

GEORGIAN MANGANESE – COMPANY PROFILE

CHIATURA MANGANESE

Experts estimate that manganese deposits in Georgia are distinguished by its high quality, large industrial reserves and convenient geographical location. Chiatura Manganese ore started its functioning in 1879. Until 1990, 203 million tons of manganese-ore raw materials were produced, and 108 million tons of commodity products were realized. Since 1990, manganese production has been drastically reduced. After many unsuccessful attempts of privatization and rehabilitation of Chiaturmanganese, based on the auction held at the Ministry of Environment and Natural Resources Protection of Georgia on November 11, 2006, JSC Chiaturmanganese assets were sold together with the right to extract minerals in Chiatura manganese ore. The only participant - Georgian Manganese Holding Limited - won at the auction, which prior to that, had become an owner of Vartsikhe Hydro Power Plant Cascade and Zestaponi Ferroalloy Plant.

At the time of signing a deal, Georgian Manganese Holding Limited was a subsidiary of the well-known British company Stemcor. At the end of 2006, Stemcor sold 75% of Holding's shares to Ukrainian Privat Group. This group owned Tao-Privat Bank in Georgia in 2007-2014. According to the Ukrainian media, Privat Group is one of the most closed and non-transparent companies, and its founders [Igor Kolomoisky](#) and [Henadiy Boholyubov](#) are among the top five richest people in Ukraine.

In 2013, the Privat Group transferred Georgian Manganese (former Chiaturmanganese and Zestaponi Ferro) and Vartsikhe Hydro Power Cascade owned by Georgian Manganese to American Holding "Georgia American Alloys"¹; however, this was presented to the Georgian society as an entry of "a new management" to the company. Consequently, "new management" blamed the "old management" for failures and promised to tackle problems. According to the articles published in various media outlets, a new mining-enrichment complex should had been put into operation by the end of 2016; however, different events have occurred. Since May 2017, a special manager appointed by the court has been running the property of Georgian Manganese with a right to manage the company solely and independently.

Georgia American Alloys Inc., an entity registered in the United States, runs the property in Georgia through the company with the same name - Georgian American Alloys Sàrl - registered in the Grand Duchy of Luxembourg (offshore). According to the Georgian Entrepreneurial Register, Georgian American Alloys is the owner of Georgian Manganese LLC (230085797), Vartsikhe 2005 Ltd (221297870) and GAA Management Ltd (404414861).

From 2015, Green Alternative issues periodic reports on availability of information on the state of environment in Georgia. During the analysis of availability of information of the state of environment, we study accessibility of information on so-called "large-scale pollutants" and prepare company profiles of four enterprises that are singled out in terms of the scope of activities and impacts on the environment and human health.

These companies are:

- (1) RMG – Rich Metal Group;
- (2) Georgian Manganese;
- (3) Saknakshiri;
- and
- (4) HeidelbergCement.

This document reflects the availability of information on Georgian Manganese.

¹ [The dangers of doing business abroad](#), BY KEN STIER Special to the Miami Herald, September 13, 2017

For its part, Georgian Manganese LLC holds 100% of shares in 19 limited liability companies. It is noteworthy that, out of them, 13 companies - JM 29 Ltd, JM-Korokhnali-Devidzebi Ltd, Enrichment Complex Ltd, JM Technic-Service Ltd, JTS - Georgia Terminal Services Ltd², JM Construction Ltd, JM Vaketke Ltd, JM TsDF Ltd, JM-Shukruti Ltd, JM-Ikhtvisi Ltd, JM-Perof Ltd, JM-Mining Ltd and JM-Central Factory Ltd – have been established during the special management regime.

SPECIAL MANAGEMENT REGIME

In May 2017, a special manager³ was appointed in Georgian Manganese LLC at the motion of the Ministry of Environment and Natural Resources Protection and upon a decision of Tbilisi City Court for not more than three years. By the Court decision, a special manager was appointed to ensure timely and consistent fulfilment of **license and permit conditions**. In addition, according to the court decision, the Special Manager shall submit monthly a report on fulfilment of the license and permit conditions to the Ministry of Environmental Protection and Agriculture (together with relevant documentation); the report shall also be submitted to the court for approval.

