



Environmental and Social Review Summary

Bahkresa Grain Milling Project (Rwanda)

This Environmental and Social Review Summary (ESRS) is prepared by MIGA staff and disclosed prior to the date on which MIGA's Board of Directors considers the proposed issuance of a Contract of Guarantee. Its purpose is to enhance the transparency of MIGA's activities. This document should not be construed as presuming the outcome of the decision by MIGA's Board of Directors. Board dates are estimates only.

Any documentation that is attached to this ESRS has been prepared by the project sponsor, and authorization has been given for public release. MIGA has reviewed the attached documentation as provided by the applicant, and considers it of adequate quality to be released to the public, but does not endorse the content.

Country:	Rwanda
Sector:	Agribusiness
Project Enterprise:	Bahkresa Grain Milling
Environmental Category:	B
Date ERSR Disclosed:	May 20, 2011
Status:	Due Diligence

A. Project Description

MIGA has been asked to provide a political risk guarantee for Bahkresa Grain Milling (BGM) in Rwanda. The project involves construction and operation of a grain milling operation in Kigali, Rwanda by the Bahkresa Group (Bahkresa). Established in 1983, Bahkresa currently operates grain milling operations in Tanzania, Uganda and Malawi, along with grain storage facilities in Mozambique. The combined annual milling capacity of the company is in excess of 800 000 tonnes.

The Rwandan facility will have a milling capacity of approximately 250 tonnes per day and will service the markets of Rwanda, Burundi and eastern Congo. The mill is to be located within a newly established Industrial Development Zone (IDZ) on the outskirts of Kigali and will be the first development within the Zone. The total project cost is about \$30 million and as of May 2011, construction is nearly complete. The facility is expected to begin commercial operations in June 2011.

Milling is typically a relatively low impact process. Following transport to site, grain will be offloaded into a grain in-take and then transferred to grain silos (at the Bahkresa facility, generally 400 tonnes of grain will be offloaded daily). Thereafter, the grain is cleaned by means of screening, separation and aspiration and then scoured to remove the loose dust on the grain particles. The grain is then dampened and placed in temporary bins for 24 hours following which it is milled by means of a grinding and sifting system. Product is generally 75% flour and 25% byproduct (bran and pollard), although these quantities may vary depending on the quality of the grain received. The flour is then packaged in 25 and 50 kg bags, while the bran and pollard is stored in the bags in which grain was received, prior to sale as animal feed. All the milling activities as defined above will occur within an enclosed building comprised of concrete floors with steel and brick wall cladding.

Limited quantities of grain are sourced from Africa with the majority of the grain being imported from areas such as South America, United States, Australia and Europe, amongst others. Most of the grain will be transferred via rail from the Port of Dar es Salaam to Issaka within Tanzania. Thereafter, it will be transported by road to the mill; the IDZ is located adjacent to the primary access road between Kigali and Dar es Salaam. Some of the flour will be transported by Bakhresa to customers, although the majority will be collected by customers directly from the mill. Bran and pollard will be transferred by road and rail to Dar es Salaam for export in excess of what is sold to local farmers in Rwanda.

B. Environmental and Social Categorization and Impacts

This project is Category B under MIGA's Policy on Social and Environmental Sustainability. Key project issues relate to managing and minimizing potential impacts during the construction phase and ensuring adequate management of services (e.g., sewerage and stormwater) during the operational phase. Potential impacts that could result from the actual milling operation, e.g., dust explosion and food contamination, will be effectively addressed by means of internal management systems such as Bakhresa's safety program and a HACCP (Hazard Analysis Critical Control Points) food safety program.

The project will occur in an area designated for industrial development and all the potential impacts are generally site specific and none are regarded to be significant. Further, grain milling is in itself a low impact activity that results in limited wastes. Bakhresa has extensive experience in the business line and are constructing an ultra modern facility including a dust collection and reuse system and energy efficiency measures. The limited number of specific impacts that may occur are site specific, and those impacts can be avoided or mitigated by adhering to generally recognized performance standards, programs, procedures, guidelines or design criteria.

C. Applicable Standards

While all Performance Standards are applicable to this investment, MIGA's environmental and social due diligence indicates that the investment will have impacts which must be managed in a manner consistent with the following Performance Standards:

- PS1: Social and Environmental Assessment and Management Systems
- PS2: Labor and Working Conditions
- PS3: Pollution Prevention and Abatement
- PS4: Community Health, Safety and Security.

