



policy and  
evaluations

A new Policy and Evaluations Office was created at the beginning of fiscal 2001 to facilitate independent assessments of the impacts of MIGA-guaranteed investments, to further ensure the independent review of environmental impacts of prospective and current MIGA projects, and to better coordinate policy formulation with other parts of the World Bank Group.

#### ENVIRONMENT

MIGA goes to great lengths to ensure that all guaranteed projects comply with all relevant environmental policies and guidelines. This year, MIGA's environment officers undertook due diligence reviews of, and provided clearance for, 50 prospective MIGA guarantees. Announcements of the availability of Environmental Impact Assessments for all new sensitive (Category A) projects considered by MIGA during fiscal 2001 were posted on MIGA's Web site. MIGA worked cooperatively with IFC's environment staff on joint environmental reviews of several MIGA-IFC projects.

#### DEVELOPMENT IMPACTS

As detailed in the "MIGA in Focus" chapter, assessing the developmental impacts of MIGA-supported projects is a vital part of ensuring that MIGA is fulfilling its developmental mission. The Operations Evaluation Unit continued the efforts of previous years by monitoring and evaluating 12 projects in Colombia, Guatemala, Pakistan, Peru, Romania, and Venezuela, underwritten during fiscal 1990-1997. Descriptions and assessments of MIGA activities in Bulgaria, Haiti, and Russia were coordinated with the evaluation efforts of the World Bank's Operations Evaluations Department.

**box 9 COMPLIANCE ADVISOR/OMBUDSMAN**

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During fiscal 2000, a new IFC–MIGA Office of the Compliance Advisor/Ombudsman (CAO) was created. The CAO promotes better accountability to people affected by IFC and MIGA projects. It is an independent office, reporting directly to the president, rather than to IFC or MIGA management. The CAO carries out its function in three ways: by serving as ombudsman, responding to concerns from outside the organization; by advising on compliance with safeguard policies; and by auditing compliance with those policies. Its mandate is to assist people affected by IFC– and MIGA–supported projects by addressing complaints in a fair, objective, and constructive manner and to enhance the social and environmental impact of such projects.

In its advisory role, the CAO provides informal and formal advice on policies, procedures, practice, and projects, an activity that does not prejudice the involvement of the CAO in its other roles. During fiscal 2001, MIGA was subject to a compliance review, which covered the Antamina project in Peru and was pleased with the review's findings regarding MIGA's approach to environmental due diligence during underwriting.

Using its flexibility, the CAO also seeks to develop mechanisms to resolve complainants' issues and to avoid future problems. This may take the form of negotiations, mediation, or fact-finding involving IFC and MIGA staff, project sponsors, and the affected parties. To ensure that people who need the CAO's services know how to access them, the CAO is now making its operational guidelines available in print and electronically in Arabic, Chinese, English, French, Portuguese, Russian, and Spanish.

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**POLICY COORDINATION**

Ensuring proper coordination of activities among various World Bank Group members is crucial to effectively utilizing MIGA's resources and avoiding duplication of others' services. To that end, MIGA staff participated in many joint task forces (for example, on assistance to middle-income developing countries). Additionally, MIGA officers took part in joint missions and conferences and gave presentations on MIGA's activities to a variety of audiences, from government ministers to university students.

## box 10 EVALUATION EFFORTS—A CASE STUDY \*

**KASESE COBALT COMPANY LTD. (KCCL), Uganda**

KCCL is one of the larger projects in MIGA's portfolio in Africa. It is a prime example of how private and public resources can be combined to make a significant contribution to the development process. After several years of planning and construction, the plant began to produce high-quality cobalt from stockpiled concentrates generated by an old mining operation in southwestern Uganda in November 1999. KCCL was visited by a MIGA monitor in April 2000 as part of MIGA's ongoing project evaluation program. The evaluation found that this project has already generated significant developmental benefits for an economically depressed area in a highly indebted poor country. It has successfully improved the environment by stopping contamination and erosion stemming from inadequate storage of stockpiles left by a closed copper mine. The project is also noteworthy as a large, high-profile investment that began at a relatively early stage of Uganda's economic reform program. The project's success is an example of how coordinated efforts by members of the World Bank Group, efficiently combining their specialized instruments, can yield desirable development outcomes.



