

More for pigs than people: experience with Danosha's expansion in Ukraine

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CEE Bankwatch Network's mission is to prevent environmentally and socially harmful impacts of international development finance, and to promote alternative solutions and public participation.

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Background

In 2013 the EBRD approved a loan of EUR 35 million to Danosha, a Ukrainian industrial pig farming company¹, to finance capital expenditures related to the expansion and improvement of Danosha's existing operations in Ukraine. The project has been categorised as 'B' by the bank, so its requirements for the preparation of an Environmental Impact Assessment and public participation have not been applied. The EBRD project summary document states: "*in general, the Company has invested significantly in modernisation, has a very good level of environmental performance of the farms*"². Yet experience shows that Danosha's activities are associated with adverse environmental and social impacts, and the situation has been worsened by the fact that the company does not publish any information about its impacts on the environment, public health and safety at its farms. Local communities and civil society groups have so far been unable to establish good communication with Danosha and resolve these issues. While the EBRD has been informed about these problems before the loan was approved³, no active involvement from the EBRD has been forthcoming in facilitating access to environmental information and preventing the negative impacts of Danosha's operations on the local communities.

Problems with Danosha's operations

Danosha has five large pig production farms at Luka, Lany, Tustan, Kopanki and Vylky, with capacities ranging from 11 900 to 54 000 pigs, two farms under construction in the villages of Delieve and Marijampil, a biogas plant and over 11000 hectares of farming land in the Ivano-Frankivsk region of western Ukraine.⁴ Communities at Delieve, Sivka-Voynylivska and Lany, which are situated near the pig farms, report a number of problems with Danosha's operations that have negatively impacted them but which have not been compensated.

Impacts on health

Representatives from the communities claim that Danosha has created serious impacts on health because of air pollution and odours from its operations⁵. Locals believe that the odours have resulted in dizziness, decreased appetite and aggravated the general state of health.

Manure and water problems

Locals also claim that the company is using manure on its fields in quantities that exceed Ukrainian standards, leading to reduced soil fertility and land valuations and the pollution of ground and surface waters. As most villages use wells and do not have centralised water supply systems, contamination of water sources with manure jeopardises future access to drinking water. Even though the EBRD concluded that Danosha's operations are in line with IPPC BAT⁶, there were already cases of manure spills and manure overuse on the fields, for example in 2011 at a farm in Tustan⁷.

Violations associated with sites locations

Locals claim that the company has expanded its operations in violation of national law. During public consultations, the company presented one location away from nearby villages for the construction of farms at Lany and Marijampil. Yet the farms have been constructed in the different location, which dangerously close to villages anyway⁸. The Delieve farm is less than one

kilometre from buildings in the community. Local communities complain that the company did not provide comprehensive environmental information during the public hearings in Delieve and Lanu, which is not in line with public participation processes as defined by the Ukrainian Law on Environmental expertise, DBN 2.2.1-2003, and the Aarhus Convention.

Problems with land use

The company has defaulted on compensation claims about its use of land. In the village of Sivka-Vojnyliska, Danosha leased around 200 hectares of land from around 50 farmers between 2005 and 2012. The lease agreements are no longer valid, and Danosha has yet to pay compensation to the landowners for the use of the property⁹. Danosha also rented the fields from individual farmers for what it claimed were agricultural activities, but without consultation with the land owners, the company used instead the land for roads. After the termination of the lease agreements, the company did not rehabilitate the lands to the initial state.¹⁰

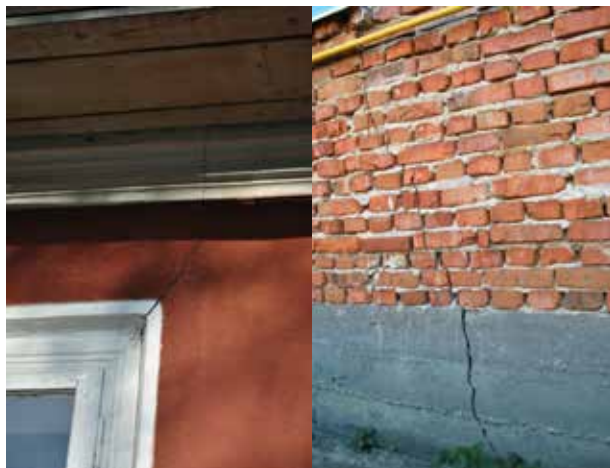
Uncompensated destruction of village infrastructure

Danosha's operations notably in Lany and Deliyevе have negatively effected the well-being of villagers, as roads are deteriorating due to Danosha's truck travel, and dust pollution and the destruction of buildings situated near roads have also been observed¹¹.

Threat to protected nature and transboundary waters

The company is claimed to have impacts on the Halych National Nature Park that contains sensitive wetlands and the Dnister river, one of Ukraine's largest rivers that is a transboundary watercourse under the protection of the Helsinki convention¹². The company's facilities are situated just steps away from the border of the national park and

Cracks in the houses near the main road in Delieve, 8 November 2013



around 400 metres from the Dniester river. It is unclear whether a cumulative environmental impact assessment was done by the company¹³.

