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WORLD BANK INSURANCE ARM FAILS TO PROTECT LOCAL COMMUNITIES, AUDIT FINDS

Bank's Compliance Office Reveals Due Diligence Failures in DR Congo Mining Project

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(Washington, D.C.) A World Bank report investigating its support for Anvil Mining's Dikulushi project in the Democratic Republic of Congo (DRC) finds systemic problems in the way the Bank's political risk insurer does business. According to the report, the Multilateral Investment Guarantee Agency (MIGA) evaluated the risks of conflict to its client and their assets, but did not adequately consider the risks that the project poses to local communities in the volatile Katanga region of the DRC. Congolese and international civil society organizations welcomed the overdue release of the report and called for immediate action on its recommendations. The groups urge the Bank to overhaul MIGA's treatment of social risk and require that all companies receiving Bank support comply with international human rights standards and protections for local communities.

MIGA approved political risk insurance for Anvil's Dikulushi copper-silver mine in September 2004, as the DRC was slowly emerging from years of natural resource-fueled conflict. One month later, Anvil Mining allegedly provided logistical support to the Congolese army during a violent counter-offensive to suppress a small-scale rebel uprising in the town of Kilwa, near Dikulushi. According to the United Nations, as many as 100 civilians were killed during the military offensive. After an Australian television broadcast in June 2005 exposed Anvil's reported role in the incident, World Bank President Paul Wolfowitz directed the CAO to conduct an audit of MIGA's due diligence for the project.

"The report has been anxiously awaited by the families of the victims. Its findings are important for all companies operating in Katanga," said Hubert Tshiswaka, executive director of Action Against Impunity for Human Rights, a Congolese organization based near Dikulushi.

The CAO did not examine the Kilwa incident or Anvil's alleged complicity, which is subject to an investigation by the Australian Federal Police. However, the report finds that MIGA did not "explicitly consider the risks that Anvil's presence might either have an impact on the dynamics of conflict, or that security provisions for the Dikulushi project could indirectly lead to adverse impacts on the local community."

"The CAO's findings validate concerns that have been raised in the past about critical weaknesses in MIGA's treatment of social issues," said Nikki Reisch, Africa program manager for the DC-based Bank Information Center. "As the World Bank continues to extend its support to private companies in the name of sustainable development and poverty reduction, shortcomings in its social due diligence must be addressed urgently. The lives of people affected by the Bank's projects could depend on it."

"It's unacceptable that MIGA takes its clients' word that they will address important matters of policy or practice without assessing whether clients have the capacity to understand or implement requirements,"

said Patricia Feeney, executive director for UK-based Rights and Accountability in Development. “Unless MIGA assures itself that companies are able to implement the Voluntary Principles on Security and Human Rights, one cannot have full confidence that necessary actions will be taken to avoid adverse impacts on communities or the environment.”

Developed in response to the human rights violations and conflict associated with a number of mining and oil projects, the Voluntary Principles on Security and Human Rights provide recommendations for managing public and private security forces in a manner that protects and promotes human rights. Compliance with the Voluntary Principles, which the World Bank says it requires of its clients, should help avoid abuses like those that occurred in Kilwa. The CAO reiterated the importance of compliance with the Voluntary Principles and issued other recommendations, which have significant implications for future World Bank operations in countries emerging from conflict.

For more information:

RAID’s web page for the Dikulushi project: http://www.raid-uk.org/work/anvil_dikulushi.htm.

The CAO’s web page: <http://www.cao-ombudsman.org/html-english/DemocraticRepublicofCongo.htm>