

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

Progress and Outcomes

November 23, 2011

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A List of Acronyms

ADC	African Development Corporation
BEL	Bujagali Energy Limited
BRD	Banque Rwandaise de Développement S.A.
BRF	Buchanan Renewables Fuels
CAO	Compliance, Advisory and Ombudsman
CODE	Committee on Development Effectiveness
EBRD	European Bank for Reconstruction and Development
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 purpose of this report is to provide the Japanese Government with an update on activities which the Environmental and Social Challenges Trust Fund has supported since an interim report was submitted in November 2008. This report provides details of engagements which have been completed since that time and the annexes present a summary of each engagement completed since the beginning of the Trust Fund in 2007.
2. The Trust Fund endows MIGA with the resources to provide specialist expertise to assist investors in charting a path to 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.
3. 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).
4. 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.
5. 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.

C **Background Information**

6. 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, non-honoring of sovereign financial obligations 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.
7. 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.
8. 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.
9. The Ministry of Finance of the Government of Japan made available to MIGA in 2006, an initial grant of US\$1,000,000 in furtherance of an anticipated \$2,100,000 total for the three year facility. Of that, US\$ 406,000 was provided to the fund in December 2010. The set of projects with which the Trust Fund can engage is defined by those projects that have, or have applied for, MIGA guarantees. The Fund is initially limited to the support of projects in African countries. After an initial preparation period of 10 months, which included hiring a technical coordinator, the TF became operational in May 2007. The coordinator manages the day to day running of the TF with oversight provided by the Team Leader. In collaboration with the client, Terms of Reference are developed and a consultant is hired. Costs are shared between MIGA and the client, with MIGA covering international flights and consultant's daily fees and the client covering in country expenses, including board and lodging. MIGA is committed to surveying clients at the conclusion of each engagement under the Trust Fund as to their satisfaction with the support provided.

10. The TF coordinator shares her time between TF work and due diligence for potential MIGA projects and therefore charges only her time spent on TF activities to the TF budget.

D Progress

11. Since November 2008, six more engagements have been completed for four projects, bringing the total to ten engagements since the Trust Fund was first established. The table below provides a summary of each engagement to date. Further details of completed engagements are provided in the text and completion reports for all engagements since 2007 can be found in the annexes. Clients carry out a survey following the completion of each engagement. The results of the surveys demonstrate the effectiveness of the TF assistance as all clients report their satisfaction with the consultancy. Information collected in reports or action plans is, where appropriate, disseminated to a wider audience in order to share the knowledge gained. It is made clear that the assistance was provided by the Government of Japan and in some cases, Japanese equipment was used. Synergies were also created where possible, as detailed in the engagements description below.

Engagements completed since 2008

Country	Project	Sector	TF program support completed
Mozambique	Titanium Mine	Mining	Addressing malaria control within communities and the mine labor force.
Ghana, Benin, Togo, Nigeria	Gas Pipeline	Oil and Gas	Follow-up training on livelihoods restoration and monitoring of activities.
Rwanda	Development Bank	Banking	(1) Establishment of a Social and Environmental Management System (a requirement for financial sector projects); (2) Training of BRD staff in using the newly established Social and Environmental Management System.
Burkina Faso	Gold Mine	Mining	(1) Support to human rights and community security; (2) Review of the interface between the commercial mine and artisanal miners followed by a report with recommendations for action.

Engagements under implementation/development, 2011

Country	Project	Sector	TF program support
Ethiopia	Juice Processing	Agribusiness	Capacity building and formation of the Trade Union for small producers
Liberia	Wood chipping	Agribusiness	Technical Assistance to assess impact of wood chipping on charcoal producers and provide recommendations for mitigation activities
Sierra Leone	Liquid petroleum Gas	Oil and Gas	Support to carry out an Environmental, Occupational and Community Health and Safety Audit

Moma Titanium Mine by Kenmare Resources Ltd, Mozambique - Completed

12. 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. Once the action plan is fully implemented, this engagement will assist the company 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 addressed 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 which the project was initially required to comply with; however, Kenmare has stated that it will voluntarily comply with the new Performance Standards of 2007.
13. This engagement was 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 the Consortium worked closely with the client to develop detailed, costed action plans for controlling malaria and monitoring the impact of the adopted strategies. The activities included the distribution of bed nets (2,000 were distributed); community sensitization; and indoor residual spraying. Initially, it was challenging for Kenmare to be granted permission from the Ministry of Health to carry out the spraying, but in August 2011, the first spraying was completed, covering 4,803 houses in 8 villages. Three sprayings will be carried out each year for three years. Community sensitization was conducted before spraying, as well as education sessions held in schools. A new health centre is being constructed, financed by Kenmare, which will facilitate monitoring the impacts of the action plan. The results of the activities are expected to be gathered by the company and then MIGA plans to develop a report and perhaps tool kit so that the lessons learned can be shared with other companies and interested parties, where the Government of Japan's support will be emphasized.

