



DFF - Zelena Dolyna

Location:	Ukraine
Project number:	52970
Business sector:	Agribusiness
Notice type:	Private
Environmental category:	B
Approval date:	09 Nov 2021
Status:	Approved
PSD disclosed:	29 Nov 2021

As permitted by paragraph 2.6 of Section III of the Access to Information Policy, disclosure of this PSD was deferred in accordance with paragraph 1.4.4 of the Directive on Access to Information.

Project Description

Provision of senior secured loan of up to EUR 15 million (the "Loan") to Zelena Dolyna Group (the "Group"), Ukraine's medium-size group of agricultural companies. The proceeds of the Loan will be used to finance the construction of a modern EU-compliant cattle farm, an expansion of landbank, an expansion of existing grain silo capacity and agri machinery purchase over 2022-24 (the "Project").

Project Objectives

The Project is expected to enhance the Group's competitiveness, improve its production efficiency and environmental footprint.

Transition Impact

ETI score: 67

Competitive: (i) the client's engagement in policy dialogue; (ii) an improvement of operational performance of the client.

Green: (iii) introduction of technology or product leading to pollution prevention control; (iv) reduction in CO2 emissions.

Client Information

AGROKOMPLEKS ZELENA DOLYNA LLC

Agrokompleks Zelena Dolyna LLC (the "Borrower") is a main operating company of Zelena Dolyna Group, a vertically integrated business engaged in crop farming of circa 25,300 ha of farmland, cattle farming and sugar production in Vinnytsia region in Ukraine.

EBRD Finance Summary

EUR 15,000,000.00

Total Project Cost

EUR 24,300,000.00

Additionality

Client seeks the EBRD's expertise on higher environmental standards. In addition, the EBRD offers a tenor, which is longer compared to the average tenor available to the client in the market on reasonable terms and conditions.

Environmental and Social Summary

Categorised B (ESP 2019). Environmental and social due diligence was undertaken by independent consultants and included an assessment of new project elements and an assessment of animal welfare against EU requirements. The consultants undertaking due diligence have prepared an environmental and social action plan to address key issues and also a non-technical summary (NTS) and a stakeholder engagement plan (SEP) for the purposes of public information. The Project is aligned with the goals of Paris Agreement in terms of climate mitigation. A number of climate hazards were identified at concept review

and addressed during due diligence. Appropriate resilience measures are either already being implemented by the Group or will be integrated into the project and it is therefore also considered aligned with the Paris Agreement in terms of the adaptation objectives.

Zelena Dolyna is a diversified industrial complex, established in September 2004, operating in the Tomashpilsky and Tulchinsky districts of the Vinnytsia region. Currently, the Group operates circa 25 thousand hectares of crop lands, a sugar plant, a grain receiving station, a feed mill, five cattle breeding complexes and a cattle breeding farm. As part of due diligence, the consultants undertook site visits to two of the existing cattle farms, the site of the proposed new farm, and the grain storage and processing facilities. The new grain silos will be built on the site of the existing grain processing and storage facilities while the new cattle farm will be built on the site of a former cattle farm.

In general, the Group effectively manages environmental and social issues in compliance with Ukrainian legal requirements, although the Group does not currently operate any internationally recognised management systems and only partially complies with relevant EU requirements. The Group has staff nominated to manage environmental, health and safety, labour and animal welfare issues. Across the range of the Group's facilities a number of environmental issues have been identified although none of these would be considered of such significance as to derail the Project. A number of issues are permitting issues, which need to be addressed to meet Ukrainian requirements in full. Others are improvement issues, such as management of dusts and gases within the silos, to ensure compliance with the EU's best available technologies.

The policy of the Group on occupational health and safety is, likewise, in accordance with the legislation of Ukraine and the Group has developed the necessary management programs, orders, and instructions, to address staff safety and adequate emergency response. Suggested improvements include development of a risk registry in accordance with European legislation, extension of all health and safety requirements to contractors as well as staff, improvement of site marking, and improved management of asbestos containing wastes. HR issues are also managed in accordance with Ukrainian requirements. A collective bargaining agreement is in place and the Group has adequate policies and procedures in place to cover key aspects of Performance Requirement 2 including prevention of child and forced labour, non-discrimination and equality of opportunity. Some improvements have been suggested to improve policies on gender based violence and harassment.

Animal welfare in the Group is managed by specialists in the animal science, veterinary and engineering fields and all necessary staff undertake training and capacity building in cattle husbandry, breeding, biosecurity and welfare. Facilities for cattle rearing are typically old (built in the mid-70s) with some facilities subject to updating in 2009. Barns were generally found to be of a reasonable design, well lit and ventilated and to have enough space. Stalls are dry and clean, and the floor coverings appropriate. Barns and cowsheds meet the requirements for the living and social behaviour of the animals. Some improvements have been

identified, most important of which will be the change from the currently confined, to a loose housing system. While this is integral to the design of the new farm, the Group will also consider this as part of the upgrading of the three farms that will remain in operation.

To address all of the identified issues, the consultants have drafted a comprehensive environmental and social action plan (ESAP), to structure the project to ensure compliance with the Bank's Performance Requirements. The ESAP includes actions on improving environmental, health and safety and labour management systems, specific actions to address national regulatory compliance, actions to improve performance to meet EU requirements and actions to improve animal welfare. The Group will be required to report annually on the implementation of the ESAP and on on-going compliance with the PRs.

