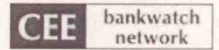




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№ 125-2/1

05.02.2014

Ms. Anoush Begoyan
PCM Officer
Project Complaint Mechanism
EBRD
One Exchange Square
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-Vojnulivska 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;

