



**IFC**

**International  
Finance Corporation**  
World Bank Group

# Cumulative Impact Study Uruguay Pulp Mills

**Annex G: Public Engagement**

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**ANNEX G**  
**Public Engagement**

## PREFACE

The International Finance Corporation (IFC), the private sector financing arm of the World Bank Group, is evaluating whether to provide financing to two pulp mill plants on the Uruguay River in western Uruguay. In addition, the Multilateral Investment Guarantee Agency (MIGA), also a member of the World Bank Group, is evaluating whether to provide political risk insurance to one of the plants. IFC and MIGA will decide on whether to proceed with funding and guarantees after the environmental review process is completed.

As part of its evaluation process, the IFC released the Environmental and Social Impact Studies for the proposed pulp mills in 2005 and held meetings with stakeholders and government officials in Gualaguaychú, Buenos Aires and Montevideo. IFC decided that further study was required and commissioned a cumulative impact study (CIS) of the two pulp mills. As part of the CIS process, IFC also contracted the Consensus Building Institute (CBI) to conduct a stakeholder assessment (see following). As noted in the CBI stakeholder assessment, several stakeholders declined participation stating that the terms of engagement needed to be clarified and the assessment process felt rushed.

The conflict between Argentina and Uruguay concerning the Orion and CMB pulp mill plants in Uruguay has affected diplomatic relations, transportation, trade and tourism. Opponents of the two pulp mills are concerned that the pulp mills will harm human health, the environment and the region's economy. Protests by Argentine residents and environmental groups from Argentina and Uruguay have included blocking routes to international bridges, with the longest blockade lasting 45 days.

The conflict has also included complaints being filed at the International Court of Justice (ICJ) of The Hague and the Mercosur (Southern Common Market) Tribunal. The ICJ issued a provisional ruling that Uruguay could continue building the two pulp mills while the overall case was being considered. The ruling of the Mercosur Tribunal found that Argentina did not take necessary action to guarantee free circulation of goods and services into Uruguay however did not specify future conduct or compensation for losses.

In September 2005, the Center for Human Rights and Environment (CEDHA) filed a complaint to the World Bank's Office of Compliance Advisory Ombudsman (CAO). The complaint was filed on behalf of the Entre Rios Governor, the Citizens Environmental Assembly of Gualaguaychu and nearly 40,000 other signatories. The CAO audit was released in February 2006 and recommended that procedures be implemented related to posting of documentation on external websites, collaboration of IFC and MIGA, appraisals prior to public disclosure, and short-comings of documentation identified after public disclosure.

The draft CIS and the CBI stakeholder assessment were released in December 2005. IFC opened a 60-day consultation period on December 19, 2005 to receive feedback from

stakeholders on the consultation process and the scope, methodology and findings of the draft CIS. With the intent of implementing a transparent and meaningful public engagement process, the IFC developed a consultation process that included:

- making the draft CIS available for public review;
- obtaining stakeholder feedback through an online submission mechanism and at meetings facilitated by an independent third party;
- inviting the governments of Argentina and Uruguay to nominate technical experts to assess stakeholder concerns;
- making the terms of reference for the role of the experts and the experts' findings and recommendations available for public review; and
- providing an action plan to respond to the experts' findings and recommendations.

Several comments were submitted during the consultation period and posted on the IFC website ([www.ifc.org/ifcext/lac.nsf/Content/Uruguay\\_PulpMills\\_Consultation](http://www.ifc.org/ifcext/lac.nsf/Content/Uruguay_PulpMills_Consultation)). Members of the expert panel were drawn from among a pool of technically qualified nominees. The expert panel reviewed the feedback received, and presented their findings to IFC. The independent expert panel report, referred to as the Hatfield Report (see Annex H), was released in April 2006 and provided recommendations for the revision of the draft CIS in response to identified stakeholder concerns.

For the final phase of the environmental due diligence process, the IFC released an action plan in May 2006 that identified key issues to be addressed in the revised CIS. The action plan indicates that the revised CIS will be reviewed by the expert panel to verify consistency and responsiveness to the recommendations in the Hatfield Report. This review process is designed to ensure that stakeholder concerns are addressed in the final CIS. The terms of reference for the revised CIS have incorporated stakeholder concerns identified in the Hatfield Report. The final CIS will be released to the public for 30 days upon completion.

