

Annex 1

Lack of Participation and Non-Disclosure Problems in Projects Financed by the International Finance Corporation (IFC)

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Japan Center for a Sustainable Environment and Society (JACSES)

The International Finance Corporation (IFC), a private finance arm in the World Bank group, began a review of its disclosure policy in January 2004.

In order to clarify problems related to access to information and participation in past/ongoing projects financed by the IFC, we have studied a number of operations and have chosen 4 projects to exemplify our concerns. In the following section, we provide a summary of those projects along with a list of the problems related to information disclosure. The problems are divided by their cause: problems arising from non-disclosure, disclosed but defective documents, and inadequate participation of public. The latter two are pointed out since they will indirectly lead to non-disclosure issue.

The IFC should learn from these non-disclosure problems on the ground, and should promote greater transparency, especially in the project cycle.

Baku-Tbilisi-Ceyhan (BTC) Pipeline

Project Summary:

This project is a construction of the BTC Pipeline expected to transport up to one million barrels per day from Sangachal terminal near Baku to a terminal at Ceyhan. The pipeline will connect Caspian Sea Coast and Turkish Mediterranean, running through Azerbaijan, Georgia, and Turkey. The project has been controversial from the start; there were too many risks. The issues of transparency, corruptions, environmental and social risks were under question. Due to these uncertain factors, many NGO's tried to stop the IFC from funding the project but despite their effort, IFC and European Bank for Reconstruction and Development (EBRD) funded \$500 million in 2003¹.

Problems on Non-disclosure:

- Agreements such as Intergovernmental Agreements, Host Government Agreements, Production Sharing Agreements, and Transit Sharing Agreements between governments and companies are not disclosed². Since these agreements contain not only terms and conditions of how the pipeline and its associated infrastructure should be operated but also environmental and social standards that companies must comply with, CEE Bankwatch Network (BWN) states that without them, it is impossible to assess the project³. Also BWN states that the lack of these information prevented meaningful participation of public⁴.
- The research on public disclosure and consultation in Azerbaijan was done by Martin Skalsky⁵. He

¹http://www.bicusa.org/bicusa/issues/bakutbilisiceyhan_btc_pipeline_project_azerbaijangeorgiaturkey/index.php (Accessed 06/03/2004)

² <http://www.bankwatch.org/issues/oilclima/baku-ceyhan/baku-ngoproposal-6-02.pdf> (Accessed 07/15/2004)

³ *ibid.*

⁴ http://www.bankwatch.org/publications/issue_papers/2002/eir-baku.pdf (Accessed 06/03/2004)

⁵ Since 1995, he has been engaged in seminars and training on NGO fundraising, public participation in decision-making process, environmental assessment and so on. http://www.bicusa.org/bicusa/issues/BTC_Azer_consultations_report_skalsky.pdf (Accessed 06/03/2004)

criticizes not only the time period of disclosure and the inaccessibility of the disclosed material but also the timing of consultation in his report on this project⁶. For example, he states that although the consultation period took place between June 14 and October 14, information center to provide people with information was not ready until August. Also, that particular period overlapped with presidential election campaign, which had people's focus.

- In searching project document in IFC websites, there were only 2 documents found under following key words: "country: Azerbaijan, sector: oil, gas, and mining". As to Turkey, no document was found under "oil, gas, and mining"⁷. This is apparently not enough to analyze and understand the details of the project.
- Loan contracts are not disclosed online. In the World Bank's public information center web page, we cannot jump to any Loan (or Development Credit) Agreements⁸. If loan contracts were disclosed, more information about the project and its requirements would be available. This will help people in having better idea about the project.

Problems on defective documents:

- There seemed to be a failure in Ministry of Environment's (Georgia) work in providing through information about the project and its environmental permission process to the public before initiating the project. This is said to be due to the high level of political pressure⁹. Furthermore, in Turkey, EIA researchers only gathered information from local muhtars (village or community leaders) due to the political sensitivity in asking the people directly¹⁰. This EIA has been critically analyzed by The Corner House, an UK NGO. They submitted a paper pointing out 9 major breaches of the Directive found in EIA¹¹. They mainly criticized the inadequate research and time spent on the assessment.