On June 14, 2017, one month after taking the Court decision, Maia Bitadze, the Deputy Minister of Environment and Natural Resources Protection, Uriel Laber, a shareholder and representative of Georgian American Alloys, and Nikoloz Chikovani, a Special Manager of Georgian Manganese, held a special press conference. According to the information released at the press conference, an agreement had been reached between the Ministry and the company. Company representatives shared the circumstances on the basis of which a special manager was appointed in Georgian Manganese and approved the plan prepared by the special manager for the fulfilment of license and permit conditions and confirmed the commitment to implement the plan by their signatures.

Medium-term plan of measures for performance of ongoing activities of Georgian Manganese LLC

N	Title of activities to be implemented	Mitigation measures to reduce negative environmental impacts	Implementer	Performance monitoring	Time frames
1	Setting up an Ecology and Recultivation Service, which will assess conditions existing in the enterprise from the environmental point of view and carrying out proper monitoring	Regulations of the Ecology and Recultivation Service, considering the functions and structure of the Environmental Protection Agency.	Georgian Manganese LLC		30.06.2017
2	Carrying out environmental audit	An agreement	Invited specialists	Ecology and Recultivation Service	Until 01.12.2017
3	Commissioning of the enterprise laboratory	- Equipping the laboratory with the inventory - Calibrating inventory, equipment and tools in the laboratory. - Staffing the laboratory with appropriate staff	Georgian Manganese LLC	Ecology and Recultivation Service	Until 30.06.2017
4	Preparing an industrial waste management plan	- Preparation of household, industrial and hazardous waste management plan	By agreement	Ecology and Recultivation Service	From 15.07.2017

² The director of the company is Giorgi Chelidze, who is also a director and 100% shareholder of the Steel International Trading Company Ltd, a new owner of Sakhnakhiri Ltd.

³ [Special manager at the Georgian Manganese – attempts for improvement of the enterprise or distribution of shares?](#) Green Alternative, July 2018

N	Title of activities to be implemented	Mitigation measures to reduce negative environmental impacts	Implementer	Performance monitoring	Time frames
5	Carrying out environmental monitoring	<ul style="list-style-type: none"> - Monitoring of emissions of harmful substances in the atmospheric air. Watering-down roads in settlements, roofing of trucks, etc. to reduce dust levels. - Monitoring of noise, vibration and other physical factors. Measuring noise emission levels near settlements and carrying out mitigation measures, if necessary. - Monitoring of manganese content in industrial and drainage wastewater before discharging their surface water and complying with Maximum Permissible Discharge Norms. - Monitoring of the implementation of measures provided for in the household, industrial and hazardous waste management plan. - Protection against soil contamination (any means to reduce leakage of fuel and oils). 	Georgian Manganese LLC	Ecology and Recultivation Service	<p>After commissioning of ecological laboratory</p> <p>Systematically</p> <p>Systematically</p> <p>Systematically</p> <p>If necessary</p>
6	Surface of local roads	Gravelling inner exploitation roads from local roads to the enterprise quarries and mines and placing appropriate warning signs	Georgian Manganese LLC	Ecology and Recultivation Service	If necessary
7	Protection of the River Kvirila from pollution	Carrying out activities for building water repellent channels on the dump perimeter and shielding wall from the River Kvirila side in order to prevent the flow of intermediate product stored in the River Kvirila from the dump site	Georgian Manganese LLC	Ecology and Recultivation Service	Until 01.01.2018
8	Placement and storage of sludge produced in new enrichment plant	Selection and agreement of several alternative sites for final disposal of sludge and solid waste	Georgian Manganese LLC	Ecology and Recultivation Service	Prior to starting construction activities
9	Construction and commissioning of a new enrichment plant	Planning and implementation of construction works	Georgian Manganese LLC	Ecology and Recultivation Service	Until 31.12.2018
10	Preparation of environmental audit report	In order to decide on continuation of current activities, preparing ecological audit report and environmental impact mitigation plan for Ferro Alloy Plant in Zestaponi	Georgian Manganese LLC	Ecology and Recultivation Service	Until 01.06.2019
11	Cancellation of so-called “Sashevardno” quarry at the Ak. Tsereteli mine (closure and urgent recultivation.)	<ul style="list-style-type: none"> - Terminating works on a quarry; - Developing a recultivation project; - Agreement with the Ministry; - Recultivation works. 	Chiatura site of the Georgian Manganese LLC	Ecology and Recultivation Service	6 months after approval of the recultivation project
12	Use of minerals on state forest fund area	<ul style="list-style-type: none"> - Identification of mining sites within state forest fund area - Receiving special right on forest use - Marking and allocation of forests (woodcuts) - Implementation of compensatory measures 	Invited specialists	Ecology and Recultivation Service	From July 2017 Step by step

