

Ruskiy Mir II-03 Complaint – Taman, Russia Conclusion Report

May 2010

This report summarizes the complaint handling process by the Compliance Advisor/Ombudsman (CAO) on the Ruskiy Mir II project in Taman, Russia.

Summary of the Complaint and CAO Ombudsman Process

The Ruskiy Mir II project (Tamanneftegaz, or TNG) involves an IFC loan of up to \$100 million to develop the Taman LPG/Fuel Oil terminal and port in the Black Sea, purchase and expand rail maintenance facilities, purchase locomotives and rail cars, and purchase a wheel-making / spare-parts manufacturer and other rail-related infrastructure.

In March 2009, a resident of Taman Village submitted a complaint to CAO on behalf of 90 residents stating that the construction activities of TNG and other companies in the region have damaged local roads and homes, and reduced the standard of living for residents. They requested the company repair village roads, complete a bypass road to divert construction away from the settlement, and compensate villagers whose homes were impacted.

The CAO Ombudsman worked via email and teleconference to assess the situation and discuss solutions. Because the complainants had not previously contacted the company about its concerns prior to filing a complaint, the Ombudsman encouraged a meeting between the TNG social specialist and a representative of the complainants to discuss the issues in person.

After several meetings between those individuals, the company reported it was launching a Working Group involving key stakeholders in the community, local government, and the company to engage in collaborative decision-making around TNG's social development activities. The complainants were invited to participate in the first Working Group meeting, which took place on Nov. 11, 2009



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Outcomes

- **Agreement:** Following the November Working Group meeting, the complainants reported to CAO that the company and other Working Group participants had addressed issues related to the roads, and that a specific timeline for completion of road projects was agreed. The agreement was verbal (not written) at the mutual request of all parties.
- **Local Forum and Case Closure:** On November 25, 2009, the representative of the complainants reported to CAO that the signatories were satisfied with the outcome of the Working Group, and believed their concerns about the roads were being addressed. They said they would continue their involvement with the Working Group, and remain involved in implementation of the agreements. Following discussions with the complainants and company, CAO closed the complaint in December 2009, and agreed to continue monitoring implementation of the commitments made by Working Group participants.

- **Resolution of Implementation Issue:** In April 2010, the complainants submitted a letter to CAO stating that during the past several months, the company had stopped adhering to the terms of the November 2009 agreement. They reported that for a number of months following the November Working Group meeting, construction traffic through Taman had ceased, but recently the vehicles had returned to using village roads – resulting in the same negative impacts.

The CAO Ombudsman contacted the complainants and the company, and learned the complainants had not yet raised the issue with the company. CAO again encouraged the complainants to speak directly to the company about the situation to discuss the issues in person. CAO also encouraged the company to engage directly with community members about construction timelines and status of the road repairs. Both sides agreed to continue working together toward final implementation of the agreement.

Lessons and Insights

This was the third complaint to CAO regarding the Russkiy Mir project in Taman. The tangible issues raised in the complaint involved impacts to roads and property due to heavy construction traffic, but underlying the conflict was a profound lack of trust between the parties.

Signatories to the complaint believed that approaching the company directly to discuss the issues would be fruitless – both because they thought TNG would refuse to open its doors for such a discussion, and because of fear of reprisals for being ‘trouble makers’.

The company said the complaint to CAO came as a surprise, since the signatories had never contacted them in person or in writing to express their concerns. TNG did not accept sole responsibility for damage to the roads – as several other companies also operate heavy vehicles in the area. They believed the signatories complained about TNG because of its link to the World Bank Group (and thus access to the CAO), on the hope of receiving monetary compensation or to advance their development agenda over other proposed projects.



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When the two sides finally met face-to-face to discuss the issues, some of their initial beliefs about the other changed, and they were able to work together on their own in an effort to build trust and resolve the issue.

For example, when the signatories articulated their interests and their ideas for resolution, they learned key TNG decision makers and senior management were not previously aware of the construction traffic problem. The company discovered that the signatories’ primary interest was to live in a more peaceful village, and to have a voice in decision-making about the allocation of social development money – not necessarily in a monetary settlement for the signatories.

As with many such cases, clear and respectful communication – and listening carefully to the perspectives and interests of an opposing opinion – is often what is required to transform a conflict.