Letters on the Pehuenche Matter

In conjunction with the Pehuenche Briefing Document, President Jane Hill has sent the following letters to James D. Wolfensohn, President of the World Bank Group and of its associated agency, the International Finance Corporation, and to Carol F. Lee, Vice President and General Counsel, International Finance Corporation.

Mr. James D. Wolfensohn  
President  
The World Bank Group  
2121 Pennsylvania Ave, NW  
Washington, D.C. 20433

March 19, 1998

Dear Mr. Wolfensohn,

I write as president of the American Anthropological Association, with a membership of nearly 11,000 professional anthropologists working in the United States and elsewhere. With this letter I convey to you a copy of an extensive report, prepared by the Association’s Committee for Human Rights, concerning IFC-financed hydroelectric development on the Bio-Bio river in southern Chile.

You will be well acquainted with the project, involving the Pangue Dam, the prospect of further dams upstream, and the protest lodged by IFC consultant Theodore Downing. I point out that Dr. Downing, a former president of the Society for Applied Anthropology, is a distinguished member of my profession. The IFC and its project partners placed Dr. Downing in a profound conflict of professional ethics that he had specifically sought to preclude through the insertion of special language in his contractual agreement with the IFC. I protest this. Dr. Downing is owed an apology and reinstatement of his working relationship with the Bank Group.

The conduct of the Pangue project violated in several ways the human rights of an indigenous people, the Pehuenche. The Pehuenche were not adequately informed of the impending project’s ramifications for them. The IFC poorly monitored the Pehuen Foundation, a promising creation for linking the project and the Pehuenche; this allowed the Foundation to fail in its purpose, leaving the Pehuenche unprotected. Timber on Pehuenche lands has been appropriated; the Pehuenche have thereby effectively financed the assault on their own lifeway and culture. Still worse, the IFC appears to have turned a blind eye to the engineered linkage between the Pangue Dam and the second, upstream Ralco Dam which will soon be built. Ralco will displace as many as 1000 Pehuenche to lands clearly unsuitable, even dangerous, to their cultural survival. And there are still other failings detailed in the report.

IFC and the World Bank Group responded to this case by drafting new guidelines for disclosure of environmental and social impacts. This is helpful but insufficient. I call upon the entire World Bank Group to take the following actions: (a) adopt a uniform and uniformly binding commitment to guarantee the human rights of all groups impacted by its development projects, (b) institute organizational changes that will prevent project-level implementation from ignoring the Bank Group's human rights directives on human rights, resettlement and participation by local populations, and (c) assure that the Bank Group's project information flow and accountability for human rights, moves fully from bottom to top of the Bank Group's structure, and is distributed beyond the Bank to public groups.
and to the peoples affected by those projects. Recommendation 6 of Part IV of the enclosed report speaks directly to this point.

I call upon you to direct the IFC to return to the Bío-Bío and remedy the Pehuenches' violated rights. I reject the proposition that IFC's obligations ended when its loan was repaid.

I and this Association stand ready to work with you to fashion a Bank Group-wide policy on the protection of human rights within the development process, and to propagate that policy to private lenders, to governments, and to development contractors. As Third World development increasingly privatizes, the Bank has an historic opportunity. I ask you to lead the effort to entrench the honoring of human rights in the development process at all levels, by all participants. The American Anthropological Association stands ready to join you in this critically important effort, and I propose meeting to begin this work.

Yours truly,

Jane H. Hill, President
American Anthropological Association

e: http://www.aaanet.org/chrhome.htm
(report and letter)

Carol F. Lee
Vice President and General Counsel
International Finance Corporation
2121 Pennsylvania Ave, NW, Rm. 7P-228
Washington, D.C. 20433

March 19, 1998

Dear Vice-President Lee,

I enclose the report of the Committee for Human Rights on the Pehuenche matter. I also attach the text of a letter I have sent to James Wolfensohn, president of the World Bank Group, which describes the position I have taken and the actions I urge be taken by the World Bank Group in general and the IFC in particular.

The report is to be understood as a briefing document, prepared by the Association's Committee for Human Rights, that has formed the basis for my letter to Mr. Wolfensohn and the other actions the Association will be taking. The report will be posted on the AAA’s website shortly, at http://www.aaanet.org/chrhome.htm. I thank you for meeting with the Committee last November and ask that, in concert with the World Bank Group, that the IFC act positively and promptly on the recommendations it contains.

Yours truly,

Jane H. Hill, President
American Anthropological Association
Dr. Jane H. Hill  
President  
American Anthropological Association  
2200 Wilson Blvd, Suite 600  
Arlington, Virginia 22201  

October 21, 1998  

Dear Dr. Hill:  

Thank you for your letter of September 30, 1998, relating to IFC’s handling of the Pangue hydroelectric project in Chile. I share your concerns about this project. I have said on a number of occasions publicly, both in Chile and elsewhere, that there were serious shortcomings in the way that IFC handled the Pangue project.

As a result of close scrutiny and review of Pangue and other projects, IFC learned important lessons and resolved to improve its environmental and social performance. The direct result of that process is a new and more stringent environmental and social review procedure, which has now come into effect, and IFC safeguard policies which follow closely those of the World Bank. IFC has also substantially expanded its environmental and social science review staff and further expanded its social science capacity by working with other social scientists in many countries. Moreover, IFC is working closely with the specialists in the Bank to augment its resources. With these changes, IFC will be able to focus on assuring first-rate environmental and social performance on its projects, both at the design stage and during implementation.

I note your concern regarding the lack of progress made in responding to the March 1998 report by the American Anthropological Association's Committee for Human Rights. This has been a difficult issue for IFC and I share the frustration you expressed in your letter. However, it is important to recognize that IFC's capacity to influence outcomes of the projects it helps finance varies, depending on when in the project cycle intervention is needed. In addition, it remains an ongoing challenge in the private sector projects to accurately define the issues to be addressed by the client company and those that must, by their scope and nature, be in the domain of the national government. Understanding and recognizing these challenges and constraints is central to accurately assessing IFC's present capacity to address the issues the Committee has raised in its report.

In the case of the Pangue project today, years after Board approval and a year and a half following prepayment of the IFC loan by Pangue S.A., the simple fact is that IFC's leverage to address existing deficiencies in the social area is extremely limited. IFC cannot take unilateral action in connection with the Pangue project. I believe IFC management and staff had conveyed the constraints they faced during the extensive discussion with the members of AAA's Committee on Human Rights both in open and closed session in November of last year. Many of the recommendations of the Committee's report were raised and addressed at that time. IFC management are under my direction to continue to work with Pangue S.A. and other directly impacted parties to reach as positive an outcome as possible as long as it
remains a 2.5% shareholder in the company. However, given the reality of present circumstances, I cannot promise success in achieving some or all of our objectives, or the objectives of the Committee.

While the lack of progress in this matter is frustrating for all of us, I hope that the valuable lessons learned from the Pangue project and the frank exchange on issues such as human rights and development, and indigenous peoples, with your organization and many other interested parties will continue, as will the evolution of the Bank Group policies and operations to better reflect the interests of those impacted by the projects we help finance.

[written in by hand:] I will continue to press in every way I can.

Sincerely yours,

James D. Wolfensohn