N	Title of activities to be implemented	Mitigation measures to reduce negative environmental impacts	Implementer	Performance monitoring	Time frames
13	Gradual recultivation of areas after completion of open-pit mining activities	- Identification of cultivation areas - Development of recultivation projects and their agreement with the Ministry of Environment and Natural Resources Protection of Georgia	Chiatura site of Georgian Manganese LLC	Ecology and Recultivation Service	From July 2017, Step by step, in line with recultivation projects
14	Hot line	- Reporting on environmental violations - Responding to claims of population	Chiatura site of Georgian Manganese LLC	Ecology and Recultivation Service	From 01.07.2017

It is noteworthy that the plan was presented to the public as part of the court decision, however, as mentioned above, the court had only required the timely and consistent implementation of **license and permit conditions**. The presented plan included several vague commitments. For example, it remained unclear what was meant by “carrying out environmental audit” within maximum 6 months under commitment #2, and how it differed from the obligation of “preparation of environmental audit report” under commitment #10, which somewhat had to be prepared until June 2019, only after 2 years.

Nevertheless, it is already more than two years that reporting to the Ministry and the court is conducted based on this plan. However, the reports periodically cover issues that are not included in the **license and permit conditions** or the medium-term plan, such as: inviting 15 actors for New Year events in Chiatura and Zestaponi, arranging Christmas decorations and gifts for boarding school for children with disabilities, etc.

Often reports are not enclosed with documentary evidence. In certain cases, the fact of non-fulfilment of commitments is not recorded and, therefore, the reasons behind are not explained. For example, the commitment #8 “Placement and storage of sludge produced in new enrichment plant” had to be fulfilled prior to the construction of the new plant, although it had not been fulfilled even after the completion of construction and it was of no concern neither to the Ministry nor to the court. The commitment #2 “Carrying out environmental audit” by invited specialists according to the plan, within 5 months has been transformed into **an ecological audit of the Chiatura district** carried out by staff of the enterprise. Thus, the following statement emerged in the Special Manager report from November 2017: “An ecological audit of the Chiatura district has been started – the Ecological Service of the Chiatura mining enrichment plant started out an audit process of the facilities operating in Chiatura district and, within this process, all facilities will be inspected and existing problems and solutions will be identified. Upon completion of the audit, a plan of activities will be developed and fully monitored by the mentioned Service”.

Already in next month’s report (supposedly, considering the deadline defined by the plan), the special manager claimed that the audit had been completed. Neither the Ministry nor the Court had questioned the fact of performing of this volume of works in a month’s period and, most importantly, had not required to submit an audit report.

