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February 14, 2006

Mr. Dimitris Tsitsiragos
Director
Global Manufacturing and Services Department
1818 H St., NW
Washington, DC 20433

Re: Comments to Consultation Process and Cumulative Impact Study; Follow-up to Failed IFC Meeting with the Assembly of Gualaguaychú on Cellulose Case (Botnia/ENCE-Uruguay)

Cc: Paul Wolfowitz, Karl Jackson (World Bank Group), Meg Taylor (CAO), Octavio Bordón (Argentine Embassy USA), Alieto Guadagni, (Executive Director of Argentina at the World Bank), Declan Duff (IFC), Atul Mehta (IFC), Santiago Cantón (Inter-American Commission on Human Rights), Jorge Busti (Governor of Entre Rios, Argentina); Jorge Taiana (Foreign Minister, Argentina), Assembly of Gualaguaychú, Keith Kozloff, Rachel Bayley (US Treasury).

Dear Mr. Tsitsiragos,

It has come to our attention by several members of the Citizens Environmental Assembly of Gualaguaychú (henceforth "the Assembly"), that the Consensus Building Institute (CBI), on IFC's behalf, is intending to arrange last-hour meetings with the Assembly to discuss Argentine stakeholder positions with respect to the installation of the already highly controversial papermills to be constructed on the Uruguay River. We presume that this last hour effort is an intention by IFC to make up for the last meeting convened by IFC with the Assembly, on January 25, 2006 at which IFC never showed up. The Assembly has asked CEDHA, as its legal representative to the IFC, and in several other outstanding legal actions, to transmit to the IFC, the Assembly's position regarding CBI's request.

As you are already well aware, we and the Assembly have conveyed to the World Bank President directly in our letter of January 26th, 2006, our grave concern with your unilaterally imposed consultation process, and with the way in which the IFC has illegitimately handled this process, in violation of IFC Environmental and Social Safeguards OP 4.01, particularly paragraph 12 regarding stakeholder consultations, as well as the IFC's unfortunate decision to ignore outright the recommendations of the CAO to incorporate the legitimate voice of the Assembly in the consultation process, which to date, you have failed to do by not creating the necessary environment for transparent, free, prior and informed consultation.

In good faith, the Assembly accepted to meet **with you personally** and with your high level IFC/MIGA team on the week January 23. Not only did you **decide not** to come to the meeting, but you did not even travel to Argentina, or inform us, or anyone in the Assembly until the very last minute, that you had decided not to attend or send high level representatives of the IFC, which were expected by the Assembly. Instead, you sent an IFC team with absolutely no decision power and who could not possibly make very important decisions on the ground, during their mission, about engagement with your MOST important stakeholders, the tens of thousands of residents of Entre Rios Province, who have, in the CAO's words, "legitimate" fears that need to be resolved regarding your proposed papermills. We watched in amazement how CBI, your hired mediation consultants, who had already been repudiated by local stakeholders for their unethical interview tactics during their previous visit in December of 2005, with 800 people gathered in the municipal theater in Gualaguaychú, sitting and waiting for your team to arrive, frantically attempted to call you in Washington, to decide on whether or not the IFC would meet with the Assembly. After an hour of waiting and negotiating between you in Washington, and your facilitating team in Gualaguaychú, and your official delegation who had decided to not even travel to Gualaguaychú, and with the public watching, and past the time of the scheduled meeting, you and your team sadly decided to cancel its participation in the IFC-Assembly meeting. The 800 stakeholders gathered to meet with you walked away in awe and disappointment from that failed meeting, creating an unfortunate and even greater rift between the IFC and local stakeholders, precisely the opposite of what everyone had hoped for.

The Assembly had chosen in good faith, to meet with **you** and your team and hear out the IFC on the long awaited and essential "terms of engagement" of this very questionable consultation process, which to date, we remind you, DO NOT EXIST despite the fact that we have on many occasions requested such terms, to you and to the World Bank President. We received many promises from CBI and from the IFC and from you personally that such basic and essential terms for transparent, fair and engaged consultation would be established, yet you never appeared, nor did anyone from your team, which as we understand were merely a few kilometers away, uninterested in participating in this very critical IFC-Assembly consultation meeting. Your team **did** meet, however, with pro-papermill actors, that same day and all that week and following that no-show event. Your team did not meet, however, the MOST IMPORTANT stakeholders in this process, the un-consulted many, the ones that will be

most affected and stand to lose critical resources, livelihoods, and risk their health in the interests of the project sponsors and of the IFC to move forth at all costs with the loan approval process.