Disclosure of environmental information

Clearly identifying the specific problems with Danosha's performance is complicated because the company does not disclose information about its impacts on the environment and to public health, as well as about the safety of its farms. By definition of a Resolution of the Cabinet of Ministers of Ukraine, Danosha's farms would be classified highly dangerous to the environment¹⁴. According to Ukrainian legislation the approval of the project should be accompanied by public consultations and the disclosure of environmental information, but locals in Lanu and Delive claim that they were not provided with full and comprehensive environmental information. Moreover, according to the Ukrainian Law on Environmental Protection, and the Law on Access to Public Information, environmental information is public, yet information from Danosha about the quantities of water intake, water treatment and water discharge, waste management system and other environmental information is not available for the public. Affected communities unsuccessfully submitted a number of information requests to the company,¹⁵ and NECU has submitted four letters requesting the Environmental Impact Assessments of the company's facilities¹⁶. To date no such information has been provided.

EBRD involvement

Because the EBRD classified the project as category B, the bank did not request a full EIA from the company, and public participation was limited to its safeguard policies. Thus best practice was not used to ensure the project's environmental and social sustainability, and the bank failed to promote better environmental standards for industrial farming in Ukraine. The EBRD's rationale for categorising the project as 'B'¹⁷ was that the loan is aimed not directly for the construction of pig farms, but other activities like increasing feed mill capacity, agricultural machinery, the construction of two bio-gas plants and so on. Yet all of these activities are an integral part of Danosha's investment plans for Ukraine, aimed at the expansion of its activities and include the construction of the two mentioned factory farms.

Complaint to the CAO

In 2013 Danosha received USD 70.6 million from the IFC to consolidate and increase the capacity via additional industrial objects for pig farming, first of all pig farms in the Ivano-Frankivsk region. In February 2014, a complaint to the bank's

Compliance-Advisor-Ombudsman was lodged by villagers in Deliyev, Sivka-Voynylivska and Lany in the Halych and Kalush districts of Ivano-Frankivsk regarding the social and environmental impacts of Danosha's pig farms. In April 2014 a CAO representative made an assessment trip to the region, and the investigation is pending.

Conclusions and recommendations

The Danosha case highlights some problems with the development of large-scale industrial farms in Ukraine. Danosha's operations are not fully in line with national legislation and violate the rights of local communities for a safe environment and access to information. The involvement of the EBRD has so far not helped prevent the negative impacts of the project nor ensure the sustainability of the company's operations.

Many of these issues could have been prevented or properly addressed at earlier stages if the EBRD would have classified the project as category A. We believe that all bank investments related to the expansion of industrial farming should be classified as category A and be subject to a full EIA for all current and future expansion operations, no matter which part is specifically financed by the EBRD.

At this stage, we recommend that the bank ensure that the company addresses all the issues of concern outlined here in a comprehensive and responsible manner. We also urge the bank to take a more proactive position in facilitating the process for the public to access relevant environmental information on the project and in preventing the negative impacts on local communities and the environment from Danosha's operations.

We also recommend that the bank carefully consider every project related to large-scale animal farming and account for public concerns before project approval. We suggest that the bank refrain from approving loans until all public concerns are addressed.

Notes

1. <http://www.ebrd.com/russian/pages/project/psd/2013/44982.shtml>
2. <http://www.ebrd.com/russian/>

Heavy vehicles & dust pollution in Delieve, November 2013



3. [pages/project/psd/2013/44982.shtml](http://www.ebrd.com/russian/pages/project/psd/2013/44982.shtml)
3. Letters from NECU to the EBRD board members and Directors of Environment and Sustainability and Director of Agriculture dated 7 November 2013, 27 November 2013
4. <http://www.danosha.com.ua/uk/2011-09-12-09-47-00/social-responsibility>
5. E.g. Letter from villagers of Medyhu village to village council dated 14 June 2011, Letter from representative of Lany village to the prosecutor office dated 5 June 2011
6. <http://www.ebrd.com/russian/pages/project/psd/2013/44982.shtml>
7. Letter from Galych Regional State Administration to villagers of Medyhu dated 1 July 2011
8. From personal communication with villagers of Sivka, Delieve, Lanu and Marijampil villages dated 8 November 2013, 6-7 April 2014; from communication with locals during the World Bank Compliance Advisory Ombudsman assessment trip 14-18 April 2014
9. Ibid
10. Ibid
11. Personal communication with villagers and inspection of road and houses in Sivka, Delieve and Lanu on 8 November 2013, 6-7 April 2014; and from communication with locals during the World Bank Compliance Advisory Ombudsman assessment trip 14-18 April 2014
12. Convention on the Protection and Use of Transboundary Watercourses and International Lakes, Helsinki, 1992
13. From personal communication with villagers, representatives of the Halych National Nature Park and an on-site visit 8 November 2013, 6-7 April 2014; from communication with locals during the World Bank Compliance Advisory Ombudsman assessment trip 14-18 April 2014
14. <http://zakon4.rada.gov.ua/laws/show/554-95-%D0%BF>, since 2013 - <http://zakon4.rada.gov.ua/laws/show/808-2013-%D0%BF>
15. E.g. Letters from Delieve to Danosha dated 16 September 2013, 28 December 2013
16. Letters from NECU to Danosha dated 26 July 2013, 30 September 2013, 26 February 2014, 9 April 2014