

**Action Contre l'Impunité pour les Droits Humains (DRC) –  
Bank Information Center (USA) – CEDHOC (DRC) – CENADEP (DRC) – CEPCO (DRC)  
– Environmental Defense (USA) –  
Friends of the Earth (USA) – Héritiers de la Justice (DRC) – RAID (UK) – Rainforest  
Foundation (Norway) – Rainforest Foundation (UK) –  
Réseau Forêt Maniema, with endorsements from 13 local NGOs (DRC) –  
Réseau CREF (DRC) – Syndicat NDS (DRC)**

June 17, 2004

Mr. James D. Wolfensohn  
President  
The World Bank  
1818 H Street NW  
Washington, DC 20433

**Emergency Recovery Loans for the Democratic Republic of Congo (DRC) and  
World Bank Safeguard Policies**

Dear Mr. Wolfensohn,

We are writing to seek clarification on the implementation of the World Bank's lending program in the Democratic Republic of Congo (DRC) and its compliance with the Bank's safeguard policies. Since 2001, the World Bank has approved eight loans, grants and credits for the Democratic Republic of Congo totaling nearly US\$1.7 billion. The majority of these loans have been classified as "emergency recovery loans" or as structural adjustment loans. Therefore, no environmental assessments for these projects have been completed, nor have the requirements of other World Bank safeguard policies, which are meant to ensure broad-based poverty reduction benefits, been applied.

DRC is struggling to emerge from a devastating conflict which has cost an estimated three million lives and which has largely been fueled by the illegal exploitation of the country's wealth in natural resources. In view of this situation, exceptional care in implementing the Bank's safeguard policies is necessary to ensure transparency and local participation as the lynchpins of democratic development and a sustainable economy.

*Emergency Multisectoral Reconstruction and Rehabilitation Project*

In August 2002, the World Bank approved a US\$454 million credit for the Emergency Multisectoral Rehabilitation and Reconstruction Program (EMRRP) in DRC, including subcomponents for infrastructure rehabilitation and reconstruction, agriculture, and social services development. Although the EMRRP is classified as environmental assessment Category A (“likely to have significant adverse environmental impacts that are sensitive, diverse, or unprecedented”), it was processed as an “emergency loan” under OP 8.50. Therefore, no environmental assessment or other safeguard policy evaluation was conducted prior to project approval.

According to the EMRRP documents available on the World Bank’s website (the Project Information Document, the Integrated Safeguards Data Sheet, and the Appendices to the Technical Annex), a full Strategic Environmental Assessment (SEA) – which will be called the Environmental and Social Management Process Framework (ESMPF) – will be completed within one year of project effectiveness. The applicability of the remaining nine safeguard policies will be determined during the preparation of the ESMPF and the environmental assessments for the EMRRP projects (which were not yet defined at the time of project approval). The Integrated Safeguards and Data Sheet from April 2002 states that the Executive Summary of the Environmental Assessment would be distributed to the Bank’s Executive Directors by July 1, 2003.

However, according to the World Bank’s Task Team Leader for the EMRRP, project implementation did not begin until approximately January 2003. **Therefore a final SEA, based on in-country consultations on a draft SEA, should have been disclosed by January 2004.** In February 2004, the Task Team Leader for the EMRRP said that he expected the SEA “to be completed in the coming few months” (delays were attributed to the government’s recruiting of a consulting firm). **While there is no public information available on the status of the project’s implementation, the EMRRP is scheduled to close in approximately one year (June 2005) and to date none of the requirements of World Bank safeguard policies have been met for this US\$454 million project.**

### *Emergency Economic and Social Reunification Project*

In September 2003, the Bank approved a US\$214 million Emergency Economic and Social Reunification Support Project (EESRSP). According to the Bank, this project is designed to extend economic reforms and infrastructure rehabilitation throughout the country. The EESRSP also includes a forest component to support the “zoning” of DRC’s forests, an activity that will potentially affect the rights and livelihoods of millions of DRC’s poorest people. According to the Integrated Safeguards Data Sheet, the project is expected to trigger safeguard policies on forestry and involuntary resettlement.

