



GEORGIAN MANGANESE

COMPANY PROFILE

MARCH, 2021

Chiatura Manganese

Experts estimate that manganese deposits in Georgia are distinguished by their high quality, large industrial reserves, and convenient geographical location. According to the historical sources of Georgia, in Chiatura, manganese mining started in 1879 with the initiative of the famous Georgia poet Akaki Tsereteli. Initially, he tried to start production with local forces, but later, he was forced to invite foreign manufacturers. From the beginning of the 80s of the XIX century, many businesspeople appeared, who tried to seize the ore-containing lands by leasing or buying them. During the Soviet years, Chiatura supplied the steel-producing plants of the entire Soviet Union and Eastern Europe with manganese. Despite intensive manganese mining for years, Chiatura still has one of the largest manganese reserves in Europe, according to various expert estimates.

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. In 1993, based on the production association "Chiaturmanganese", the Joint Stock Company "Chiaturmanganese" was established; the State had been trying to privatize in various ways for more than ten years.

After many unsuccessful attempts of privatization and rehabilitation of Chiaturmanganese, the bankruptcy proceedings of the enterprise started in 2005. On November 11, 2006, based on the auction held with significant violations at the Ministry of Environment and Natural Resources Protection of Georgia¹, JSC Chiaturmanganese assets were sold together with the right to mine manganese in Chiatura. The only participant - Georgian Manganese Holding Limited - won at the auction, which earlier had become an owner of Vartsikhe Hydro Power Plant Cascade and Zestaponi Ferroalloy Plant.

Owner of the Enterprise

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 the 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 wealthiest 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 its American Holding "Georgia American Alloys"²; 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 have 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). Based on the information obtained by Radio Free³, the majority ownership in the Company is still belongs to the Ukrainian billionaire – Igor Kolomoisky, while about 4 % is owned by the Georgian group, including a businessman close to the ruling political party "Georgian Dream", **Giorgi Kapanadze**, also known as **Rizha**. According to the Georgian

¹More information on violations at the auction is available on the following link: [“Aggressive State Property Privatization Policy of “Georgian-Style Privatization” – 2”](#), Green Alternative, 2010

²[The dangers of doing business abroad](#), BY KEN STIER Special to the Miami Herald, September 13, 2017;
[Who controls oligarch Ihor Kolomoisky's offshore assets?](#) Kyiv Post, May 16, 2019

³[“Georgian Manganese” under Siege – Government against the Environment and the People](#), Giorgi Mgeladze, Radio Tavisupleba, February 13, 2021

Entrepreneurial Register, Georgian American Alloys is the owner of Georgian Manganese LLC (230085797), Vartsikhe 2005 Ltd (221297870), and GAA Management Ltd (404414861).

Interestingly, in April 2019, Mordechai Korf – the president of Georgian American Alloys said in a letter to Human Rights Watch that "in April 2019, it had completed major corporate restructuring and that they no longer owned Georgian Manganese"⁴. Records in the Georgian Entrepreneurial Register do not confirm such a change, and the owner of Georgian manganese (albeit under temporarily limited rights with a special management regime) is still Georgia American Alloys.

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 Ltd,⁵ 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.

In June 2020, "GM Energy" Ltd (405390465) was also established. 49% of "GM Energy" Ltd is owned by Georgian Manganese LLC (presented by a special manager), and 51% is owned by "Steel International Trading Company" LLC (405254692) - the owner of Saknakshiri LLC⁶.

"GM Energy" Ltd is not the last enterprise established by the initiative of a special manager of Georgian Manganese LLC. On February 24, 2021, a special manager of the Company registered two joint-stock companies simultaneously: JSC Zestaponi Ferroalloy Plant (430041689) and JSC Ferro (430041670). Vasil Gvelesiani is the director of both enterprises.

It is noteworthy that Vasil Gvelesiani is also the Deputy General Director of "Football Club Zestaponi" Ltd. The general director and owner of the football club Zestaponi is **Korneli Kokaia**.

Special Manager

From May 2017, a special manager was appointed in Georgian Manganese LLC upon a decision of Tbilisi City Court, who was personally granted all managerial/representative power that the Law of Georgia considers on Entrepreneurs as a directorate and administrative competence of a director, public supervisory board and a general meeting of shareholders.