*Uruguay Pulp Mills Stakeholder Assessment Findings*

**The Consensus Building Institute**

Cambridge, MA/Washington DC

December 2005

## I. Overview of the Uruguayan Pulp Mills Conflict

### Background

The Uruguayan pulp mills have been the subject of intense public interest since first proposed. They consist of two separate projects by Spain's Grupo Empresarial ENCE (ENCE) and Finland's Oy Metsa-Botnia (Botnia). Together, the proposed mills would represent the largest foreign investment in Uruguay's history. They have raised hopes about new jobs and concern about the possibility of untenable environmental and social impacts.

ENCE plans to invest \$660 million in a mill that will produce 500,000 tons of pulp a year, while Botnia intends to produce twice that amount with a \$1.2 billion plant. The proposed projects would rank among the world's largest and would use a bleaching technology known as Elemental Chlorine Free. The International Finance Corporation (IFC) is considering loans for both projects. Another World Bank entity, the Multilateral Investment Guarantee Agency (MIGA), is considering a guarantee for the Botnia project.

### Project Approval

ENCE announced its project in 2002 and recently received approval to begin site preparation. Botnia began impact studies in 2003 and received approval from Uruguay's regulator in February 2005. The sites are located a few kilometers apart on the Uruguay River near the Uruguayan town of Fray Bentos (population circa 23,000) and Argentina's Gualeguaychú (population circa 75,000).

### Growth of Opposition

Opposition to the plants has centered on concerns about environmental impacts and a perceived lack of key information. Concerns swelled in Gualeguaychú after Botnia received regulatory approval. The Citizens Environmental Assembly of Gualeguaychú emerged as a broad grassroots organization opposing the plants. The Assembly has worked in concert with local and national public officials in Argentina. It led the organization of a 30,000-person rally in April 2005 and a petition against the plants with 39,633 signatures. Uruguayan environmental and civic groups have also spoken out against the projects, and mobilized several thousand people from Uruguay to the same April protest.

The conflict has received significant local and national press coverage and risen to the level of an international dispute between the two countries. The presidents of Uruguay and Argentina created a Bi-National Technical Commission of technical experts this year that recently began to analyze some of the potential trans-boundary effects of the mills. Tension over the mills at one point caused both countries to recall their ambassadors for a day.

## **Cumulative Impact Study**

IFC began a Cumulative Impact Study (CIS) of the two projects in July/August of 2005. The study lost credibility among many project opponents after one of IFC's lead consultants made public comments that opponents perceived as downplaying the significance of potential impacts before the CIS had generated substantial evidence on those impacts. IFC has since changed the study's lead writer.

In September 2005, The Center for Human Rights and Environment (CEDHA), an Argentine NGO, filed a complaint with the World Bank's Office of Compliance Advisor Ombudsman (CAO). The complaint, filed on behalf of Entre Ríos Governor Jorge Busti, the Assembly and about 40,000 other signatories, said the plants would be harmful to human health, the environment and the region's economy. The complaint also said IFC had violated its own policies as it considered financing, and should stop its review of the proposed investments. The CAO accepted the complaint in late September and began an assessment of the situation.

## **Recent Developments**

In early November, the Ombudsman's office released its Preliminary Assessment Report and ordered an audit of IFC's and MIGA's project review process. The CAO report said that "the consultation and disclosure processes related to approvals for these projects give the impression of being rushed." The report also said "too little emphasis has been placed on the trans-boundary nature of the possible impacts of these developments and there has not been sufficient acknowledgement of the legitimacy of concerns and fears of communities that are local to the project." The report raised specific questions about the mills' impact on tourism, fishing and eucalyptus plantations. It also recommended that the IFC's "consultation and disclosure periods are kept separate and not confused."