**However, the EESRSP was also processed under OP 8.50 as an emergency recovery loan, and therefore no safeguard requirements applied at the time of loan approval. Furthermore, the EESRSP was classified as an environmental assessment Category B project, requiring a less rigorous environmental assessment despite the scope of the project, its impacts on DRC’s forest sector, and the potential for involuntary resettlement.** The justification given for this classification is incorrect – namely that “the EERP [Emergency Early Recovery Project] and the EMRRP [Emergency Multisectoral Reconstruction and Rehabilitation Project] which included similar infrastructure rehabilitation activities received a similar classification.” The EMRRP is in fact a Category A project.<sup>1</sup>

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<sup>1</sup> The EMRRP PID originally classified the project as Category B, but according to more recent documentation – and the World Bank’s website – the project has been upgraded to Category A.

### *Private Sector Development and Competitiveness Project*

Another 2003 DRC project, the US\$120 million Private Sector Development and Competitiveness Project (PSDC), was not processed as an “emergency recovery loan” under OP 8.50. Nevertheless, there are concerns regarding the lack of transparency and the environmental due diligence of this project. The project aims to promote private sector development through investment climate improvements, economic development in the Katanga region, and the privatization of state-owned enterprises, such as the mining company Gecamines. The PSDC was classified as environmental assessment Category B and an environmental audit was conducted for six of the parastatals slated for “public enterprise reform”. **However, the critical initial environmental audit and subsequent environmental management plan for Gecamines has not been released to the public. Despite the fact it was delivered to the World Bank and the DRC government by the consultants, SNC-Lavalin, in July 2003, and despite repeated requests from Congolese groups, they remain confidential.** Failure to make the audit available is a violation of the World Bank’s environmental assessment policy.

The delay in releasing the environmental audit is particularly hard to accept given the dangerously unstable state of many tailings dams, which mining experts believe require immediate attention. In addition, the continuing unregulated exploitation of *hétérogénite* (cobalt hydroxide) from mining deposits and ore bodies that contain uranium and other radioactive minerals not only constitutes a threat to the health and safety of artisanal miners and their families — and to the wider community in Katanga — but also poses a potential threat to international peace and security, as reported in March 2004 by Reuters and the BBC. The World Bank should assist the DRC government in developing immediate measures to improve the working conditions of artisanal miners involved in the exploitation of *hétérogénite*.

### *Governance, Conflict and Natural Resources*

The Project Information Document for the EESRSP justifies its classification as an emergency recovery loan with the statement, “It should be noted that the [DRC] emergency was in no way related to inappropriate environmental management practices.” We would argue that this

statement is entirely false. While the DRC conflict is complex and multi-faceted, illegal natural resource exploitation – and therefore inappropriate environmental management – is widely considered to have been one of the conflict’s primary drivers and is an ongoing threat to political stability.

The UN Security Council has clearly identified the dangers to DRC from “corrupt and criminal elites” involved in exploitation of the country’s natural resources. The January 2003 UN Security Council Resolution 1457 called for “*States, international financial institutions, and other organizations to assist Governments in the [DRC] region in efforts to create appropriate national structures and institutions to control resource exploitation.*” The UN Security Council Resolution argues that “appropriate national structures” should be put in place *before* there is a mass “reorganization” of DRC’s “natural resources.”

Additionally, recent reports by the World Bank’s Operations Evaluation Department (OED) and the Extractive Industries Review (EIR) have documented the need to ensure an adequate level of macroeconomic and sectoral governance before expanding investment in the extractive industries. In a 2003 World Bank study, DRC had some of the lowest ratings of the 199 countries reviewed for all six dimensions of governance, including voice and accountability, political stability, government effectiveness, regulatory quality, rule of law, and control of corruption.<sup>2</sup> Disturbingly, a USAID-commissioned study on DRC’s forest sector concludes that DRC institutions in general have been incapable of managing natural resources in a transparent and non-corrupt manner.<sup>3</sup>

The DRC government’s ability to manage the environmental and social requirements of the Bank’s safeguard policies would seem to be one indication of the country’s level of governance and institutional capacity. Despite more than US\$1 billion worth of lending to DRC, including adjustment loans<sup>4</sup> which supported the restructuring of the mining and the forest sectors, no

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<sup>2</sup> Kaufmann, Kraay, Mastruzzi, “Governance Matters III: Governance Indicators for 1996-2002,” World Bank, June 30, 2003.