Technical Cooperation and Grant Financing

The Project will have a Technical Cooperation (TC) component provided by the Japan-EBRD Technical Cooperation Fund. The TC funds will cover 70% of the legal and E&S due diligence costs (estimated total legal and E&S due diligence cost of EUR 62,400). Remaining 30% will be contributed by the client. Implementation of advanced manure management practice will be supported by FINTECC grant under FINTECC EU-EBRD EU4Climate window covering 17% of costs for installation of solid fraction separation unit, membrane to cover lagoon for liquid fraction, emission handling and burning equipment and machinery for injection liquid fraction to the soil. Grant up to EUR 64,377 provided by EU ENI.

Company Contact Information

Ms Oksana Vyshnia

o.vyshnya@akzd.com.ua

+38(04348)2-15-35

+38(04348)2-15-35

www.akzd.com.ua


4 Ivan Bohuna Street, Tomashpil, Vinnytsia region, Ukraine, 24200

Implementation summary

PSD last updated

29 Nov 2021

Related material

➤ Translation: DFF - Zelena Dolyna (Ukrainian) ([//www.ebrd.com/work-with-us/projects/psd-translation/52970/1395302936390/DFF_-_Zelena_Dolyna_\(Ukrainian\).pdf?blobnocache=true](https://www.ebrd.com/work-with-us/projects/psd-translation/52970/1395302936390/DFF_-_Zelena_Dolyna_(Ukrainian).pdf?blobnocache=true)) 
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Understanding Transition

Further information regarding the EBRD's approach to measuring transition impact is available here (<https://www.ebrd.com/what-we-do/economic-research-and-data/transition-impact.html>).

Business opportunities

For business opportunities or procurement, contact the client company.

For business opportunities with EBRD (not related to procurement) contact:

Tel: +44 20 7338 7168

Email: projectenquiries@ebrd.com (<mailto:projectenquiries@ebrd.com>)

For state-sector projects, visit EBRD Procurement

(<http://www.ebrd.com/pages/workingwithus/procurement.shtml>):

Tel: +44 20 7338 6794

Email: procurement@ebrd.com (<mailto:procurement@ebrd.com>)

General enquiries

Specific enquiries can be made using the EBRD Enquiries form (<https://www.ebrd.com/eform/information-request>).

Environmental and Social Policy (ESP)

The ESP (<https://www.ebrd.com/news/publications/policies/environmental-and-social-policy-esp.html>) and the associated Performance Requirements (PRs) set out the ways in which the EBRD implements its commitment to promoting “environmentally sound and sustainable development”. The ESP and the PRs include specific provisions for clients to comply with the applicable requirements of national laws on public information and consultation as well as to establish a grievance mechanism to receive and facilitate resolution of stakeholders' concerns and grievances, in particular, about environmental and social performance of the client and the project. Proportionate to the nature and scale of a project's environmental and social risks and impacts, the EBRD additionally requires its clients to disclose information, as appropriate, about the risks and impacts arising from projects or to undertake meaningful consultation with stakeholders and consider and respond to their feedback.

More information on the EBRD's practices in this regard is set out in the ESP (<https://www.ebrd.com/news/publications/policies/environmental-and-social-policy-esp.html>).

Integrity and Compliance

The EBRD's Office of the Chief Compliance Officer (OCCO) promotes good governance and ensures that the highest standards of integrity are applied to all activities of the Bank in accordance with international best practice. Integrity due diligence is conducted on all Bank clients to ensure that projects do not present unacceptable integrity or reputational risks to the Bank. The Bank believes that identifying and resolving issues at the project assessment approval stages is the most effective means of ensuring the integrity of Bank transactions. OCCO plays a key role in these protective efforts, and also helps to monitor integrity risks in projects post-investment.

OCCO is also responsible for investigating allegations of fraud, corruption and misconduct in EBRD-financed projects. Anyone, both within or outside the Bank, who suspects fraud or corruption should submit a written report to the Chief Compliance Officer by email to compliance@ebrd.com (<mailto:compliance@ebrd.com>). All matters reported will be handled by OCCO for follow-up. All reports, including anonymous ones, will be reviewed. Reports can be made in any language of the Bank or of the Bank's countries of operation. The information provided must be made in good faith.

Access to Information Policy (AIP)

The AIP sets out how the EBRD discloses information and consults with its stakeholders so as to promote better awareness and understanding of its strategies, policies and operations following its entry into force on 1 January 2020. Please visit the Access to Information Policy (<https://www.ebrd.com/what-we-do/strategies-and-policies/public-information-policy.html>) page to find out what information is available from the EBRD website.

Specific requests for information can be made using the EBRD Enquiries form (<https://www.ebrd.com/eform/information-request>).

Independent Project Accountability Mechanism (IPAM)

If efforts to address environmental, social or public disclosure concerns with the Client or the Bank are unsuccessful (e.g. through the Client's Project-level grievance mechanism or through direct engagement with Bank management), individuals and organisations may seek to address their concerns through the EBRD's Independent Project Accountability Mechanism (IPAM).

IPAM independently reviews Project issues that are believed to have caused (or to be likely to cause) harm. The purpose of the Mechanism is: to support dialogue between Project stakeholders to resolve environmental, social and public disclosure issues; to determine whether the Bank has complied with

its Environmental and Social Policy (<https://www.ebrd.com/news/publications/policies/environmental-and-social-policy-esp.html>) or Project-specific provisions of its Access to Information Policy (<https://www.ebrd.com/what-we-do/strategies-and-policies/access-to-information-policy.html>); and where applicable, to address any existing non-compliance with these policies, while preventing future non-compliance by the Bank.

Please visit the Independent Project Accountability Mechanism webpage (<https://www.ebrd.com/project-finance/independent-project-accountability-mechanism.html>) to find out more about IPAM and its mandate; how to submit a Request (https://www.ebrd.com/eform/IPAM/Request_form) for review; or contact IPAM via email ipam@ebrd.com (<mailto:ipam@ebrd.com>) to get guidance and more information on IPAM and how to submit a request.

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