



OMBUDSMAN ASSESSMENT REPORT

Regarding Community concerns in relation to
IFC's Kurum Project (#33378)
in Albania

September 2015

Office of the Compliance Advisor Ombudsman (CAO)
*for the International Finance Corporation and
Multilateral Investment Guarantee Agency*
www.cao-ombudsman.org

About the CAO

The Office of the Compliance Advisor Ombudsman (CAO) is the independent accountability mechanism for the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA), the private sector arms of the World Bank Group. The CAO reports directly to the President of the World Bank Group, and its mandate is to assist in addressing complaints from people affected by IFC/MIGA supported projects in a manner that is fair, objective and constructive and to enhance the social and environmental outcomes of those projects.

For more information, see www.cao-ombudsman.org

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LIST OF ACRONYMS

CAO	Compliance Advisor Ombudsman
IFC	International Finance Corporation
MIGA	Multilateral Investment Guarantee Agency

1. Overview

In June 2015, community members who live in areas surrounding Kurum's steel plant in Albania filed a complaint with the CAO. The complaint raised issues regarding air and ground pollution of the IFC-supported project. During CAO's assessment the parties expressed willingness to engage in a collaborative process, which CAO's Dispute Resolution function will be designing and convening. This Assessment Report provides an overview of the assessment process, including a description of the project, the complaint, the assessment methodology, and next steps.

2. Background

2.1 The Project

According to IFC, IFC has one active project with Kurum International in Albania. Controlled by the Turkish Kurum family, the Kurum Group has been operating in the iron and steel industry with the vision to expand its operations to other related businesses in Turkey and the Balkans. The steel producing company successfully bid for 4 hydropower plants - Uleza, Shkopeti, Bistrice I, and Bistrice II that were privatized by the Albanian government in 2012.

The project will be to finance (i) the acquisition of the hydropower plants; and (ii) the estimated EUR 10 million rehabilitation investment of these power plants. The Group intends to utilize the facilities to provide baseload renewable power to its existing steel plant. Through this project, Kurum contemplates reducing its electricity purchase costs, and securing reliable electricity sourcing in order to continue its operations without major disruptions. The project is classified as Environmental Category B.

2.2 The Complaint

In June 2015, a complaint was lodged with CAO by several local residents who live in close proximity to Kurum's steel plant in Elbasan, Albania. The complainants raise concerns about air and ground pollution produced by the plant operations, and the impact this may be having on local resident health. Section 3 contains a more detailed description of the issues raised in the complaint.

A redacted version of the complaint can be found on CAO's website at the following link:
http://www.cao-ombudsman.org/cases/case_detail.aspx?id=237.

3 Assessment Summary

The purpose of this CAO assessment is to clarify the issues and concerns raised by the complainants, to gather information on how other stakeholders see the situation, particularly Kurum, and to determine what it is that CAO is being requested to do. The CAO does not gather information to make a judgment on the merits of the complaint during its assessment. For more information regarding CAO's Operational Guidelines, please see (http://www.cao-ombudsman.org/howwework/documents/CAOOperationalGuidelines2013_ENGLISH.pdf)

The CAO assessment of the complaint consisted of:

- reviewing project documents;
- meeting with complainants and touring the area;
- meeting with Kurum representatives and visiting the steel facility in Elbasan; and
- meeting with the IFC project team.

This section summarizes the complainants' and Kurum's perspectives regarding the CAO complaint. This summary does not comprise a judgment by CAO about the merits of the complaint.

Complainants' perspective

The complainants' main concern is related to the perceived pollution of the steel plant and the health impacts they believe this poses to them and their families living in Katundiri and Bradeshesh. Although the complainants acknowledge that Kurum has made improvements to the plant since its acquisition in 1999, they contend that they perceive emissions from the plant. They mentioned seeing pollution clouds from the plant, particularly at night or early morning, smelling harsh chemicals in the air, and noticing film residues that collect over puddles after it rains. They state that there has been an increase in health issues (lung and blood diseases), and that data from the hospital reflects this.

The complainants have questions about Kurum operations and do not feel that they have access to readily available, understandable and credible information about the steel plant and how it manages pollution. Their questions are focused on better understanding the hours and conditions of operations, emissions compliance with European and other applicable standards, and the technology (filter, combustion material, energy source, usage of water during scrapping, etc) that is needed to manage pollution and whether Kurum is using this technology consistently. The complainants recognize the economic importance of the steel plant for the area and are not looking for the plant to shut down. They would welcome the opportunity to engage with Kurum on the issues they have raised in the complaint.

Kurum's perspective

Kurum indicated that it has invested significantly in technology to be in compliance with European, as well as IFC, emissions standards. The company reports having taken several measures – for example installing filters, investing in a dusting plant and keeping billets hot as they are sent to the rolling mill, among others – to lower emissions over the years, and these have been applied consistently. Kurum further stated that they regularly report emissions data to the government of Albania and their lenders, and also publish them in mainstream media.

Kurum understands that people may have misunderstandings or misperceptions about the company's operations and emissions. The company stated that it is open to engaging with all types of actors to share information about its operations and its pollution mitigation plans. The company indicated it is working on strengthening its stakeholder engagement plan and making communication and data more accessible to the public.

On the specific CAO complaint, Kurum stated its willingness to engage with the complainants through a CAO-convened process.

4 Next Steps

Both parties expressed their willingness to engage in a voluntary CAO-convened dialogue process. The CAO will facilitate this process and, as a preliminary step, will engage with the parties to establish how the process will be structured. This will include agreement regarding the issues to be discussed, meeting structure, and ground rules, if relevant.