## **Stakeholder Assessment Process**

IFC contracted the Consensus Building Institute (CBI) – an impartial, non-profit facilitation and mediation organization based in the U.S. -- to carry out a Stakeholder Assessment and explore a possible public engagement process to address stakeholder concerns. The CBI team, consisting of a Uruguayan consultant, two Argentine consultants and three consultants from the United States, spent the final two weeks of November identifying and interviewing stakeholders.<sup>1</sup> The CBI team conducted more than 80 interviews with a wide range of individuals including:

- Civil society groups and NGOs
- Business associations
- Public officials

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<sup>1</sup> CBI team members were: David Fairman, Merrick Hoben, Carlos Ibañez, Francisco Ingouville, Patricio Nelson and David Plumb.

- Interested citizens -- including local business owners, tourism operators, fishermen, farmers and plantation owners
- Botnia and Ence representatives

## *Methodology*

CBI interviewed stakeholders in person and over the phone using a standard interview protocol as a guide (see Appendix C). Most interviews were conducted in and around Fray Bentos and Gualeguaychú as well as in Buenos Aires, Montevideo and Washington (see Appendix A for full list of interviewees).

It is important to note that the Assembly, Gualeguaychú and Entre Ríos government officials and a number of environmental NGOs declined CBI's interview requests, stating that they would participate if IFC clarified terms and timelines for stakeholder engagement. They also felt that the assessment process was being rushed and wasn't following the Ombudsman's recommendations (see Appendices D and E for the Assembly's public statement). For this assessment, CBI consulted public documents from the Assembly and other stakeholders that declined interview requests. CBI also interviewed several Assembly members who spoke in a personal capacity.

CBI used the Table of Contents of the draft Cumulative Impact Study to help shape discussions with stakeholders about potential impacts. Most stakeholders said that the CIS table of contents included issues of concern to them. However, they also said that it listed issues at a level of generality that made it difficult to assess whether and how the CIS would address their particular concerns.

## **II. Stakeholder Key Issues and Concerns**

The CBI team grouped stakeholder views and concerns about the proposed mill projects into the following areas:

- A. Economic development and job opportunity*
- B. Community quality of life*
- C. Eucalyptus plantations and changing land use*
- D. Effects on fishing and agriculture from pollutants*
- E. Appropriateness of proposed plant sites, controls and monitoring*

The order in which the issue areas are presented does not indicate a judgment about their relative importance.

### **A. Economic development and job opportunity**

A basic tension emerged between stakeholders who emphasized jobs that would come from the proposed new industrial activity, and stakeholders who gave greater weight to



the effects of an anticipated drop in tourism.

### Plant related jobs and regional economic impact:

- A large number of stakeholders in Fray Bentos and its surrounding region expressed optimism that the plants represented the most significant source of job opportunities in decades.
- The same interviewees said economic benefits and jobs are already being felt in Fray Bentos in multiple sectors – including commerce, hotels, and transportation (taxi), restaurants and others.
- The plants represent Uruguay’s biggest-ever foreign investment, and Uruguayan officials have stated publicly that attracting such investment is a principal policy goal. Many interviewees said they are optimistic the plants will produce a chain of economic activity that spreads throughout the Rio Negro province and nation. Botnia estimates its project alone will increase Uruguay’s Gross National Product by 1.6 percent.
- Several stakeholders in nearby Uruguayan towns said they expected economic activity from transportation, equipment repair, and forestry activity.
- Several stakeholders noted that Argentina may also experience some related economic growth by supplying labor, services and wood.
- Some stakeholders noted that the pulp plants would permit a more efficient use of resources because they will generate electric power as a by-product.
- Pulp plants would also use wood that typically gets burned as waste at a saw mills, some stakeholders said.
- Opponents to the mills said that the number of estimated jobs resulting from mills may be exaggerated, and that high-paying positions requiring technical skill may be filled by foreigners.
- Environmental NGOs suggested similar economic activity could be generated from less-polluting industry.
- Many Fray Bentos citizens are concerned that job opportunities related to the mills may be limited after the construction phase, and their value may be more short-term than long-term.
- Several stakeholders called for increased training for local residents to ensure they are skilled enough for technical/managerial jobs at the proposed plants. Other stakeholders said there should be better communication with the companies to understand the services and supplies they will need.
- Some local business owners worried that the mills will overlook small- and medium-sized businesses in favor of relationships with large contractors.
- Some stakeholders suggested promoting other wood industries such as furniture instead of pulp. Other stakeholders said the proposed mills provide a good opportunity to perform a comprehensive, bi-national, regional development strategy.

