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To whom it may concern:

Almost a year ago we sent an e-mail to your offices, to the Executive Vice-president of IFC, and to the Office of the President of the WB Group (also copied to other interested parties) regarding developments in the Biobio basin, a region that as you may know has been impacted by WB Group (both IBRD and IFC) funded hydroelectric projects (El Toro Project, Pangué/Ralco, Quilleco).

As a result of the controversy surrounding the construction of the first two of a series of dams planned for the Biobio river (Pangué and Ralco dams), the WB Group's involvement has been the object of enormous public concern, and numerous and far reaching internal investigations which we understand have also led to new administrative policies and controls.

Thus our dismay and our appeal for you to take urgent action concerning the imminent construction of yet another dam on the Biobio river, home of the Mapuche Pehuenche indigenous group and one of the countries richest ecosystems, by part of Colbun, a company that we understand presently has business dealings, as client, partner, or other relationships, with institutions of the WB Group.

Neither the Executive Vice President of the IFC nor the President of the WB responded to our urgent request sent by mail in December of last year.

Nevertheless, we were almost immediately contacted by phone and e-mail by members of the Inspection Panel who clarified some basic facts in order for us to proceed with a formal petition.

The CAO Office on the other hand responded promptly, but said that a formal complaint by affected communities had to be filed.

This brief letter, sent and signed by two people who feel seriously and negatively affected by the imminent construction of the Angostura project and by the Quilleco, Chabuquito, Hornitos Hydroelectric Projects (IBRD-Carbon Facility Unit) and Aconcagua, Pangué/Ralco Hydroelectric projects (IFC) is sent via e-mail AND certified regular mail and should serve as a formal complaint before both the Inspection Panel and the CAO Office.

Concerning the CAO Office it is our understanding that the 2002 complaint which was filed by 78 people and 4 community groups was not formally closed regardless of the funds that were disbursed for some of the members of the local communities. Those who sign this letter were part of the original petitioners (both

before the Inspection Panel in 1995 and the CAO Office in 2002) and we never, directly nor thru a third party, have been consulted or agreed to a formal closure of the investigation.

We realize that there have been two CAO investigations concerning Pangué and that it has been a long and persistent issue for many of you. If it is frustrating for your office, you can imagine how it is for us and other affected parties.

But we understand that as long as there are outstanding issues, among them non-implemented recommendations made by the own CAO Office, efforts should continue, be it in the compliance, advisory and/or ombudsman roles.

This should be of interest not only for those on the ground, but also for the strengthening of the role of CAO.

This letter will be very brief and “to the point”.

Complaints filed in 1995 before the Inspection Panel and the CAO Office in 2002, and the internal investigations of Downing, Hair and Anderson should provide more background on what is at stake in the Biobío (both for local inhabitants as well as for the Bank) and should be considered part of this complaint.

Other direct negative social and environmental issues concerning the Aconcagua, Quilleco, Chabuquitos and Hornitos projects are under investigation and may not be limited to what is stated in this petition.

We wish our names to remain anonymous.

THE COLBUN COMPANY'S ANGOSTURA PROJECT

On September 2, 2008 the Chilean electrical company Colbun presented an Environmental Impact Assessment to Chilean authorities, in order to obtain environmental permits for its Central Angostura dam, a 305 MW facility that would be constructed where the Biobío and the Huequecura rivers meet, some ten miles upstream from Santa Barbara, in the south of Chile.

Some 43 families would have to be forcefully relocated, among them a half dozen families that were already relocated!, against their will, when the IFC funded Pangué dam became operational in 1996.

On September 14, 2009 the Regional Environmental Authority (Corema) approved the project. The approval occurred one day before the ILO 169 Treaty related to Indigenous Peoples Rights, recently approved by Congress, became legally binding.

Angostura was originally called Huequecura and was one of six dams projected for the area, which were never the subject of a cumulative impact study (for the IFC funded Pangué dam nor for the Ralco and Angostura dams). The only such study is said to have been conducted by the IFC and has yet to be publicly released.