The non-transparent process of selecting and appointing a special manager at Georgian Manganese LLC⁷, as well as his experience, has raised many questions and doubts—whether his appointment was a step towards mitigating the alarming scale adverse impact of manganese mining and enrichment on the natural and social environment and whether it was another attempt of redistribution shares of the enterprise.

The suspicions were based on several circumstances:

⁴[„No Year without Deaths”](#) A Decade Deregulation Puts Georgian Miners at Risk, 2019 Human Rights Watch, ISBN: 978-1-6231-37571

⁵ Company's director is Giorgi Chelidze, who, at the same time, is the director of Steel International Trading Company LLC – a new owner of Saknakshiri and the owner of its 100% share.

⁶More information on relationships of Georgian Manganese and its special manager with a new owner of Saknakshiri LLC is available in the report prepared by Green Alternative: [„Saknakshiri” LLC–Company profile - 2021](#)

⁷Provided in detail in the report: [Special Manager at the Georgian Manganese – Attempts for Improvement of the Enterprise or Distribution of Shares?](#) Green Alternative, July 2018

1. Although Georgian Manganese has been deliberately violating Georgian Law and the terms of its environmental permit and mining license for years, the issue of revoking the license and/or permit issued to the enterprise has never been discussed.
2. The Law of Georgia on "Licenses and Permits" considers the possibility of appointment of a special manager in an enterprise from the date of its enactment (24/06/2005) due to non-fulfillment of the terms of a license and/or permit; however, the practice of using this mechanism in the environmental field is limited to one case - the appointment of a manager in Georgian Manganese.
3. According to the Ministry of Environment and Agriculture, the long-term work experience of Nikoloz Chikovani in the Zestaponi Ferroalloy Plant played a crucial role in his selection for the position of Special Manager. Finally, the "long-term experience" appeared his active participation in one of the biggest scandals related to financial violations and redistribution of shares in 2005-2006. At the end of 2005, the Financial Police even opened a criminal case against the leaders of "Ferro", for evasion of the especially large amount of taxes and violation of a rule on bookkeeping. It is noteworthy that Nikoloz Chikovani was leading "Ferro" together with the above-mentioned **Korneli Kokaia** and absconded from the investigation with him outside the country.

According to the results of the investigation published on March 21, 2006, by the Sector Economy and Economic Policy Committee of the Parliament of Georgia regarding the situation in the Zestaponi Ferroalloy Plant, serious violations were found in the enterprise. As a result of the inspection of the Financial Police, JSC "Ferro" was imposed to pay 107,0 million in Gel in favor of the state budget. The Company Decometal (DCM) that owned a controlling stake of JSC "Ferro" (51%)⁸ at that time spoke about the merits of **Giorgi Kapanadze** (Rizha) and **Ilia Kokaia** (brother of Korneli Kokaia) in accumulating the debts of the enterprise. Giorgi Kapanadze, as mentioned above, is still among the owners of the Company; in addition to business partnership with Ilia Kokaia, Nikoloz Chikovani is an active supporter of his political activity – after years, in 2016, during the parliamentary elections, Nikoloz Chikovani appeared in Zestaponi as a supporter of Ilia Kokaia - independent majoritarian candidate (who also was considered a candidate of the "Georgian Dream")⁹.

The First Term

In May 2017, a special manager was appointed (**not more than three years**) in Georgian Manganese LLC at the motion of the Ministry of Environmental Protection and Agriculture and upon a decision of Tbilisi City Court. By the Court [Decision](#), a special manager was appointed to ensure timely and consistent fulfillment of **license and permit conditions**. Also, according to the court decision, the Special Manager shall submit monthly a report on the fulfillment 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 May 11, 2017, the statement on the appointment of a special manager issued by the Ministry of Environmental Protection and Agriculture stated: "the Company that has been holding a manganese ore mining license for many years and has been engaged in manganese enrichment and processing activity, despite numerous fines from the State and giving reasonable deadlines for adjustment of complicated ecological situation on-site, continued operation by serious violations of the Environmental Law, which was finally confirmed by the inspection of the current month. It turned out that the situation in term of both river and soil pollution and degradation was not only corrected by the Company but also aggravated that creates the situation on-site equaling to the ecological catastrophe". To adjust this situation, the Ministry petitioned the Court to request the appointment of a special manager to the enterprise **"who will be responsible for gradual improvement of the situation"**.

