

**Trust Fund to Address Environmental and Social Challenges in MIGA-  
Guaranteed Projects**

**Interim Report on Progress and Outcomes**

**November 6, 2008**

## TABLE OF CONTENTS

<b>TABLE OF CONTENTS</b> .....	<b>2</b>
<b>A List of Acronyms</b> .....	<b>3</b>
<b>B Introduction</b> .....	<b>4</b>
<b>C Progress</b> .....	<b>5</b>
Dikulushi Copper Mine by Anvil Mining, Democratic Republic of the Congo.....	8
Moma Titanium Mine by Kenmare Resources Ltd, Mozambique.....	10
West African Gas Pipeline Project in Ghana, Nigeria, Togo and Benin.....	10
Coffee and cacao processing and export by Ugacof Ltd., Uganda .....	12
Essakane Gold Mine Project by Orezone Resources Ltd., Burkina Faso.....	13
African Development Corporation (ADC) Rwanda, investment in Banque Rwandaise de Développement S.A. (BRD) by .....	13
Engagement with other MIGA clients and potential clients .....	14
Other Opportunities .....	14
<b>D. Outcomes</b> .....	<b>14</b>
<b>E. Budget, spending, and procedural aspects</b> .....	<b>15</b>
<b>F Findings and Recommendations</b> .....	<b>16</b>
<b>G Annexes</b> .....	<b>18</b>
Completion report: First project with Anvil Mining on Security and Human Rights for the Dikulushi Copper Mine Project (Democratic Republic of Congo).....	19
Completion report: Second project on Security and Human Rights with Anvil Mining and the Toolkit on Security and Human Rights (Democratic Republic of Congo). .....	22
Completion report: Project with West African Gas Pipeline Company on involuntary resettlement training (Nigeria, Benin, Togo and Ghana).....	25
Completion Report: Project with Ugacof on an Environmental Health and Safety Audit of Ugacof’s Facility and a Workshop on Environmental Health and Safety Standards (Uganda).....	27

## **A List of Acronyms**

ADC	African Development Corporation
BEL	Bujagali Energy Limited
BRD	Banque Rwandaise de Développement S.A.
CAO	Compliance, Advisory and Ombudsman
CODE	Committee on Development Effectiveness
EHS	Environmental Health and Safety
EIR	Extractive Industries Review
EMP	Environment Management Plan
IBRD/IDA	International Bank for Reconstruction and Development / International Development Association (together, the World Bank)
ESAP	Environmental and Social Advisory Panel
IFC	International Finance Corporation
TF	Trust Fund to Address Environmental and Social Challenges
MDG(s)	Millennium Development Goal(s)
MIGA	Multilateral Investment Guarantee Agency
MIGEP	MIGA Economics and Policy Unit
PRI	Political Risk Insurance
SIP	Small Investment Program
SEMS	Social and Environmental Management System
VPSHR	Voluntary Principles on Security and Human Rights
WAGP	West African Gas Pipeline
WAGPCo	West African Gas Pipeline Company Limited

## **B Introduction**

1. The Multilateral Investment Guarantee Agency (MIGA), a member of the World Bank Group, was established to promote productive, socially and environmentally sound foreign direct investment into developing countries through the provision of political risk insurance (PRI). Companies making new investments in developing countries, or financial institutions lending to such investors, can apply to MIGA for insurance (guarantees) against the risks of expropriation, breach of contract with a sovereign authority, currency inconvertibility and transfer restrictions, and/or war and civil disturbance. MIGA guarantees are issued for investment projects in all sectors of the economy, and guarantees are available for projects in all developing country members of MIGA.
2. Development of a productive private sector is critical if countries are to achieve the Millennium Development Goals (MDGs) by 2015. MIGA's provision of political risk insurance is an important instrument in achieving this aim, and more broadly in demonstrating that private sector projects can be successfully implemented under difficult country conditions.
3. It is important that these projects be environmentally and socially sound (indeed, Environmental Sustainability is Goal #7 of the MDGs). Hence, MIGA has adopted high environmental and social standards (MIGA's Performance Standards on Social and Environmental Sustainability). These standards reflect international best practice and must be complied with by all MIGA-supported projects. Larger, more sophisticated investors may have the expertise and resources necessary to ensure that their investments are consistent with international best practice. Smaller or less experienced investors often do not, even though they typically wish to follow such practices.
4. The Ministry of Finance of the Government of Japan has made available to MIGA an initial grant of US\$1,000,000 in furtherance of an anticipated \$2,100,000 total for a three year facility. The grant is in support of a pilot project (the Trust Fund to Address Environmental and Social Challenges) which provides financial support for the provision of technical advice on managing environmental and social challenges in projects where MIGA is providing or considering providing, guarantee support. The set of projects with which the Trust Fund can engage is defined by those projects that have, or have applied for, MIGA guarantees. Within this set, the Fund is initially limited to the support of projects in African countries.
5. The Trust Fund endows MIGA with the resources to provide specialist expertise to assist investors in charting a path to the compliance with MIGA standards that is required in order to secure guarantee coverage. The Trust Fund also supports the undertaking of corrective actions necessary to bring an existing investment into compliance, or to go beyond what is minimally required for compliance in order to improve the project's social or environmental outcomes.
6. The World Bank (IBRD/IDA) and the IFC operate under the same broad social and environmental principles as MIGA, and require adherence to a similar set of social and environmental standards. Both the Bank and the IFC have existing

instruments and funds that they can use to support their clients' compliance with social and environmental standards and enhance their clients' capacities to go beyond mere compliance and achieve improved social and environmental outcomes. Currently the sole instrument MIGA has in this regard is this Trust Fund supported by the Government of Japan. Hence, this Trust Fund is critically important to enable MIGA to provide guarantee support to projects which would otherwise not meet MIGA's environmental and social standards. The Fund enables MIGA to keep pace with other international organizations (including World Bank Group entities and other multilaterals such as the African Development Bank).