Endesa, owner of the Pangué/Ralco dams transferred water rights to Colbun thus effectively bypassing political, moral and legal obligations concerning the Biobío basin. Furthermore Colbun and Endesa are partners in a highly controversial hydroelectric project called Hidroaysén in the southernmost part of the country.

Colbun on the other hand is we understand presently also a client and partner of the WB Group (directly and/or through affiliated companies). As such Bank management should by every means possible force Colbun and/or its affiliated companies to comply with WB environmental and social standards, and immediately cancel their plans for further irresponsible damming of the Biobío.

At the least appropriate personnel within IBRD and IFC should review Colbun's environmental assessments and their handling of the Pangué relocated families, other

affected Pehuenche and downstream inhabitants to make sure they comply with environmental and social policies and WB Group commitments.

This should be mandated regardless of the existence or not of direct investments in the project.

We understand in fact that the company even expects to be paid –through the World Bank’s Carbon Facility Unit- for continuing to destroy the Biobio basin and its people by selling carbon reduction bonds, as it presently does with the other Colbun projects!

The findings and recommendations of the WB investigations that have taken place in 1995-1996 (Downing Report), 1997-1998 (Hair Report), 1999-2000 and 2002-2003 (CAO Office investigations), 2004 (Anderson Pangué:Lessons Learned Report) make a point not only on the extremely valuable ecological and cultural resources of the area, and on the shortcomings of the EIAs conducted, but also on the continuing responsibility of the WB Group not only in developments in the area, but also in assuring that it does business with companies that have a proven commitment with its environmental and social policies.

“..Senior management should be satisfied that sponsors, in particular those in whom IFC invests equity, share IFC’s values.” read one of the recommendations of the CAO 2003 Report, which also added that “in response to this complaint, IFC should as it moves forward with other investments with ENDESA and its subsidiaries, ensure that the problems that the CAO suggests have plagued this project and its relationship with ENDESA, are not repeated”.

This is exactly the opposite of what Colbun’s practices in the area have been.

ANGOSTURA: ANOTHER DISASTER ABOUT TO BE CONSTRUCTED

The issue today is quite simple, albeit of tremendous negative consequences, once again for the Mapuche-Pehuenche indigenous and other local communities, and also for the Biobio as a whole: the new hydroelectric project, named Central Angostura, that is being proposed for the basin, some 25 miles downstream from Pangué, would, among other impacts:

- Result in the forced relocation, ¡for A SECOND TIME! of some five families now residing in the Los Nostros sector, that were among the original nine families that were forcefully relocated for the Pangué project in the mid 90s.

- Would directly and indirectly affect a very old Mapuche Pehuenche religious-cultural-political complex, made up of an extended compound where at least four possible “kuel” sites have been identified. These have been recognized by preliminary government studies. Used as sacred ceremonial and funerary sites, beginning some seven to eight hundred years ago, “kueles” are Mapuche pyramid like structures that have only recently been recognized by mainstream scientists.

- The potentially affected area also includes sacred dance sites used for “guillatunes” and important, territory demarking and observation posts such as the Calvario Hill, that according to Pehuenche oral accounts, also includes a “kuel”.

- Central, and inseparable elements of this ceremonial compound, are certainly the two magnificent rivers, the Biobio and the Huequecura, that meet each other in an extended area, with stoned river canyons and multiple natural pools, that provide free and healthy entertainment and which is the most popular summer recreation spot for people from Santa Barbara, a nearby town of 6.000.

-The sector is also home to the El Piulo bridge, a narrow bridge crossing a deep rock canyon very near to where the dam wall is proposed. That place was the last seen by several political prisoners from Mulchen, Quilaco and Santa Barbara, who were executed at the site following the 1973 military coup. This site should be protected and kept accessible to all, at all times, as was expressed in a petition bearing some sixty signatures that was handed to the Intendente in December 2006.