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

14. Following the success of the first engagement with the West African Gas Pipeline Company (WAPCo), in 2008, the TF completed a second engagement in 2009. WAPCo 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.
15. In June 2009 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. Following the success of the first engagement, the project company asked that the same consultant return to provide training on livelihoods restoration and monitoring of activities. 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. 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.

16. The objective of this follow-up MIGA/WAPCo initiative was to assist the WAPCo staff to better understand the necessary components for the successful implementation of their livelihood restoration and community development programs by providing practical training on (i) developing a monitoring and evaluation component to track project impacts on peoples' livelihoods and results of mitigation measures; and (ii) livelihood restoration schemes (e.g. micro-finance, small businesses, money management) to support the social team in designing and implementing sustainable livelihood strategies. A training/workshop was facilitated by the consultant at the end of the engagement in order to disseminate knowledge beyond the client's staff. To this end, CARE International (NGO), Aeramr (a local NGO) and Bethesda, (local NGO), also participated in the workshop, providing their experience of livelihoods restoration activities in the area, as well as learning from the work of the consultant. MIGA also presented the experience of resettlement and livelihoods restoration gained during this consultancy at a workshop organized by the World Bank in Washington.

Essakane Gold Mine Project by Orezone Resources Ltd., Burkina Faso - Completed

17. The Essakane gold mine project consists of the design, development and operation of an open-pit gold mine located in northeast Burkina Faso. MIGA completed two TF-supported engagements with Orezone Resources concerning Essakane, one to carry out a review of their security system and the other to assess the interaction between the company and artisanal miners. The Essakane mine was an investment project under consideration for a MIGA guarantee; however, since MIGA began discussions with the investor which is a junior mining company, the company was sold to a large mining company, which indicated that it did not require a MIGA guarantee. Even though a guarantee was not issued, the technical assistance which was provided by the Trust Fund had an impact on the company's security system and also influenced how the company engaged with artisanal miners.
18. The first Trust Fund engagement that began in October 2008 provided support to Orezone Resources in their implementation of MIGA requirements under

Performance Standard 4 concerning community security. An international consultant visited the Essakane site in October 2008 to review the client's security management system. The consultant advised the company of changes needed to ensure compliance with MIGA standards (incorporating the Voluntary Principles on Security and Human Rights), and helped the company develop its security management system for the construction and operational stages of the project.

19. The second Trust Fund engagement began in December 2008 and provided additional technical support to address the social issues related to the presence of artisanal miners in the mining concession area. Development of an industrial-scale mine inevitably have impacts on artisanal miners, especially related to livelihoods security and these need to be analyzed and addressed, as required under the commitments established in Performance Standard 1. Thousands of artisanal miners could have been affected by this project and therefore a sustainable solution needed to be found so that the situation did not turn violent. The consultants visited the site and met with artisanal miners, middle men and local government in order to gather sufficient data from which to offer recommendations to Orezone. It was concluded that the situation was quite delicate and other recommendations included creating an industrial site for the miners; support to sectoral reform; and supporting fair gold¹. Orezone would need to work carefully with local government and ensure a transparent approach to managing the risks associated with artisanal miners.

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

20. MIGA 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 (SEMS) that considers the potential adverse social and environmental impacts of projects that it supports. SEMS is a MIGA requirement and BRD indicated its commitment to developing such a system, but because it is a small bank with limited capacity, it required MIGA's assistance. A consultant was therefore hired and spent several weeks in Rwanda at the BRD offices, developing a system which would be suited to the needs of the bank, taking into consideration the size and nature of the banks clients. Following the work of the first consultant, a second consultant provided remote support to the investments officers and managers who were implementing the system. The consultant was on hand to answer any queries, either via email or telephone and to iron out any teething problems inevitable when establishing a system of this kind.

¹ Fairtrade and Fairmined certified gold comes from artisanal and small-scale mining (ASM) organisations that meet the Fairtrade and Fairmined gold standard. This means the gold has been responsibly mined and that the miners have received a Fairtrade Minimum Price and Premium, which assists social, environmental and economic development in the communities. The term Fairtrade/ Fairmined recognises the partnership between FLO and ARM who jointly deliver the certified gold.

