

September 26, 2016

**Mr. Osvaldo L. Gratacós**  
Compliance Advisor Ombudsman  
International Finance Corporation  
2121 Pennsylvania Avenue, N.W.  
Washington, DC 20433

**Subject: IFC Management Response to the CAO Compliance Investigation Report on IFC's Investment in Lomé Container Terminal, Togo (Project #29197)**

Dear Mr. Gratacós,

Thank you for the opportunity to review and respond to CAO's investigation report regarding IFC's performance in relation to our investment in Lomé Container Terminal (LCT) or "the Project," and the complaint that the construction of a spur groin at the port of Lomé (Togo) has allegedly accelerated coastal erosion to the east of that port.

Coastal erosion has been a complex and challenging issue for Togo over several decades – one that poses a threat to coastal communities and requires collective action by a range of stakeholders. The ESIA did not foresee adverse effects from the construction of the groin, and the Project has not been shown to have caused such impacts. IFC agrees with CAO that local communities could have been consulted on erosion issues and possible solutions given that the potential for minor erosion impacts for a short period post construction of the spur groin was not entirely excluded, even if it never materialized.

IFC does not agree with CAO's assumption that there is a *causal link* between the Project and erosion. No such link has been established by either the Environmental and Social Impact Assessment (ESIA) developed for the Project, or by the subsequent independent technical reports commissioned respectively by IFC or CAO. For this reason, we take a different view from CAO as to any obligations of the Project under Performance Standard 1 with respect to erosion impacts at this time.

IFC appreciates the good international industry practice that the CAO's and IFC's technical reports identified with respect to predicting coastal erosion from port construction. IFC notes that these practices were insufficiently developed in the 2007 Environmental, Health and Safety (EHS) Guidelines for Ports, Harbors and Terminals and we intend to include a new section on coastal erosion in the forthcoming revision of the guideline, reflecting learning from Togo and other projects. Another lesson learned from CAO's findings is that coastal process modeling and management are highly specialized fields and that IFC needs to be better equipped to carry out

detailed reviews of modeling studies when needed. We are currently in the process of identifying expert consultants to advise IFC in this regard.

Finally, IFC agrees with CAO on the value of multi-stakeholder dialogue and coordination of efforts among relevant parties – including financial institutions, government, affected communities, LCT, Port Autonome de Lomé (PAL) and technical experts – on the issue of coastal erosion to identify long-term solutions and provide local communities with accurate information. Although LCT is not the right actor to be leading such discussions, IFC and its client are committed to being part of a multi-stakeholder process to find solutions to the problem of coastal erosion. IFC will continue to work with LCT on its engagement with academic institutions to support further research, with a focus on developing design proposals for identification of locations where dredging material might best be deposited to help mitigate the loss of sand from beaches, including those east of the port which are of concern to the complainants. Given that deposition of dredging materials could have local impacts on fishermen and other coastal inhabitants, IFC would expect that appropriate consultation with these stakeholders would take place as part of this research, with the results disclosed publicly in way that will ensure accessibility to the communities to the east of the port.

Several other initiatives to address this broader issue are currently ongoing. We understand that the World Bank has received funding for a coastal resilience program, which includes Togo, but is at a very early stage. The African Development Bank has also commissioned a project aimed at strengthening climate resilience of infrastructure along coastal areas in Togo. These efforts are important to seeking broad, long-term solutions. IFC will seek to use the World Bank Group’s convening role to try to bring the relevant parties together on this important issue for Togo.

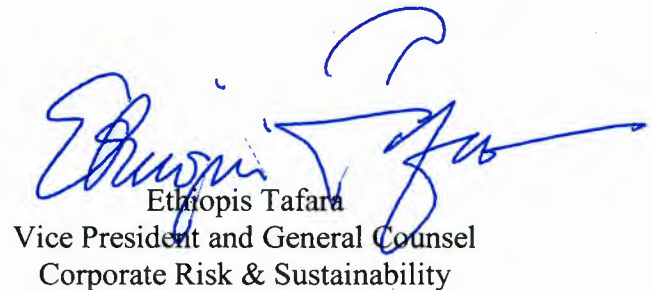
IFC will stay engaged with the client to ensure that its obligations under the Performance Standards are met and appreciates the engagement with CAO on this investment. We look forward to continued dialogue in this regard.

More detailed responses on the important technical issues raised in the CAO report are provided in Annex 1.

