



October 6, 2005

Mr. Jorge Daniel Taillant
Executive Director
CEDHA

Dear Mr. Taillant:

Thank you for your letter to President Wolfowitz of September 16, 2005 in which you articulated Argentine concerns regarding the proposed pulp mills in Uruguay. He has asked me to respond on his behalf.

Let me first say that IFC appreciated the opportunity to meet with Governor Busti and his team, inclusive of your colleague Romina Picolotti, when they were here in Washington a few days ago. It was also helpful in understanding the concerns of many Argentinians and a number of Uruguayans to have received a copy of the complaint filed on behalf of Mr. Busti with the Compliance Advisor Ombudsman (CAO). In addition, the IFC delegation that visited Gualeguaychu on August 30, 2005, had the benefit of a direct and comprehensive discussion lasting several hours with the Mayor and concerned citizens. These and other interactions and communications have provided us with a good understanding of many of the issues that concern that neighboring community. These discussions, and those that will follow, are indicative of the fact that our due diligence process, which is assessing the environmental and social impacts of the proposed pulp mills, is continuing inclusive of engaging with the affected populations on both sides of the Rio Uruguay.

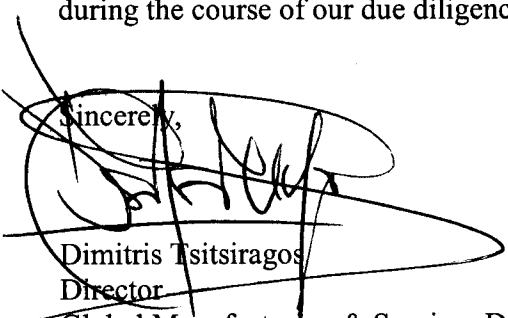
The key undertaking in this due diligence process is now embodied in the Cumulative Impact Study (CIS) which is in process. In the earlier stages of the CIS process, the study was being led by a team of consultants retained by IFC. IFC has now taken over direct leadership and management of the CIS by way of seeking to ensure that it is credible and thorough in assessing the combined impact of the two mills. I assure you that the key issues of concern to the citizens and communities of Gualeguaychu and Fray Bentos in Uruguay are being addressed within the CIS process. These include but are not limited to air and water quality and resulting impacts on agricultural enterprises, fisheries, and tourism. IFC's established policies and procedures require a thorough process of identification and analysis of environmental and social costs and benefits associated with projects it is asked to help finance. We intend to fully comply with the spirit and intent of these policies and procedures.

IFC will not prejudge the outcome of the CIS and will be guided in its decision-making by the results in combination with our financial due diligence and overall commitment to sustainable development. We anticipate the CIS will be completed, disclosed and discussed with interested stakeholders within the next two months.

October 06, 2005

In closing, let me reiterate our willingness to engage with you and other CEDAH representatives during the course of our due diligence process. We remain fully open to a dialogue with you.

Sincerely,



Dimitris Tsitsiragos
Director

Global Manufacturing & Services Department
International Finance Corporation/World Bank Group

cc: Messrs./Mmes: Paul Wolfowitz
Letitia A. Obeng
Robin Cleveland
Karl D. Jackson
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