7. The importance of such support was highlighted by a number of Board members at the February 2006 discussion of the then new IFC Environmental and Social Policies. Several Board members expressed the concern that without strong technical support organized by the IFC, potential investors might turn away from the IFC when faced with demanding environmental and social standards. Similar comments were made by Board members during the review process for MIGA's new Performance Standards on Social and Environmental Sustainability. At CODE meetings during 2007, speakers stressed the importance of the Trust Fund initiative for strengthening client capacity to comply with MIGA social and environmental standards, and asked when similar support could be extended to investors in regions other than Africa.
8. The Letter of Arrangement between the Ministry of Finance of the Government of Japan and MIGA specifies that the pilot program will test the program concept and the design of its service delivery, to determine whether it is practical and effective to provide such support to investors in the context of political risk insurance as opposed to loans or equity investments. Provided that the pilot is successful, it is anticipated that this program could become permanent and perhaps expand to cover all regions. For the pilot however, the program is limited to existing and potential projects in African countries.
9. The Program Description committed MIGA to recruit a technical coordinator with responsibility for working with potential and actual MIGA clients on environmental and social issues. During the budgeting process prior to the program launch it was assumed that on average there would be approximately eight projects a year requiring specialist assistance through the Trust Fund. Reporting requirements were also established, including submission of a mid-term review on progress and outcomes to be used as a basis for considering adjustments to the program that might be warranted. This report is that mid-term review.

## **C Progress**

10. The Trust Fund to Address Environmental and Social Challenges in MIGA-Guaranteed Projects was established under a Letter of Arrangement signed on July 28, 2006. Funds were received by MIGA on August 9, 2006. A Task Team

Leader was appointed, and a Technical Coordinator was recruited through an open international competition. The Technical Coordinator started in-post on January 8, 2007.

11. A key task in this first period of Trust Fund activity has been to generate awareness of the Fund within MIGA the World Bank Group and the investment community (which includes potential as well as existing clients of MIGA). Information on the Trust Fund has been presented on MIGA's website, brochures on the Trust Fund have been produced (in English and French); one-to-one and departmental meetings have been held within MIGA, and contact has been established with relevant units in the IBRD and IFC (for example, the joint World Bank/IFC Oil, Gas, Mining, and Chemicals Department; and within that Department, the Oil, Gas, and Mining Sustainable Community Development Fund, or CommDev). MIGA has made external presentations on the Trust Fund to potential investors and others in Washington, the Democratic Republic of the Congo, South Africa and Beijing. Projects with potential for Trust Fund support were identified and initial contacts with investors were established. Liaison has been maintained with the Office of the Japanese Executive Director, and with Japanese embassies in the countries to which the Technical Coordinator has traveled on mission.
12. The initial projects undertaken by the Fund have been used to develop procedures and template documents for the Fund. Standard procedures include: (i) identification of projects and specific issues/themes for Fund support (jointly with clients); (ii) agreement on cost sharing arrangements with clients and preparation of Letters of Agreement to be signed by MIGA and clients; (iii) development of Terms of Reference for projects in consultation with clients; (iv) implementation of Trust Fund supported activity; and (v) securing client feedback through a standardized questionnaire following project completion. In order to leverage the value added to projects being supported, MIGA also tries to build into the engagements the preparation and dissemination of 'lessons learned' reports on the issues addressed in Trust Fund work for clients. MIGA also seeks to make best use of the presence in-country of program-supported consultants, for example by organizing workshops or meetings on the environmental and social issues being addressed by the consultancy, which are targeted at a wider audience beyond the client, including private sector, government and civil society actors.
13. The first TF supported project began implementation in May 2007. So far, four TF projects have been completed and two are currently in progress. Three additional projects are in preparation. Further information on each of the completed projects is provided in the Annexes to this report. The Trust Fund Coordinator has also substantially engaged with the sponsors of two projects that were under consideration for MIGA guarantees. The Coordinator was able to provide considerable help to the project sponsors in addressing environmental and social issues. However, because MIGA guarantees for these investments did not ultimately go forward, Trust Fund engagements with those projects were not developed further.

**Table 1: Trust Fund Projects Completed, Underway, or in Preparation**

Country	Project	Sector	TF support	Status
<b>Completed Projects</b>				
DR Congo	Dikulushi Copper Mine	Mining	Project #1 - Supporting human rights and community security	Completed
DR Congo	Dikulushi Copper Mine	Mining	Project #2 - Workshop and Development of a Toolkit on Implementing the Voluntary Principles on Security and Human Rights	Completed
Ghana, Benin, Togo, Nigeria	West Africa Gas Pipeline	Oil and Gas	Supporting implementation of resettlement and livelihood restoration programs	Completed There is a follow-up project under preparation – see below
Uganda	Coffee and cacao processing	Agribusiness	Upgrading environment, health and safety management	Completed
<b>Projects Under Implementation or In Preparation</b>				
Mozambique	Titanium Mine	Mining	Addressing malaria control within communities and mine labor force	Implementation Expected to be completed by December 2008.
Burkina Faso	Essakane Gold Mine	Mining	Supporting human rights and community security	Implementation Expected to be completed by December 2008.
Burkina Faso	Essakane Gold Mine	Mining	Study to minimize adverse impacts on artisanal miners and promote health and safety measures in	Preparation Implementation expected to start in

			artisanal mining	November 2008.
Ghana, Benin, Togo, Nigeria	West Africa Gas Pipeline	Oil and Gas	Supporting resettlement and livelihood restoration	Preparation – This is a client-requested follow-up  Implementation expected to start in early 2009.
Rwanda	Banque Rwandaise de Developpment	Financial Intermediary	Establishing a Social and Environmental Management System (a requirement for financial intermediaries.)  This is a Small Investment Program (SIP).	Preparation  Implementation expected to start in November 2008.
Liberia	Vegetable/ Palm Oil Production	Agribusiness	Support preparation of environmental and social action plans, including livelihood restoration and community safety and security	Preparation  Still in early discussions with the client.