## Effects on Tourism:

- Environmental NGOs, civic groups, and business associations, especially in Gualeguaychú, anticipate tourism and recreational activities will plummet as a result of pollution from the plants. In Gualeguaychú, there is a strong belief the resulting loss of jobs will far outstrip economic activity generated by the plants.
- Gualeguaychú sees tourism as a fundamental economic driver and part of a regional identity that makes it a unique and desirable destination for residents, businesses, and visitors. Tourism is also central to Gualeguaychú's regional strategic growth plan. A majority of interviewees in the city viewed the proposed plants as a direct and immediate threat to the city's economic wellbeing, and demand that they be halted or relocated.
- Stakeholders predicted that a drop in tourism visitation would sharply reduce residential and farmland real estate values, as well as overall commercial activity.
- In comparison, Fray Bentos stakeholders expressed a range of opinions about the potential impacts on tourism. Some noted that the tourist areas, such as the Las Cañas beach resort in Fray Bentos might lose significant numbers of homeowners and tourists, while others were unsure or saw little potential impact. One resident said that many houses in Las Cañas are for sale. In contrast, another resident said rental prices had risen in Las Cañas because of demand from people working at the mills.
- Gualeguaychú has invested in promoting its annual carnival festival, which is Argentina's largest, and has developed tourism infrastructure such as a popular beach resort diagonally across from the Botnia mill site. Stakeholders from this area feel certain that the mills will have a severe negative effect on their businesses.
- Many Gualeguaychú residents also worry about potential economic impact from pollution on agriculture and fishing, which are significant components of the region's tourism appeal and economy (see separate sections below).
- Some stakeholders were unsure about the extent of the potential impact, and one Gualeguaychú stakeholder predicted no negative impact on tourism.

## **B. Community quality of life**

All stakeholders expressed expectations that the proposed mills would affect their overall quality of life in some way. Those supporting the mills said they expected economic development to improve the way they live, while causing some pollution and bringing some potentially negative social changes as a result of an influx of construction workers. Plant opponents expect a sharp deterioration in their immediate environment and lifestyles. Key views are divided below between environmental and social considerations.

## Environment

Many stakeholders on both sides of the river said they choose to live in the area because of its natural beauty, which enhances their quality of life. A large majority of stakeholders in Gualeguaychú view the proposed mills as a direct threat to their way of life and values. While several Uruguayan NGOs and citizens interviewed share this view, many Fray Bentos residents expressed confidence that Uruguayan government environmental controls would limit adverse impacts from the proposed plants. Several Fray Bentos interviewees said they are willing to put up with some level of pollution in order to have jobs and economic growth. Most stakeholders expressed a need for more information to understand the impacts. Specific concerns noted on both sides of the river are:

- Foul odors. Environmental NGOs dispute company and government studies that suggest that Fray Bentos and Gualeguaychú will receive a minimal amount of foul air emissions. Stakeholders who traveled to pulp plants in Spain and Finland came away with different views of the extent of bad smells and other impacts, further polarizing this issue.
- Toxic emissions. A number of citizens and environmental NGOs predict plant emissions will cause potentially severe illnesses such as cancer, and contaminate food and water supplies. They also predicted that the plants' wastewaters will kill fish and wildlife, and make nearby swimming and recreational activities dangerous.
- Traffic: Many stakeholders expressed concern that trucks bringing logs and supplies to the mills will create a surge in traffic, noise and dust.
- Additional concerns mentioned include acid rain; a loss of regional habitats and bio-diversity; and the negative impact on the landscape. Some stakeholders expressed concerns about increased cloud cover caused by the plants' plumes.
- Overall, many stakeholders in the region said they lack information that can explain in plain language how the mills may alter the area's air and water quality.