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

⁸ [How did the Profitable Factory Owe Money?](#), 24 Saati - Newspaper, September 19, 2006. #206 (1358)

⁹ ["State Intervention in Georgian Manganese LLC Became Necessary"](#), Kutaisiposti, 13.05.2017

representatives shared the circumstances based on which a special manager was appointed in Georgian Manganese and approved the plan prepared by the special manager to fulfill license and permit conditions and confirmed the commitment to implement the plan by their signatures.

Medium-term plan of measures for the 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
5	Implementation of environmental monitoring	- Monitoring of emissions of harmful substances in the ambient air. Watering roads in settlements, covering trucks, etc. to reduce dust levels. - Monitoring of noise, vibration, and other physical factors. Measuring noise propagation 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	After commissioning of ecological laboratory Systematically from 01.08.2017 Systematically Systematically If necessary
6	The surface of local roads	Graveling 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 construction of water drainage channels on the dump perimeter and protective wall from the River Kvirila side to prevent the flow of intermediate product stored in the River Kvirila from the dumpsite	Georgian Manganese LLC	Ecology and Recultivation Service	Until 01.01.2018

N	Title of activities to be implemented	Mitigation measures to reduce negative environmental impacts	Implementer	Performance monitoring	Time frames
8	Placement and storage of sludge produced in a 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	Before 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 an environmental audit report	To decide on the 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.)	- termination works on the quarry. - developing a recultivation project. - Agreement with the Ministry - implementing of 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 the State Forest Fund area	- 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
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	Hotline	- 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 a maximum of 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.

Often reports are not enclosed with documentary evidence. In certain cases, the fact of non-fulfillment 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 before 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. 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 the 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 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, the special manager claimed that the audit had been completed. Neither the Ministry nor the Court had questioned the fact of performing this volume of works in a month and, most importantly, had not been required to submit an audit report.

The Second Term

On May 7, 2020, two days before the expiration of the special regime, Nikoloz Chikovani addressed Nino Buachidze – the Judge of the Tbilisi City Court, Levan Davitashvili – the Minister of Environmental Protection and Agriculture of Georgia and Maia Zavrashvili – Head of the National Agency of Mines and requested the three-year extension of his authority considered by the court ruling of May 11, 2017. The address stated that "the enterprise under the leadership of a special manager, has been working incessantly to fulfill obligations considered by the ruling, as a result of which the 14-Point Plan approved in 2017 **has been substantially fulfilled**. However, considering some objective conditions, the certain part of the Plan has not been fulfilled yet".

Performance State of the Plan

To summarize the aforementioned, comments of the Special Manager on the medium-term plan of implementing measures related to the ongoing activities were attached to the address, where some deliberate lies and in some cases, inadequate evidence was provided. For example:

- Commitment #2. Carrying out the environmental audit 01.12.2017 – has not been fulfilled; however, the Special Manager insists that these works have been carried out.
- Commitment #3. Commissioning of the enterprise laboratory – it is indicated that the commitment was fulfilled, but the explanation is unclear. It is unknown in which enterprise does the laboratory operates and what researches are conducted there. According to the report, one employee trained in Zestaponi works in Chiatura enterprise that casts doubt on the working efficiency of the laboratory.
- Commitment #4. Preparation of the industrial waste management plan – it is indicated that the plan has been prepared and submitted to the Ministry for approval. According to the explanation, the agreement was not reached, as the main problem - the issue of sludge storage, is still unresolved. However, the reason for the non-fulfillment of the condition is not given.
- Commitment #5. Carrying out of the environmental monitoring:
 1. Monitoring of emissions of harmful substances in the ambient air. Watering roads in settlements, covering trucks, etc. to reduce dust levels.
 2. Monitoring of noise, vibration, and other physical factors. Measuring noise propagation levels near settlements and carrying out mitigation measures, if necessary – the Special Manager indicates that these two commitments were fulfilled; however, no evidence documentation was submitted neither in the monthly nor in the final reporting.
 3. Monitoring of manganese content in industrial and drainage wastewater before discharging their surface water and complying with Maximum Permissible Discharge Norms – the special manager points out that the old enrichment plants fail to meet the norm and this problem will be solved by submission of the plants' conservation plan - that requires a permit and it should have happened before the new plant was built.
 4. Monitoring of the implementation of measures provided in the household, industrial and hazardous waste management plan – as to the description of the fulfillment of the 4th condition, the Plan has not been approved yet, therefore this condition cannot be fulfilled, but the Special Manager indicates that "the waste is being monitored, special bins have been purchased and placed on the premises of the enterprise."
 5. Protection against soil contamination (any means to reduce leakage of fuel and oils) – for some reasons, the answer on this commitment only concerns Ferro. It is also only mentioned that appropriate measures have been taken.
- Commitment #7. Protection of the River Kvirila from pollution – according to the condition, until January 1, 2018, water drainage channels on the dump perimeter and a protective wall from the River Kvirila side should have been constructed, to prevent the flow of intermediate product stored in the River Kvirila from the