#### **Dikulushi Copper Mine by Anvil Mining, Democratic Republic of the Congo**

14. Anvil’s Dikulushi project started as a small-scale open-pit copper mine in 2002. Underground operations began in 2007 (following the depletion of surface-mined ore deposits). The Trust Fund has supported two projects with Anvil Mining, both concerning security and human rights. One of the social issues associated with extractive industry projects is the potential abuse of the rights of people affected by projects as a result of measures taken to ensure site security. As part of the Extractive Industries Review, the World Bank Group committed to ensuring that extractive industry projects in which the Bank Group is involved will conform to the Voluntary Principles on Security and Human Rights. These principles have since been incorporated into the Social and Environmental Performance Standards applied to MIGA projects (in Performance Standard 4 on Community Health, Safety and Security).

15. The first Trust Fund engagement on security and human rights was launched in May 2007. The objective was to assist Anvil Mining develop a detailed plan for comprehensive implementation of the Voluntary Principles on Security and Human Rights (VPSHR) at the company's Dikulushi Mine in Katanga Province, Democratic Republic of the Congo. MIGA has provided a guarantee, and the project had been affected by serious security and human rights incidents in the area. A consultant financed by the Trust Fund worked with Anvil's Security and Social Development teams and with local community and security stakeholders to produce and communicate a detailed, phased plan to fully integrate human rights considerations into security management at the Dikulushi Mine.
16. The second Trust Fund project with Anvil Mining was developed in response to requests from Anvil Mining for help in their extension of the approach developed for the Dikulushi Mine to their other operations in Katanga. It was also developed in response to requests from other mining companies in Katanga for access to expert advice on security and human rights. This second Trust Fund project with Anvil had two components. The first involved the consultant holding a workshop with Anvil's senior corporate managers in Australia to introduce the management systems that would enable the company to systematically address security and human rights issues in all their activities. The second, larger component was the production of a Toolkit on Implementing the Voluntary Principles that could assist other companies operating in developing countries with their implementation of the requirements of MIGA's Performance Standards and the Voluntary Principles on Security and Human Rights.
17. As a result of MIGA's engagement, Anvil Mining hired a full-time Project Manager responsible for ensuring that each Anvil site implements the Voluntary Principles, and has engaged MIGA's consultant, on its own account, to undertake regular reviews of the company's progress. The 'Toolkit on Implementing the Voluntary Principles on Security and Human Rights' has been produced, is now available on MIGA's website, has been shared with the World Bank and IFC mining groups, and will be disseminated through other mechanisms including IFC's CommDev website and through the International Council on Mining and Metals. The Toolkit was also very favorably reviewed in a recent article in the *Journal of International Peace Operations*.<sup>1</sup> The article stated: "The Toolkit is clearly one of the most significant developments in the history of the Voluntary Principles, and a fairly significant advance more broadly in the realm of internal industry regulation and corporate social responsibility."
18. The costs of the engagements were shared between the Trust Fund and Anvil Mining. For the first project, Anvil paid the consultant's travel and subsistence costs and the Trust Fund covered the consultant's fees, leading to roughly equal sharing of costs. In the second project, Anvil Mining paid the consultant's travel and subsistence costs, and, in addition, met the costs of professional editing of the

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<sup>1</sup> J. J. Messner, "Implementing High Ideals and Aspirations", *Journal of International Peace Operations*, vol. 4, no. 3, November-December, 2008.

Toolkit. For this second project, we estimate the Trust Fund contribution as 25% of total costs.

19. Both Trust Fund projects with Anvil Mining are now completed. The client expressed a high level of satisfaction with the support provided by MIGA through the Trust Fund. (Please see Annex 1.)

### **Moma Titanium Mine by Kenmare Resources Ltd, Mozambique**

20. Kenmare's Moma project is a large-scale titanium sands mining operation guaranteed by MIGA. It is in Nampula province (northern Mozambique), the poorest part of the country. The Trust Fund-supported engagement began in March 2008. This engagement will assist the company management to develop a plan to reduce the impact of malaria on the mine workforce as well as on the surrounding community. Malaria is widespread in the area, and significantly affects workforce productivity. Consultation with communities revealed that the high incidence of malaria is a major concern for community members, especially among women. Young children are most vulnerable. This project addresses requirements concerning worker and community health contained in MIGA's Social and Environmental Performance Standards, reflected specifically in the current Performance Standard 2 (Labor and Working Conditions) and Performance Standard 4 (Community Health). These requirements also existed under the previous MIGA health and safety standards.
21. This project is being executed by the Mozambique office of the Malaria Consortium, a not-for-profit organization dedicated to combating malaria and other communicable diseases among the poorest and most vulnerable people in Africa and Asia. Following the assessment phase (currently underway), the Consortium will work closely with the client to develop detailed, costed action plans for controlling malaria and monitoring the impact of the adopted strategies. Subject to agreement with the client, MIGA intends to make the report on the project available through the MIGA website, so that the lessons learned can be shared with other companies and interested parties.
22. The costs of this project are being shared with Kenmare Resources through an arrangement under which MIGA pays the fees of the Malaria Consortium team and Kenmare Resources covers all the local costs of executing the project, such as travel and malaria test kits.
23. This project is expected to be completed by December 2008.