-These cultural blows would add to the environmental impact on local fish, bird and other species, already heavily impacted by the other upstream megadams.

-Further damming would take place despite the withholding of crucial information concerning the downstream environmental impacts of the existing dams and the lack of publically available emergency contingency plans for volcanic and/or seismic emergencies.

-Last, but certainly not least, the implementation of the Angostura project would weaken the policies and the institutions of the WB, by in fact having a WB Group partner and client disregard lessons learned and recommendations specifically detailed by WB Group's own investigations and/or others made on its behalf.

COLBUN ONGOING TIES WITH THE WORLD BANK GROUP

Colbun and its affiliated companies (mainly thru Matte Group, controllers of Minera Valparaiso and Guardia Vieja) are conducting ongoing business with the WB Group thru:

- The **WB** , through its **Carbon Facility Unit** maintains commercial relations with Colbún by purchasing carbon emission reductions from the **Quilleco** (located in the larger Biobio basin), **Chacabuquito** and **Hornitos hydroelectric projects**, owned also by Guardia Vieja S.A, a subsidiary of Colbún.
- According to WB documents, the **IFC** maintains an equity share in **Hidroeléctrica Aconcagua S.A.** The Corporation maintains a 14 – 17% share in this power project controlled by Hidroeléctrica Guardia Vieja, which in turn is controlled by Colbun.

Although, as stated by an official document concerning the Quilleco project “the project does not include World Bank Group financing”, nevertheless “the World Bank acts as Trustee of the NCDMF for payment of CERs under the ERPA.”

This *Purchase of Certified Carbon Emissions Reductions by the Netherlands Clean Development mechanism facility from Hidroeléctrica Guardia Vieja S.A* means, among other things, that starting in June 2008 and for the next three years, until 2011, the WB would be extending a check for one million dollars, on behalf of the Dutch facility, to a company that is supposedly saving our atmosphere from harmful emissions, but that is at the same time -according to recent and reliable testimony- responsible for disregarding WB Group commitments in the area, and very far from, if not in the opposite direction of WB Group values, a condition that is viewed as mandatory for present and potential partners.

This is the third such deal between Hidroeléctrica Guardia Vieja, subsidiary of Colbun, and the WB in the green carbon reduction business, having seen the light, before the Quilleco project: those of Chacabuquito and Hornitos.

Colbun should be forced to comply with WB Policies, specially regarding a geographical location such as the Biobio, where past WB Group practices were subject to such an intense scrutiny and where efforts continue to this day to remedy past weaknesses and mistakes.

The IBRD by validating Colbun's supposedly environmentally friendly practices appears not only helping to raise money for the "greening" of Colbun, but is actually being a partner with a company that according to credible testimony and first hand accounts, is acting in opposite directions, disregarding legal and political commitments made by the WB and also by the Chilean state, that in an OAS sponsored agreement promised that no further hydroelectric development would take place in the indigenous lands of Upper Biobio, something now openly defied by the Angostura project and that has been communicated to the Interamerican body OAS.

We realize that the IFC has not held equity in Pangué for some time and we are also aware that, through the CAO office, there has been a program to work with some local Pehuenche communities, partly as a reparation of mistakes from the past.

Nevertheless, we understand that -despite formal sale of equity in the Biobio projects- the IFC has an ongoing engagement with Colbun thru equity held in the Hidroeléctrica Aconcagua project. Furthermore CAO itself recognizes IFCs responsibilities in the region, regardless of maintaining or not formal financial interests. The July 2002 claim indeed was investigated regardless of the abrupt selling of the equity days after receiving the claim.

There is clearly an ongoing, global responsibility, by part of the IFC and other members of the WB Group, for what happens with the watershed, particularly hydroelectric development on its course, and its impact on the environments and local communities, among them the Mapuche-Pehuenche population communities and individuals.