Following the conclusion of MIGA's engagement, the European Bank for Reconstruction and Development (EBRD), continued to support the implementation of the SEMS. This provided a great opportunity for establishing synergies with other development agencies and demonstrated the benefits of sharing knowledge and information for the wider good. The SEMS template is being used by MIGA for other financial intermediaries.

Vatenfall's investment in Buchanan Renewables Fuels (BRF) Wood chipping project, Liberia – Under implementation

21. Vatenfall holds a political risk guarantee from MIGA, issued in fiscal year 2011. The project uses defunct rubber trees to produce wood chips for export to Europe to burn for fuel. Charcoal producers also use the same rubber trees and, as the projects impacts on charcoal producers and consumers can be significant, yet not possible to predict before the operation starts, the TF hired a consultant to work with BRF to examine the impacts. The report is being finalised, however preliminary recommendations are for BRF to work with charcoal producers to increase their efficiency in charcoal production, and to work with them to develop alternative livelihoods strategies, including agriculture.
22. A workshop will be held to share the findings with external stakeholders including private sector, NGO's, government, etc., after the new year. The Japanese flag will be displayed on workshop materials to demonstrate the support of the Japanese Government. BRF is also interested in working with a second Trust Fund consultant to assess rubber production systems with small holders and offer recommendations for improvements to increase efficiency.

Africa Juice, capacity building and formation of an out-grower fair trade body, Ethiopia – Under implementation

23. The Africa Juice project consists of plantations of passion fruit, papaya and oranges, along with a fruit juice production plant in the central area of Ethiopia. The company is consciously engaged with the small holder fruit farmers who operate on land close to their farm and purchases fruit from these small holders on a regular basis. The company is cognizant of the lack of opportunity for these small holders and therefore suggested to MIGA that they would like to use TF assistance to help the farmers develop a Union based on fair trade principles. The benefits to the farmers of being members of such a union would be: increased access to markets; access to inputs at wholesale prices; access to credit and ability to command fair prices, etc. MIGA supported this idea and contracted a consultant to work with Africa Juice and the out-growers in order to design and develop the farmers union. The engagement started in January 2011 and is long term, expected to be completed mid 2012. To date, the consultant has completed the implementation report which lays out an action plan. Initial training has been provided to small farmers on fair trade requirements; organizational development and international best practices of out-growers programs.

24. In the coming months, further training will be provided along with the establishment of farmers cooperatives. Once the Trade Union has been established and is functioning, a workshop will be held in Ethiopia to share the knowledge gained to other interested parties, including private sector, farmers, NGO's, government, etc.

Other Opportunities

25. There are several projects in the pipeline and terms of reference will be shared with the Japanese office when their preparation starts.

E. Outcomes

Client feedback

26. Positive client feedback has been received from all clients. The West Africa Gas Pipeline Company provided positive feedback on the second engagement undertaken through the Trust Fund. According to the External Relations Manager, “The program is of utmost relevance to WAPCo’s social intervention initiatives, specifically its Community Development Program. Knowledge obtained from the recent program is directly applicable to the administration of livelihood restoration and its’ attending complexities.” Managers of BRD indicated that the company’s activities which the TF engagement most influenced were “identification and assessment of social and environmental risks in projects”. This is good news as the intention of the technical assistance was to assist BRD to more accurately identify such risks. Following the success of the malaria control consultancy, Kenmare Resources would be happy to receive further assistance from MIGA once a need is identified.

Independent Evaluation

27. The Independent Evaluation Group (IEG) completed an evaluation of the Trust Fund in 2010 and found it to have produced positive impacts in its engagements so far. The success of the TF was reported in IEG’s 10 year evaluation report which was presented to the Board and the strong recommendation was that the TF could have more benefit if it were to be expanded beyond just Africa providing further evidence in support of expanding the TF globally.

Information Sharing

28. MIGA presented the TF at a conference in April 2011, organized by the World Bank’s Social Development Network which had gathered together a number of participants from the regional centers for social development. This workshop aimed to facilitate cross-regional learning among those institutions in the World Bank client countries that already work on capacity building for social development, including such topics as land acquisition, resettlement, and social impact assessment. In addition, the workshop explored future modalities for collaboration among local institutions and regional centers for better

mainstreaming social dimensions into development projects. Participants were very interested in learning more about the TF and its engagements in social and environmental issues and in particular, resettlement and livelihoods restoration for communities.