## Social impacts

Citizens in the affected area also expressed specific concerns about project-related social impacts.

- Fray Bentos officials noted an influx of young single men working on the plants' construction. Four potential negative effects are rise in prostitution, venereal diseases; crime (robberies); and road accidents because of drunk driving. Local health officials said some of these effects are already being seen, and one stakeholder said the town was becoming a less safe place to raise children.
- Local officials stated that they are taking steps to address these concerns. They also expect the plants will increase the quality of public services such as health care, education and civic infrastructure – ultimately improving social services for

Fray Bentos citizens. These same issues did not arise as areas of concern with Argentine interviewees.

### C. Eucalyptus plantations and changing land use

Stakeholders generally expect the plants to increase the amount of tree farming activity in Uruguay and, to a lesser extent, Argentina. Interviewees noted several implications:

- **Intensity of land use:** A range of opinion was noted on intensity and best use of land. Environmental NGOs as well as some agriculture representatives noted that eucalyptus plantations are a particularly aggressive use of land that can deteriorate soils, water resources and ecological health if not managed properly or restricted. Environmental NGOs suggested that tree farming is already compacting soils with heavy machinery, draining local aquifers and increasing fire dangers.
- **Water use:** Plantations may represent a threat to the Guaraní – the largest aquifer in South America, NGOs said. Other agriculture stakeholders interviewed by CBI in Uruguay said they have seen little if any change to aquifers as a result of plantations.
- **Planting and harvesting practices:** Many stakeholders saw the need for additional studies as well as guidelines around forest rotations and replanting. Some stakeholders emphasized that the mills may encourage certified tree farms by paying more for certified wood, leading to more environmentally and socially responsible plantation operations. Certified forests also are less prone to fires, these interviewees said. Other stakeholders stressed that forestry plantations are a way to extract value from marginal lands.
- **Farm jobs:** Stakeholders expressed a range of views over whether converting agricultural land to tree farms adds or reduces rural jobs. Some stakeholders, including civic groups and NGOs, suggested that plantations hire fewer workers than other activities such as dairy farms. Landowners, in contrast, noted little difference between tree farms and other land uses in terms of employment. They also stated that plantations create a larger chain of economic activity once harvested. Some smaller logging operations may become uncompetitive as bigger owners use more modern technology that requires fewer workers, one stakeholder said.
- **Land ownership and use:** Affected area interviewees on both sides of the river expressed the belief that plantations led to increased concentration of land ownership in few and predominately foreign hands. Lack of government studies about the impact of plantations and unclear limits on growth have enhanced

these concerns. Stakeholders agreed that land prices have risen as a result of tree farms and that they expect the mills to support this trend. Moreover, some see unbridled growth of plantations as encroaching on better-quality land currently used for dairy, grains and other traditional agricultural use. Stakeholders had differing views about whether current regulations that classify land use are being enforced. Some believe that increased wood demand resulting from the mills could prompt plantation developers to use more lands than designated by the Uruguayan government for forestry plantation growth. Several stakeholders said Uruguay should debate changes to its forestry management and tax policy.

- **Preserving Habitats:** Environmental NGOs said plantations must be managed so that they preserve open pastureland and habitat for endangered species.
- **Infrastructure impact:** A number of stakeholders were concerned that plantations require greater public investment in roads and infrastructure, potentially shifting government resources from other municipal services. Some stakeholders suggested that pulp producers should help pay for road upkeep.

### D. Effects on fishing and agriculture from pollutants

Interviewees in the affected areas noted a range of views and concerns regarding proposed mill operations and potential effects on agriculture and fishing activity.

#### **Fishing**

Fishermen interviewed on both sides of the river expressed serious concern that mill effluents will contaminate the river, potentially killing fish or making them inedible. Stakeholders expressed concern about toxins and the temperature of effluents. They said that the river is fished commercially and recreationally, and that many families rely on it for a subsistence living.