dumpsite – as the Special Manager explains, this obligation has been fulfilled, however, there was no necessity to arrange the drainage channels, as the existing wall prevented occurring of the agglomerate in the river Kvirila. However, for some reasons, the issue of arrangement of the drainage channels, as a newly raised necessity, was included in a new plan of the Special Manager.

- Commitment #8. Placement and storage of sludge produced in new enrichment plant – this obligation have not been fulfilled which is completely unjustified. As to the explanation, the reason for the non-fulfillment of this condition is the existing situation before the appointment of the special manager and for changing of which he was appointed in the enterprise.
- Commitment #9. Construction and commissioning of a new enrichment plant - It is stated that the obligation has been fulfilled, however, it is also indicated that only a part of the construction works has been completed and the factory is not able to achieve the design indicators.
- Commitment #10. Preparation of an environmental audit report. To decide on the continuation of current activities, preparing ecological audit report and environmental impact mitigation plan for Ferro Alloy Plant in Zestaponi – it is indicated that the obligation was fulfilled, the document was submitted to the Ministry, but it was not agreed. The ferroalloy plant is still operating without permission.
- Commitment #12. Use of minerals on the State Forest Fund area:
 - Identification of mining sites within state forest fund area – "fulfilled" is indicated as a status of this condition;
 - Receiving special right on forest use – "status: will be carried out after providing of the forest inventory data" – no matter what this entry means, the obligation has not been fulfilled;
 - Marking and allocation of forests (woodcuts); Implementation of compensatory measures – concerning both obligations, the above given strange entry on the implementation" after providing of the forest inventory data" is indicated.

Based on the explanation of the Special Manager, it is clear that the enterprise has not had a special right on forest use yet, which means that the forest fund area is being illegally used within the mining process.

- Commitment #14. Hotline: Reporting on environmental violations; Responding to claims of the population – as indicated, the obligation was fulfilled, but no evidence was presented, e.g. the register of complaints.

New Circumstances

In addition to all the aforementioned, the Special Manager wrote the following in his letter: "at the same time, it should be emphasized that during the fulfillment of the obligations, several new circumstances were raised, which should not be remained without response and should be resolved to comprehensively and effectively achieve the goal of setting a special regime in the enterprise – fully ensure of performance of the license/permit conditions by the Company. Those issues/problems that need resolution and responding on time, along with the actions essential for their resolution and timeframes of fulfillment, are provided in detail in the presented letter, Annex #2"

Annex #2

Part I. Problems and actions needed for their elimination

a) Table I - Concerning the license conditions

No	Issue	Problem description	Necessary actions
1	Mining	Processing of deposits is not carried out in compliance with a sustainable and preliminary developed plan, which must be implemented in order not to reduce the economic value of deposits.	<ol style="list-style-type: none"> 1. Prepare a development plan for the works of subsoil use, where implemented and planned measures will be reflected to ensure the use of subsoil, its current state and development directions, as well as human life and health, protection of subsoil and environment. 2. Identify areas for disposal of existing waste rocks, mapping and agreement of stabilization measures to the Ministry. Disposal of

			waste rocks should be provided under the agreed plan with the Ministry. 3. Do not open quarries until the reclamation plans are agreed upon with the Ministry
2	Monitoring	Systematic control is necessary to avoid environmental impacts and environmental pollution	1. Recount of reserves based on the data about the licensed areas and submit a report on the reserves.

Both issues associated with the license conditions should have been fulfilled earlier and why is this a newly discovered necessity is unclear. If prior planning, counting of the reserves, reporting, and control were not conducted, it is unclear on what basis the National Agency of Mines considered that the environmental manager was a guarantor for improvement of the subsoil use practice.