Sincerely,



Dimitris Tsitsiragos  
Vice President  
Global Client Services



Ethiopis Tafara  
Vice President and General Counsel  
Corporate Risk & Sustainability

## Annex 1

### Findings of IFC's Independent Technical Review

To gain an independent third party perspective on the complaint and the project's potential impact on coastal erosion, IFC commissioned, in July 2016, its own technical report, prepared by an internationally-recognized consultancy with direct knowledge of the port and the Togolese coast. The report has been posted online in IFC's disclosure portal at:

<http://ifcextapps.ifc.org/ifcext/spiwebsite1.nsf/78e3b305216fcd8a85257a8b0075079d/e55ba4d9868bb23f8525783f007b8c0b?opendocument>

The report identified two reasons to conclude that the groin and the project did not contribute to erosion: the first being a physical barrier between the coastal accretion zone to the west of the port and the coastal erosion zone to the east of the port; the second being data on rates of erosion and the coastline before and after the construction of the groin.

With respect to the physical barrier, the consultants point out that the two accretion/erosion zones are two separate systems divided by the port's main breakwater and shipping channel. In essence, the main breakwater accumulates and diverts the west-to-east littoral drift towards the shipping channel, which acts as a sink that traps virtually all of the sediment moving from west to east.<sup>1</sup> Whatever impact the groin may have had on sediment transport from west to east would have been buried in the deposition of sediment in the shipping channel. To the extent the sediment reaches the shipping channel, it has to be dredged and the material disposed of. Therefore, the crux of solving the erosion issue could lie with the transfer of material from one system to another, primarily through by-passing the accumulated sand at the west side, but also possibly by depositing the dredged material from the maintenance of the shipping channel. Both options can be enhanced by construction of short groins along the beaches to the east of the port.

With respect to rates of erosion before and after the construction of the groin, according to IFC's independent consultants, recent data and analyses concerning changes in the coastline east of the port do not indicate any increase in the retreat of the coastline, except for an erosional "hot spot" in the area of Baguida,<sup>2</sup> in the period between 2013 and 2015 and prior periods (2002-2013 and 1988-2002/2007).

These findings are consistent with the observations of CAO's technical consultants, who did not render an opinion on whether the project increased coastal erosion to the east of the port.

The CAO report (p. 22) also refers to a 2013 report on coastal erosion prevention measures, commissioned by the Ministry of the Environment and prepared by the same consultancy as the ESIA for the project. This 2013 report rightfully says that the groin would have temporarily stopped the sediment transport until a beach developed at its base, after which sediment transport

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<sup>1</sup> In more technical language, the channel works as a trap because the channel is deeper than the closure depth, i.e., the depth at which wave energy which powers the coastal sediment transport, no longer reaches. In short, the wave energy doesn't reach the bottom of the channel and cannot, therefore, pick up the sediment and move it further down the coast.

<sup>2</sup> According to the 2013 report (p. 13) commissioned by the Ministry of Environment, this hotspot occurs in Baguida because there is a gap in the protective reefs along the coast. Baguida is 9 km to the east of the port.

would be resumed. However, this 2013 report then claims, without any empirical or modeling evidence, that the groin therefore resulted in an increased rate of erosion to the east of the port. As discussed, we understand that the shipping channel would have trapped any sediment and made any stoppage in the coastal transport of sediment moot.

The ESIA (p. 149) stated that the government permitted the sand mining to the west of the port as a way of slowing down the flow of sediment into the shipping channel, thereby reducing the cost of dredging. IFC's technical review explained that the spur groin was constructed, from the Port of Lomé's point of view, because the sand mining was not enough to prevent sediment from entering the mouth of the port with a resulting need for dredging within the port itself. The ESIA argued that the groin would not increase coastal erosion because it would replace the sand miners,<sup>3</sup> whose activities were stopped for other non-erosion environmental reasons. The groin would have taken material out of the system for a short period after construction, but now reduces the amount of material directly entering the port.

The ESIA (p. 199) recommended that material from the dredging of the port and shipping channel be deposited to the east of the port. The ESIA recognized the broad issue of coastal erosion along the Togolese coast as one beyond the scope of the project. It explained this recommendation as one to address coastal erosion as a whole, and not any specific impact of the project itself.

Given this information, IFC suggests that any additional research, physical and numerical modeling, and stakeholder consultation be directed toward determining the design of mitigating measures for erosion in general and the deposition of the dredged material to the east of the port.

