Early Warning System

IFC-34203

CBG Expansion

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Quick Facts

Countries	Guinea
Financial Institutions	International Finance Corporation (IFC)
Status	Active
Bank Risk Rating	A
Voting Date	2016-07-01
Borrower	COMPAGNIE DES BAUXITES DE GUINEE
Sectors	Mining
Potential Rights Impacts	Healthy Environment, Housing & Property, Right to Food, Right to Health, Right to Water
Investment Type(s)	Loan
Investment Amount (USD)	$ 200.00 million
Project Cost (USD)	$ 752.00 million

Project Description

“The Compagnie des Bauxites de Guinée (“CBG” or the “Company”) holds the exclusive rights for the 579 km2 Halco (Sangarédi) or South Cogon mining concession granted by the Government until 2038. The concession straddles the Boké, Télimélé and Gaoual prefectures and has been continuously mined by CBG since 1973. In addition, CBG also holds the exclusive rights to a concession area of 2360 km2 issued in 2005 valid until 2040 which is the area north of the Cogon River, this has not yet been exploited and is not part of the current mine plan. CBG also operates (under a concession agreement from the Government of Guinea) a heavy-haul railway, 120 km in length, from Sangaredi to the CBG plant and port at Kamsar from where the bauxite is exported. All of these facilities have been in continuous operation since the mine opened in 1973. International Finance Corporation (IFC) and other lenders are proposing to fund an increase in production from the current 13.5 million tonnes per annum (“mtpa”) to 18.5 mtpa by 2018 (the “Expansion Project”)”. The key concerns relate to the cross-cutting issues of water resources, biodiversity, community livelihoods and ecosystem services. The Expansion Project will also result in impacts from physical and economic displacement starting in 2016. The Board Date for this project is as yet unknown.

Location: Sub-Saharan Africa, Guinea

Resources needed:

(i) increase of the mining extraction rate (which will include extraction in new areas already permitted within the CBG concession), with additional equipment, manpower, a construction camp and maintenance facilities.

(ii) capacity expansion of the railway, with additional rolling stock, new sidings, shunting yards.

(iii) expansion of the Kamsar port and other logistics infrastructure necessary to support the increased tonnage using train unloader, crusher, conveyors, stockpiles, dryers, ship loader and increased port fleet; Upgraded project infrastructure – power, steam and compressed air, potable water, fuel facilities, waste disposal areas; Kamsar and Sangarédi township infrastructure.

Early Warning System Project Analysis

This short analysis was drafted in collaboration with the Legal Resources Centre, South Africa.

Risk Assessment: Category A. This is a category A project due to the potentially significant, diverse, and irreversible environmental and social risks and/or impacts inherent to a project of this nature and scale operating in Guinea.

APPLICABLE SOCIAL & ENVIRONMENTAL STANDARDS

Based on the IFC documents, the following environmental and social safeguard policies are triggered:

PS 1 – Assessment and Management of Environmental and Social Risks and Impacts- triggered because “the Expansion Project will necessitate an increase in the rate of vegetation clearance and overburden removal in existing areas within the CBG concession. The lateritic soils are stripped and removed for use in rehabilitation before overburden removal. Usually, the quantity of overburden is very low, as the bauxite ore is generally close to the surface. The total area for the Expansion Project is 3,200 hectares, over which habitat (including farmed areas) will be lost/degraded”. The “key impacts relating to operation of the railway are noise and vibration as well as safety of nearby residents”. It must also be considered that “The existing plant has historically generated significant quantities of fugitive dust as well as particulate and gaseous emissions from the dryer stack”. “The potential cumulative loss of habitats, fragmentation and other associated impacts arising from CBG and other projects are likely to be significant regionally. This is against a background of ongoing biodiversity loss and encroachment as a result of other factors such as in-migration and growth in agriculture”. “There are also likely to be significant social impacts due to displacement and reduced food security, and impacts on water quality and availability in some areas”.

PS 2: Labor and Working Conditions– triggered because “CBG is Guinea’s largest private-sector employer, with around 5,000 workers”.

PS 3: Resource Efficiency and Pollution Prevention- triggered “because of the need for proper water management during the project. There is also an assessment that “…concludes that gaseous emissions will increase with the Expansion Project at both Kamsar and Sangarédi due to the increased combustion processes and from blasting operations at Sangarédi”. “The ESIA concludes that the Expansion Project will increase the current noise levels…”

PS 4: Community Health, Safety and Security-triggered because “Health and Safety concerns have been raised in community grievances in the past including: (i) a belief amongst community members that CBG is responsible for health effects such as respiratory diseases that they link to the air emissions arising from CBG’s operations; (ii) water contamination (by used oil, fuel) and impacts to local fish; and (iii) railway crossing safety, notably the lack of safe crossing areas”.

PS 5: Land Acquisition and Involuntary Resettlement-triggered because “some villages, or part of villages, may have to be physically relocated. In addition, it is recognized that approximately 10 villages will experience a loss of land with likely livelihood implications in the mine concession, but also potential livelihood implications at the plant/port site (fisheries) and near the railway network infrastructure”. “Based on the 27.5 mtpa scenario, the future resettlement and livelihood displacement is estimated to be approximately 3,200 residents, but on a rolling basis from 2016-2022. The estimated first phase resettlement and livelihood displacement in 2016 covered by the RAP due in December 2015 will be in excess of 400 residents”. “Traditional land tenure in Guinea is similar to much of West Africa whereby land is held and managed under a traditional land tenure system. Chiefs are responsible for distributing it to village landholders who in turn provide access rights to the landless (sharecroppers) and households headed by females. Under this system, individuals do not own land, but enjoy some rights or are authorized by customary authorities to use resources in certain ways. In conclusion, there is a significant percentage of the population that is landless and therefore vulnerable”.