### **West African Gas Pipeline Project in Ghana, Nigeria, Togo and Benin**

24. The Trust Fund has completed a project with the West African Gas Pipeline Company (WAPCo). This is a large-scale investment in which IDA and MIGA

- are involved. The West African Gas Pipeline (WAGP) runs from Nigeria to Ghana by way of Benin and Togo. Pipeline construction is completed and the project is now in pre-commissioning, subsequent to which WAPCo will commence operations with the transport of uncompressed natural gas. Transportation of uncompressed natural gas will proceed alongside construction of the compressor station and other facilities until the completion of all construction, at which point the company will deliver compressed natural gas to customers in the three consumer states. Although much of the pipeline runs offshore, there has been some land take associated with on-shore sections and facilities in all four countries (Nigeria, Benin, Togo and Ghana).
25. In July 2008 an international consultant financed through the Trust Fund traveled to Accra and provided training on implementation of MIGA and World Bank policies on land acquisition and involuntary resettlement. The audience was composed of the company managers and personnel who have responsibility for government and community relations in all four countries traversed by the pipeline.
  26. WAPCo holds political risk guarantees from both MIGA and IDA (on separate portions of the investment package), and as such is required to implement MIGA as well as World Bank safeguard policies, including those on land take and involuntary resettlement. Missions by the WAGP Environmental and Social Advisory Panel (ESAP) and by MIGA/IDA have identified a number of areas where implementation of the policies needs to be strengthened. There have also been complaints by some civil society organizations and community representatives in Nigeria to the Inspection Panel of the World Bank, which WAPCo is in the process of resolving. The Trust Fund has made it possible for MIGA to help ensure that the issues of concern are addressed, through the provision of practical training to WAPCo.
  27. The training provided through the Trust Fund focused on social issues that are covered by World Bank Group policies on involuntary resettlement. It focused on the steps that could be taken to monitor the status of impacted communities' post-resettlement, and on putting into place effective grievance mechanisms to track and manage community concerns about project impacts. MIGA support through the Trust Fund has contributed to WAPCo's efforts in the implementation of the Resettlement Action Plan. in all four countries in which it operates – Nigeria, Benin, Togo and Ghana.
  28. MIGA and WAPCo shared the costs of this project. MIGA covered the fees and international travel expenses of the consultant; while WAPCo covered all the consultant's local costs.
  29. WAPCo considered the training provided by MIGA through the Trust Fund to be very useful, and has requested a follow-on training program on livelihood restoration from MIGA. This is planned for early 2009.

## **Coffee and cacao processing and export by Ugacof Ltd., Uganda**

30. Ugacof is a coffee processor based in Kampala, Uganda. The company purchases and processes coffee and cocoa for export. The company requested support from MIGA's Trust Fund to strengthen its health, safety and environment standards and to undertake an environmental health and safety (EHS) audit of its facilities. The principal objective of this MIGA/Ugacof initiative was to secure for the company an external assessment of the environmental health and safety management at its factory as compared with international best practices. This will help the company learn from practices elsewhere, and prepare the enterprise for future certification under the ISO 14001 standard for environmental, health and safety management. The overall purpose of doing this was to support the company to position itself in the supply chain as a high quality supplier, in addition to ensuring compliance with MIGA's environmental health and safety guidelines. The results of such an audit could also be applied to the company's operations elsewhere in Africa.
31. MIGA deployed an international environmental health and safety (EHS) consultant based in South Africa to undertake this audit in August 2008. He spent four days at the Ugacof site and assessed in detail the environmental, health and safety risks of Ugacof's operations, the company's systems for risk management, and its EHS performance. He presented a preliminary audit report to Ugacof at the completion of the visit, and submitted a more detailed final audit report in September 2008.
32. In order to leverage the benefits of the consultant's presence in Uganda, MIGA jointly organized with the World Bank Country Office a half day workshop, conducted by the consultant, on international EHS standards. This was attended by representatives of thirteen companies operating in Uganda, as well as by a number of government officials and NGOs. The World Bank Country Manager has encouraged MIGA to hold similar workshops on other elements of MIGA social and environmental policies, and has offered to assist with these. In the standard client survey completed at the end of the engagement, Ugacof expressed a high level of satisfaction with the support provided by MIGA through the Trust Fund.
33. The costs of this project were shared with Ugacof. With respect to the EHS audit, the Trust Fund met the fees of the consultant while Ugacof met his local costs. The costs of the workshop were met by MIGA, in part through the Trust Fund, but with MIGEP covering the costs incurred by local World Bank staff through its budget.

## **Essakane Gold Mine Project by Orezone Resources Ltd., Burkina Faso**

34. The Essakane gold mine project consists of the design, development and operation of an open-pit gold mine located in northeast Burkina Faso. Construction started this year. MIGA has just started one Trust Fund-supported project with Orezone Resources concerning Essakane and has a second Trust Fund project in preparation. The Essakane mine is an investment project under consideration for a MIGA guarantee.
35. The Trust Fund project that began in August 2008 provides support to Orezone Resources in their implementation of MIGA requirements under Performance Standard 4 concerning community security. An international consultant has visited the Essakane site in October 2008 to review the client's security management system. The consultant has advised the company of changes needed to ensure compliance with MIGA standards (incorporating the Voluntary Principles on Security and Human Rights), and will help the company develop its security management system for the construction and operational stages of the project.
36. MIGA is currently discussing with Orezone Resources the provision of additional technical support to address the social issues related to the presence of artisanal miners in the mining concession area. Development of the industrial-scale mine will have impacts on artisanal miners that need to be analyzed and addressed, as required under the commitments established in Performance Standard 1.

## **African Development Corporation (ADC), Rwanda, investment in Banque Rwandaise de Développement S.A. (BRD)**

37. MIGA has recently issued a guarantee covering an equity investment in BRD under MIGA's Small Investment Program (SIP). The due diligence on this project identified the need for BRD to develop a Social and Environmental Management System that considers the potential adverse social and environment impacts of its investments. BRD has indicated its commitment to developing such a system. MIGA is in the process of engaging a consultant through the Trust Fund to support BRD in this task. The tentative plan for this consultancy, still being developed with the client, is for the consultant to spend several weeks on site assessing BRD's specific needs for an SEMS in light of its anticipated investment activities, and providing a report with recommendations and practical information that the client will use to establish an SEMS. Template of SEMS will be shared with other financial sector investors. Costs will be shared, with MIGA paying the consultant's fees and international travel and the client paying the consultant's local expenses – as in other Trust Fund supported projects.

