



COMPLIANCE MONITORING REPORT

IFC Investment in enso Albania

Project #30979

Complaint 01

**Monitoring Report of IFC's Response to:
CAO Investigation of IFC's Investment in enso Albania
(Lengarica Hydropower Project)**

December 3, 2019

Office of the Compliance Advisor Ombudsman (CAO)

About CAO

CAO's mission is to serve as a fair, trusted, and effective independent recourse mechanism and to improve the environmental and social accountability of IFC and MIGA.

CAO (Office of the Compliance Advisor Ombudsman) is an independent post that reports directly to the President of the World Bank Group. CAO reviews complaints from communities affected by development projects undertaken by the two private sector arms of the World Bank Group, the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA).

For more information about CAO, please visit www.cao-ombudsman.org

Introduction and Background

CAO's compliance function conducts investigations of IFC/MIGA's environmental and social (E&S) performance to assess compliance with relevant requirements and to improve institutional E&S performance. Following a CAO compliance investigation, CAO monitors actions taken by IFC/MIGA until such actions demonstrate that the investigation findings are being addressed.

This compliance monitoring report relates to CAO's investigation of IFC's investment in enso Albania ("the compliance investigation").¹ CAO's compliance process was triggered by a complaint received in June 2015 from the from local residents and environmentalists regarding the E&S impacts of the Lengarica hydropower project ("Lengarica HPP" or "the project") in southern Albania, developed by IFC's client, enso Albania. The complainants claimed that the project has had impacts on endangered species and natural/critical habitats. They alleged impacts on ecosystem services, in particular the ecotourism value of the Lengarica river and on nearby protected areas and natural monuments. They also alleged that the Lengarica HPP had not complied with IFC's disclosure, consultation and stakeholder engagement requirements.

CAO released a compliance investigation in response to the complaint in October 2018. The investigation made several non-compliance findings in relation to IFC's due diligence and supervision of the project.²

In particular, the investigation report concluded that outstanding issues to be addressed by IFC and its client related to:

- (a) disclosure of the E&S assessment and monitoring information for the Lengarica HPP;
- (b) the alignment of the Lengarica HPP with the management plan for the *Bredhi i Hotovës-Dangelli National Park*, within which it is located; and
- (c) the assessment and mitigation of project impacts on tourism.

A management response from IFC was released together with the investigation report.³ IFC's response envisaged a number of actions to address the investigation findings at project level, and indicated improvements made at the level of policies, procedures, practice and knowledge.

This first monitoring report documents IFC's response to the compliance investigation in the period October 2018 – November 2019.

Observations from CAO Monitoring (October 2018 – November 2019)

This section summarizes IFC's updates to CAO on actions undertaken to address the investigation findings at project level since the release of the compliance investigation report in October 2018. It also compiles views from the complainants regarding IFC's engagement to address the findings.

Project level actions

IFC reported to CAO steps being taken to address the investigation findings at the project level in relation to:

- **Stakeholder engagement and disclosure of information.**

¹ The CAO investigation, IFC's response to the investigation and related materials are available on the CAO website. See <https://bit.ly/2JLUdy0>

² CAO Compliance Investigation Report, enso Albania-01, October 2018 - <https://bit.ly/2MFGK9t>

³ IFC's Response to CAO Compliance Investigation Report of IFC's investment in enso Albania, September 2018 – <https://bit.ly/2NI3IGB>

- The **alignment of the Lengarica HPP with the *Bredhi i Hotoves-Dangelli* National Park's management plan**, and
- the **assessment and mitigation of project impacts on tourism**.

Stakeholder engagement and disclosure of information

CAO Investigation Findings

CAO's investigation found that the application of IFC's disclosure, consultation and stakeholder engagement requirements to the Lengarica HPP was incomplete. Stakeholder consultation during the design phase of the Lengarica HPP was limited. Subsequently, IFC worked with the client to prepare a Stakeholder Engagement Plan which documented client engagements with broader stakeholder groups during the period 2013 – 2015. Contrary to the requirements of PS1 and IFC's disclosure policy, IFC did not ensure disclosure of the client's June 2011 Environmental and Social Impact Assessment (ESIA) on which IFC based its E&S review. Disclosure of subsequent E&S assessment and monitoring documentation was also lacking, as was local language information on project E&S risks and impacts.

IFC's Actions in Response to the Findings

In its management response's action #10, IFC noted that the original (2011) Lengarica ESIA was posted via IFC's Project Information Portal in September 2018.⁴ CAO further notes that the company is disclosing regular updates on its website with monitoring data regarding the river's ecological flow.⁵

Alignment of the Lengarica HPP with the Bredhi i Hotoves-Dangelli National Park's management plan

CAO Investigation Findings

The investigation found that the issue of the Lengarica HPP's location within the *Bredhi i Hotovës-Dangelli* National Park was overlooked when IFC approved the investment in 2011. After this issue was raised by stakeholders in 2014, however, IFC took steps to assure itself that the client had obtained necessary permits for the construction and operation of the Lengarica HPP. While the complainants contest the legitimacy of the permitting process, the investigation noted that such questions were outside the scope of a CAO compliance review. Nevertheless, the location of the Lengarica HPP within a National Park triggers the protected area provision under PS6, and CAO found that additional supervision was required to ensure that the operations and programs of the client are aligned with the management plan for the Park.

IFC's Actions in Response to the Findings

At the time of releasing the investigation, a draft management plan for the National Park had been prepared by Albanian authorities. In its communication with the company as part of project supervision, IFC indicated that an important aspect of the client's E&S action plan for 2019 included being an active participant in the process of development of management plans for the thermal springs and the National Park, in order to fulfill commitments #9 and #11 of IFC's response to the CAO investigation.