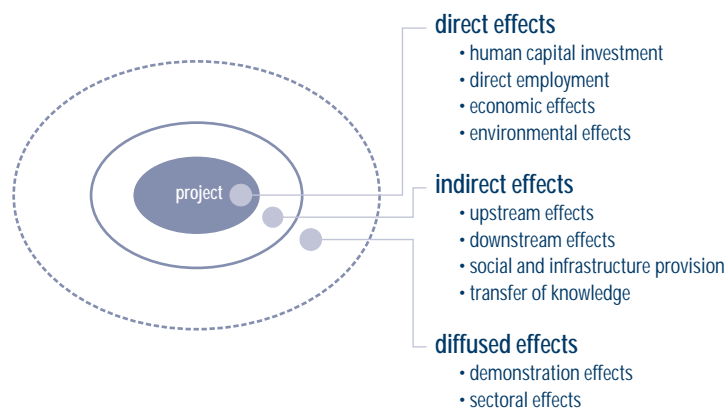
photo | KCCL is a good example of the direct, indirect, and diffused beneficial effects that MIGA-insured projects often have.

Between fiscal 1992 and 1998, MIGA issued six guarantees for several equity investors and lenders involved in the Kasese project, for a total of \$75.6 million in coverage; these contracts were at times amended to reflect changes in the ownership structure of the company. Currently, MIGA insures Banff Resources Ltd. of Canada for its equity and Banff as well as LaSource S.A.S of France for a loan guarantee of about \$49 million.

MIGA's early involvement with the project in 1992 created a favorable environment for IFC, which subsequently supported KCCL with a loan of \$16 million and \$3.6 million in equity. Supplementing the involvement of private investors and lenders, MIGA, and IFC are the European Investment Bank (EIB), and the French government development agency, PROPARGO. MIGA insurance was essential for securing debt financing from private banks for the construction of the project. The project is also an interesting case in point for private-public partnership since private investors, development institutions, and the government of Uganda all hold shares in the company.

The Kasese project demonstrates the significant direct, indirect, and diffused effects of a successful foreign investment that almost certainly would not have taken place without MIGA support. The figure below illustrates what MIGA seeks to assess for every project it evaluates.

## TYPES OF DEVELOPMENTAL IMPACTS \*\*



**DIRECT IMPACTS** The Kasese project is one of the largest direct investments in the country to date. It is expected to generate even more significant developmental impacts on the economy of Uganda and its impoverished southwestern region. MIGA evaluations staff found that the project has already been even more effective than initially estimated. The project employs 326 people, significantly more than the 200 initially anticipated. The plant will also have a positive impact on Uganda's balance of payments, by providing an estimated \$35 million per year in export revenues in a country still heavily dependent on coffee exports. Government revenues will benefit from duties, taxes, and dividends. The exact magnitude of those contributions, however, will depend on the world price of cobalt, which has shown considerable volatility. Additionally, the project is implementing a training program that teams local "understudies" with each managerial, technical, and professional position. This will provide back-up staff and should facilitate the gradual replacement of expatriates with Ugandans.

KCCL has already spent more than \$2.5 million to prevent further damage to the environment as a result of leaks from the improperly stored stockpiles it inherited. Years of neglect had caused stockpiled material to be washed downslope, threatening local communities, a habitat in a nearby lake, and a National Park. This erosion has been stopped through the implementation of a closure and rehabilitation plan. The environmental situation is expected to improve further as stockpiled material is being processed by the plant, removing the major source of pollution. KCCL has also acted as a catalyst for innovative environmental projects in the area. For example, it has initiated and supported revegetation schemes and a wetlands project that will benefit the region in future years.

**INDIRECT AND DIFFUSED EFFECTS** The Kasese project is fostering social development and infrastructure improvements in the local community. Several anticipated benefits have already been realized, such as improved access to clean water and low-cost power. The project has also attracted unanticipated community development funding from the EIB for several local improvement projects, including the establishment and upgrading of local health centers, the construction of bridges, and pavement of dirt roads. The company estimates that economic activities valued at approximately \$600,000 are injected annually into the local economy from employees' wages. The company has also successfully implemented a new and innovative technology (bio-oxidation), which is considered an environmental best practice.

Diffused effects, which by their very nature are difficult to measure, are significant for this project, particularly with regard to the demonstration effect of a successful foreign investment in Uganda. As one of the earliest major foreign investments in Uganda, it accounted for more than 10 percent of total private foreign investment into the country from 1990 to 1998. The project has received numerous awards from the government. There is no doubt that this project has contributed to the enhancement of Uganda's investment image by sending a positive signal to other potential investors. It also demonstrates to other investors considering projects in developing countries that collaboration between private companies and banks, as well as multilateral and developmental institutions, can be very effective—resulting in both a commercial success for the private investors and lenders and an improvement of the host country's economy.

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\* *The complete case study may be found in MIGA's recent publication, *Investment Insurance and Developmental Impact*, pp. 74–89; see box 3 for ordering information.*

\*\* *ibid*, p. 40.