



August 18, 2005

Dear Ms. Feeney and Ms. Freeman;

On behalf of President Wolfowitz, I would like to thank you for your letter of July 8, 2005, bringing to our attention your concerns regarding the tragic events in October 2004 in the Democratic Republic of Congo (DRC). The World Bank Group's Compliance Advisor/Ombudsman and the Department of Institutional Integrity have also received your letter and are currently reviewing it. I understand that you have since had a constructive meeting with my colleagues on July 21, 2005 to discuss your concerns.

First, let me say how sorry we all are at MIGA, and the rest of the World Bank Group, to hear of the human rights abuses that took place in Kilwa. Neither the news stories nor intelligence from the field gave any picture of the severity of the incident at the time. The UN report, which I understand is still confidential and in draft, was not available to us either. Just to clarify, the incidents occurred after our Board approved the project in September 2004, but before we signed a contract of guarantee with Anvil Mining Corporation in April 2005. At the time of the signing we were still unaware of the events that had transpired at Kilwa.

Following the news accounts of the events at Kilwa, we have been in contact with the World Bank office in Kinshasa, and they have been able to confirm what happened through meetings with the United Nations Mission in the DRC (MONUC). We now await the final MONUC report, which we understand will be issued shortly. We have also been in touch with Anvil. The company has stated that the DRC military commandeered its vehicles, drivers and chartered aircraft to suppress the rebel insurgency, but denies it had any knowledge of what was planned for the military operations and says it was not involved in the military operations in any way. We are still seeking further clarification from Anvil and others about the context in which their logistical support was provided. Other possible independent investigations by the Australian Federal Police and the Canadian authorities may also shed some light on this matter.

Regarding the issues you raise about Anvil's relationship with Mr. Katumba Mwanke, you should know that MIGA undertook substantial due diligence relating to whether

Anvil had any inappropriate relationships with government officials in obtaining their concession or in beginning their operations. MIGA also specifically looked into allegations of an improper relationship between Anvil and Mr. Mwanke, following a June 2004 meeting with a few NGOs when this issue was raised. None of the allegations could be substantiated and no evidence of impropriety was provided. Additionally, we received warranties from the company indicating that there was nothing improper in the relationship. The new allegations that have surfaced relating to Mr. Mwanke's seat on Anvil's Board and use of rental home are now being looked into. Preliminary investigations into this matter suggest that Mr. Mwanke's membership on the Board is not inconsistent with the requirement to have a Government representative there, per the terms of the Presidential Decree ratifying the Dikulushi Mining Convention. Anvil has confirmed that Mr. Mwanke was paid attendance fees of US\$1,500 for each of two Board meetings he attended while he served on the Board. We understand that the house referred to in the news report is used for the permanent accommodation of Anvil staff, offices and visitors. Our initial inquiries suggest that the price quoted for the rental of Mr. Mwanke's property to Anvil mining appears to be in line with market rates for similar properties leased to foreigners. However, we continue to look into these issues.

You have raised a number of concerns regarding MIGA's due diligence. The President of the World Bank has now asked the CAO to perform an independent audit of MIGA's due diligence process, and we await its findings. As you know, we spent a long time, close to two years, underwriting this project. We were very sensitive to the inherent risks we faced in supporting a mining project in a post-conflict country, but we see our work in such countries as one of our most significant contributions to promoting sustainable development and alleviating poverty. We carefully weighed the risks and rewards of the project, including assessing the political and security environment in which it would operate, to try and ensure the greatest possible development impact. We also undertook lengthy due diligence on Anvil, and obtained representations from the company that its procedures in this project would comply with the Voluntary Principles on Security and Human Rights. Since then, Anvil has informed us that these principles have been discussed at their Board as part of wider protocols that the company is currently developing with the support of a North American NGO.

Although the amount of insurance we provided was small and the cost of underwriting was high, we determined that our involvement in the Dikulushi mine would support a project with a highly positive demonstration effect and development impact. Already there are significant benefits to the local community as a result of the project. There is a school for 200 children in Dikulushi, a hospital in Kilwa has been refurbished, and other infrastructure has been built by Anvil. We expect further benefits when the novel profit-sharing mechanism, which places 10 percent of mining profits in a trust to fund community programs, is launched.

We want to assure you that we are committed to promoting transparency and good governance in all the projects we support, particularly in the extractive industries. We take your concerns very seriously and have begun our own investigation into the issues

you have raised. Like you, we look forward to the release of MONUC's final report and we welcome any investigations that may be undertaken by other credible third parties.

My colleagues noted that during your recent meeting, a number of useful ideas were exchanged on how best to move forward on a number of issues. We hope we will continue to have a constructive dialogue with you.

Sincerely,



Philippe Valahu
Acting Director
Operations Group

Cc: MIGA Executive Directors
Yukiko Omura, Executive Vice President, MIGA
Moina Varkie, Director, MIGA
Maarten de Jong, Director Department of Institutional Integrity
Meg Taylor, Director, Compliance Advisor Ombudsman
Gobind Nankani, Regional Vice President for Africa
Pedro Alba, World Bank Group Country Director, Democratic Republic of Congo
The Honorable Richard Lugar, U.S. Senate