



Center for Human Rights and Environment

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May 10, 2006

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

Re: Comments to Plan of Action Uruguayan Papermills Released May 9, 2006

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 Ríos, Argentina); Jorge Taiana (Foreign Minister, Argentina), Assembly of Gualeguaychú, Keith Kozloff, Rachel Bayley (US Treasury). World Bank Directors.

Dear Mr. Tsitsiragos,

We have reviewed the Plan of Action published May 9th, by IFC, regarding the Findings of the Independent Expert Panel in the proposed Uruguayan papermill investment by Orion and CMB, and wish to submit our comments and offer recommendations to improve this Plan of Action.

We are pleased to see that some of the issues that we have repeatedly pressed the IFC to address in these controversial papermill projects and during the binational conflict that has erupted as a result, have begun to appear under your considerations.

Amongst these we note the extreme importance of:

1. Gathering of additional data on cumulative impact in order to make informed decisions;
2. Evaluation of technology for further improvements;
3. Further study and confirmation of use of Best Available Technology standards and less contaminating technology;
4. Analysis of water discharge relative to dioxins, furans, metals, salts, acidity, color, odor et al;
5. Impacts on municipal water intake at Fray Bentos;
6. Information on site selection;
7. Impacts to fisheries;
8. Further information on air quality impacts;
9. Impacts to tourism in the region;
10. Impacts of plantations on groundwater resources;
11. Risks of emergency situations;

We are convinced that a thorough, transparent and legitimate review of these issues will reveal that the investment in paper pulp production on the scale proposed by Botnia and ENCE in this region, and at the present site, is incompatible with the state of the natural environment, with the good health of local residents, with the Safeguard Policies of the World Bank (IFC) and with the livelihoods of local communities.

We would also like to stress, however, several few issues that have been left out of this Plan of Action, or that need to be further specified or considered.

1. Relative to the site study, it is not only that we need further information about why the companies chose the site at which they presently intend to produce cellulose, but rather, that we need detailed environmental, social and economic, impact studies relative to the site choice. We already know why they chose their site, as they have said it themselves: because it is an economically convenient site for company profit, due to proximity to international roads, bridges, waterways, and to existing eucalyptus tree plantations. What we need to know is what is the compatibility of this site choice relative to negative externalities, such as impacts to the environment, water, health, local livelihoods, tourism, etc. In this regards, what we need to know is "what is the best site choice to minimize negative environmental, social and economic impacts. Such information DOES NOT form part of either company's site studies and is part of the IFC's safeguard policy 4.01 Annex B paragraph's (d) and (f) for projects categorized A, of high environmental risk. Your projects, as well as Botnia and ENCE's documentation on this point, are still in violation of IFC policy on this count.
2. Availability of and participation in the development of the terms of reference of the new Independent Consulting Team;

3. Availability of information about and participation in the selection of the Independent Consulting Team that will conduct the new study;
4. Rules of engagement in the consultation process. We recall that this was a key issue that due to the IFC's unilateral decision not to provide rules of engagement during the CIS consultation, the IFC generated enormous conflict and made the CIS process completely illegitimate. Your present and frustrated predicament of having to do yet ANOTHER study to try to justify these projects, attests to the fact that our earlier claims of the CIS not being complete and that it did not take into account the concerns of local citizens (many of which you are now indicating that are necessary), **were completely founded and legitimate**. Your choice to ignore our previous request on this point, resulted in continued illegitimacy of your projects, continued violations of IFC Safeguards, further and escalating conflict, an international road block that cost Uruguay over 400 million dollars in lost business, and an international conflict of unprecedented proportions which has resulted in the first time ever that an IFC project is the object of a complaint before the International Court of Justice (ICJ). We hope that you will not insist with your unilateral attitude of plowing forth with a process which is not to the agreement of local stakeholders, particularly as you are finally recognizing that our claims were very legitimate;
5. Compliance of the projects with Uruguay's International Law Obligations, particularly under the Uruguay River Treaty. This dimension of the project is contemplated by IFC's safeguard on International Waterways, 7.50, and is at present one of the **most blatant violations** of these projects, and has resulted not only in volatile diplomatic relations between Argentina and Uruguay, but has also resulted in the ICJ case filing, and the destabilization and possible collapse of the MERCOSUR trade agreement. We hope that IFC will not continue to contribute to regional instability, the increase of investor risk in the region, and continue to create unnecessary hindrances to industrial development in the region. Had these projects been properly designed, and monitored by the IFC for safeguard compliance, we would never have been in this conflict.

While we welcome the IFC's intention of complimenting your existing incomplete studies with further information regarding these proposed investments, we can only sadly say, that we had informed you on numerous occasions as to the problems that your previous documents contained and which you are now recognizing. You had also been informed of these problems by the CAO, by the government of Argentina, and by many renown international experts, but in your zeal to move to Board vote as quickly as possible, you failed to heed to the many obvious signs that things were not right with your project.

We hope that you will be more responsible in the future about how you handle the process by which you try to move projects forward as they are still the subject of legitimate concerns and public repudiation. To date, you have failed to do so, and as a consequence, the IFC and the World Bank Group finds itself in a lamentable, irresponsible and negligent position of causing a massive international dispute, due to IFC's obstinate insistence to try to move these projects to a Board consideration, despite their obvious weaknesses and incompatibility with the region's development.

We hope that you will take our recommendations seriously and incorporate them into your thinking and actions, since you have largely failed to do so in the past at great cost to you, but more importantly to the countries and communities you are supposed to be assisting.

Respectfully,
Jorge Daniel Taillant
Executive Director
CEDHA