F. Budget, spending, and procedural aspects

29. 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.
30. To date, approximately \$US 1,000,000 has been spent on TF activities which includes funding engagements as well as overheads, such as TF coordinator's time spent developing the engagements and dialogue with the client and consultant. There was a break in spending in 2010, as the funds were depleted, however, once funds were replenished, two further engagements have taken place in 2011 and more are in the pipeline, however, funding is limited to approximately US\$ 400,000 therefore not all requests can be funded. MIGA will be selective when deciding which engagements to undertake to ensure the funds remaining are used as effectively as possible.
31. For each of the engagements 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 engagement. It is an approach that clients have accepted. In the engagements 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 engagements.
32. The selection and procurement of consultants is carried out in accordance with World Bank Group procedures as advised by MIGA procurement specialists.
33. All Letters of Representation (LORs) have been completed and submitted electronically on a timely basis.
34. 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 the site where an engagement may take place.

G. Findings and Recommendations

35. The first few years 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. Over the last year, demand for the Trust Fund has increased in sectors outside of mining, such as in agribusiness and we have also seen a demand in the manufacturing sector, such as for cement production projects.
36. We continue to find 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.
37. We also continue to find 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 many of the completed engagements, clients have requested that additional Trust Fund-supported engagements be prepared.
38. We have found that the greatest need for Trust Fund support continues to be in relation to the social impacts of projects, however, the scope of assistance is quite diverse, ranging from resettlement activities to establishing a Fair Trade farmers union. As MIGA staff become more familiar with the TF and what it can be used for, a wider range of engagements are being brought forward for consideration. We have found that the TF can be further elaborated to become a centre of learning and that the information generated during each engagement is relevant for a wider audience than merely the project staff. To this end, a workshop is organized at the end of each engagement and opportunities to disseminate generated reports are sought. In future this will become increasingly important and innovative ways to spread knowledge will be explored.
39. During the period of Trust Fund activity many 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. To this end, MIGA has initiated dialogue with a number of donors, including the Swiss, Austrians, British and Swedish, in order to determine if they might be interested in offering funding to the wider initiative. So far, we have received positive feedback from the Swiss and the Austrians and will keep the Japanese informed of any concrete offers of funding which would lead to a change in the scope of the TF.

H Annexes

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Trust Fund to Address Environmental and Social Challenges

Annex 1

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

1. Engagement Summary

In May 2007, MIGA's Japanese-funded Environmental and Social Challenges Trust Fund launched its first engagement – 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. Engagement Execution

The Trust Fund engagement 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 engagement by collaborating to produce 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 engagement 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 engagement on Security and Human Rights with Anvil Mining and the Toolkit on Security and Human Rights (Democratic Republic of Congo).

1. Engagement Summary

In May 2007, MIGA's Trust Fund launched its first engagement – 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

3. Engagement Execution

This Trust Fund engagement 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 engagement 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 engagement 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. Documents on file

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: Engagement with West African Gas Pipeline Company on involuntary resettlement training (Nigeria, Benin, Togo and Ghana).

1. Engagement Summary

In July 2008, MIGA's Trust Fund launched an engagement 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. Engagement Execution

This Trust Fund engagement 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

Engagement 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.

Engagement 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: Engagement with Ugacof on an Environmental Health and Safety Audit of Ugacof's Facility and a Workshop on Environmental Health and Safety Standards (Uganda).

1. Engagement 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 engagement 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. Engagement 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 engagement 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 engagement 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. Documents on file

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 29th, Hotel Africana, Kampala, Uganda
- Client Feedback Form.

Trust Fund to Address Environmental and Social Challenges

Annex 5

Completion report: Kenmare MOMA Mining on Malaria Control for the Titanium Mine in Mozambique

1. Engagement Summary

In April 2008, MIGA's Japanese-funded Environmental and Social Challenges Trust Fund launched a new project – collaboration with Kenmare MOMA Mining on a Malaria Prevalence Study and Action Plan to assist Kenmare comply with MIGA's Performance Standards.

2. Background Information

Kenmare Resources PLC is headquartered in Dublin, Ireland and is listed in the Irish and London stock exchanges. Its principal activities are the exploration for commercial deposits of natural resources and the development and operation of mines. The company currently has one operational mining project - the MOMA Titanium Minerals Mine, located on the coast of northern Mozambique, in Moma District, Nampula Province. MOMA will produce ilmenite, zircon and rutile. In 2004, MIGA approved political risk guarantees for development of MOMA Titanium Mine.

