



Independent Review Confirms IFC Covered Up Social and Environmental Impacts from Chilean Dam Project



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July 30, 1997 (Washington, DC) –An independent review of the International Finance Corporation (IFC)-financed Pangué hydroelectric project on Chile’s BioBio River confirms that the IFC failed to comply with World Bank social and environmental guidelines. The report strongly suggests that IFC staff deliberately withheld critical environmental and social information from the IFC Board of Directors in an effort to ensure the project’s approval. An edited version of the Independent Review was released two weeks ago by the IFC, three months after being submitted by the Independent Review team.



According to the Independent Review, "the IFC did not follow fundamental World Bank Guidelines in any consistent or comprehensive manner throughout the development and implementation of the project." The report criticizes the IFC for its lack of operational accountability for environmental and social components of its projects and the "cloak of secrecy" that surrounded the project.



The investigation, headed by Dr. Jay Hair, was commissioned by the World Bank President James Wolfensohn in response to a claim by the Chilean environmental group, Grupo por Accion de Bio Bio (GABB) alleging that the Chilean utility company, ENDESA, violated Bank policies and IFC supervision did little to prevent the violations.



"Since 1989, the Pangué project has been plagued by social and environmental controversy. The report vindicates GABB’s claim that IFC staff and ENDESA pushed the project through the IFC without adequately addressing the environmental impacts and without adequately addressing the rights of the Pehuenche people," said David Hunter, Senior Attorney at the Center for International Environmental Law.

The Independent Review demands that the IFC clarify which World Bank social and environmental policies apply to its projects and that they clearly communicate these policies to their staff and their borrowers. In addition, the review recommends that the IFC be subject to an independent Inspection Panel process, similar to the one currently in place at the IBRD and IDA.

At the advice of external counsel, the IFC redacted the original report in over 250 places, censoring critical conclusions and recommendations of the Review. "Unfortunately, the edited version of the Review does not discuss ENDESA’s involvement in the social and environment policy violations. The World Bank is allowing unfounded legal threats to obstruct a complete and thorough assessment of the social and environmental impacts of the Pangué dam," said Andrea Durbin, Director of International Programs at Friends of the Earth.

This is the second independent review criticizing IFC’s involvement in Pangué. The first report submitted to the World Bank by anthropologist Theodore Downing in May 1996 attacks the IFC and ENDESA for its mistreatment and ethnic discrimination of the Pehuenche Indians affected by the Pangué project. The IFC has yet to make the Downing Report available to the public. Nor has the IFC addressed what changes it will make in response to the reform.