In the context of CAO's monitoring, the IFC team reported to CAO that the client held a meeting with the National Agency for Protected Areas (NAPA) to discuss the role they could play in further developing the *Bredhi i Hotoves-Dangelli* National Park management plan, including to better manage impacts related to tourism in the thermal springs areas, and more broadly in the National Park. According to IFC, this first step is a positive initiative, but further progress needs to be made

⁴ IFC, Environmental and Social Review Summary, enso Albania (project #30979) – <https://bit.ly/2NO225i>

⁵ Enso Hydro, Lengarica HPP project information – <https://bit.ly/2p3VE1w>

to achieve the objectives of the action plan. IFC further noted that a management plan for the *Benja* area was being drafted, and that enso Albania would become a formal consultee to that process, which could include options to facilitate days for kayaks to ride the canyon.

IFC is planning a supervision visit to Albania in the first half of 2020, which would include meetings with relevant stakeholders to better understand the potential roles that IFC and enso Albania can play to ensure the project's alignment with the National Park's management plan.

Assessment and mitigation of project impacts on tourism

CAO Investigation Findings

The investigation found that, while the Lengarica HPP impacts on tourism were noted in IFC's pre-investment review, IFC did not ensure that they were assessed and mitigated in accordance with the requirements of PS1 or PS6 prior to construction of the project. IFC's subsequent supervision of the project confirmed impacts on certain types of ecotourism activities, particularly kayaking in the Lengarica Canyon. However, in relation to these impacts, IFC had not ensured adequate stakeholder consultation or that appropriate measures to minimize, mitigate and/or offset impacts were added to the ESAP as required by PS1.

IFC's Actions in Response to the Findings

Commitment #11 of IFC's management response in relation to project impacts on tourism, noted that the company had already started discussions with the Mayor of Permet on this topic, with an agreement of a minimum of two weekend days in low flow season when Lengarica HPP would release sufficient water from the weir to allow the canyon to be 'ridden' by kayakers from top to bottom.

IFC reported to CAO, however, that while the company is committed to engage with relevant actors and put in place mitigation measures regarding the project's impacts on tourism, further progress is required to ensure that the investigation findings are effectively addressed. IFC indicated that the company will pursue its commitment to engage constructively with the municipality to better manage tourism impacts.

In discussions with CAO, IFC further reported to CAO that it is planning to hold meetings with relevant stakeholders either directly or via enso Albania's appointed Community Liaison Officer (CLO) during its upcoming supervision visit to the Lengarica HPP area, in order to explore opportunities for engagement around the issue of tourism, and ensure that commitment #6 of IFC's response to the investigation⁶ is being fulfilled.

Complainants Perspective

In a conversation with CAO in October 2019, the complainants indicated that they had not had contacts with IFC or enso Albania since the CAO investigation report was released in October 2018. They further noted that they were not willing to discuss with the company, as from the beginning of the CAO process they perceived the company as being opposed to any kind of negotiation. The complainants demand that IFC withdraw from this project and the hydropower project to be demolished in order to allow normal flow of the Lengarica river. They expect to complete their own expert review of the project by mid-2020, and intend to provide a written report to CAO then.

The complainants indicated that their main concern when they submitted the complaint to CAO was the company's non-compliance with Albanian laws. They noted that IFC's policies require

⁶ IFC commitment #6 to actively supervise the project, including with regards to stakeholder engagement in the context of potential project impacts on tourism.

projects to comply with national laws, which in their opinion is not the case of the Lengarica HPP, as they believe it was constructed in an area where it should have not been permitted.

In relation to project impacts on tourism, particularly on kayaking, the complainants reported their view that, while it might have been possible to allow sufficient flow for kayaking on some days in the past, the current flow of the river would not allow it anymore.

The complainants further noted their disagreement with CAO's investigation findings regarding IFC's supervision of project impacts on biodiversity in the Lengarica river.

Conclusion

IFC has reported a number of actions taken and/or proposed at project level in response to CAO's investigation of its investment in enso Albania, as relates to the Lengarica HPP.

CAO's investigation found deficiencies in IFC's disclosure of the project's E&S impacts assessment, and the client's disclosure of E&S monitoring information. This monitoring report acknowledges disclosure by IFC of the project 2011 ESIA, as well as regular public updates on the client's monitoring results of the Lengarica river flow. Considering IFC's response to the investigation findings related to disclosure of information, CAO will close the monitoring of this item.

In relation to the project's alignment with the National Park's management plan, potential impacts on tourism, and related stakeholder engagement, IFC reports a number of actions initiated with the client. In particular, IFC reports on the client's efforts to engage with the relevant national authorities around enso Albania's participation in the development of management plans for the national park where the project is located, including options to enable tourism activities in the area. However, IFC has also reported that further progress is required to achieve the objectives of the action plan and effectively address the investigation findings. IFC indicated that it was planning a supervision visit to assess opportunities for more effective engagement in this context.

While acknowledging the progress made by the company as reported by IFC, in order to close this monitoring process with a satisfactory result, CAO would encourage IFC to provide the company with appropriate advice and assistance in relation to:

- (a) its efforts to engage with national authorities, particularly in relation to the development of the National Park's management plans and any related adjustments to the management of environmental and social impacts of the project; and
- (b) engagement with stakeholders to effectively assess and address project impacts on tourism, including consultation with local authorities and tourism operators.

While CAO understands that the complainants ongoing opposition to the project presents a challenge to effective consultation, PS1 requires ongoing stakeholder engagement. In this case this includes good faith efforts to engage with the project opponents including the complainants.

CAO will keep the investigation open for monitoring of these actions and plans to issue a follow-up monitoring report no later than November 2020.