Construction of the MOMA mine and processing facilities is complete. With the project switching into operational mode, it expects to employ 432 people for operations, of whom about half will be locally recruited and the rest expatriates or drawn in from other parts of Mozambique. Locally recruited staff live in their own homes; non-local staff live at the MOMA camp. Non-local staff work on rotational shifts traveling from other parts of Mozambique or from overseas.

Malaria is widespread in the area where the MOMA mine is located. The incidence of malaria has an impact on the mine's workforce and is a key issue of concern identified by the communities in the vicinity of the mine. There is growing experience of mining companies implementing programs to reduce the impacts of malaria on their operations and on neighboring communities through well planned and sustainable interventions. The overall goal of the engagement is to reduce the impact of malaria on the MOMA mine and its workforce by reducing the incidence and severity (including mortality) of malaria amongst the workforce and their families. In addition, and to the extent that is feasible with the long-term resources and partnerships (e.g. with donors, NGOs, government) that can be mobilized, the project will establish a detailed action plan to reduce the impact of malaria on the communities in the vicinity of the mine. The company has the scope to contribute to community projects, including on malaria control, through the Kenmare Development Association, KMAD, established by the company in 2004.

This trust funded assignment aims to assist Kenmare Resources PLC. in developing a malaria control workforce policy and action plan for Kenmare employees and contractors, and potentially for employees' families and the neighboring communities. The assignment will be executed by a consultant working in close cooperation with the management team at the mine, and will be informed by consultations with the local community and the relevant government agencies, and by the lessons learned from other mining operations' experience in implementing malaria control programs.

3. Engagement Execution

The Trust Fund project was executed by an independent consultant company selected for this assignment because of its international experience in implementing malaria prevalence studies and action plans and its local knowledge, having an office in Mozambique. The consultant worked under Terms of Reference jointly agreed by MIGA and Kenmare Mining. The costs of the engagement were shared by MIGA and Kenmare Mining.

The consultant carried out the survey in June 2008 and the three year Action Plan was completed by December 2008.

The consultant traveled to the project site and carried out the prevalence survey with a trained team. The sampling base was 650 households within a five to ten kilometer radius of the plant. The survey was completed over a two week period. Using the survey results, a three year action plan was developed.

4. Outputs and Achievements

The engagement had the following outputs:

- A three year action plan based on the results of the prevalence survey.

Engagement achievements:

1. Recommendations following the completion of the survey were for Indoor Residual Spraying (IRS) to reduce adult mosquito populations, together with community health worker capacity building and innovative information, education and communication packages. Lack of access to health services will be addressed through the provision of an ambulance and building capacity of Health Assistants in diagnosis and treatment. Bed nets will also be distributed.
2. Unfortunately the collection of blood samples could not be achieved as the Ministry of Health would not give permission. Kenmare continues to seek permission and once permission is

granted, will contract a qualified company to carry out the sampling which will further inform on varieties of mosquitoes and hence increase the accuracy of the spray program.

MIGA will continue to monitor Kenmare's implementation of the Malaria Action Plan at the MOMA Mine as part of its routine environmental and social monitoring of MIGA-supported projects once a guarantee has been signed.

5. Documents on file

The following documents are held in MIGEP files:

- Terms of Reference
- Letter of Agreement with Kenmare Mining
- Consultant's Final Report and Action Plan
- Client Feedback

Trust Fund to Address Environmental and Social Challenges

Annex 6

Completion report: Second Engagement with West Africa Gas Pipeline Company on involuntary resettlement training (Nigeria, Benin, Togo and Ghana)

1. Engagement Summary

In June 2009, MIGA's Trust Fund launched a second engagement with WAPCo to Assist the WAPCo staff to better understand the necessary components for the successful implementation of their livelihood restoration and community development programs. This was a training requested by WAPCo senior management following the successful completion of a first training in July 2008.

2. Background Information

The West Africa 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. Oversight in implementation have led to complaints by civil society organizations and community representatives 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 a second time to help address these issues through the provision of practical training to WAPCo.

3. Engagement Execution

This Trust Fund engagement was executed by an independent consultant selected for this assignment at the request of WAPCo, as she has previous experience in providing training to WAPCo 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 engagement were shared between MIGA and WAPCo.

The consultant traveled to Benin in June 2009 to conduct a 5-day training program. This included discussions in a classroom type environment, along with two days of site visits, to gain experience from other International and National NGO's who were implementing Livelihoods restoration projects.

