

Executive summary

This report covers an assessment of labour and working conditions, including worker accommodation, in relation to the expansion of the Mina Al-Ahmadi (MAA) and Mina Abdullah (MAB) oil refinery sites in Kuwait. In particular, it relates to the project referred to as the Clean Fuels Project (CFP) which is currently being developed by the Kuwaiti National Petroleum Company (KNPC) in relation to those sites. The company is seeking additional financing for this project and a recognised concern of the financiers and their consultants is the performance of the project against a range of benchmark standards on labour issues, most notably IFC Performance Standard 2.

Ergon were contracted by KNPC to carry out an assessment of labour performance on the project against IFC PS2 and national law. Key elements of the assessment include the following: an evaluation of the current situation of labour use on the project; an assessment of the future use of labour on the project; mapping the current labour and worker welfare policies and practices of KNPC, its project management consultants, the three EPC Joint Ventures (JVs) working to deliver the project, and the range of contractors and subcontractors working to those three EPC JVs, and; to produce an action plan with clear, defined steps for the project in relation to worker accommodation, worker grievances, contractor management and any other identified significant issues.

The assessment was carried out through a range of sequenced activities including: policy and document review; analysis of workforce deployment information; legal and benchmark standards review; country context analysis; in country management and contractor interviews; over 350 worker interviews in the workers' own language on site in Kuwait; government and regulator interviews; stakeholder interviews, and; workshops with KNPC, the EPC JVs and those contractors employing significant numbers of workers.

Based on this assessment, there are several clearly defined issues which require some prioritised actions to ensure that the project is in line with IFC PS2 and, in some instances, national legislation. Nonetheless, there are several instances where labour issues are well managed on the project, and there are some clearly identified examples of good practice. Further, it is important to contextualise the recommendations by saying that a number of the identified issues related to labour management practices are by no means unique to this project and would be found in almost any other similar project in the Gulf region. However, as the project is seeking to achieve the standards set out in IFC PS2 there are actions that need to be implemented in order to be aligned with this standard.

If these actions are achieved, this will have the added advantage of making the project a good practice example from a regional perspective, which should also be captured and communicated going forward in order to ensure that both practice and lessons on labour issues are taken up within KNPC more broadly and not just the CFP and also, potentially, in other projects which are served by the EPC partners and subcontractors working on this project.

The key identified areas which require some form of action include the following:

- **Passport retention** - all interviewed workers reported that their passports were required to be lodged with their employers. Few, if any, workers understood that they had the right to ask to hold their own passports or request access at any time. The practice of passport retention was confirmed by management interviews. Both national law and IFC PS2 require that workers should not be required to involuntarily lodge their passports with their employer. Our recommended actions include the gathering of good practice, a clear statement of policy from KNPC and an ongoing monitoring of the situation to ensure that workers understand that they are either able to store their passports in a safe place in their accommodation, or there is a defined process to ask for and receive their passports in a defined time limit.
- **Charging of recruitment fees** - the issue of the charging of recruitment fees by labour brokers or recruitment agencies was identified consistently across the worker interviews.

While the charging of recruitment fees is unlawful in Kuwait, in most instances the fees were levied in other countries where the practice is lawful. The amount paid in fees varied, but in some instances they were sufficiently high to give rise to the risk of forced labour arising from significant debt, although individual fee levels were not identified that could firmly be characterised as amounting alone to a situation of forced labour, especially on the coercion element. Recommendations here include gathering good practice on charging of recruitment fees, encouraging greater scrutiny of recruitment routes for employees and clear practice statements and policy from KNPC.

- **Variable quality of accommodation and food** - while there are some clear instances of higher quality worker accommodation, there are a number of challenges on this project in this regard. This most notably arises from the fact that workers are accommodated in urban tower blocks which were neither designed nor constructed to provide mass worker accommodation units. Many of the contractors informed us that this was contrary to their original understanding of the likely scenarios for worker accommodation. While there are some good accommodation sites, some are also substandard. Similarly, while worker food is good in some instances, it is not so good in others. Our recommendation is for a higher level of scrutiny and consistency from KNPC, its project management consultants and the EPC's in relation to all worker accommodation related to the project. This should include unified assessment criteria across the project, attention to food quality and quantity, defined protocols and inspection procedures, and the inclusion of worker transport within the guidelines and inspection scope.
- **Fire safety in worker accommodation** - a specific issue related to accommodation and also catering facilities aligned with worker accommodation is fire safety. Understandably, the project has very high levels of fire safety and instant preparedness on the project site itself. However, in some instances this same level of vigilance does not apply in respect of worker accommodation. Our recommendation is that the quality of assessment of the accommodation on fire issues be an immediate priority, with appropriate remedial action put in place at once.
- **Worker grievance mechanisms** - while several contractors reported that they had grievance mechanisms in place, there was little or no evidence that workers understood either that the mechanisms were there or, if they did, how they could effectively use them. However, there was clear documentary evidence of examples of worker accommodation grievances being logged and responded to and also instances of mechanisms to allow workers to check and verify issues such as hours, payment and wages. Our recommendation is for more guidance from the project on the kinds of grievance mechanisms that should be put in place in place and for the project to establish an overarching grievance mechanism which is aligned with the principal that the primary employer is still responsible for managing and responding to grievances.
- **Contractor management** - a central aspect of ensuring that there is enhancement of overall performance on labour rights and worker welfare issues across the project, and an important requirement under IFC PS2, involves KNPC implementing some improvements to the way in which it manages contractors working on the project either directly, or through its project management consultants or EPC partners. There are some controls on some issues, but on others including those identified as high priority in this report there needs to be more control and defined process. This also includes a range of medium priority issues such as payment of wages, working hours, and the provision of written information to workers.

If KNPC put in place a range of defined policy statements, but more importantly, also implement effective incentives for EPCs and contractors to improve their performance on labour management and worker welfare, and put in place a regular monitoring programme, the actual impacts on

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workers engaged on the project should improve significantly. There are a number of difficult issues, for example passport retention and the payment of recruitment fees, which are part of a broader endemic issue across the region, but by taking an approach which is based on developing and spreading existing good practice within contractors, the project should be able to achieve acceptable benchmark standards and also, potentially, demonstrate regional good practice.