



Report on Controversial Chilean Dam Submitted to World Bank President Environmentalists Call for Immediate Public Release



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April 11, 1997 (Washington, DC) – The findings of an eight-month investigation into the alleged violations of environmental and social policies in the International Finance Corporation (IFC) -financed Pangu Hydroelectric Project on Chile's BioBio River were submitted to World Bank President James Wolfensohn this week. The report responds to a claim filed by a Chilean environmental organization Grupo de Accion por el BioBio (GABB) alleging that the Chilean utility company ENDESA violated Bank policies and IFC supervision did little to prevent the violations. President Wolfensohn responded to GABB's request for an investigation by commissioning an independent review of the project and IFC's role in the policy violations.



President Wolfensohn is being called upon to publicly release the independent review of the Pangu project in its entirety. In a February 1997 letter to the Chilean Finance Minister, Wolfensohn expressed his intentions to disclose the report. "Now that the report is done, it is up to President Wolfensohn to demonstrate his commitment to transparency and open processes, even when the information is critical of IFC," said Andrea Durbin, Director of International Projects at Friends of the Earth. "He will be under a lot of pressure from the inside to keep this information from the public, and we hope he stands strong in his position."



The information in the report coincides with ENDESA's recent announcement that they have pre-paid their loan to the IFC. "Given PANGUE, SA's decision to avoid their environmental and social responsibilities by prepaying its \$150 million loan to the IFC, it is imperative that President Wolfensohn allow for a full public understanding of what went right and what went wrong with respect to protecting the environment and safeguarding indigenous communities," said David Hunter, Senior Attorney at the Center for International Environmental Law.

The report could also provide critical insights relevant to Chile's review of the Ralco Dam, a second hydroelectric project upstream of Pangu which is being planned for the BioBio River. Chile is in the final stages of approving the Ralco project. "It is crucial for the Chilean Government and Congress to have access to this report, as they have requested, so that they can fully assess the impacts of these dams," said Cristian Opasso, form Grupo de Accion por ell BioBio.

The report also contains valuable information that if released could prevent future IFC involvement in unsustainable projects. The IFC is one of the World Bank's fastest growing operations, but to date has proven incapable of imposing the Bank's environmental and social requirements on its private-sector clients. "The IFC has skated by far too long without holding corporate sector to its standards. It is time for the IFC to be a leader and promoter of corporate responsibility and citizenship," said Durbin.

