investment  
Details: Expand pig farms, milk cattle farms and meat processing operations. Number Two Piggeries is the largest pork producer in South Africa  
Animal Welfare: There is no reference to animal welfare in loan documents.

Bank/Year: IFC / 2016  
Company/Location: Axzon / Poland and Ukraine  
Amount: EUR 10,000,000 – EUR 16,000,000  
Details: Expand and improve operations, including pig farms and slaughterhouses  
Animal Welfare: According to loan documents, animal welfare is at the “core of Axzon’s operations,” and farms “were reconstructed overtime in order to comply with both local requirements and European Union (EU) animal welfare
requirements enforced within the EU.” Axon and its subsidiary, Danosh, are currently involved in an open Compliance Adviser Ombudsman (“CAO”) case relating to a 2013 IFC project. The complaint alleges environmental pollution, non-disclosure of required information and other concerns. According to the IFC CAO website, the case is currently “Facilitating Settlement,” though the status was last updated in May 2015.

**Loans to other banks and non-bank financial institutions**

The EBRD, EIB and IFC invest money in other financial institutions that in turn fund agribusiness companies. In these projects, there is an almost complete lack of information as to the eventual recipients and, as such, there is no way to determine whether EU Member States are supporting projects that violate EU farm animal welfare standards.

In some cases, the EIB loan documents state either that “Final Beneficiaries will be requested to comply with applicable national and EU legislations, as appropriate,” “The Bank will require the financial intermediary to comply with the Bank’s environmental and social standards,” or “The Fund will operate in line with EIB’s environmental and social standards.” Nevertheless, there are no references to animal welfare.

With the EBRD, there are a number of loans to other lending institutions for the purpose of supporting agribusiness that make no reference EBRD animal welfare requirements, despite the loan documents specifically referring to other EBRD requirements.

The IFC similarly appears to ignore animal welfare requirements when investing in lending institutions. For instance, in 2016, the IFC provided USD 50,000,000 to the Latin American Agribusiness Development Corporation, a US corporation with shareholders that include Monsanto, Cargill, Nestle and the IFC. The funds are to finance small and medium sized agricultural enterprises, including cattle farming. Loan documents do not reference animal welfare or EU regulations. It should be noted that in some cases IFC loan documents do reference adherence to IFC Performance Standards.

**Other questionable export credits**

**Austria:** From 2003 to 2012, the Austrian ECA OeKB granted 15 export credit guarantees for pig and cattle housing equipment and construction. The majority of the credit guarantees, EUR 1,310,000, were directed towards Ukrainian projects between 2009 and 2012, while an additional EUR 640,000 supported projects in Croatia, Slovakia, Romania and the Czech Republic.

**The Czech Republic:** Since 2011, the Czech Republic’s ECA Export Guarantee and Insurance Corporation provided over EUR 43,000,000 in export credits for pig farms, pig and cattle slaughterhouses and related equipment and facilities in Belarus and Russia. The facilities in Russia have expected annual processing capacity of 300,000 pigs and 180,000 cattle.

**Germany:** In addition to insuring equipment for Avangard as described earlier, the German ECA Euler Hermes insured cages for laying hens and broiler facilities in Belarus, Turkey and Ukraine between 2012 and 2015. The use of cages for broiler chickens is effectively banned in the EU because Council Directive 2007/43/EC requires all chickens to have permanent access to litter. In 2010, a ban on the use of barren and enriched cage systems for laying hens came into effect in Germany. During that time period, Euler Hermes also insured equipment for a 300,000 capacity pig farm in Russia and supplies for duck farm in Ukraine with a reported yearly capacity of 10,000,000 ducks. Each house in the duck farm was to have a 21,600 duck capacity. Upon birth, 1000 ducklings are put in an oval area 7 metres long and 4 metres wide.

**Italy:** In addition to insuring equipment for Avangard as described earlier, the Italian ECA SACE insured export credits for a number of pig farms in Belarus, including two with 100,000 animal capacities.

**The Netherlands:** In addition to the export credits granted between 2011 and 2014 described above, Atradius insured exports for 67 projects related to farm animal production between 2003 and 2011 totalling EUR 294,500,000. Most of the projects Atradius insured were in Ukraine (25 projects, EUR 154,000,000) and Russia (23 projects, EUR 74,000,000). In March 2012, the Dutch Parliament passed a resolution calling on the Government not to contribute to the financing of “mega-sized” livestock operations abroad in any way. Despite this resolution, Atradius kept granting export credit insurances for factory farming operations, including to Ukraine’s Avangard and MHP. Some of the operations exceed the maximum limit prescribed by the Dutch Parliament by more than 8000%.
## Appendix: EU Legislation Related to Farm Animal Housing

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<td>98/58/EC</td>
<td>Set general rules for the protection of farm animals, including: movement “must not be restricted in such a way as to cause [a farm animal] unnecessary suffering or injury”&lt;sup&gt;129&lt;/sup&gt;</td>
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<tr>
<td>1999/74/EC</td>
<td>Set minimum standards for protection of laying hens, including that all caged laying hens must have access to a nest, perching space, litter and unrestricted access to feed&lt;sup&gt;130&lt;/sup&gt;</td>
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<tr>
<td>2001/88/EC</td>
<td>Set minimum standards for protection of pigs, including banning the sow stall for most of the sow’s pregnancy&lt;sup&gt;131&lt;/sup&gt;</td>
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<td>2007/43/EC</td>
<td>Set minimum standards for protection of chickens kept for meat production on facilities with more than 500 chickens, including: requirement of permanent access to litter, setting minimum space requirements and requiring owner to maintain a record of stocking density in each house&lt;sup&gt;132&lt;/sup&gt;</td>
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<td>2008/119/EC</td>
<td>Set minimum standards for protection of calves, including: banning the use of narrow crates for young calves and banning individual pens for calves after eight weeks of age&lt;sup&gt;133&lt;/sup&gt;</td>
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<tr>
<td>2008/120/EC</td>
<td>Set minimum standards for protection of pigs, including: pigs must be housed in a way to allow them to “rest and get up normally” and be provided “permanent access to a sufficient quantity of material to enable proper investigation and manipulation activities”&lt;sup&gt;134&lt;/sup&gt;</td>
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15. Personal correspondence with European Investment Bank's Infodesk, 30 November 2015.


59. Personal communication with Markus Hoskovec, Export Services Consultancy team, Oesterreichische Kontrollbank Aktiengesellschaft, 10 October 2014.


ABOUT HSI

Humane Society International and its partner organizations together constitute one of the world’s largest animal protection organizations. For more than 25 years, HSI has been working for the protection of all animals through the use of science, advocacy, education and hands-on programs. Find out more at hsi.org.