- **Fishery health and sustainability.** Fisherman expressed degrees of concern regarding project impacts. Gualaguaychú fishermen predicted the local fishery would 'die' from the plants, ruining their livelihoods. These same interviewees noted concerns that the mills would produce toxins contaminating remaining fish and making them unfit for consumption. Fray Bentos fishermen also emphasize a pattern of deterioration in the regional fishery. Fishermen in the nearby Las Canas pointed out that certain species of fish have disappeared in recent years. They attributed the decline to agricultural and forestry chemicals, and expressed concern that the proposed mills would make a declining fishery even worse. Sport fishermen in Gualaguaychú indicated that the proposed mills are located in front of a popular fishing spot and spawning ground. They also noted that the river often flowed slowly and erratically depending on climate conditions, making it hard to predict the concentration and reach of mill

pollutants. One stakeholder expressed concern that mill emissions would have an indirect impact on merluza (hake), a principal fishing resource for coastal Argentina. Hake feed on sabalo (bonefish), which spawn in the areas near the proposed mills, this interviewee said. Other stakeholders saw little or no impact on hake. Company representatives suggested the mills could treat Fray Bentos' sewage, reducing river contamination.

- **Information.** Interviewees noted they had received information from the mill sponsors about potential fishery impacts and had been consulted by Botnia and Ence about their personal experience regarding fishery health. However, nearly all interviewees stated they still lack a clear vision as to how their day-to-day fishing experience may change if the mills become operational. Fishermen said information in documents overstated distances between the mill sites and affected areas. Some Argentine government officials expressed concern that poorer families who rely on the river for a subsistence living are unaware of the potential impacts of the proposed plants and don't have a voice in the process.

### Agriculture

Stakeholders in the region had diverse views on the potential impact from plant emissions on existing agricultural production.

- **Impact from mill emissions:** Some stakeholders related to agriculture, particularly in Gualeguaychú, said they worried the mills would produce acid rain and toxic pollutants that would contaminate products such as beef, poultry, honey, snails, rabbits, and blackberries. These interviewees expressed concern that this potential contamination will restrict exports to the European Union and other markets with strict sanitary standards. Other agricultural stakeholders said they weren't concerned about the impact of the mills on their products. Some stakeholders related to cattle farms said they lacked credible information about potential impacts from the mills. Some stakeholders related to the forestry sector said pulp mills would help to reduce the air pollution produced by saw mills that burn waste woods.
- **Impact area:** Some farming stakeholders expressed concern that the affected area would be much larger than the area suggested by the companies' impact studies, perhaps affecting neighboring towns and cities. Other stakeholders didn't share that concern.
- **Existing pollutants:** Some agricultural producers in the Fray Bentos area said they are more concerned about agrochemicals polluting their production than the pulp mills. Some stakeholders in Gualeguaychú said local studies had already found small quantities of agrochemical deposits in the fat of their cattle. These stakeholders expressed concerned that pollution from the mills would

raise the amount of contamination in the animals to a level that would restrict exports.

- **Honey production:** Stakeholders held sharply different views on the potential impact on honey production. Several stakeholders expressed concern that they would be unable to export honey collected in the vicinity of the plants, and that bees would become damaged by large eucalyptus plantations. Honey buyers and exporters who were interviewed on both sides of the river anticipated no impact on exports, honey prices or bee health. They further stated that they were unaware of any situation in which honey collected near industrial facilities or Eucalyptus plantations was considered less valuable or faced restrictions on the world market.

### **E. Appropriateness of proposed plant sites, controls and monitoring**

Stakeholders had a variety of views regarding the plant sites, quality of plant controls and oversight of their operations. A key driver of these concerns is the perceived scale and combined impact of the proposed mills.

