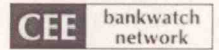




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№ 125-2/1

05.02.2014

Ms. Anoush Begoyan
PCM Officer
Project Complaint Mechanism
EBRD
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London EC2A 2JN
United Kingdom
Fax: +44 20 7338 7633
Email: pcm@ebrd.com

CC: Mr. Clark,
Managing Director,
Environment and Sustainability
Email: clarka@ebrd.com

Subject: Performance of the Danosha company, project 44982

Dear Ms. Begoyan,
Dear Mr Clark,

We ask the EBRD to pay attention that operations at the Danosha's pig farms (project 44982)¹, which are subject to the EBRD loan, are associated with adverse environmental and social impacts. As we have already informed the EBRD, we are particularly concerned about the transparency of the company's performance, disclosure of environmental information to the affected communities, public participation, compliance with Ukrainian national legislation, waste management, land and water use practices, impacts on the transboundary river and a natural reserve. While NECU was preparing this letter, we received the note from the EBRD dated 27 January 2014², which was aimed to highlight the position of the bank on some of the problems. NECU will respond to this note in the upcoming correspondence. Meanwhile, please, be informed that a formal complaint on the Danosha's performance regarding abovementioned issues has been submitted to the IFC compliance mechanism, as Danosha is the IFC client³.

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

² Received by NECU via email on 3 February 2014

³ <http://ifcext.ifc.org/ifcext/spiwebsite1.nsf/ProjectDisplay/SII31990>

At the same time, we understand that a duplication of efforts on this particular project by the two complaints mechanisms may not be desirable; however, we request that, at a minimum, the PCM will follow the CAO process and derive lessons regarding the financial support by the EBRD for other industrial farming projects in Ukraine, both current and future ones. Furthermore, we may come back with requests for PCM problem-solving initiatives, if the need arises, for this or for similar projects in Ukraine. It would therefore be appreciated if you could advise us, if problem-solving can still be an option for the Danosha project, in light of the CAO complaint.

Description of the problems that are the subject to complaint

Danosha started its operations in Ukraine in 2004. The company owns five pig farms, all being industrial farms in Ivano-Frankivsk region. All together, these farms have the capacity to host 128500 pigs at the same time. Two additional pig farms are under construction now. The company is also involved in crop production (mainly fodder production process), which is part of the full-cycle pig breeding and is planning to expand its operations.

We want to draw your attention to the adverse environmental and social impacts, which we believe were underestimated when deciding about the financial support of Danosha's activities. The main problems with the company's performance are:

- Danosha has untransparent operations; it does not disclose environmental information. Danosha does not give access to EIA of its facilities, it does not provide information regarding volumes and composition of waste generated and waste management, water use and treatment, veterinary and sanitation documentation, and other information related to health and environmental safety of its operations. The company either ignores official public requests for the information, or company's answers to the public (including representatives of the affected communities) state that the public does not have the right to access this information. This is the violation of both: Ukrainian national legislation on the access to environmental information and the Aarhus convention. The problem was described in the letter to the EBRD from NECU dated 2013-11-07.
- Danosha failed to provide full public participation during the negotiation process regarding the construction of pig farms;
- Danosha did not ensure mitigation measures to protect health of the local communities. Locals that live near farms complain about odour, which causes headaches, loss of appetite, malaise;
- Danosha manages manure in irresponsible manner. Danosha was claimed to violate regulations on manure management, the accidents were noticed in Tustan pig farm and Kopanky pig farm. Traditionally manure is considered to be an organic fertilizer. However, locals claim that the company puts manure in the fields in quantities that supersaturate soils and decrease fertility, and therefore value, of the lands. The exact information about manure production, land availability, schedule of operations and waste management practices is not available and based on day-to-day observations of the locals.
- Danosha failed to ensure sustainable land use practices. Danosha rented fields from the individual farmers in villages Sivka-Vojnuliivska for the agricultural activities. Without consultation with the land owners the company used lands for the road. After termination of the lease agreements, the company did not rehabilitate the lands to the initial state;
- Danosha failed to provide timely payments for the lands under the lease agreements. In the village Sivka-Vojnyliska, Danosha leased around 200 ha of lands from around 50 farmers in 2005-2012. Lease agreements are terminated at the moment, but Danosha still has not paid compensations for the land owners for the land use during 2005-2012;
- Danosha's activities can potentially contaminate ground waters with manure. Nearby villages do not have central water supply system and use wells for drinking water. Contamination of water with manure can be associated with the loss of access to drinking water for local communities and violation of the basic human right to the access to water;