IFC's request, through CBI to now reconvene the Assembly, seems to be, at face value, a cheap last minute attempt by the IFC to whitewash a consultation process that was not only in violation of OP 4.01, paragraph 12, as we have always stated, but also a clearly biased and illegitimate attempt so that the IFC can say to its board members, that it has consulted stakeholders in its ill-designed, and unwanted projects, rejected by the vast majority of stakeholders in the region, particularly of Argentine stakeholders left out of the consultation process. We should also recall the Argentine government's position with respect to these projects, which recently decided to take the Uruguayan government to the International Court of Justice, for project violations to the Uruguay River Treaty, governing and protecting the use of border water resources on the Argentine/Uruguayan border.

We must sadly recognize that the suspicions of the Assembly, of local citizens, and of residents of the affected areas of these proposed plants, with respect to the real intentions of the IFC to push these loans through to board vote as quickly as possible, and irrespective of local opposition in Argentina, seem to be coming true.

It is clear from the way that the IFC and CBI have handled this process, that you have failed to construct a legitimate, transparent and fair environment for this consultation process. The Assembly's good faith of engagement, requests to see and give input to the terms of reference of the Cumulative Impact Study (CIS), which is an obligation under IFC Safeguard Policy and sustained by the CAO, and wish to ensure a legitimate consulting group to conduct the CIS, has been entirely ignored by the IFC, by CBI, and by PCI (the illegitimate consulting group conducting the CIS). You have failed entirely in generating any faith, or hope of justice, from local stakeholders which are gravely concerned about the installation of these mills in their home and at the heart of their community. When a constructive space was finally created to discuss community concerns with the IFC, you chose not to attend, and left 800 concerned stakeholders waiting, but more importantly, you left an entire city and region, without hopes to voice their opinion and contribute constructively to the debate over their own sustainable livelihoods, which are mercilessly in your hands. Instead by your actions, you have contributed to the breakdown of dialogue and further alienation of the parts, and more seriously, you are also contributing to the breakdown of diplomatic relations between two countries.

Your negligent, unethical, unprofessional and illegal behavior (according to your own norms and Operational Policies), summed with the IFC no-show to the IFC arranged Assembly meeting, has resulted in COMPLETE LOSS OF FAITH of the Assembly in the IFC, in CBI and in the unilateral and pro-papermill biased consultation process. It is the opinion of the Assembly that under such conditions, participation in your consultation would be inappropriate. Many will not want to attend as you have already left them waiting once, and it would only serve to lend legitimacy to a process that is clearly and COMPLETELY ILLEGITIMATE AND ILLEGAL.

We wish to reiterate that the community of Gualeguaychú, represented by the hand written signatures of nearly 40,000 people, and many others who have not been able to sign on to the complaint filed to the CAO (but who feel entirely the same), is ABSOLUTELY and POSITIVELY OPPOSED to the construction of these mills under the present conditions, and as long as this continues in this way, will do EVERYTHING IN ITS POWER TO OBSTRUCT CONSTRUCTION AND ADVANCEMENT OF THESE PROJECTS, as they are doing, including taking legal and extra-judicial action in all and any forums available to render justice in this egregious violation of human rights, of IFC Environmental and Social Safeguards, and to basic principles of corporate ethics and social responsibility.

If you, Mr. Tsitsiragos, are committed to the transparent and fair process to which you have referred on several occasions to us and to the Assembly, then you have no other choice but to suspend consideration of these projects until you can reconstruct a fair and real consultation of local opinion, if at all. If you proceed to insist on sending these projects through the normal channels of IFC board approval, and should the IFC approve these projects, then you will be legally responsible for the consequences this will entail, for the loss of economic livelihoods these mills will produce, for the collapse of a local industry and identity, for the transformation of a pristine environment into a toxic urban frontier, dominated by the stench of rotten egg smell and placing individual mega-corporate interests over the interests, pristine environment, health, and livelihoods of local residents. We take this opportunity to inform you that according to a recent economic study led by an internationally recognized team of experts which include Uruguayan professionals (which has been made available to you), the expected damage from the mills to tourism, health and property is estimated at US\$1.3 billion dollars.

If you proceed under such circumstances, and with such knowledge, you and other project sponsors will be held accountable under the relevant judicial and extra-judicial venues we have at our disposal, of which there are many and which as the days and weeks pass, we are approaching against the severe consequences these projects will have on the realization of human rights and the protection of the environment and social justice, which you, and the IFC as international public servants, should be striving to protect, but choose to ignore.

Respectfully,
Jorge Daniel Taillant
Executive Director
CEDHA