NEW ENTERPRISE

Until 2009, Chiatura Manganese enrichment enterprise had been functioning without the environmental impact assessment and appropriate permit. Permit conditions, issued in 2009, were first inspected in 2012 and the company was fined 5000 GEL for violation of permit conditions. In September 2014, after several unsuccessful attempts of imposing fines, the Ministry again set reasonable time limits and defined respective obligations for the company. In particular, the company was required to:

- immediately start and implement arrangements of the sedimentation tanks of local treatment for the industrial wastewater of the enrichment plants within 6 months;
- immediately start and ensure effective exploitation of all sludge thickening facilities of the enrichment plant within 6 months, in accordance with the Environmental Impact Assessment (EIA) report;
- within 3 months, to complete the construction activities for the enterprise laboratory and ensure that it is in working condition;
- to prevent the intrusion of the agglomerate stored at the agglomerate dump into the river Kvirila, immediately start and, within 6 months, complete the arrangement of the water flow channels on the perimeter and build a protective wall on the bank of the river Kvirila;
- immediately start arrangement of an open ore enrichment technology line in the vicinity of the plant, in accordance with the EIA report.

At the request of the company, the Ministry extended the abovementioned time limits and imposed fines on the company several times, however, could not force to fulfil its obligations. In the end, Georgian Manganese LLC was granted the right to carry out permit activities until December 31, 2017, with a condition to fulfil the abovementioned obligations and construct a new enrichment plant.

Yet in November 2014, Georgian Manganese released the EIA report for the construction of new enrichment plant and exploitation of manganese ore in Chiatura for public discussion. The main drawback of a new design was an unresolved problem related to disposal of production waste – sludge. The Company discussed two alternatives for waste disposal for the new enterprise: 1. Ghurghumela sludge reservoir - which has long been out of order, and 2. Dalakhauri sludge reservoir – the construction of which was opposed by local self-government and population of Itkhvisi and Shukruti villages - mainly due to the threat of adverse impacts and the proximity to the villages.

On January 10, 2017, the Ministry of Environment and Natural Resources Protection issued a positive ecological examination report. On March 23, 2017, the Ministry requested the company to submit alternative options for selecting the territory for sludge and solid waste disposal within 2 weeks, but the company failed to do so.

Eventually, this commitment, as an unfulfilled condition of the permit, was also included in the special manager's medium-term plan. According to the plan, the company had to ensure selection of several alternative areas for sludge and solid waste disposal and obtain an approval prior to starting construction works.

In November this year, we requested information from the Ministry of Environmental Protection and Agriculture about fulfilment of terms of the approved ecological examination report, in particular:

1. Copy of application on starting construction and commissioning of the enterprise;
2. Application on selection of waste disposal site submitted by the company to the Ministry prior to starting construction and copies of documents reflecting the review of the application by the Ministry
3. Design submitted to the Ministry on dismantling existing enterprises prior to commissioning of the enterprise and restoration of the environment in its initial state and copies of documents reflecting the review of the proposed design by the Ministry.

As we have learned from the Ministry's response, none of the conditions has been fulfilled. We should also assume from the Ministry's response that no action was taken against the company due to non-fulfilment of permit conditions. Failure to comply with the conditions and, consequently, failure to meet commitments by the Special Manager was of no concern to the Court either.

ZESTAPONI FERROALLOY PLANT

In addition to Chiatura manganese enrichment plants and license for use of minerals, Zestaponi Ferroalloy Plant plays an important role in the Georgian manganese production cycle. The factory was put into operation much earlier (1933) before the enactment of the Law of Georgia on Environmental Permits. According to Law on Environmental Impact Permits, the enterprise should have obtained a permit until January 1, 2010, in accordance with the plan (program) agreed with the Ministry. However, as of today, the company does not hold a permit. Because of negligent and gross violation of the law, the enterprise has been fined several times. The inspection materials were submitted to the Ministry of Internal Affairs as it contained the signs of criminal offense.

For some unknown reason, the commitment to obtain the right to continue current activities in accordance with the law requirements by Zestaponi Ferro was not included in the Special Manager's plan at all. According to the plan, the Special manager had to prepare an ecological audit report for the Ferroalloy plant until June 1, 2019⁴ (and not immediately).

Consequently, the Special Manager submitted an ecological audit report on current activities of Zestaponi Ferroalloy Plant only on May 30, 2019, in order to obtain a decision on continuation of current activities and, in his monthly report, noted about timely fulfilment of the commitment. Obviously, neither the Ministry nor the Court have raised any questions as to when the Zestaponi plant would actually operate within the framework of the law and be allowed to continue its activities in accordance with law.