This was clearly stated in the findings of the CAO investigation undertaken in 2003-2004, that reaffirmed WB Group responsibility in future course of events:

"With regard to the continued need for downstream monitoring and impact assessment, this is an essential part of any environmental management plan for a project of this type. That an adequate environmental plan is in place, is complied with and is enforced is the joint responsibility of ENDESA, Pangué S.A., CONAMA and IFC as an investor with a specific interest and commitment to the environment and social outcomes of projects" (CAO Official Pangué Report).

One sad proof of the non existence of adequate downstream monitoring plans for the Pangué and Ralco dams came with the tragic death in 2006 of nine people, all of them living in unprotected river banks of the Biobio river where, after a furious storm - and no functioning emergency plans - , extraordinary and rapid flooding of houses occurred in several towns from Santa Barbara to Concepcion. The issue was the subject of a congressional investigation that reached contradictory conclusions and is still undergoing judiciary investigation,

The latest and perhaps even more tragic example is the implementation of yet another mega dam in indigenous territory, disregarding cumulative impacts with the Pangué and Ralco dams, forcefully relocating some of those earlier relocated by the

Pangue project and disregarding WB Group recommendations and an international agreement under the auspices of the OAS.

Thus, we respectfully, ask that your bodies initiate a formal investigation that leads to:

WHAT WE ARE ASKING FOR

1. Urgently have IBRD and IFC move to sever all business relations with Hidroelectrica Guardia Vieja, Hidroelectrica Aconcagua, Colbun, and other affiliated companies, until they fully respect WB policies and past commitments of all its member groups in the Biobio region. This should be applied to both present and future investment proposals and joint projects, including transactions of the Carbon Facility Unit.

This was a specific recommendation of May 2003 “Assessment by the Office of the Compliance Advisor/Ombudsman in relation to a complaint filed against IFC’s investment in ENDESA Pangue S.A.”

“The CAO recommends that IFC strengthen its sponsor due diligence to include the environment and social performance and commitment to corporate social responsibility of all potential clients, including the records of parents and subsidiaries. As the CAO has recommended in other reports, including its review of impact and effectiveness of IFC Safeguard Policies, IFC senior management should be satisfied that sponsors, in particular those in whom IFC invests equity, share IFC’s values. In response to this complaint IFC should as it moves forward with other investments with ENDESA and its subsidiaries, ensure that the problems that the CAO suggests have plagued this project and its relationship with ENDESA are not repeated.”

Years before, Jay Hair and his team had recommended a similar approach, when stating that: (Annex XXVIII)

“Environmental and social responsibility is being internalised and advocated by more and more private-sector business interests today, and it would be difficult, in our opinion, for the World Bank Group, including IFC, to justify partnering with a company that disregards environmental and social responsibility....

Such an approach should include, among other things, a totally new process for "prequalifying" potential private-sector project sponsors to ascertain objectively, in advance, their capacity and their top management’s willingness (both culturally and from a human/financial resources perspective) to comply with specific World Bank Group requirements.

2. In our December 2008 letter we asked for the sharing of information with local and national environmental authorities that reviewed the Angostura Project EIA. We understand this was not the case. We reiterate that we understand that the IBRD, IFC, the Inspection Panel and/or the CAO office all have information whose public and prompt release is still vital for the livelihood of the community and the environment in the Biobio region. Urgent consideration should be given to the release and translation of these reports, including the preliminary cumulative impact study performed by the IFC, environmental monitoring plans and emergency plans made available by the company,

etc. Efforts should also be made to translate and release the Lessons Learned document of the IFC (as was initially promised) and the older Hair and Downing reports.

It is a pity that such information has been denied till this day and effectively hindered local communities and governments from having access to all necessary information relating to an extremely rich and fragile natural and human environment.

The matter is urgent, we said almost a year ago.

Now it is even more so.

Perhaps, at least in some respects, it might not be too late.

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