SYNOPSIS

Complaint

Axzon is a pig farming and meat processing group with operations in Poland, Ukraine and Russia. The company, through its Ukrainian subsidiary Danosha, currently has around 10 pig production farms, a biogas plant, and over 11,000 hectares of farming land in the Ivano-Frankivsk region of western Ukraine. IFC’s investment supports the group’s operations in the region and expand its operations across Ukraine. The total project cost is estimated at EUR 148 million. IFC is providing an investment of EUR 36 million loan and EUR 16 million in equity.

In February 2014, a complaint was lodged by members of communities from Deliyevo, Sivka-Voynylivska, and Lany of the Halych and Kalush districts in the Ivano-Frankivsk region (Confidential). The complainants raise issues regarding odors, land and water pollution related to the project’s use of manure, improper use and compensation of land, lack of information disclosure and consultation, impacts to road infrastructure, and environmental impacts to natural parks and other areas. The complainants also express concerns about the project being in violation of national law as well as the IFC Performance Standards.

CAO Action

CAO found the complaint eligible in March 2014. An assessment of the complaint was completed in August 2014. Based on stakeholder discussions conducted as part of CAO’s assessment, the complainants and company agreed to engage in a voluntary dispute resolution process to address the issues raised in the compliant.
In October 2014, the parties signed an “Agreement to Mediate” which defines the stakeholders and participants, their roles and responsibilities, the purpose of mediation, issues to be addressed, process rules and principles, etc. The villages of Dovge, Poberezhia, and Strygansty (Mariampyl pig farm) were able address their concerns directly with Danosha without the need for further CAO mediation. The parties agreed to try to resolve the remaining complaint issues through three separate and parallel mediation processes with Danosha:
1) A single large land-owner dispute (land-owner asked to keep his/her identity confidential)
2) Representatives of Sivka-Voynylivska and Moshkivtsi communities (Kalush district)
3) Representatives of Deliyeve, Lany and Vodnyky communities (Halych district)

The first (large land-owner dispute) was resolved through CAO mediation in November 2014, resulting in a signed agreement (which parties agreed to keep confidential).

By August 2016, the other two mediation processes concluded without agreement. In October 2016, CAO held separate final closure meetings with the parties to solicit feedback and questions, and explain next steps in the CAO complaint process. On March 21, 2017, CAO issued a conclusion report summarizing dispute resolution process. This report is available in both English and Ukrainian.

As the local parties were unable to reach agreement on resolution of the complaint issues, CAO’s Dispute Resolution function concluded its involvement. Per CAO’s Operational Guidelines for complaints that are not amenable to, or cannot be resolved through, dispute resolution, the case has been transferred to CAO Compliance for appraisal of IFC’s performance related to the project.

As part of the compliance appraisal, CAO conducted an on-site visit to Ukraine in August 2017. The visit included meetings with community members, company representatives and other stakeholders. The visit also included tours of Luka, Delievo and Lany farm facilities and surrounding areas. In April 2018, CAO released its appraisal report, deciding that CAO will conduct an investigation of IFC’s E&S performance in relation to the following:
• IFC’s review and supervision of the client’s ESMS, including measures to ensure that procedures are in place to test for, and mitigate against, environmental pollutants;
• IFC’s review of the (i) ESIA documentation (including water extraction, carrying capacity and manure management system) and (ii) associated consultation and disclosure, where relevant;

CAO notes that the decision to initiate a compliance investigation does not imply a finding in relation to the client’s E&S performance adverse or otherwise.

All documents relating to this case are available under “View Documents” below.

Status
The case is currently with CAO’s compliance function for investigation of IFC’s performance related to the project.