Annex #2

Part I. Problems and actions essential for their elimination

b) Table II –Concerning the permit conditions

№	Issue	Problem description	Necessary actions
1	Sludge processing	In the frames of studying the issue of sludge storage by the plan of 2017 (basically the so-called Ghurghumela sludge reservoir), it turned out that the stored sludge is of high concentration. Accordingly, they can be processed, which will be effective in terms of economic, as well as the waste management point of view.	<ol style="list-style-type: none"> 1. Submit a plan to the Ministry of Environmental Protection and Agriculture of Georgia (hereinafter – the Ministry) on conservation of the old plants and enrichment of the extracted ore in a new enterprise. 2. Submit a plan to the Ministry on the prospect of construction of a new manganese sludge processing plant. 3. Start works for the construction of a new manganese sludge processing plant. 4. Study the appropriateness and submit a plan to the Ministry of Environmental Protection and Agriculture of Georgia on the construction of a sludge transportation system from a new plant to the so-called Ghurghumela sludge reservoir and performance the construction works. 5. Study and submit the results to the Ministry on technical functionality of the so-called Ghurghumela sludge reservoir, as well as on the rehabilitation works to be implemented.
2	Monitoring	Systematic control is necessary to avoid environmental impacts and environmental pollution	<ol style="list-style-type: none"> 1. Submit an environmental audit to the Ministry and implementing the recommendations of the Ministry and audit permanently after receiving the comments or recommendations from the Ministry. Monitoring issues should be also considered in this document. 2. Agreement of the Company's waste management plan with the Ministry and registration of the Company in the electronic system of the waste management.
3	The river protection against pollution	According to the plan of 2017, the river protecting wall was constructed and the arrangement of a drainage channel is required for ensuring maximum efficiency.	<ol style="list-style-type: none"> 1. Arrangement of a drainage channel

All issues listed in Table II are the conditions of the old plan, which were not fulfilled for an unexplained reason. It turned out that the environmental audit (which was deemed as fulfilled by the previous plan) should be submitted, the waste management should be agreed and the drainage channel, which was not required, according to the old plan, is now needed.

Annex #2

Part I. Problems and actions essential for their elimination

c) Table III –concerning license/permit conditions

No	Issue	Problem description	Necessary actions
1	Recultivation	The Company has actively started recultivation of quarry-treated areas, however, the territories, which have been treated before the Company started operation (including, illegally in some cases) and which also require recultivation, were also identified. Recultivation of areas treated by the co-operators of the Company is also problematic.	<ol style="list-style-type: none"> 1. Recultivation works should be carried out on the areas treated by the Company in the amount of not less than 50 hectares per year until their complete exhaust 2. Recultivation works should be carried out on the areas treated by the Company's co-operators in the amount of not less than 50 hectares per year until their complete exhaust.

The issues of recultivation of the territories treated by the so-called co-operators of the Company and the obligation of recultivation are separately provided in Table III. Accordingly, the territories are divided into the areas treated by the Company and the areas treated by co-operators. Georgian manganese holds the license, and the Company is equally responsible for its own and the contractors' activities and their consequences.

New Plan

Annex #2

Part II. Action Plan–actions essential for the problem elimination and timeframe for their fulfillment

No	Actions essential for the problem elimination	Fulfillment timeframe	Conditions
1	Submit a plan to the Ministry of Environmental Protection and Agriculture of Georgia (hereinafter – the Ministry) on conservation of the old plants and enrichment of the extracted ore in a new enterprise.	Not later than December 31, 2020	Permit
2	Submit a plan to the Ministry on the prospect of construction of a new manganese sludge processing plant.	Not later than December 31, 2020	Permit
3	Start works for the construction of a new manganese sludge processing plant.	2 years and 5 months after fulfillment of the 5 th Point	Permit
4	Study the appropriateness and submit a plan to the Ministry of Environmental Protection and Agriculture of Georgia on the construction of a sludge transportation system from a new plant to the so-called Ghurghumela sludge reservoir and performance the construction works.	1 year and 6 months after fulfillment of the 5 th Point	Permit
5	Study and submit the results to the Ministry on technical functionality of the so-called Ghurghumela sludge reservoir, as well as on the rehabilitation works to be implemented.	Not later than December 31, 2020	Permit
6	Recultivation works should be carried out on the areas treated by the Company in the amount of not less than 50 hectares per year until their complete exhaust	In constant mode	Permit/license
7	Recultivation works should be carried out on the areas treated by the Company's co-operators in the amount of not less than 50 hectares per year until their complete exhaust.	In constant mode	Permit/license
8	Prepare a development plan for the works of subsoil use, where implemented and planned measures will be reflected to ensure the use of subsoil, its current state and development directions, as well as human life and health, protection of subsoil, and environment	1 year	License
9	Identify areas for disposal of existing waste rocks, mapping and agreement of stabilization measures to the Ministry. The Company should also provide the agreement of the waste rocks disposal areas and development conditions with the Ministry in advance. Disposal of waste rocks should be provided under the agreed plan with the Ministry.	6 months for the primary description and subsequently in constant mode	License