## **Engagement with other MIGA clients and potential clients**

38. In addition to the specific engagements described above, the Trust Fund Coordinator has had substantial engagement with several MIGA clients and prospective clients to whom advice has been provided on environmental and social management. Although no structured Trust Fund-supported projects were deemed necessary, in these cases, these activities nevertheless proved useful in supporting improvements in environmental and social standards, and the project sponsors provided positive feedback on the advice and assistance provided by the Coordinator.
39. This is a normal aspect of MIGA's business. Other projects in the MIGA pipeline are still at a preliminary stage in the underwriting process, and Trust Fund projects to support these investments may be developed in the future.

## **Other Opportunities**

40. The Trust Fund is collaborating with wider World Bank Group initiatives to support development of the mining sector in the Democratic Republic of the Congo. Through the Trust Fund, MIGA has taken the lead in preparing a scoping study on needs and opportunities for providing environmental, health and safety training for companies and for the public sector, both in Katanga Province.
41. During the period of Trust Fund activity three potential opportunities to support investors outside Africa in implementing MIGA social and environmental policies have emerged. These illustrate what the Trust Fund might achieve if eligibility were broadened to include not just Africa, but other regions as well. One of these opportunities would involve support for work to address environmental and social issues for two different hydroelectric projects in Asia.

## **D. Outcomes**

42. MIGA is committed to surveying clients at the conclusion of each engagement under the Trust Fund as to their satisfaction with the support provided.
43. Positive client feedback has been received from Anvil Mining on the two projects executed by the Trust Fund. According to the Anvil security manager, the project "has made a huge contribution to [the] company's ability to effectively manage operational and reputation risks associated with operating in countries of weakened governance and recent/ongoing conflict."
44. The West Africa Gas Pipeline Company also provided positive feedback on the training project undertaken through the Trust Fund. According to the External Relations Manager, "[t]he workshop definitely exposed the Community Relations

- team to better approaches to effectively and flexibly deal with the subtleties of development project management.”
45. Ugacof Ltd. managers as well as the World Bank Country Director also expressed a high level of satisfaction with the support provided by MIGA through the Trust Fund. The World Bank Country Manager has encouraged MIGA to hold similar workshops on other elements of MIGA social and environmental policies, and has offered to assist in organizing these
  46. The Trust Fund-supported activities have also produced guidelines and toolkits which have subsequently been made available more broadly. The Toolkit on Implementing the Voluntary Principles (produced as part of the engagement with Anvil Mining, discussed above), and the Kampala workshop on implementing best practices in environmental health and safety standards (undertaken as part of the Ugacof engagement, also discussed above), are two such cases. In addition, a toolkit for malaria prevention is planned upon completion of the Trust Fund supported project with the Kenmare mine in Mozambique.

## **E. Budget, spending, and procedural aspects**

47. To be eligible for Trust Fund support, the project needs to be one where both MIGA guarantee support is being considered or has been provided, and significant environmental or social issues exist for which the expert help the Trust Fund could provide would be needed. The experience with the Trust Fund so far has been that substantial time is required from the time of initial contact until a decision is taken by the investor on the specific support to be provided. Rather than this requiring a few weeks, which was originally assumed, the time required is normally a number of months.
48. The Trust Fund was launched midway through fiscal year 2007. During FY 2007, total expenditure was \$189,000. In this period the activities focused on establishing the Trust Fund and its procedures, and on communicating its existence to MIGA staff, to others within the World Bank Group, and to MIGA clients and potential clients. Only one project engagement with a MIGA client was started during FY 2007.
49. In FY 2008, the Trust Fund launched four projects with MIGA clients. Expenditure was correspondingly higher, reaching \$298,000.
50. Spending is expected to increase further in FY 2009 because three projects with clients were started in August 2008, and others are in preparation and expected to be executed in FY 2009. The Trust Fund is also expected to be called on to support several other clients that are currently in the early stages of making applications to MIGA for political risk insurance.
51. For each of the projects developed to date under the Trust Fund, costs have been shared between the Trust Fund and the MIGA client. This is a deliberate choice by MIGA intended to enhance as well as signal client commitment to the results

- of the project. It is an approach that clients have accepted. In the projects executed so far, the Trust Fund has covered the costs of consultants' fees and, in most but not all cases, the consultants' international travel. The clients have met the consultants' local travel and subsistence costs, in addition to contributing employees' time to the projects.
52. The selection and procurement of consultants is carried out in accordance with World Bank Group procedures as advised by MIGA procurement specialists.
  53. All Letters of Representation (LORs) have been completed and submitted electronically on a timely basis.
  54. As required under the Letter of Arrangement, MIGA has notified the Ministry of Finance of Japan in advance, through the Executive Director's office, of every proposed initial trip to visit a project site.

## **F Findings and Recommendations**

55. The first phase of the pilot program has demonstrated that the Trust Fund is valued by MIGA's clients with projects in Africa, and that it has strengthened relationships with these clients. The demand for support by potential MIGA projects in Africa has, however, been slower than originally expected for this initial period of Trust Fund operations. This reflects the relatively low absolute number of MIGA projects in Africa where significant social and environmental issues exist. These have been mainly in the mining sector, and MIGA is approached on only a few such projects each year.
56. We have also found that the time required from the initial contact with a client until a Trust Fund project is implemented is longer than initially expected. This follows from MIGA's commitment to work on a collaborative basis with clients, with the client and MIGA jointly developing the terms of reference and selecting the consultant. Feedback from clients shows that this approach, although slower, is appreciated by the clients.
57. We have found in this initial phase that where Trust Fund involvement is needed, the resulting engagement can be relatively long term. The underlying social and environmental issues in the projects where Trust Fund support is requested are complex. Clients have found the support made possible by the Trust Fund to be important and helpful, and they have expressed their high appreciation. In both of the completed projects, clients have requested that additional Trust Fund-supported engagements be prepared.
58. We have found that the greatest need for Trust Fund support is in relation to the social impacts of projects, particularly concerning resettlement and management of the community impacts of project security. We are also beginning to see a need for support in establishing environmental and social management systems to smaller organizations with little international experience. For example, we recently provided a consultant to work with Banque Rwandaise de Developpement (BRD), (a Small Investment Program (SIP)), to establish a Social and

Environmental Management system, which will allow the bank to assess projects for social and environmental risks prior to funding. As a result of the implementation of this system, BRD will be compliant with MIGA's Social and Environment Performance Standards. We expect assistance to Financial Institutions to increase in the coming years.

