



AGREEMENT TO NEGOTIATE

Complaint Regarding IFC's Involvement in
the Pan African Paper Mills project

DECEMBER 1, 2008

Office of the Compliance Advisor/Ombudsman
International Finance Corporation/
Multilateral Investment Guarantee Agency

Agreement to Negotiate

Following a review and further discussion of the CAO Ombudsman Preliminary Assessment report (distributed to the parties on Oct. 1, 2008), the parties confirmed to CAO they reached agreement to pursue a negotiated approach to resolving the complaint. Specifically, the complainants (RECONCILE and CEDEP) and the company (PPM) have agreed that:

1. There is a need to develop a stakeholders' forum for consultation and exchange of information which will address community concerns, present or future, including any specific complaints that have been raised regarding the social and environmental impacts of the project.
2. The stakeholders' forum will include PPM, CEDEP, and RECONCILE representatives, and also include representation from a cross section of people from the community, including institutions and other prominent leaders.
3. The stakeholders' forum will review PPM's proposed Community Engagement/Communication Plan for adoption as a blueprint for addressing community issues, including the current complaints.
4. A systematic approach to dialogue could effectively address the issues raised in the complaint, as well as concerns that exist throughout the wider community. These issues should include – but not be limited to – PPM's commitment to corporate social responsibility and concerns about the company's environmental performance.
5. The Company plays a key role in the economy of the country at large and the Webuye region in particular, and residents value its presence. Thus, all stakeholders who participate in this process must be willing to engage in good faith, and should agree to address/ resolve the concerns as practically and amicably as possible.

The parties have further agreed that the assistance of a third-party facilitator would help to ensure a fair, balanced and inclusive stakeholder engagement process. The CAO Ombudsman, in partnership with an independent Kenya-based dispute resolution organization, will assist with the launch of the proposed Stakeholders' Forum by:

- Facilitating an initial process-design meeting between PPM, CEDEP, RECONCILE, and any additional stakeholders identified and agreed by the parties. The meeting would aim to:
 - establish and agree overall goals;
 - identify any additional stakeholders, alternates, or others with issue-specific knowledge or expertise, and how those stakeholders will be invited or requested to participate; and
 - identify an appropriate convener for the forum.
- Facilitating meetings of the full Community Forum and/or its subcommittees, aimed at establishing and launching a work plan, ground rules, and key milestones and time frames for initiation and completion of any activities the group agrees to undertake.
- Facilitating no more than three additional meetings of the full Forum and/or its subcommittees, only at the parties request, in order to assist the parties in advancing its agreed goals and implementation of agreed work plans.