4. Outputs and Achievements

Engagement outputs:

- A five day training workshop in Cotonou, Benin for staff from the four WAPCo country offices;
- Three days in discussion on Livelihoods Restoration and Monitoring and Evaluation
- Two Days site visits
- A report on the training provided and recommendations for follow up work to include further training on Monitoring and Evaluation, as well as linking the WAPCo staff to Livelihoods restoration training within the World Bank group.

Engagement achievements:

The training provided the opportunity for participants to see solid examples of Livelihoods restoration work around Cotonou, Benin. The staff also worked on indicators for monitoring and evaluating their activities, an area which is still in need of assistance and is one of the weakest areas of the Livelihoods work.

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 engagements 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.

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 Survey

Trust Fund to Address Environmental and Social Challenges

Annex 7

Completion report: First engagement with Orezone on Security and Human Rights for the Essakane Gold Mine Project (Burkina Faso)

1. Engagement Summary

In August 2008, MIGA's Japanese-funded Environmental and Social Challenges Trust Fund launched a new project – collaboration with Orezone Mining in developing an implementation plan for the Voluntary Principles on Security and Human Rights (VPSHR) in Orezone's operations at the Essakane Mine, for which the company is considering a MIGA guarantee and requires assistance in complying with MIGA's Performance Standards.

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).

Orezone 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.

3. Engagement Execution

The Trust Fund engagement 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 Orezone Mining. The costs of the engagement were shared by MIGA and Orezone Mining.

The consultant traveled to Burkina Faso in August 2008 to review Orezone Mining's security management system in the context of the requirements of the VPSHR. During this mission, the consultant met with and interviewed Orezone staff, local government and public security officials, security contractors, community members, and civil society organizations with interests in human rights issues. The purpose of this engagement was to study and make recommendations concerning the security conditions and recommend comprehensive implementation of the VPSHR.

4. Outputs and Achievements

The engagement had the following outputs:

- A study and report on security conditions and recommendations for the implementation of the VPSHR at the Essakane Mine

Engagement achievements:

- At the conclusion of the security study, three important next steps were identified:
 3. Orezone Corporate Management should demonstrate public buy-in to the VPSHR.
 4. Essakane should conduct a set of workshops to embed the VPSHR into the core values of the company.
 5. Orezone should conduct a focused security and human rights risk assessment at both national and site levels to develop an effective Action Plan to address security, human rights and social responsibility threats.

MIGA will continue to monitor Orezone's implementation of the VPSHR at the Essakane Mine as part of its routine environmental and social monitoring of MIGA-supported projects once a guarantee has been signed.

5. Documents on file

The following documents are held in MIGEP files:

- Terms of Reference
- Letter of Agreement with Orezone Mining
- Consultant's Final Report

Trust Fund to Address Environmental and Social Challenges

Annex 8

Completion report: Second engagement with Orezone on Artisanal Miners for the Essakane Gold Mine Project (Burkina Faso).

1. Engagement Summary

In December 2008, MIGA's Japanese-funded Environmental and Social Challenges Trust Fund launched a new engagement – collaboration with Orezone Mining in a peer-review of their planned approach to the interfaces with artisanal mining on their concession at the Essakane Mine, for which the company is considering a MIGA guarantee and requires assistance in complying with MIGA's Performance Standards.

2. Background Information

Since mid-2008, Orezone Resources, a Canadian based company, has held the concession to a 1,400 square kilometer gold mining area around Essakane in northern Burkina Faso. The project was initially developed by a Joint Venture between Goldfields Ltd and Orezone Resources Inc. The government of Burkina Faso owns 10% of the project.

Orezone Resources has applied for political risk guarantees from MIGA. A condition of MIGA guarantees is compliance with MIGA's Social and Environmental Policy and Performance Standards. These include requirements to identify the social impacts of the project and develop approaches to avoid, mitigate or compensate for negative impacts. One area of particular interest is the interface between the commercial mine and the thousands of Artisanal Miners which scrape a living from the site. The fear of losing access to artisanal mining concerns is one of the three key issues identified by communities during public consultation on the environmental and social impact assessments although Orezone expect that only a few of the orpailleurs working in the area will see their main orpaillage area interdicted by the mine operation

Orezone's approach to the interface with artisanal mining is based on a philosophy of 'live and let live'. Artisanal mining will be permitted to continue on land within the concession not required by Orezone; the land-take from artisanal areas will be minimized, and new land take communicated in advance to miners. Though artisanal miners will not be compensated for the loss of access to this land, they will be included in the project's "community development programs" and other measures for artisanal miners. The company's expectation is that full-time permanent or seasonal miners will move to other sites as access to land around Essakane declines. The company view is that working with the orpailleurs to "improve" their work performance or recovery is not an option for Essakane SA., and that by doing so on the land within their mining and exploration leases, they would *de facto* become responsible for any health, safety, environmental and other problems, like child labor, associated with orpaillage.