59. Based on this experience, consideration should be given to removal of the constraint that the Trust Fund only provides support to projects in Africa. Similar issues arise in projects elsewhere, and provision of support to such projects would not in any way reduce the ability of the Trust Fund to continue to provide support to projects in Africa. Africa would remain the priority, but lifting this constraint would allow support to be provided to important projects elsewhere as well.

## **G Annexes**

1. Completion report: First project with Anvil Mining on Security and Human Rights for the Dikulushi Copper Mine Project (Democratic Republic of Congo).
2. Completion report: Second project on Security and Human Rights with Anvil Mining and the Toolkit on Security and Human Rights (Democratic Republic of Congo).
3. Completion report: Project with West Africa Gas Pipeline Company on involuntary resettlement training (Nigeria, Benin, Togo and Ghana).
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## **Trust Fund to Address Environmental and Social Challenges**

### **Annex 1**

#### **Completion report: First project with Anvil Mining on Security and Human Rights for the Dikulushi Copper Mine Project (Democratic Republic of Congo).**

##### 1. Project Summary

In May 2007, MIGA's Japanese-funded Environmental and Social Challenges Trust Fund launched its first project – collaboration with Anvil Mining in developing an implementation plan for the Voluntary Principles on Security and Human Rights (VPSHR) in Anvil's operations, and in particular focused on the Dikulushi Mine, for which the company holds a MIGA guarantee.

##### 2. Background Information

The Extractive Industries Review (EIR) process has framed the approach of the World Bank Group to engagement in projects in the oil, gas and mining sectors. One of the issues addressed by the EIR process concerns the impacts of extractive industry projects on communities, including concerns about potential abuses of the rights of people affected by extractive industry projects that can arise from measures taken to ensure site security.

The Voluntary Principles on Security and Human Rights were drawn up in 2000 by representatives of the United Kingdom and United States governments, a group of extractive industry companies, and international non-governmental organizations. The principles aim to reduce the risk that security for extractive industry projects will have negative impacts on communities. This can be achieved through improved risk assessment and through the incorporation of human rights standards into the security management plans of companies, the contracts companies have with security companies, and the agreements companies have with government security forces. These principles have since been adopted by a larger set of companies, and the key elements have been incorporated into the Social and Environmental Performance Standards applied by MIGA to projects that receive guarantees (and the Performance Standards applied by IFC).

A commitment made by the World Bank Group in its response to the EIR was that conformity with the VPSHR will be a requirement for all new extractive industry projects supported by the World Bank Group (including MIGA and IFC).

Anvil sought support from the Trust Fund because although the company had taken a series of initial steps to implement the Voluntary Principles, it lacked a comprehensive strategy for systematically implementing the three pillars of the Voluntary Principles: risk assessment; relations with private security contractors; and

relations with public security at the corporate, national or site level. Implementation of the VPSHR has been a particular focus of attention by MIGA and Anvil Mining in the context of events in Kilwa in October 2004. The military commandeered vehicles and an airplane chartered by Anvil Mining to quell an insurgency in the village of Kilwa, 54 km south of the Dikulushi Mine. More than 70 people were reported to have been killed in the course of the military operation. In 2005, MIGA's due diligence on the Dikulushi project was the subject of an audit by the Compliance, Advisory and Ombudsman (CAO), and it was recommended that MIGA support Anvil in its efforts to fully implement the Voluntary Principles.

### 3. Project Execution

The Trust Fund project was executed by an independent security consultant selected for this assignment because of his international experience in implementing the VPSHR. The consultant worked under Terms of Reference jointly agreed by MIGA and Anvil Mining. The costs of the project were shared by MIGA and Anvil Mining.

The consultant traveled to the Democratic Republic of the Congo in May 2007 to review Anvil Mining's security management system in the context of the requirements of the VPSHR. During this mission, the consultant met with and interviewed Anvil staff, local government and public security officials, security contractors, community members, and civil society organizations with interests in human rights issues. A Diagnostic Report on the status of VPSHR implementation was produced, on the basis of which the consultant worked with the company to develop a three-year phased implementation plan to achieve comprehensive implementation. In a subsequent mission (October 2007) the draft plan was reviewed with internal and external stakeholders before it was finalized.

### 4. Outputs and Achievements

The project had the following outputs:

- Diagnostic Report on implementation of the VPSHR at the Dikulushi Mine
- Three-year Implementation Plan for the VPSHR at the Dikulushi Mine

Project achievements:

- At the conclusion of the first phase, Anvil Mining requested MIGA to extend the project in order to advise Anvil Mining directors and senior managers responsible for the company's overall operations in Africa on incorporating the VPSHR into security management. This was done in a second project with Anvil. (Please see Annex 2.)

- MIGA and Anvil agreed to build on the success of this project by collaborating to producing a toolkit on implementation of the VPSHR. The aim of the Toolkit is to provide detailed information that can assist other companies in implementing the VPSHR and support MIGA staff in their engagement with clients and prospective clients.

MIGA will continue to monitor Anvil's implementation of the VPSHR at the Dikulushi Mine as part of its routine environmental and social monitoring of MIGA-supported projects.

MIGA has committed to survey clients at the completion of trust fund projects as to their satisfaction on the support provided. MIGA worked closely with two Anvil managers on this project: the VP Social Development and the Security Manager. Both expressed a high level of satisfaction with the support provided by MIGA through the Trust Fund. According to Anvil's Vice-President for Social Development, support from the Trust Fund "has made a huge contribution to [the] company's ability to effectively manage operational and reputational risks associated with operating in countries of weakened governance and recent/on-going conflict."

