



CAO Progress Report – Albania/Kurum Hydro-01/Bradashesh

This report provides an update of the CAO dispute resolution process in relation to IFC's investment in Kurum Hydro in Albania

BACKGROUND

According to IFC, IFC has one active project with Kurum International (the “company”) 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, Bistrica I, and Bistrica 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.

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 raised concerns about air and ground pollution caused by the plant operations, and the impact this may be having on local residents’ health. On the basis that energy generated from the hydropower plants will potentially power the steel plants, the complaint was deemed eligible for further assessment in July 2015 and an assessment trip conducted in September 2015.

CAO’S ASSESSMENT AND DISPUTE RESOLUTION PROCESS

Preparation for dialogue (end of 2015)

Following CAO’s assessment of the complaint in September 2015, both parties expressed their willingness to engage in a voluntary CAO-convened dialogue process. As a preliminary step, the CAO engaged with the parties to establish how the process would be structured, and conducted a capacity building workshop for community members focused on effective communication, the dispute resolution process (DR) and its stages, and interest-based negotiation; as well as an information session on the principles underpinning a dispute resolution process for the company’s representatives.

During the first joint meeting held in December 2015, the parties signed a Dispute Resolution Framework Agreement which set out the ground rules that would guide the DR process. They also agreed on the mediation agenda, which included air quality, noise, and social issues.

Suspension of the dialogue process due to the company’s reorganization proceedings (beginning of 2016-mid 2017)

In February 2016, the parties agreed to place the DR process on hold, since the company had stopped its operations. This period was extended by the parties to July 2017 given the legal reorganization proceedings that the company was going through. During this period, the CAO team conducted a few bilateral meetings with the parties to discuss the status of the company’s operations and the parties’ preferred option on the way forward.

Resuming the dialogue and conducting a joint site visit (2nd semester 2017)

During the joint meeting held in July 2017, the parties agreed that community members would conduct a site visit at the company’s plant, which occurred in September 2017. The community members appreciated the opportunity to visit the steel plant, which enabled them to have a better understanding of the project operations and therefore of its environmental impacts. To quote one community member: *“what you see from outside is different from the view inside”*.

While the community members acknowledged that some improvements had been implemented since they previously had the chance to visit the plant individually (especially regarding dust filter effectiveness), they believe there is room for further improvements, and expressed that they are generally still concerned about air pollution.

The community members added that they understand development is needed, but industry should not harm the people.

The company representatives appreciated the opportunity to show the plant to the community members who expressed an interest in achieving a better understanding of the structure and the operational procedures of the plant. Further, the company representatives indicated that the community members could visit the plant at any time, without any prior notice. The community representatives and company agreed to a joint meeting in October 2017 to discuss next steps.



Community members visiting the company’s plant – September 2017

Outcomes of the latest joint meeting (Oct. 2017)

During the latest joint meeting held on October 2, 2017, the parties focused on reviewing the mediation agenda, discussing air quality issues and exploring options to improve the situation. The community members indicated that issues related to air quality and noise were priorities for them and it was agreed that social issues should be removed from the agenda. Air quality issues include: concerns related to community members' health, discomfort related to air quality and land and water contamination. Noise issues relate to: concerns about community members' health and discomfort related to noise pollution.

As a result of the discussion the parties agreed that:

- a. The company will:
 - i. repair the roof of the steel plant before December 2017 in the area above the electric arc. According to the company, this will ensure total isolation (the air will be fully captured by the gas capturing filters) and will thus improve the quality of the air outside the factory; as well as lower the noise levels;
 - ii. build an internal railway to transport the scrap within the factory. According to the company, this will be operational in October 2017 and will improve the air quality and noise levels, and avoid the use of trucks;
 - iii. allow access for the community members to join the independent environmental monitoring process of Kurum; and
 - iv. prepare to have a discussion with the community in the first quarter of 2018 regarding strategic mid/long-term investments in the technology to improve the air quality.

- b. The community members will:
 - i. appoint representatives who will join the independent environmental monitoring process; and
 - ii. monitor the implementation of the improvements summarized in paragraph a above, through a second site visit to see the investments at the end of January or beginning February 2018 and continue to observe whether the company's investments has an impact on air quality and noise levels.

The CAO will communicate with the parties and facilitate the joint monitoring processes. While the community members acknowledged that the investments the company committed to undertake would likely improve the air quality and noise level, they would like to wait until they can assess the impact of those investments in order to determine whether their concerns have been addressed or not.

The parties agreed to meet early February 2018 to discuss the impact of the company's investments and next steps.

The publication of this report on the CAO website was agreed by both parties.

The CAO dispute resolution process is ongoing and for more information please refer to - http://www.cao-ombudsman.org/cases/case_detail.aspx?id=237 <http://www.cao-ombudsman.org/cases/...> and relevant documents <http://www.cao-ombudsman.org/cases/document-links/links-237.aspx> <http://www.cao-ombudsman.org/cases/...>