No	Actions essential for the problem elimination	Fulfillment timeframe	Conditions
10	Do not open quarries until the reclamation plans are agreed upon with the Ministry	In constant mode	License
11	Submit an environmental audit to the Ministry and implementing the recommendations of the Ministry and audit permanently after receiving the comments or recommendations from the Ministry. Monitoring issues should be also considered in this document.	1 month	Permit
12	Agreement of the Company's waste management plan with the Ministry and registration of the Company in the electronic system of the waste management.	3 months	Permit
13	Recount of reserves based on the data about the licensed areas and submit a report on the reserves	3 years	License
14	Arrangement of drainage channels	6 months	License

All actions provided in the action plan should have been performed by the old plan, but they have not been fulfilled without any explanation, moreover – they were considered fulfilled.

It is unclear, which problem was newly discovered for the Environmental Manager and for the Ministry of Environmental Protection and Agriculture of Georgia and the National Agency of Mines, resolution of which required extension of the special management regime. Nevertheless, neither the Ministry of Environmental Protection and Agriculture of Georgia nor the National Agency of Mines took much time to "prepare" the answer. It is unknown whether the Ministry copied the text of the agency or vice versa, or both used the text prepared by the Special Manager, but both agencies prepared a rather extensive, identical text on the same day¹⁰ and consented to satisfy the motion of the Special Manager.

It is noteworthy that both agencies indicated that the inspection of the implementation of the license and permit conditions was not carried out on the site and their position was based only on the information provided by the Special Manager.

Finally, the position of the Ministry of Environmental Protection and Agriculture of Georgia and the National Agency of Mines was also discussed and shared by Judge – Nino Buachidze (during the discussion of the introduction of the special management regime in 2017, she read the information provided on 1218 pages in 1,5 working days, understood, decided and wrote a 30-page decision). By the [decision](#) of the Administrative Cases Pane of the Tbilisi City Court of May 8, 2020, the motion of the Special Manager of Georgian Manganese LLC was satisfied and the special management regime established by the decision of May 11, 2017, was extended for not more than 3 years (including May 9, 2023).

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, by the Environmental Impact Assessment (EIA) report;

¹⁰ „Without any checking and state inspection, the Minister and the Head of the Agency addressed the court with an identical text”. [“Georgian Manganese” under Siege – Government against the Environment and the People](#), February 13, 2021; Giorgi Mgeladze, Radio Tavisupleba

- 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 drainage 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, envisaged by the EIA report.

At the request of the Company, the Ministry extended the above-mentioned time limits and imposed fines on the Company several times, however, could not force it to fulfill its obligations. In the end, in July 2016, Georgian Manganese LLC was granted the right to carry out permit activities until December 31, 2017, with a condition to fulfill the above-mentioned obligations and construct a new enrichment plant.

Yet in November 2014, Georgian Manganese released the EIA report for the construction of a 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 the 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 [environmental expertise conclusion](#). 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 the selection of several alternative areas for sludge and solid waste disposal and obtain approval before starting construction works.

In November 2019, we requested information from the Ministry of Environmental Protection and Agriculture about the fulfillment 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 the selection of waste disposal site submitted by the Company to the Ministry before 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 before 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 the non-fulfillment 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.

Moreover, in 2020, these obligations as the newly discovered problems were transferred to the updated plan of the Special Manager.

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, by 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 they contained signs of a criminal offense.