- For the number of villages there is a threat of fall of the ground water levels as the result of Danosha's water use;
- Danosha intensively uses the roads within villages for its purposes without addressing responsible the consequences of such use. The company's tracks intensively use roads within the villages that causes significant dust pollution and cracks in the walls of the houses along the road;
- Several of the Danosha's facilities are located in Kalush district of the Ivano-Franivsk region that is already considered as the zone of extreme environmental hazard. Locating additional industrial farms there can push ecosystem capacities to the limits;
- Danosha's Lany pig farm is located in the direct proximity (around 10 meters) to the Galuch national nature park, which has extremely sensitive wetlands and is habitat to the number of endangered species;
- All of the Danosha's facilities are located in the basin of the Dniester River, some of them are situated in the direct proximity to the river. Dniester is a transboundary watercourse of regional importance protected by the Convention on the Protection and Use of Transboundary Watercourses and International Lakes (Helsinki 1992). The potential contamination of the river by manure from the pig farm can result in emergency of transboundary importance. It is unclear whether Danosha conducted any EIA regarding the Dniester River and whether the company planned any mitigation measures.

Desired outcomes

We ask the EBRD that, at a minimum, the PCM will follow the CAO process and derive lessons regarding the financial support provided by the EBRD to the industrial farming projects in Ukraine. Taking into account environmental and social impacts of Danosha's pig farms, nature, number and scale of these impacts, we also ask the EBRD to guarantee that the company will redress the issues. We ask the EBRD to ensure that the company will take a number of obligations. In particular, the company should:

- Provide comprehensive impact assessments and ongoing monitoring of the crucial risk factors, which should include among other:
 - Extensive assessment of waste-related impacts, periodic monitoring and disclosure of the waste management practices. The public is willing to receive updates on the volume of manure put into the soil per unit of area per period, technology used and prior manure preparation technologies.
 - Assessment of the water use, impacts on the groundwater and surface waters, water treatment technologies, mitigation measures. The company should conduct such assessments and develop mitigation measures if it was not done before;
 - EIA of the construction and reconstruction of the facilities, if such assessment was not done before. The company should also ensure measures to minimize impacts during construction and reconstruction phases;
 - Assessment of the cumulative impacts on ecosystems from all the pig farms and development of minimization measures. Special attention should be given to the nature park and the Dniester river;
- Disclose all the environmental information regarding the company's performance along with EIAs of the individual facilities and assessment of the cumulative impacts of pig farms; provide timely and comprehensive information to the public. Among other, the public should have free access to the environmental permits, information about the volume of waste generated per farm per period of time, and waste management plans, updates on the environmental and social action plan, updates on other relevant information about the company's impact on the environment and health;
- Provide effective mechanism of communication with the local communities, understandable and easily accessible grievance mechanism, which is now absent. Members of the affected

communities ask the company to respect their rights to the information about the state of the environment. Therefore, community members ask the company to respond timely and informatively to their information requests;

- Provide transparent and open process of public participation that involves and accounts for as much community members as possible. Public should be involved in the discussion regarding the potential construction sites - location of facilities, their capacities, resource use, and waste management;
- Terminate the activities that do not go in line with Ukrainian or international legislation;
- Introduce technologies and methods to reduce odour, and ensure that the local population is less exposed to odour;
- Ensure rehabilitation of the lands after the termination of contracts in village Sivka-Vojnylivska;
- Provide payments for the lands under lease agreements in Sivka-Vojnylivska in 2005-2012;
- Develop and implement measures to reduce the negative effects of the roads' use within the villages. In particular, road maintenance, reducing dust pollution, provision of the compensations for cracks in the houses.

We also suggest the EBRD to check the legitimacy of activities, such as land-use and land leasing for construction, environmental performance of the company.

Thank you for your attention to the matter. We are looking forward to your response and we remain at your disposal for any further questions.

Sincerely,



Yury Urbansky
Executive director
National Ecological Centre of Ukraine

Additional information is available on request

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