The Bakhresa facility occupies several hectares and is located in an outlying area of Kigali within a recently proclaimed IDZ as indicated in the Kigali City Land Use Master Plan and declared by the Rwandan Government and Kigali City Authority. The project is a greenfield development in a newly established industrial zone. Whilst much of the land within the IDZ remains vacant, some sections are occupied by residential units or used for small scale farming (bananas, maize, vegetables, fruits; etc.). Bakhresa acquired a 3.3 ha plot of land from the Government within the IDZ. The Government purchased the land on a freehold basis (PS 5 Land Acquisition and Involuntary Resettlement). PS 6 Biodiversity Conservation & Sustainable Natural Resource Management, and PS 8 Cultural Heritage are not applicable. There are no Indigenous Peoples (PS 7) in the area.

Environmental Health & Safety (EHS) Guidelines that are expected to be applicable to this investment include:

- The General EHS Guidelines (April 2007)
- Food and Beverage Processing (April 2007).

D. Key Documents and Scope of MIGA Review

IFC disclosed its Environmental and Social Review Summary (ESRS) of BGM in April 2009. MIGA's review is largely based on IFC's review and is supplemented by MIGA's review of the following documents provided by the client:

- *Environmental and Social Performance Annual Monitoring Report (AMR) for Bakhresa Grain Milling (BGM) Rwanda Operations (draft): July 1, 2010 to April 30, 2011.*
- *Certificate of Approval of Environmental Impact Assessment (September 2009)*, issued by the Rwanda Development Board;
- *Environmental Impact Assessment (EIA) report for Grain Milling Factory (2009)*, prepared by Hendon Consultants and Questafrika Ltd, prepared for Bakhresa Grain Milling Rwanda;
- *BGM (Rwanda) Environmental Assessment Action Plan*;
- *BGM Safety Manual*; and
- *BGM Terms and Conditions of Service (2008)*.

As a requirement of IFC support, an Environmental and Social Action Plan was developed in 2009 to ensure the project complies with the relevant Performance Standards and EHS Guidelines. This ESAP is attached to MIGA's ESRS.

E. Key Issues and Mitigation

PS1: Social and Environmental Assessment and Management Systems

Assessment: In terms of the Rwandan Organic Law (2005) the project required an EIA prior to obtaining authorisation to proceed from the Rwandan Environmental Management Authority (REMA). Bakhresa engaged the services of a Rwandan-based environmental consultancy to carry out the EIA. After reviewing the EIA, REMA through the Rwanda Development Board¹ issued Bakhresa with Certificate of Approval of the EIA, which included certain conditions of approval.

The land designated for the IDZ required rezoning and this was approved by the City of Kigali. Bakhresa acquired the land for its Project.

Management: Bakhresa selected an experienced construction company operating in the region to construct the facility. The construction company is contractually bound to meet the Environmental, Health and Safety (EHS) requirements during construction and Bakhresa is responsible for ensuring compliance. So as to manage potential environmental impacts in the construction phase, as defined in the ESAP, an Environmental Management Plan (EMP) was prepared. An RDB representative made several site visits to oversee the construction of the first project in the IDZ Kigali; according to the project enterprise, environmental and social management issues were not identified during these visits.

Bakhresa has a Safety Management Program consisting of a manual that is applied across the Group, which incorporates environmental issues along with occupational health and safety aspects. Prior to operations, a HACCP food safety program will be implemented at the facility

¹ As explained by the client, the Rwanda Development Board is a one stop authority charged with the responsibilities of promoting businesses in Rwanda. This Board has representation from all concerned government ministries, REMA included.

along with an accredited ISO 9000 quality management system. Further, the client is required to compile an Action Plan so as to consolidate the requirements of the ESAP, along with any conditions of approval from REMA, into the company's existing systems as would be applied to the facility.

PS 2: Labor and Working Conditions:

During construction, approximately 350 workers were onsite with the majority locally sourced. Transport was provided by BGM from designated pickup points throughout Kigali. Bakhresa reported that influx did not occur as a result of constructing this project. The majority of employees to operate the mill will come from the workforce hired for construction. Approximately 80 workers will be employed on a full-time basis, with the remaining 70 being daily paid workers associated with the unloading and loading of raw material and product respectively. Of the full-time workers, 8 are likely to be from outside Rwanda with the remainder of the workforce sourced nationally.

Bakhresa has a Human Resources Policy that is incorporated in its Conditions of Service document that applies to all its current operations and will similarly apply at the Rwandan operations. This document details the employment conditions, hiring and dismissal and a grievance mechanism amongst related matters. The objective of the Conditions of Service is to ensure consistency and fairness in handling personnel and administrative matters, and to provide a ready reference for management and staff to ensure positive working relationships for the company and staff. Bakhresa has a manager for administrative and human resources affairs. The company has a Safety Management Program and a manual that is applied across the Company. Bakhresa's Safety Manual is a customized program for grain management and milling and attendant occupational health and safety risks. It addresses safety committees and meetings, employee training, permit requirements and procedures and accident investigation and reporting. Overall the program is adequately responsive to the requirements of this performance standard and the General EHS Guidelines (30 April 2007).