Chad-Cameroon Oil and Pipeline Project

Project summary:

The \$3.7 billion project involved the drilling of 300 oil wells in southern Chad and construction of a 1070km transporting pipeline. The pipeline cuts through Cameroon, leading to offshore export facility in the Atlantic. Both IFC and the World Bank funded the project, saying that the expected government revenue (according to CIEL, "\$1.7 billion for Chad and \$505 million for Cameroon over the 28-year operating period") would greatly benefit both countries and contribute to poverty alleviation¹². This project was investigated by the World Bank's inspection panel because of its serious impacts on the people and environment and possible violations of Bank policies.

Problems on Non-disclosure:

- According to Nikki Reisch of Bank Information Center, the conventions and contracts between the Exxon-led oil consortium and the government of Chad have not been disclosed. As a result, the determinants of revenue (i.e. royalty rates, other tax and fee arrangements, regulatory exemptions, etc) are not known to the public. Similarly, figures on the volume of oil produced and sold are not made public. Without this information, it is not possible to verify the accuracy of reported oil revenues. As the WBG has recently acknowledged in their response to the EIR, the disclosure of key contracts and agreements is important to the welfare of environmental impact-affected communities.

Problems on defective documents:

- EIA submitted by the project sponsor was said to be inadequate in addressing environmental and

⁶ http://www.bicusa.org/bicusa/issues/BTC_Azer_consultations_report_skalsky.pdf (Accessed 06/03/2004)

⁷ [http://ifcln001.worldbank.org/IFCExt/spiwebsite1.nsf/\\$Search?Openform](http://ifcln001.worldbank.org/IFCExt/spiwebsite1.nsf/$Search?Openform) (Accessed 07/15/2004)

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<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/AZERBAIJANEXTN/0,,menuPK:301957~pagePK:141132~piPK:64025829~theSitePK:301914,00.html>

⁹ <http://www.bankwatch.org/press/2003/press28.html> (Accessed 06/03/2004)

¹⁰ <http://www.falkor.org/news/BTC.htm> (Accessed 06/30/2004)

¹¹ http://www.baku.org.uk/publications/breaches_of_eu_directive_final.rtf (Accessed 08/10/2004)

¹² <http://www.ciel.org/Ifi/ifccasechadcameroon.html> (Accessed 06/03/2004)

social risks¹³. Dutch Commission on Environmental Impact Assessment have already confirmed this, listing the inadequately addressed impacts such as increase in the risk of ethnic conflict, threat to food security, limit to water access, increase in AID, and more¹⁴. When the EIA is obviously inadequate, we cannot help doubting if it was done inadequately on purpose. It is almost as same as not disclosing the information.

Problems on Inadequate participation of public:

- Especially in the process of developing the Indigenous Peoples Plan, there was a failure to consult the Bagyeli people (semi-nomadic hunters and gatherers) whose lives are greatly damaged by the project. This resulted in inadequate compensation for their losses¹⁵. According to the research by the Forest People Project, consultation under the Indigenous Peoples Plan and the Compensation Plan consisted only of the dissemination of some information to the Bagyeli people. It was not what it should have been; a clear communication of the overall project and its positive/negative aspects¹⁶.

Yanacocha Mine

Project Summary:

Yanacocha mine is a gold mine located near town of Cajamarca, in the Peruvian Andes. According to IFC, it lent \$150 million in developing this mine saying that its participation will ensure high social and environmental standards¹⁷. However, we have found a number of problems.