PS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources-triggered because “the largest significant direct impacts on habitats includes the loss of over 3,200 hectares (excluding the road network) of primarily

People Affected By This Project

OUR RISK ASSESSMENT

Based on the IFC's project documents, this project poses potential risks to the following human rights:

Right to Food and Livelihood:
The document reports that the total area for the Expansion Project is 3,200 hectares, over which habitat (including farmed areas) will be lost or degraded. This will impact communities' ability to farm on their land. There will be significant social impacts due to displacement and reduced food security.

The Right to a Healthy Environment:
The plant will generate significant quantities of fugitive dust as well as particulate and gaseous emissions from the dryer stack. This will affect the quality of the air in the area.

Right to Water:
There is likely to be some sand impacts on water quality and availability in some areas. This will affect the community's access, availability, quality and safety in relation to water.

Right to Health, Safety and Security:
Noise and vibrations from the operation of the railway will impact the safety of nearby residents. The IFC documents provide that communities have also reported cases of respiratory diseases from the project emissions.

Right to Property & Adequate Housing:
The document speaks of future resettlement and livelihood displacement estimated to be approximately 3,200 residents on a rolling basis from 2016-2022. This will render a lot of the communities homeless if no proper measures are put in place to facilitate the process.

Labour rights:
The project provided that it is the biggest employer in Guinea with 5,000 workers. Given the operations, the safety and basic conditions of employment must be properly adhered to. The employees are at risk of various occupational diseases in their line of duty.

Investment Description

- International Finance Corporation (IFC)

Bank financing:

IFC gave a corporate loan to CBG of US$ 200 million comprising a US$ 135 million. This project is also co-financed by the Managed Co-Lending Portfolio Program (MCPP) with a loan for US$ 65 million. MCPP is a new IFC Syndications product that allows institutional investors the opportunity to passively participate in IFC's future loan portfolio. MCPP investor approval is sought pre-mandate; project appraisal, approval, commitment, and supervision are managed directly by IFC with the MCPP investor passively following IFC decisions.

Borrower: The Compagnie des Bauxites de Guinée
Amount of bank loan or investment: US$ 200 million
Total project cost: US$ 752 million

Private Actors Description

CBG is a US incorporated company which was established in 1963 following an agreement between the Government of Guinea (“GoG”) and Harvey Aluminum Company of Delaware, a Delaware (US) corporation, now Halco Mining Inc., to mine the bauxite deposits of the Boké region. CBG has been successfully operating the world class Sangaredi bauxite mine for over 40 years. The Company is 51% owned by Halco Mining Inc. (“Halco”), a US incorporated company, which is in turn owned by a consortium of aluminium producers: Alcoa (45%), Rio Tinto (45%) and Dadco (10%). The remaining 49% is owned by the GoG.

Private Actor 1	Private Actor 1 Role	Private Actor 1 Sector	Relation	Private Actor 2	Private Actor 2 Role	Private Actor 2 Sector
-	-	-	-	Alcoa Corporation	Parent Company	-
-	-	-	-	Compagnie des Bauxites de Guinée SA	Client	-
-	-	-	-	Dadco Alumina & Chemicals Ltd.	Parent Company	-
-	-	-	-	Halco (Mining) Inc.	Parent Company	-
-	-	-	-	Rio Tinto Group	Parent Company	-

Contact Information

Ms. Carine Gracia Community Relations Manager Email: mailto:carine.gracia@cbg-guinee.com Tel: +224 623 233 175 CONSULTATIONS: Consultations are reported to have occurred during the early phases of a feasibility study on the expansion project and during the assessment of impacts. After the Environment Social Impact Assessment (ESIA) finalization, the agency responsible for approving the ESIA, the Bureau Guinéen d'Évaluation des Études Environnementales (BGÉÉE) conducted a series of feedback meetings on the ESIA and Environmental and Social Management Plan (ESMP) to selected communities in/near the mine area, in the factory/port area and along the railway. The two plans have now been linked and are known as the Stakeholder Engagement Management Plan (SEP).” The document further provides that “CBG will follow a process of Informed Consultation and Participation (ICP) with affected communities subjected to potentially significant adverse impacts. The Resettlement and Livelihoods Restoration Policy Framework (RLRPF), prepared as a precursor to the first and subsequent RAPs (the first RAP is for villages of Fassaly Foutabhe and Hamdallaye) includes ICP as part of RAP/LRP preparation”.

ACCOUNTABILITY MECHANISM OF IFC

The Compliance Advisor Ombudsman (CAO) is the independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an IFC or MIGA- financed project. If you submit a complaint to the CAO, they may assist you in resolving a dispute with the company and/or investigate to assess whether the IFC is following its own policies and procedures for preventing harm to people or the environment. If you want to submit a complaint electronically, you can email the CAO at CAO@worldbankgroup.org. You can learn more about the CAO and how to file a complaint at http://www.cao-ombudsman.org/

Bank Documents

- IFC Summary of Investment
- PS1_34203

Campaign Documents

- Alcoa plays down refinery protest [Australia]
- Investors barrack Rio Tinto bosses
- Papua New Guinea Landowners Face New Hearing in Rio Tinto Case
- Trinidad: Alcoa launches environmental impact assessment for new low-emissions smelter
- Uranium contamination fears: police investigate Rio Tinto Ranger mine (Australia)