## **Responsibility**

With respect to who should be responsible for the assessment and consultations around the aforementioned transfer of dredged material from the shipping channel to the east of the port, LCT is not the operator of the port, nor is it responsible for the dredging and deposition of the dredged materials. Both those functions ultimately rest with the Port Autonome de Lomé (PAL). The Government of Togo had also asked LCT (and IFC) to leave consultations to PAL, and LCT has limited control and influence over PAL's activities. For these reasons, we believe that efforts to design and execute mitigation measures to address broad coastal erosion to the east, and related consultation activities, must be led by PAL.

## **IFC's Performance during Appraisal**

### *Identification of Coastal Erosion as an E&S Risk*

The ESIA stated (p. 149) that the Project was not expected to have any impact of note on coastal erosion, a statement that has subsequently been borne out. Based on our professional judgment, in

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<sup>3</sup> CAO's technical advisors recommend a one-dimensional model for studying coastal erosion. This model provides a single number sediment transport rate (J.W. Kamphuis. 2010. Introduction to Coastal Engineering and Management. London: World Scientific, p. 371). It also provides a conservation of sand mass equation. In effect, the consultant's assessment used a sand mass-balance approach that did not use modeling but was quantitative.

the context of information available at the time, IFC reasonably concluded that the project was not expected to have any negative impact on erosion.

At the same time, IFC does appreciate the good international industry practice that the CAO's technical report, and IFC's own technical report, identified with respect to predicting coastal erosion from port construction. IFC notes that these practices were insufficiently developed in the 2007 EHS Guidelines for Ports, Harbors and Terminals. We intend to include a new section on coastal erosion in the forthcoming revision of the guideline, reflecting learning from Togo and other projects.<sup>4</sup>

### *Consultation*

IFC acknowledges CAO's finding that, during appraisal, consultation should have taken place with certain communities to the east of the port because, as CAO rightly points out, there is a line in the ESIA stating that, "*During the initial phase subsequent to the extension of the groin, a light strengthening of the erosion cannot be excluded.*"<sup>5</sup> However, since the ESIA, more generally, did not foresee adverse effects from the construction of the groin, IFC concluded at the time that there would be no need for stakeholder engagement to the east of the port beyond providing information to the broader Togolese population. In the end this assumption proved correct.

### *Consultant Qualifications*

With respect to the finding that the IFC did not follow the Performance Standard 1 requirement to have the E&S assessment prepared by "appropriately qualified and experienced persons," IFC did have a reasonable belief that the consultant was appropriately qualified and experienced. The consultant who prepared the ESIA was the original engineering firm for the Port of Lomé and had correctly predicted the impacts of the port on coastal erosion. The consultancy had been involved in every change to the port since its construction. In our view, this experience strongly suggests that the consultants were appropriate.

## **IFC's Performance during Supervision**

### *Response Time*

IFC's response time to the first complaint letters at the end of September 2014 was a matter of weeks, not two years as stated by CAO. A first meeting to discuss this issue and decide on actions was organized among the lenders in early October 2014, after which letters were sent to complainants and local authorities. A series of meetings were organized with local and port authorities and the World Bank in November 2014. Numerous meetings along with four supervision visits (by IFC and independent experts) were then conducted in the course of 2015 and 2016. Meetings were also held to discuss a new ESIA TOR should the existing groin be extended, to include a robust coastal erosion risk assessment, and agree on a Memorandum of Understanding

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<sup>4</sup> <http://www.ifc.org/wps/wcm/connect/ec175913-af6c-4daa-a9fb-8b917e5f5b/Ports+Harbors+and+Terminals+EHS+Guideline+-+Draft+for+2nd+consultation.pdf?MOD=AJPERES>

<sup>5</sup> In French: "Pendant la phase initiale subsequmment a l'extension de l'epi, un leger renforcement de l'erosion ne peut pas etre exclu."

with the Centre de Gestion Intégrée du Littoral (University of Lomé). These actions were agreed with the client and incorporated into the revised February 2016 Environmental and Social Action Plan.

### *MOU*

The CAO states that the agreement between the client and an academic institution to fund research on coastal erosion does not provide sufficient assurance that the analysis will meet the requirements for environmental assessment by the client under PS1. As with any Memorandum of Understanding, this document is a framework for collaboration, and the research details will be made available for comment by IFC in due time. However, IFC agrees that specific timeframes should be set to complete the proposed work.

### *ESAP*

The CAO also states that IFC has not sought “assurance” that the revised Environmental and Social Action Plan (ESAP) has been developed following consultation with, or disclosed to affected communities as required by PS1. According to IFC’s Environmental and Social Review Procedures, a supplemental ESAP is reviewed internally and agreed to between IFC and the client. There is no current requirement for prior consultation with affected communities.