PS 3: Pollution Prevention and Abatement:

Potential pollution issues during the construction phase are those typically associated with large scale construction sites and include the discharge of contaminated (high silt loads / oil and grease) storm-water, and diesel and oil spills, amongst others. The areas adjacent to the site are largely uninhabited, thus potential nuisance impacts during the construction and operational phases to the broader community are not envisaged.

Potential impacts during the construction phase are largely mitigated through effective implementation of the EMP. So as to limit the desirability of influx, the EMP defined specific measures, e.g., designated points of employment located away from site, in accordance with the ESAP. This issue will also need to be controlled by the City of Kigali as the potential for influx is likely to increase as the IDZ becomes more established.

Presently, services (electricity, sewerage, water supply, stormwater disposal) are readily available at the site. The City of Kigali is responsible for upgrading the electricity supply to the site and Road network. Thereafter, Bakhresa will be responsible for addressing the other internal infrastructural requirements. Sewerage will be disposed of via septic tanks and / or conservancy tanks (if necessary, the sewerage can be transported to the City of Kigali sewerage treatment works). About 20 000L of water will be required per day: 10 000L used for dampening the grain and 10 000L for potable water requirements, ablutions, cleaning, etc. This water will be sourced from Kigali city water authority and will be regularly monitored to confirm the water quality is

acceptable. Stormwater will be collected in a series of on-site drains prior to discharge off-site. Given off-site storm-water control measures are currently non-existent, a storm-water management plan is required that defines on and off-site control measures, in accordance with the ESAP.

Limited waste will be generated by the facility, primarily domestic solid waste. All dust generated in the mill is recycled into the process and the bags in which grain is delivered are reused for storage of the byproducts prior to sale, or sold.

Bakhresa's Safety Manual and employee training will address the potential for catastrophic dust explosions and emergency response in such an event.

Backup diesel generators will be installed so as to operate key milling equipment and these will require above ground diesel storage tanks located in a bunded area.

On occasion, the property will be fumigated for pests. Bakhresa are required to develop a pest management program that ensures suitable chemicals are used as defined in the ESAP.

PS 4: Community Health, Safety and Security:

Due to the site location and the nature of the operations, the potential for off-site impacts is limited. The Rwandan facility will adopt the Bakhresa Safety Manual, which has safety policies and procedures including those related to dust explosions and appropriate emergency response procedures.

Security for the project will be outsourced and provided by unarmed guards, who will call on additional resources should this be required, along with the Rwandan police.

Bakhresa is required to initiate an engagement plan with affected stakeholders, including the surrounding community (nearest houses are 120 m from the mill site) and which requires that they regularly report on their environmental and social performance during their construction and operational phases. This action is defined in the attached ESAP originally disclosed by IFC. To date, Bakhresa has not received any complaints.

Environmental Permitting Process and Community Engagement

While public participation was not a specific requirement for this project, Bakhresa made the EIA available to the public for 60 days at their office in Kigali. Copies of the EIA and its Certificate of Approval were available at publicly accessible places in Kigali, including the Rwandan Development Board. The IFC ESRS and the project's ESAP have been disclosed on the IFC website since April 2009. Notice of the project was also published in a Rwandan local newspaper. The Human Resources manager is available to listen to community concerns about the project.

F. Availability of Documentation

Please find attached to this ESRS the [environmental impact assessment](#) report for this project, the originally disclosed [Environmental and Social Action Plan](#) by IFC, and the [construction environmental management plan](#). Additional information on the project can be requested from:

Winfred Mukabuzizi Semana
Rue du Commerce, Quartier
Commercial Nyarugenge

P.O. Box 4915
Kigali, Rwanda
Tel. (250) 788306206

Mounir Bakhressa, Managing Director
Bakhresa Grain Milling (Rwanda) Limited
P.O.Box 6358, Kacyiru
Kigali, Rwanda

Ramesh Kumar, Vice-President (Corporate Planning)
Said Salim Bakhresa & Co.
Mzizima Flour Mill
Nyerere Road
P.O. Box 2517
Dar es Salaam, Tanzania
Tel. (255) 22 2861116/2861117
Fax. (255) 22 2861140
Email: ramesh@bakhresa.com