Of particular note are the actions of the Ministry of Environment Protection and Agriculture in the given situation. According to Article 47 of the Environmental Assessment Code, the Ministry carries out an expert examination in each specific case to decide on granting the right to continue a current activity, for which an expert commission is established by order of the Minister. **Not earlier than the 50th calendar day and not later than the 60th calendar**

⁴ It is noteworthy that according to the Environmental Assessment Code adopted by the Parliament on June 1, 2017, the enterprises that had started operations before June 1, 2015 and had no environmental impact permit or decision to continue their current activities had to apply to the Ministry for obtaining this right until June 1, 2019.

day after the registration of the application, the Ministry, on the basis of public examination and expert opinion, makes a decision on granting the right to continue a current activity, to be approved by an order of the Minister. According to the Ministry, administrative proceedings are still underway at the Ministry to make a decision on continuing current activities of the Zestaponi Ferroalloy Plant of Georgian Manganese LLC. As it became clear from the procedural materials provided by the Ministry, the Ministry has released the company documentation as required by law, organized public examination, however, has not decided yet. It is worth mentioning that the submitted materials did not include any decision on extending the administrative proceedings period, however, the Ministry believes that proceedings continue. Moreover, the submitted documents do not even contain one sheet of paper reflecting the process of administrative proceedings after July 15; and lastly, what is most alarming and demonstrate a concerted action between the Ministry and the company - a commission for ecological examination has not even been set up at the Ministry.

REACTION OF PUBLIC AGENCIES TO VIOLATIONS

In October 2019, staff of Green Alternatives during the fieldtrip⁵ in the town of Chiatura and Chiatura municipality villages (Merevi, Mghvimevi, Zeda-Rgani, Rgani and Darkveti) found numerous facts of law violations that were immediately notified to the National Agency of Mines and the Ministry of Environment Protection and Agriculture with a request to react within their competence.

In our appeal, we pointed out that we could not find a fertile layer of land removed and stored in accordance with the law requirements in any of the villages; we have recorded a number of alarming cases of vulnerabilities in terms of safety of mining quarries - where people (including children) and their goods can move over the quarries freely; moreover, in many cases the quarries were intruded in the yards of the inhabitants (people living there); we also recorded cases of cutting the forest-covered areas together with plants and trees.

One month after the appeal, we received a letter from Maia Zavrashvili, the Head of the National Agency of Mines, promising to notify us immediately of the results if the Agency examines the fulfilment of license conditions.

As you know, in order to regulate problems resulted from manganese extraction in Chiatura municipality, the State has taken appropriate measures, in particular: due to violations of licence/permit conditions by Georgian Manganese LLC, in accordance with Article 14 of Law of Georgia on Licences and Permits, based on the motion of the Ministry of Environment and Natural Resources Protection of Georgia and LEPL National Environmental Agency of May 10, 2017, by the decision of Tbilisi City Court of May 11, 2017 (Case #3/3381-17), a special management regime was established in Georgian Manganese LLC for a term of 3 years in order to ensure fulfilment of licence/permit conditions.

Moreover, a time implementation plan of activities has been elaborated, which was approved by the Court. Within the framework of this plan, a special manager of Georgian Manganese submits monthly reports on implemented activities to the Court for approval.

In case of review/examination of fulfilment of licence conditions by LEPL National Agency of Mines within its competence, you will be notified of the results immediately.

⁵ [Field Trip Report, Green Alternative, October 2019](#). The report describes the damage inflicted to the environment and human beings due to extraction of manganese in the town of Chiatura and Chiatura municipality villages (Merevi, Mghvimevi, Zeda-Rgani, Rgani and Darkveti).