5. Documents on file

The following documents are held in MIGEP files:

- Terms of Reference
- Letter of Agreement with Anvil Mining
- Phase 1 Consultant's Final Report
- Client feed-back form

## **Trust Fund to Address Environmental and Social Challenges**

### **Annex 2**

#### **Completion report: Second project on Security and Human Rights with Anvil Mining and the Toolkit on Security and Human Rights (Democratic Republic of Congo).**

##### 1. Project Summary

In May 2007, MIGA's Trust Fund launched its first project – collaboration with Anvil Mining to develop an implementation plan of the Voluntary Principles on Security and Human Rights (VPSHR) in Anvil's operations, and in particular focused on the Dikulushi Mine, for which the company holds a MIGA guarantee. A second project was then developed to support Anvil Mining to extend the approach developed for the Dikulushi Mine to its other sites, and to develop a Toolkit to assist other companies in implementing the VPSHR.

##### 2. Background Information

The Extractive Industries Review (EIR) process has framed the approach of the World Bank Group to engagement in projects in the oil, gas and mining sectors. One of the issues addressed by the EIR process concerned the impacts of extractive industry projects on communities, including concerns about potential abuses of the rights of people affected by extractive industry projects that could arise from measures taken to ensure site security.

The Voluntary Principles on Security and Human Rights were drawn up in 2000 by representatives of the United Kingdom and United States governments, a group of extractive industry companies, and international non-governmental organizations. The principles aim to reduce the risk that security for extractive industry projects will have negative impacts on communities. This can be achieved through improved risk assessment and through the incorporation of human rights standards into the security management plans of companies, the contracts companies have with security companies, and the agreements companies have with government security forces. These principles have since been adopted by a larger set of companies, and the key elements have been incorporated into the Social and Environmental Performance Standards applied by MIGA to projects that receive guarantees (and the Performance Standards applied by IFC).

A commitment made by the World Bank Group in its response to the EIR was that conformity with the VPSHR will be a requirement for all new extractive industry projects supported by the World Bank Group (including MIGA and IFC).

In 2007, the Trust Fund assisted Anvil Mining in developing a comprehensive plan to implement the VPSHR at the Dikulushi Mine in the Democratic Republic of

the Congo. The project was extended into a second phase to support the extension of this plan to the company's other mining sites in the DRC, and to prepare a 'lessons learned' report on implementation of the VPSHR for dissemination to other companies. This phase was completed in August 2008. The toolkit on implementation of the Voluntary Principles on Security and Human Rights at major project sites is now available at [www.miga.org](http://www.miga.org)

### 3. Project Execution

This Trust Fund project was executed by the same consultant who carried out the first project for Anvil Mining. The consultant worked under Terms of Reference jointly agreed by MIGA and Anvil Mining.

One element of the second phase was to brief Anvil Mining directors and senior managers responsible for the company's overall operations in Africa on incorporating the VPSHR into security management. The principal task of the second phase was to produce a report on implementation of the VPSHR designed to assist other companies, including MIGA clients, in implementing the VPSHR.

The costs of the project were shared by MIGA and Anvil Mining. In this project, Anvil Mining covered the consultant's international as well as local travel and subsistence costs, and the costs of professional editing of the Toolkit.

### 4. Outputs and Achievements

The project has had three results in the short-term:

- Anvil Mining has committed resources to implementing the VPSHR in all its operations. A senior security manager based at Anvil's corporate head office is now responsible for ensuring comprehensive implementation of the VPSHR and the company has contracted for on-going consultancy support to track and support this process.
- MIGA has gained additional expertise and tools on security and human rights issues that are already proving of value in supporting clients and prospective clients.
- The Toolkit generated by the project has been welcomed by other mining companies operating in the Democratic Republic of Congo, by other teams in the World Bank Group, and by organizations and individuals involved with the VPSHR. It is seen as an important contribution to assisting organizations understand and manage security and human rights issues.
- The Toolkit is being translated into French by Anvil.

### 5. Project documents

The following project documents are held in MIGEP files:

- Terms of Reference
- Letter of Agreement with Anvil Mining
- Toolkit on Implementing the Voluntary Principles on Security and Human Rights at Major Project Sites (also posted on the external MIGA internet website, and shared with the IFC/World Bank Oil, Gas and Mining Department's CommDev Fund.,
- Client feed-back form

## **Trust Fund to Address Environmental and Social Challenges**

### **Annex 3**

#### **Completion report: Project with West African Gas Pipeline Company on involuntary resettlement training (Nigeria, Benin, Togo and Ghana).**

##### 1. Project Summary

In July 2008, MIGA's Trust Fund launched a project with WAPCo to provide training to company staff on implementation of World Bank Group policies on involuntary resettlement. Following successful completion of this training course, WAPCo has requested MIGA to collaborate on a follow-up course addressing further aspects of resettlement (specifically livelihood restoration). This second project is currently under discussion with WAPCo.

##### 2. Background Information

The West African Gas Pipeline is a large-scale investment in which several parts of the World Bank Group (IDA and MIGA) are involved. The pipeline runs from Nigeria to Ghana. Pipeline construction is completed, and the project is now in pre-commissioning, subsequent to which WAPCo will commence operations with the transportation of uncompressed natural gas. Transportation of uncompressed natural gas will proceed alongside construction of compressor stations and other facilities until the completion of all construction, at which point the company will deliver compressed natural gas to customers in the three consumer states. Although much of the pipeline runs off-shore, there has been some land take associated with on-shore sections and facilities.

WAPCo holds political risk guarantees from MIGA and IDA, and as such is required to implement MIGA as well as World Bank safeguard policies, including those concerning land take and involuntary resettlement. Missions by the WAGP Environmental and Social Advisory Panel (ESAP) and by MIGA/IDA have identified a number of areas where implementation of these policies needs to be strengthened. Oversights in implementation have led to complaints by civil society organizations and community representatives in Nigeria to the Inspection Panel of the World Bank. MIGA agreed with the other World Bank Group departments involved in the project that it would deploy the Trust Fund to help address these issues through the provision of practical training to WAPCo. WAPCo has subsequently taken action to review the compensation payments in Nigeria and top up payments action has commenced.

