



## **CAO DISPUTE RESOLUTION CONCLUSION REPORT – STROMINVEST II-01/MINSK AUGUST 2017**

*This report summarizes CAO's dispute resolution process in relation to the IFC-supported Strominvest project (#31993) in Belarus.*

### **BACKGROUND**

#### **The IFC investment**

JV Strominvest LLC, the project sponsor, is a Belarusian construction company ("Strominvest") focused on developing commercial property and affordable housing projects in Belarus. Strominvest was established as a construction company in 1993, and has been an IFC client since 2008.

IFC's first project (#26107) with Strominvest was for development of a commercial real-estate building in Minsk and was approved in June 2008. The second project (#31993), approved in October 2015, is a corporate loan of US\$17 million for development of affordable housing projects in Belarus.

#### **The complaint**

In March 2016, CAO received a complaint from a local Minsk resident who filed on behalf of himself, his mother, and other community members (referred to hereafter as "complainants"). The complaint raises concerns about possible forced evictions and fear of resettling people against their will to affordable housing built by Strominvest.

Both IFC projects with Strominvest were active when CAO initially received the complaint. The first project (#26107) closed in June 2016. Discussions with the complainants clarified that the issues raised in the complaint relate to the second project (#31993).

### **CAO ASSESSMENT**

The complaint was determined eligible in April 2016 and as such an assessment of the complaint commenced. The purpose of the assessment process is to clarify the issues and concerns raised by the complainants and to help the parties determine whether and how they

might be able to resolve the issues in the complaint. CAO does not gather information to make a judgment on the merits of the complaint in the assessment phase.

During the assessment, the complainants and Strominvest stated their preference to engage with one another through CAO-facilitated dialogue to try to resolve the complaint. Hence, the complaint was referred to CAO's Dispute Resolution function.

### **DISPUTE RESOLUTION PROCESS**

The main objective of CAO's Dispute Resolution role is to help resolve the environmental and/or social impact issues raised by complainants to the satisfaction of both parties. As a nonjudicial, nonadversarial, and neutral forum, CAO's Dispute Resolution function provides a process through which parties may find mutually satisfactory solutions.

In April 2017, CAO held separate meetings with Strominvest, local residents supporting the complaint, and IFC and convened one joint informational meeting in Minsk. Five local residents, three Strominvest representatives, and an IFC country office representative participated in the joint meeting.

Strominvest provided information on the history and current status of its role in the potential development and construction project on the site (located in Minsk between Griboyedova, Timiriazeva, and Panfilova Streets). The company noted that the previous "Land Allocation Certificate," which permitted Strominvest to prepare project development design documentation for the site, expired in October 2016 and that Strominvest currently has no new Certificate or agreement with the Minsk city government to develop the site. Strominvest explained that in the absence of any such agreements or a new Certificate, Strominvest

cannot proceed with developing the site, and therefore there is no legal basis for them to cooperate with, or otherwise help, the local residents. They also noted that the decision-making authority for any timetables to develop the site, as well as for the selection of a developer, rested with the Minsk city government.

The five local residents in attendance who reside in and/or own property on the potential development site voiced their concerns about insufficient community consultation and access to information. In particular, the local residents feel that they are experiencing harm due to: (1) delays and (2) uncertainty and lack of information about the schedule for the site development project and about what will happen to the people who currently reside there. The residents expressed how they feel trapped and treated unfairly because city government restrictions and circumstances beyond their control have rendered them unable to sell or make improvements to their property since 2014. They assert that they have no information as to when the restrictions will be ended. They want the site to be developed as quickly as possible, with a clear timetable and fair compensation, in cash or in-kind, provided to the local residents.

IFC answered questions and provided information on IFC's procedures for investment screening, due diligence, and ongoing project supervision. In particular, IFC noted that their current loan to Strominvest is designated for development of affordable housing at another location in the city, Kamenaya Gor'ka-3.

## **DISPUTE RESOLUTION OUTCOMES**

In the end, the parties were unable to reach agreement on how to resolve the complaint to CAO. Local residents feel that IFC and Strominvest have some responsibility for their plight and the current situation. While IFC and Strominvest representatives noted their personal empathy and understanding of the residents' situation, they stated that until or unless the Minsk city government reaches an agreement with Strominvest to develop the site in question, there is nothing they can do.

Although the parties were unable to find a mutually satisfactory resolution to the complaint,

they did agree to exchange contact information to have future channels of communication. They also concluded the process with improved understanding of the overall situation and their respective positions and perspectives.

## **CONCLUSION AND NEXT STEPS**

CAO's Dispute Resolution function has concluded its involvement in this case, and the case will be transferred to CAO Compliance for appraisal of IFC's performance related to the project. This is standard practice as per CAO's Operational Guidelines for complaints that are not amenable to, or cannot be resolved through, dispute resolution.

*Other documentation relevant to the case is available on the CAO website:*

[www.cao-ombudsman.org](http://www.cao-ombudsman.org)