<sup>3</sup> The study “Conflict Timber – Africa Case Studies” was carried out by ARD Consultants and is available at <http://www.rainforestfoundationuk.org>.

<sup>4</sup> The Extractive Industry Review has called for mandatory environmental and social impact assessments for adjustment lending in countries with significant extractive industries. Given the emphasis on these sectors for

environmental assessments have been completed and the DRC government's capacity to comply with World Bank safeguard policies has not been demonstrated.

Given the size and the scope of the Bank's portfolio in the DRC – and the country's history of conflict, particularly around the exploitation of natural resources – the timely and comprehensive application of the Bank's safeguard policies would seem to be a minimum risk-mitigation requirement. If the DRC implementing agency does not have the capacity to recruit and manage consulting firms to develop environmental assessments, then its capacity to manage these projects and their risks is questionable. Furthermore, the failure to comply with these safeguard policy requirements raises questions regarding both the government's and the Bank's capacity to ensure compliance with the UN Security Council Resolution.

In light of the issues raised above concerning the World Bank's portfolio in DRC and compliance with World Bank safeguard policies, we would like to pose the following specific questions:

1. What justification did the World Bank provide to the Board of Directors to waive safeguard policy requirements for DRC's EMRRP and EESRSP, given the OP 4.01 directive: "The [environmental assessment] policy set out in OP 4.01 normally applies to emergency recovery projects processed under OP 8.50, *Emergency Recovery Assistance*"?
2. What is the status of the environmental assessment process for the EMRRP and the EESRSP, and what consultations have been conducted in DRC to date?
3. How will the clear intent of the environmental assessment policy to guide project design and to identify "preventive measures over mitigatory measures" be put into practice in the context of the Bank's loans to the DRC?
4. Concerning the loans with impacts on forests, how is the World Bank implementing OP 4.36 on Forests, especially its requirement of recognition and respect for any legally documented

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DRC's economic recovery and the far-reaching implications of the Economic Recovery Credits, including a revision of the forest and mining code, the Bank should have heeded this advice in DRC.

or customary land tenure and use rights, as well as the rights of indigenous peoples and workers? Have poverty assessments been carried out that demonstrate how new forest zoning will contribute to reducing poverty and to sustainable economic development as required by OP 4.36?

5. In view of the gravity of the problems with Gecamines' mine sites and dilapidated plant, urgent remedial action is needed. When will the environmental audit and management plan for Gecamines be released?
6. What steps does the World Bank plan to take to help the DRC government improve the dangerous working conditions of artisanal miners in Katanga?

Mr. Wolfensohn, responsible investment to rebuild the country's shattered economy to the benefit of the Congolese people is desperately needed. Meticulous implementation of the World Bank's safeguard policies could make a decisive contribution to ending the plunder of DRC's minerals, timber and other resources, and the untold suffering of millions of people.

We look forward to receiving your response to these questions and to the broader issues raised in this letter.

Sincerely,

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Environmental Defense

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pour 13 organisations locales :

1. MANIEMA-LIBERTES [MALI]
2. MESSAGERS DE PAIX EN AFRIQUE

3. ENCADREMENT ET DEFENSE DE DROITS DE L'HOMME / Eglise CELPA [EDDH/5eme CELPA]
4. EGLISE CATHOLIQUE LIBERALE
5. ASSOCIATION DE DEVELOPPEMENT DES INITIATIVES
6. ASSOCIATION POUR LA PROMOTION ET DEFENSE DE DROITS DES ENFANTS ET FEMMES DU MANIEMA [APRODEF]
7. EGLISE 8eme CEPAC
8. CONSEIL ET DEFENSE DE DROITS DES ORPHELINS ET VEUVES [CODOVEMA]
9. ASSOCIATION DES VOLONTAIRES DE LA PROTECTION DE ENVIRONNEMENT MANIEMA [AVEMA]
10. CENTRE DES JEUNES DU MANIEMA [CJM]
11. ESPACE VERT MANIEMA
12. CENTRE TECHNOLOGIQUE D'APPUI AU CO-DEVELOPPEMENT [CETAC-D]
13. BUREAU ISLAMIQUE DE DEVELOPPEMENT [BID]

Cc : World Bank Executive Directors

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