##### 3. Project Execution

This Trust Fund project was executed by an independent consultant selected for this assignment because of her experience in providing training and working with

projects on social issues including resettlement and livelihood restoration. The consultant worked under Terms of Reference jointly agreed by MIGA and WAPCo. The costs of the project were shared between MIGA and WAPCo.

The consultant traveled to Accra in July 2008 to conduct a 4-day training program. This included: a short briefing session for senior managers; bilingual workshop sessions for the English and French-speaking teams of community and government relations staff from Ghana, Nigeria, Togo and Benin; and one-to-one 'clinic' sessions on specific issues raised by participants.

#### 4. Outputs and Achievements

Project outputs:

- A four day training workshop in Accra, Ghana, for staff from the four WAPCo country offices;
- A power point presentation of World Bank Group policy on resettlement;
- A report on the training provided.

Project achievements:

- At the conclusion of the project, WAPCo requested that MIGA provide follow-up training on further aspects of resettlement – specifically on livelihood restoration following resettlement.

MIGA will continue to monitor WAPCo implementation of applicable social and environmental standards as part of its routine environmental and social monitoring of projects under guarantee.

MIGA has committed to survey clients at the completion of trust fund projects as to their satisfaction on the support provided. WAPCo expressed a high level of satisfaction with the support provided by MIGA through the Trust Fund. According to the External Relations Manager, “[t]he workshop definitely exposed the Community Relations team to better approaches to effectively and flexibly deal with the subtleties of development project management.”

#### 5. Documents on file

The following documents are held in MIGEP files:

- Terms of Reference
- Letter of Agreement with WAPCo
- Consultant’s power point presentation
- Consultant’s Report
- Client feed-back form

## **Trust Fund to Address Environmental and Social Challenges**

### **Annex 4**

#### **Completion Report: Project with Ugacof on an Environmental Health and Safety Audit of Ugacof's Facility and a Workshop on Environmental Health and Safety Standards (Uganda).**

##### **1. Project Summary**

In July 2008 MIGA's Trust Fund initiated a project in collaboration with Ugacof Ltd., a coffee processor and exporter based in Kampala, Uganda, in response to Ugacof's request for support in strengthening its health, safety and environmental standards.

The primary objective of this project was to complete an environmental, health and safety (EHS) audit of Ugacof's Kampala facilities, in order to obtain for the client an external assessment of environmental health and safety management at its factory. This audit was conducted against ISO 14001, a well-recognized international standard for environmental, health and safety management. Ugacof was very satisfied with the audit and has accepted the report produced, which will help Ugacof improve its EHS management system and prepare for eventual ISO 14001 certification.

In order to leverage the presence of an experienced EHS consultant in Kampala and scale up the benefits of this experience, a workshop on environmental, health and safety standards was held in Kampala in collaboration with the World Bank Country Office. The workshop was well-received and the World Bank Country Manager has encouraged MIGA to hold similar workshops on other elements of MIGA's social and environmental policies, and has offered to assist with these efforts.

##### **2. Background Information**

Ugacof is the Ugandan coffee and cocoa processing business partner of the Swiss-based SUCAFINA Group. The group also has coffee-sector business partners in Tanzania, Rwanda and Burundi.

The principal activity of Ugacof is the purchase and processing of coffee for export. At its Kampala site, Ugacof buys green coffee from farmers and merchants. The company cleans, dries, sorts and packs the coffee for export. Export containers weighing twenty tons each are loaded and certified on site and transported to ports of export (generally Mombasa and sometimes Dar es Salaam). On average, the facility ships out four to five containers each day.

Ugacof also has a small, seasonal cocoa bean export line on site, and is at the early stages of diversifying into export of washed Robusta and organic coffee, both currently being done on a very small scale. In relation to these niche coffee products, the company is working directly with smallholder farmers and providing training and supervision in order to secure product of the desired quality. Ugacof secured certification for the organic coffee in 2007.

### 3. Project Execution

A southern-Africa-based external consultant was retained to conduct the audit and the workshop, subsequent to a Request for Proposals and in accordance with Terms of Reference jointly agreed upon by MIGA and Ugacof. The consultant spent four days at the Ugacof site, and assessed in detail the environmental, health and safety risks of Ugacof's operations, its risk management systems, and its EHS performance. He presented a preliminary audit report to Ugacof at the completion of his site visit, followed by a more detailed final audit report in early September 2008.

The workshop was held as a half-day event in Kampala, organized by MIGA in collaboration with the World Bank Country Office and led by the consultant retained for the audit. It consisted of a half day of sessions on EHS standards and was well-attended by government officials, NGOs, World Bank staff, and representatives from thirteen companies operating in Uganda.

The costs of the project were shared by MIGA and Ugacof. The Trust Fund covered the consultant's fees and international travel (a return trip from Johannesburg, where the consultant is based, to Kampala). Ugacof covered local costs, including the consultant's local accommodation, transportation, and other incidentals, except the costs associated with conducting the workshop. The workshop costs were covered by the Trust Fund, except the costs of cross-support from the World Bank Country Office, which were paid from the budget of MIGA's Economics and Policy Unit.

### 4. Outputs and Achievements

The project has achieved the following results:

- A successful audit of environmental, health and safety management at Ugacof's facilities conducted by an experienced southern-Africa-based consultant and based on international best practices;
- A comprehensive final report on the audit that Ugacof has accepted and will now use to implement further improvements in its EHS management, corresponding to the consultant's recommendations;
- The dissemination in Uganda of best practice international EHS standards through a workshop led by an experienced consultant and attended by private sector, government, civil society and World Bank representatives.

## 5. Project documents

The following project documents are held in MIGEP files:

- Terms of Reference
- Letter of Agreement with Ugacof
- Environmental, Health and Safety Audit of Ugacof, Kampala, Uganda: Final Report
- Confirmed List of Participants for the Environmental Health and Safety Management Workshop scheduled for August 29<sup>th</sup>, Hotel Africana, Kampala, Uganda
- Client Feedback Form.