Unlike the National Agency of Mines, the Ministry of Environmental Protection and Agriculture did not consider it necessary to react to the appeal. Only after requesting public information to react to the appeal, we received the following explanation from the Ministry:

In response to your letter #04/09 03-69 submitted to the Ministry of Environmental Protection and Agriculture of Georgia on December 5 of this year, we inform you that, based on amendments to the Law of Georgia on Environmental Protection, the Environmental Supervision Department is no longer authorized to carry out state control on extraction of minerals (use of minerals) after December 15, 2017. Moreover, according to Article 31 (3) of Law of Georgia on Subsoil, a legal entity of public law - National Agency of Mines is the administrative body carrying out control over the fulfilment of licence conditions for extractions of minerals (use of minerals).

Accordingly, control over the conditions of Georgian Manganese company licence #100330 issued in Chiatura and Sachkhere municipalities, including compliance with ore processing requirements, does not fall within the competence of the Environmental Supervision Department.

Moreover, during 2019, within the competence of Environmental Supervision Department, 9 cases of illegal manganese extraction and land degradation/deterioration were revealed on the territory of the Chiatura municipality. Out of them, protocols of administrative offenses were drawn up against four persons, in five of them, case files were submitted for further proceedings to the Regional Prosecutor's Office of the Western Georgia.

It should be noted that in the appeal we have not requested control of license conditions of Georgian Manganese, instead, we have requested to examine Chiatura manganese mining practices within the competence of the Ministry and take appropriate measures as provided by law - which, as it turns out from the letter of the Ministry, had been done a number of times by the Environmental Supervision Department throughout 2019.

The only reason for avoiding examination of completely destructive practices of manganese mining in Chiatura and Sachkhere districts and for creating comfortable conditions for uncontrolled and unobstructed use of minerals to Georgian Manganese by the National Agency for Mines and the Ministry of Environmental Protection and Agriculture might be an informal instruction of the senior officials. Thus, we believe that the situation described is a clear picture of elite corruption.

WHAT KIND OF INFORMATION DOES THE COMPANY MAKE AVAILABLE FOR PUBLIC?

Georgian Manganese, which combines former Chiaturmanganese and Zestaponi Ferroalloy Plant, and is owned by LLC "Vartsikhe 2005", has a website <https://gm.ge/>. The website contains general information about companies and members of company management team ("top management" as the website says).

The website gives no information on special management regime, special management regime plan and status of its implementation. However, information on special manager's biography is provided in Georgian, Russian and English languages. In a peculiar way is presented the part of the special manager's biography when Nikoloz Chikovani was an active participant in one of the high-profile scandals involving financial violations and distribution of shares. As his biography says, "from 2003 to 2007, Chikovani was the director of Zestaponi Ferroalloys Plant and grew to be an

active member of Zestaponi community, initiating and inspiring numerous business, charity and ecological projects in the region.”

Information about the environmental impact permit and/or license granted to the enterprises owned by Georgian Manganese and/or documents themselves are not available on the company website. There is also no information on health and social conditions of people living under the impact of activities of Georgian Manganese, as well as on reduction of the impacts and/or environmental conditions.

The website does not provide any kind of advice or instructions for the population on the activities performed by the company. There is no information on how persons affected by the activities of enterprises should tackle these problems, who should be addressed in case of damage inflicted from company activities. **The company website does not make available a so-called “hotline number”**, which, according to the first report of the special manager, was set up in July 2017 and “allows any person to report any environmental violations to the Ecological Service, which, in its turn, will respond to the violation.”

HEINRICH BÖLL STIFTUNG
TBILISI
South Caucasus Region



39b Paliashvili St., IV floor
0179 Tbilisi, Georgia
Tel./Fax: (995 32) 222 38 74
greenalt@greenalt.org
www.greenalt.org

This document was produced under Green Alternative’s project “Advocacy for transparent and accountable mineral resources governance in Georgia”, project implemented in cooperation with the Heinrich Boell Foundation Tbilisi Office and under Green Alternative’s project “Improving governance in energy, mining and transport sectors in Georgia” implemented with financial assistance of the Open Society Foundations Network.

The content of this publication is the sole responsibility of Green Alternative and can under no circumstances be regarded as reflecting the views of the Heinrich Boell Foundation Tbilisi Office and views of the Open Society Foundations Network.

Author: Nino Gujaraidze

© GREEN ALTERNATIVE, 2019