3. Engagement Execution

The Trust Fund engagement was executed by a consulting company, Monkey Forest, selected for this assignment because of their international experience in the area of Artisanal Miners throughout the world. The consultant team worked under Terms of Reference jointly agreed by MIGA and Orezone Mining. The costs of the engagement were shared by MIGA and Orezone Mining.

The consultant traveled to Burkina Faso and the mine site in December 2008 to: review the consistency of the proposed approach to artisanal mining with MIGA Performance Standards, in particular PS1 and PS5; advise on the feasibility of the proposed approach in the short term and under various scenarios (agreed with Orezone) for subsequent development of the site; identify any practicable options, such as a set of mitigation measures to avoid/prevent potential health, social and environmental problems, for achieving improved outcomes for Orezone and the existing community of artisanal miners; and outline the likely range of costs and other resources that would be required to implement the identified alternatives.

During the site visit the consultants will spent time with relevant Orezone staff; toured the site and met, as agreed with the Orezone managers, with community members, artisanal miners and buyers (middle men), locally based government agencies and NGOs relevant to artisanal mining.

4. Outputs and Achievements

The engagement had the following outputs:

- A study and report on the proposed approach to Artisanal Miners, as well as to identify any practicable options to avoid/prevent potential health, social and environmental problems.

Engagement achievements:

- At the conclusion of the site visit, Monkey Forest recommended a number of alternative options including;
 - Physically mapping the Artisanal Miners which Provides indicators of potential conflicts over sub-surface resources inside the concession.
 - Assess Informal Mining in the Country and Region which may provide replicable models for development and coexistence from other parts of the country.

- Move towards formalization of the Artisanal Miners Sector, in conjunction with local and national authorities, as well as Multinationals
- Create the Essakane Site Industrial Zone for the better management of effluents, discharges, toxic pollution, and water and helps manage potential reputation risk to Orezone.
- Implement Conflict Management Planning. A conflict-management plan identifies leaders of the miners, and creates mechanisms to address tensions before they spill over into conflict.
- Implement Communications Planning. Reputational risks are better managed with a proactive communications strategy.

MIGA will continue to monitor Orezone's interface with Artisanal Miners at the Essakane Mine as part of its routine environmental and social monitoring of MIGA-supported projects once a guarantee has been signed.

5. Documents on file

The following documents are held in MIGEP files:

- Terms of Reference
- Letter of Agreement with Orezone Mining
- Consultant's Final Report

Trust Fund to Address Environmental and Social Challenges

Annex 9

Completion report: First engagement with Banque Rwandaise de Developpement (BRD) on development of a Social and Environmental Management System (Rwanda)

1. Engagement Summary

In January 2009, MIGA's Japanese-funded Environmental and Social Challenges Trust Fund launched a new engagement – collaboration with Banque Rwandaise de Developpement (BRD) in developing a Social and Environment Management System (SEMS) in order to comply with MIGA's Performance Standards for Financial Intermediaries.

2. Background Information

BRD is Rwanda's development bank. It is owned by the Government of Rwanda, a number of bilateral development agencies, and several private investors. One of the banks private investors is the African Development Cooperation (ADC) which is a MIGA client. BRD's two main business lines are lending to SMEs and making investments in greenfield projects, including agribusinesses.

BRD did not have a strategy or plan for systematically checking social and environmental risks of projects that they support and incorporating policies to control/mitigate social and environmental risks. However, BRD indicated its commitment to establishing a system which will incorporate policies/standards and ensure compliance throughout its investment procedures. This was also a condition of the contract which ADC signed with MIGA.

In all cases involving more than minimal risk of adverse social or environmental impact, the investor must ensure an appropriate (commensurate with the potential environmental and social risks) Social and Environmental Management System (SEMS) is in place and followed by the local financial intermediary (the project enterprise). The purpose and function of the SEMS is to ensure that in the activities being financed, the social and environmental risks are properly assessed and mitigated

MIGA and BRD agreed in principle to draw on the trust fund to support the company develop a social and environmental management system for project finance.

