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Dear Mr. Tsitsiragos,

We thank you for your communication of October 6 regarding how the combined environmental and social impact assessment of the IFC's proposed pulp mill projects in Uruguay is proceeding. We also invite your present expression of "openness" to dialogue with us, considering that the last time we requested a meeting with you in Argentina while you were visiting the project site, we were told by the IFC's office in Buenos Aires that your whereabouts during your mission were secret.

As you are already well aware, both Uruguayan and Argentine stakeholders representing local communities have filed two international complaints against these proposed pulp mills, before the Compliance Advisor Ombudsman (CAO), and before the Inter-American Commission on Human Rights (CIDH), extremely concerned with the projects' social, economic, an environmental impacts, as well as with the human rights violations that are **already occurring** and **will continue to occur** due to the installation of these pulp mills.

Given the incomplete and limited information you and the IFC have provided us, which includes only this single letter offering superficial information about process, we would like to express our **continued concern** over how this new cumulative impact study (CIS) is proceeding. We do not feel confident that the process you describe in your letter ensures the consideration and concerns expressed by the stakeholders we are representing.

Precisely due to the negligence with which the IFC has handled the consideration, approval and board submission of these loans, the grave violations of IFC's own environmental, social and disclosure policy in this process, which we have already detailed in our complaint to the CAO, and the fact that had it not been for our complaint these projects would have proceeded to the Board of Directors of the World Bank **without** a CIS, and with a entirely inadequate economic and social impact assessments, suggests to us and to concerned stakeholders that the IFC team that is handling these projects is not sufficiently transparent or trustworthy to protect against the numerous social and environmental concerns local communities have about these mills.

For this reason and at the present stage, **full IFC transparency** and the sharing of documents, terms of reference of the CIS and any other information about these projects and their expected cumulative social and environmental impacts are of **UTMOST** importance to the stakeholders and communities which have expressed their opposition.

While we are pleased to know that the IFC is **now** commissioning a CIS, we are **still concerned** with **how** the study has been designed, **who** is conducting it, **who** it will be

consulting, and **what** precisely it is measuring. The IFC and the consulting group that the IFC hired to conduct the environmental and social impact assessments has lost all credibility in the handling of the previous impact assessment process. While during your previous visit to Argentina and Uruguay, the IFC was made aware of the highly critical opinion stakeholders had of the consulting group hired to do the first impact assessment, as well as legitimate and founded concerns and doubts of the accuracy of the conclusions reached by this consulting group, during our meeting with you, Mr. Mehta and Mr. Duff in Washington DC Wednesday September 22, you indicated that the IFC nevertheless was STILL retaining the same consulting group to do the CIS.

You will surely agree that, the fact that a CIS **was never done** despite the obvious enormous combined magnitude (the largest in the world) that two paper pulp mills would have on local communities, that a CIS is only now being considered following our complaint, due to the IFC's insistence to use the same illegitimate consulting group for the CIS, the IFC's failure to comply with its own social and environmental safeguards, and that argentine stakeholders were not consulted in the preliminary assessment phase, are more than legitimate grounds for our own as well as stakeholder skepticism that the IFC is "**now**" proceeding with "due diligence" and that the present CIS will ensure that the "key issues of concern to the citizens and communities of Gualeguaychu and Fray Bentos are being addressed", as you suggest. Due diligence, is proven with facts and actions, not with reassurances that actions are taking place. What we see from the IFC is the failure of complying with due diligence and the withholding of information. If you indeed intend to be open and work with stakeholders, you must change your disposition, and begin to provide substantive evidence that the IFC is in fact proceeding with due diligence, transparency respectful of its own social and environmental safeguards. **The IFC will now have to provide a much higher degree of transparency and access to information** if it intends to regain public credibility and trust on any issues regarding these projects.

For this reason, and we are sure that you will understand the grounds for our request, we reiterate our demands to the IFC regarding information concerning these projects, which we already expressed to you during our recent meeting with you and with Mr. Atul Mehta and Declan Duff, but to which you nor anyone at the IFC or the World Bank Group have as yet responded.

We hope that you will understand the urgency of our request and the importance that this information be presented to stakeholders BEFORE the CIS is carried out, and that we have an opportunity to help steer and design these TORs, in order that the stakeholders are confident that the issues that have been raised in the complaint process are being addressed in the new impact measurements. If such information is not provided, and such an opportunity is assured, the IFC risks further deterioration of stakeholder faith in the process as well generating mounting civil society and stakeholder opposition to the pulp mills, which is already rapidly occurring at local and international levels.

We wish to express our **grave concern** with how the negligent handling of these projects *has* and *is* developing, and with a warning to all IFC and World Bank staff responsible for these projects, calling attention not only to the enormous economic loses that these projects will result in for local populations, but more importantly, to the legal implications and responsibilities of project staff regarding the projects human rights violations, as well as violations of international environmental law, and of the many other local, national, bi-national, and treaties which exist to protect the lives of victims of such negligent actions. Proceeding with the projects will surely result in negligent lending by the IFC.

We would like to remind you, the IFC and the World Bank of the previous criminal records of ENCE (the Spanish company to be financed) and its directors for previous contamination in Europe with grave social and environmental impacts, and draw your attention again to a recent legal action in Uruguay (September 2005) by the Public Prosecutor against the government of Uruguay for irregularities in the granting of permits to ENCE and Botnia (the Finish company to be financed) as well as public official corruption in the process.

We remind you that nearly 40,000 people from both Argentina and Uruguay, have personally signed the complaint to the IFC's CAO, and that presently international human rights tribunals, including the Inter-American Commission on Human Rights, are

reviewing legal responsibilities for the violations of human rights caused by negligent handling of these projects.

Finally, as you are already fully aware, these projects have also been the source of diplomatic tension between Argentina and Uruguay, two otherwise friendly border states. Diplomatic tensions have involved not only threats of international complaints to be filed at the International Court of Justice, but clear and aggressive diplomatic communications between Argentina and Uruguay, which risk potentially destabilizing further economic and diplomatic relations. You are also aware of another communication from Argentina's president to the World Bank's president expressing his grave concern over the installation of these mills and the possible financing of these mills by the IFC.

We wish to close with our immediate and urgent demands to the IFC, including:

- Full and IMMEDIATE access to the name of consulting group presently conducting the CIS, the contract between the IFC and this group, **as well as** the Terms of Reference (TORs) of the CIS;
- An opportunity to voice our opinion and offer input to the TORs' content;
- Consideration of Governor Busti's suggestion to gather a pool of the best universities available to design and conduct de CIS;
- The contract and TORs of previous assessments and consulting group, that the IFC signed with the previous firm as well as any evaluation the IFC has made regarding the conclusions of this evaluation;
- That, as Mr. Duff promised during our Washington DC Meeting on September 22, the IFC refrain from ANY consideration of financing these projects until the CAO finishes its assessment;
- That NO financing be approved until all necessary evaluations have been completed, reviewed and approved by the relevant authorities and that all stakeholders have had a transparent and effective opportunity to provide their input and contest such conclusions and until the IFC can substantiate that there is wide public support from both Argentina and Uruguayan stakeholders for the construction of these pulp mills;
- That if necessary, the IFC consider NOT financing these projects;
- That we and the public in general have **full** access to any existing or new information that is relevant to this project or the developments of this process.

Respectfully,

Jorge Daniel Taillant
Executive Director