Problems on Non-disclosure, Defective documents, Inadequate participation of public:

- There was an actual complaint filed by FEROCAFENOP and Project Underground to IFC's Compliance Advisory Ombudsman which clearly describes the inadequacy and inaccessibility of the material on the project¹⁸. The complaint states that the only information publicly disclosed was a copy exhibited in City Hall¹⁹. However, this document was in a language not comprehensible to the locals who are mostly illiterate and speak only Quechua²⁰. In addition, the City Hall is not a place where local gatherings are common²¹. Also, they continue to complain that although they had sent additional report on project, they have been told that the new report had no significant value. IFC said that they have already done thorough evaluation on the project, although they had refused to disclose this evaluation. The local people demand information such as water testing results and environmental assessment in Spanish or Quechua, or visual form that they can understand²². We can say that this is a direct complaint to the IFC's disclosure policy²³.
- Inadequate participation of public:
Though the IFC encouraged to turn Yanacocha mine into the best mine, the local people said that the region would be better off from investments in tourism, forests, and agriculture. This opinion difference is an evidence of insufficient public consultation, which led to the loss of trust in the IFC²⁴.
- The accident of mercury spill in June 2000 caused mercury poisoning in the local area. The local people gathered it up, believing the material to be something of a value. Had the IFC notified people

¹³ <http://www.ciel.org/Ifi/ifccasechadcameroon.html> (Accessed 06/03/2004)

¹⁴ *ibid.* (Accessed 06/15/2004)

¹⁵ *ibid.*, p.24.

¹⁶ http://forestpeoples.gn.apc.org/Briefings/World%20Bank/Bagyeli%20consultation%20May%2001.htm#_Toc518900560 (Accessed 06/15/2004)

¹⁷ Environmental Defense, Friends of the Earth, International Rivers Network "Gambling with People's Lives", September 2003, p.16.

¹⁸ Complaint Concerning Minera Yanacocha, S.A.:

<http://www.minesandcommunities.org/Company/yanacocha1.htm> (Accessed 06/15/2004)

¹⁹ *ibid.*

²⁰ *ibid.*

²¹ *ibid.*

²² *ibid.*

²³ *ibid.* See also <http://www.moles.org/ProjectUnderground/reports/minera0802.shtml> (Accessed 06/15/2004)

²⁴ *ibid.*

accordingly, this may not have happened²⁵. This accident is clearly caused by the insufficient and late disclosure of information.

Panama's Corredor Sur Toll Road Project

Project Summary:

The project, approved in June 1998, was for the construction of toll highway in Panama City²⁶. This \$210 million project, in which IFC loaned \$35 million²⁷, was to connect downtown district, eastern district, and the international airport so that the reduced travel time will be expected to bring about the economic benefits²⁸.

Problems on Non-disclosure:

- The fundamental problem is that Panama itself has a law that keeps commercial documents secret. The law clearly prohibits corporate officers and businessmen from disclosing specific information and documents. They can be only disclosed when it is accepted by the legal authority of Panama²⁹.

Problems on defective documents:

- The environment assessment (EA) was incomplete since the IFC treated this project as a "road" project and came to the project after the first part of highway was completed³⁰. This means that the original EA before IFC's participation looked only at the impacts of the road and not the impacts of blockade of current or landfills. Not only that, the additional EA process was completed after the project approval. Completing the EA after project approval does not allow affected persons an opportunity to participate in the decision making process. Due to this inadequacy of an integrated EA, there was unexpected environmental destruction of wetlands and land biodiversity. The EA exists not for the justification of the project but to decide whether to administer the project or not³¹.

Problems on Inadequate participation of public:

- Although the EA created an independent monitoring body, Unidad de Monitoreo Ambiental Independient (UMAI), its reports were available only to Panamanian government and to the IFC, not to the local people. This could be due to the fact that the monitoring body was financed by the sponsor companies³². Environment assessment should be done to assure the affected people that the project is safe. If the assessment was not disclosed to the affected people themselves, it is quite meaningless.

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²⁵ *ibid.*

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<http://ifcln001.worldbank.org/IFCExt/spiwebsite1.nsf/187e9d6fd629d5ab85256eb4002245f1/1629585d228b2ab88525688e00790da5?OpenDocument> (Accessed 06/15/2004)

²⁷ *ibid.*

²⁸ <http://www.ciel.org/Ifi/ifccasepanama.html> (Accessed 06/03/2004)

²⁹ <http://www.offshore-manual.com/PanamanianSecrets.html> (Accessed 06/03/2004)

³⁰ *ibid.*

³¹ *ibid.*

³² *ibid.*