3. Engagement Execution

The Trust Fund engagement was executed by an independent consultant selected for this assignment because of her international experience in developing SEMS with the International Finance Corporation (IFC). The consultant worked under Terms of Reference jointly agreed by MIGA and BRD. The costs of the engagement were shared by MIGA and BRD.

The consultant traveled to Rwanda in February 2009 and spent two weeks with BRD staff, reviewed their risk assessment system and developed an appropriate SEMS to fit in with the already existing system. During this mission, the consultant met with and interviewed BRD staff and visited many government institutions to gather essential data on the guiding laws concerning the environment, forestry, agriculture, labour, trade and industry, national cultural heritage.

4. Outputs and Achievements

The engagement had the following outputs:

- A Social and Environmental Management System was developed which is appropriate to the size and nature of the investments BRD is likely to make.

Engagement achievements:

- At the conclusion of the assignment training needs were identified which will ensure the system is being incorporated into the already existing risk assessment system. MIGA has identified a consulting group which will provide some of this training and part of the needs will be met through a consultant hired by the European Investment Bank (EIB)

5. Documents on file

The following documents are held in MIGEP files:

- Terms of Reference
- Letter of Agreement with BRD
- Consultant's Final Report, including the SEMS
- Client Satisfaction Survey

Trust Fund to Address Environmental and Social Challenges

Annex 10

Completion report: Second engagement with Banque Rwandaise de Developpment (BRD) on Implementation of a Social and Environmental Management System (Rwanda)

1. Engagement Summary

In June 2009, MIGA's Japanese-funded Environmental and Social Challenges Trust Fund initiated a follow on engagement with Banque Rwandaise de Developpment (BRD) in implementing a Social and Environment Management System (SEMS) which was developed during the first engagement.

2. Background Information

BRD is Rwanda's development bank. It is owned by the Government of Rwanda, a number of bilateral development agencies, and several private investors. One of the banks private investors is the African Development Cooperation (ADC) which is a MIGA client. BRD's two main business lines are lending to SMEs and making investments in greenfield projects, including agribusinesses.

BRD did not have a strategy or plan for systematically checking social and environmental risks of projects that they support and incorporating policies to control/mitigate social and environmental risks. However, BRD indicated its commitment to establishing a system which will incorporate policies/standards and ensure compliance throughout its investment procedures. This was also a condition of the contract which ADC signed with MIGA.

In all cases involving more than minimal risk of adverse social or environmental impact, the investor must ensure an appropriate (commensurate with the potential environmental and social risks) Social and Environmental Management System (SEMS) is in place and followed by the local financial intermediary (the project enterprise). The purpose and function of the SEMS is to ensure that in the activities being financed, the social and environmental risks are properly assessed and mitigated

The system was developed during the first Trust Fund Engagement and MIGA and BRD agreed in principle to draw on the trust fund once more to support the company implement the system.

3. Engagement Execution

The Trust Fund engagement was executed by a consultant company selected for this assignment because of their international experience in training and advising on SEMS implementation. The consultant worked under Terms of Reference jointly agreed by MIGA and BRD. The costs of the engagement were shared by MIGA and BRD.

The consultant traveled to Rwanda in June 2009 and spent one week with BRD staff providing training on the implementation of the SEMS. Investment Analysts were trained at the bank on the technical implementation as well as on field visits to see projects in action and to discuss the potential social and environmental issues.

Following the training in Rwanda, the consultant provided 8 hours of remote training, via email and telephone, on issues which arose whilst Investment analysts were assessing potential projects. Some of the issues which were dealt with remotely covered social and environmental aspects of projects in the tourism industry for a hotel construction, as well as issues related to the Health Safety Environment and Community (HSEC) assessment of a coffee bean washing station for a coffee project.

Outputs and Achievements

The engagement had the following outputs:

- A Social and Environmental Management System is in place and being implemented.

Engagement achievements:

- Investment analysts were trained on the proper implementation of the SEMS. They conducted a number of field visits to examine projects and identify their potential social and environmental issues.
- Remote support was provided for 8 hours through December 2009. Issues discussed were related to the tourism industry, and the coffee industry
- Recommendations included the development of a two year continual training program which will increase the skills of the investment analysts in identifying social and environmental issues of projects and then asking the investor to address these issues in line with MIGA Performance Standards.

4. Documents on file

The following documents are held in MIGEP files:

- Terms of Reference

- Letter of Agreement with BRD
- Consultant's Final Report, including the SEMS
- Client Satisfaction Survey