For some unknown reason, the commitment to obtain the right to continue current activities under 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, 2019¹¹(and not immediately).

Consequently, the Special Manager submitted an ecological audit report on the current activities of Zestaponi Ferroalloy Plant only on May 30, 2019, to obtain a decision on the continuation of current activities and, in his monthly report, noted about timely fulfillment of the commitment. Neither the Ministry nor the Court has raised any questions as to when the Zestaponi plant would operate within the framework of the Law and be allowed to continue its activities under the 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 day** after the registration of the application, the Ministry, based on public examination and expert opinion, decides 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 decide 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 been 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.

The reaction of Public Agencies to Violations

In October 2019, staff of Green Alternatives during the field trip¹² 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 under the law requirements in any of the villages; we have recorded some alarming cases of vulnerabilities in terms of safety of mining quarries - where people (including children) and their cattle 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 of the Agency ever examines the fulfillment of license conditions.

¹¹It 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

¹²[Field Trip Report, Green Alternative, October 2019](#). 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).

As you know, to regulate problems resulted from manganese extraction in Chiatura municipality, the State has taken appropriate measures, in particular: due to violations of license/permit conditions by Georgian Manganese LLC, under Paragraph 14 of Article 22 of Law of Georgia on Licenses 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 to ensure fulfillment of license/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 the fulfillment of license conditions by LEPL National Agency of Mines within its competence, you will be notified of the results immediately.

Unlike the National Agency of Mines, the Ministry of Environmental Protection and Agriculture did not consider the necessity 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 the 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 - the National Agency of Mines is the administrative body carrying out control over the fulfillment of license conditions for extractions of minerals (use of minerals).

Accordingly, control over the conditions of Georgian Manganese company license #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 the 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 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 several 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 owns "Vartsikhe 2005" LLC, has a website <https://gm.ge/>. The website contains general information about companies and members of the company management team ("top management" as the website says).

The website gives no information on the special management regime, special management regime plan, and status of its implementation. However, information on the special manager's biography is provided in Georgian, Russian, and

English languages. Peculiarly 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 named after G. Nikoladze and grew to be an active member of Zestaponi community, initiating and inspiring numerous cultural, social, ecological, business and charity projects in the region. At the same time, he has contributed and still contributing to the development of Zestaponi and the improvement of the living conditions of its citizens".

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 the health and social conditions of people living under the impact of activities of Georgian manganese, as well as on the 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".

Interestingly, despite the strict requirements of the Law, the financial and managerial reporting documents of Georgian Manganese LLC have not been submitted to the Service for Accounting, Reporting and Auditing Supervision (SARAS) and therefore, are not available on its website (<https://reportal.ge>). According to the explanation provided by the Service for Green Alternative¹³, Georgian Manganese LLC (I/C 230085797, Hereinafter - Entity) has not fulfilled the requirement of Article 9 (2) of the Law of Georgia on "Accounting, Reporting, and Audit" (hereinafter – the Law) for the reporting period ended by December 31 of 2017, 2018 and 2019, based on which "An entity (except for a non-entrepreneurial (non-commercial) legal entity) is obliged to submit a financial statement (including a consolidated statement), a management report (including a consolidated report), a report on payments to the State determined by this Law, and an audit report in the cases provided for by this Law immediately, but not later than October 1 of the year following the reporting period, to the Service under the procedures established by the Service."

Consequently, due to non-fulfillment of the obligations considered for the reporting period ended by December 31 of 2017 and 2018, the Service used all measures of liability determined by the Law against the Entity and due to non-fulfillment of requirements of a written warning, the Entity was fined Gel 10 000, independently for each year. Whereas, the failure of performance of this requirement resulted in imposing a double fine to the Entity – Gel 20 000, independently for each year.

According to the Service, the Company has currently received a written warning for non-fulfillment of the requirement considered by Article 9 (2) of the Law for the reporting period ended by December 31, 2019.

¹³The Letter N16/40228 of the Service for Accounting, Reporting and Auditing Supervision (SARAS), dated as March 31, 2021.

From 2015, Green Alternative issues periodic reports on the availability of information on the State of the environment in Georgia. During the analysis of the availability of information of the State of the 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 enterprises are RMG LLC, Georgian Manganese LLC, Saknakshiri Ltd, and HeidelbergCement.

This document reflects the availability of information on Georgian manganese.



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



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