

March 9, 2006

MIGA Management Response: CAO Audit of IFC's and MIGA's Due Diligence for Two Pulp Mills in Uruguay

1. MIGA Management welcomes the audit by the CAO of MIGA's due diligence on the proposed Orion pulp mill in Uruguay, is encouraged by the findings and conclusions, and supports the recommendations. We would note in particular that the CAO audit found that:
 - a) MIGA's process of due diligence on the Orion project was in compliance with our policies and procedures;
 - b) MIGA had reviewed the complete and final Spanish and English language version of the Environmental Assessment undertaken by Botnia for the Orion plant, including the assessment of cumulative impacts that Botnia had undertaken as a supplementary review at the request of the Uruguay regulatory authority DINAMA;
 - c) The decision by MIGA to disclose the Orion Environmental Assessment was fully documented in our clearance memorandum; and
 - d) All the issues that MIGA had raised with Botnia during the course of our environmental due diligence were resolved by Botnia prior to disclosure.
2. The CAO audit makes four recommendations. Three apply to both MIGA and IFC, while one applies to IFC only. Of the three that apply to MIGA:
 - a) The CAO recommends that procedures be implemented in both IFC and MIGA that would clarify the process to be followed should new information come to be known following disclosure of the Environmental Assessment (EA), which would indicate that the EA as disclosed might not have been adequate. This is of course always possible and such new information may well come to light precisely because of the disclosure itself. MIGA has in the past treated this based on the circumstances of each particular case. If the new information was of a serious enough nature that would indicate that the EA, as disclosed, did not meet the standard required for disclosure, then the EA would need to be revised to meet the standard and the 60 day review period would need to start again. MIGA has in the past treated this as implicit in its 2002 disclosure policy, but this could be made explicit. An opportunity to do this will be in the review MIGA has committed to undertake in this coming year of its social and environmental policies and procedures.
 - b) The CAO recommends that where IFC and MIGA are involved in the same project, there should be clearly defined procedures for collaboration. IFC and MIGA have in the past collaborated closely on many joint projects, as professionals and on the basis of a close working relationship between the respective staffs. Key individuals have indeed moved from one organization to the other, and in MIGA's early years the environmental and social review of some MIGA supported projects were carried out by IFC staff providing cross support to MIGA. This has generally worked very well. The procedures for collaboration could be formalized, and we will examine this in the context of the afore-mentioned review of our social and environmental policies and procedures this coming year.
 - c) The CAO recommends also that IFC and MIGA implement procedures to ensure that documentation provided for disclosure through the Bank Group Infoshop and posted on the web be complete and accessible. The audit noted that MIGA had announced availability of the

Botnia EA documents on February 6, 2005, but that the World Bank's Infoshop did not make them available and posted on the web until a good deal later (the posting dates were March 14 and 17, 2005). MIGA recognizes that this has been a problem in the past, and as a result has already implemented processes that seek to ensure this will not again be an issue. MIGA staff now double check to ensure the Infoshop has all the required documents, and anonymous checks are then carried out by staff to ensure the documents have been made available to the public and are posted on the web.