- **Plant sites:** Many stakeholders who oppose the plants said the sites were inappropriate given their cumulative scale and proximity to nearby towns. They also said that site alternatives were not considered. Some stakeholders suggested moving the plants to a less populated area in Uruguay or to the Atlantic coast. Some of those supporting the mills felt their placement was an efficient location to take advantage of the wood supply chain and infrastructure necessary to support operations.
- **Plant size:** Many stakeholders who are critical of the mills said the projects' combined size exacerbates concerns. Many stakeholders said they believed the two plants would represent the largest pulp facility in the world, making the potential impacts unprecedented and hard to predict. One stakeholder said a pulp facility in Brazil is larger.
- **Ability to monitor emissions:** Several stakeholders questioned whether existing regulatory and oversight agencies had the technical capacity to monitor the mills' operation and emissions. Uruguayan public officials said they were creating new entities to ensure effective oversight, and some stakeholders said Uruguay's environmental authorities had sufficient expertise. Stakeholders opposing the mills, in addition to some interviewees who support the projects, said they worry political and economic pressures will reduce the effectiveness and transparency of monitoring, and that monitoring will lack consistency over the mills' lifetime. Uruguayan officials said they wouldn't hesitate to shut down the plants if they violated

environmental norms. Some stakeholders said their concerns about monitoring led them to believe that the plants must use Total Chlorine Free technology, which they expect would emit fewer toxins regardless of oversight. Some stakeholders said they would feel more confident with international oversight of the plants' emissions and operations. The Environmental Ministers of both countries have already contacted the United Nations Environment Program for possible technical assistance. Several stakeholders suggested creating a bi-national entity with a diverse set of stakeholders represented. Fray Bentos officials said they are putting together a local monitoring program that would be independent from the national government.

- **Technology:** There were differing views among some stakeholders about the plants' proposed technology. Environmental NGOs and Gualeguaychú civil society groups said the plants would not comply with European standards as of 2007. Other stakeholders said they would comply with European standards, and that they represent state-of-the-art technology. Some added that the technology applied in the mills could drive modernization of similar regional industries. Many project opponents in both countries said Uruguay should only permit pulp plans that use a Total Chlorine Free process, which they consider the least polluting. One stakeholder said a Total Chlorine Free process can be just as polluting. Several interviewees said they needed clearer information on how the technology meets international standards.
- **Transportation/handling of dangerous chemicals:** Some stakeholders expressed concern about possible accidents due to heavier traffic, as well as improper handling of chemicals used at the plant. Fray Bentos public officials said they were creating new emergency response teams to address those concerns. Some stakeholders said they doubted Fray Bentos had sufficient public resources to respond to chemical spills or other emergencies. Environmental NGOs expressed concern about where chemical supplies would be manufactured and about the controls in those chemical plants.

### III. Stakeholder Views on Engagement

Stakeholders expressed a variety of needs and concerns about the possibility of public engagement and dialogue on the proposed plants. Many stakeholders said a review of the draft Cumulative Impact Study may represent a useful framework for discussion. Most stakeholders said they would require assurances that engagement would:

- Be meaningful and transparent
- Include broad stakeholder representation



- Provide opportunity for review of credible information
- Respect sovereignty
- Ensure a safe space for civil discussion

**Meaningful engagement:** A majority of stakeholders interviewed said they would support a dialogue that was accountable and transparent, with clear timelines, methodology and rules of engagement. They also wanted clarity about how the engagement would affect IFC's Cumulative Impact Study and how it would affect decision-making by IFC, the concerned governments and the companies constructing the mills.

- Most opponents to the mills said that prior to engagement they would need IFC, Uruguay's government, Botnia and ENCE to signal their willingness to acknowledge and respond to community concerns. Many opponents said they wouldn't be interested in a dialogue that assumed the plants would be built, and only dealt with mitigation measures. Opponents view the advancing construction of both projects as a sign that stakeholder concerns are being ignored. Many opponents said suspending construction would be a first step in opening the possibility of meaningful stakeholder engagement. In the absence of a commitment from the companies and Uruguayan officials to slow the pace of project decision making and construction, many Gualeguaychú residents said they feel compelled to use protests and other means to bring attention to their concerns. The Assembly has stated publicly its intention to block the international bridge periodically during the coming months when many Argentine tourists cross into Uruguay. Local officials in Entre Rios called on Argentines to avoid Uruguay this summer season (peak summer months are January and February). Several project supporters said these types of actions exacerbate the conflict and prevent constructive communication.
- Many project supporters, in particular Uruguayan public officials, said an engagement process would not be effective if used as an opportunity to stage protests or simply stall the projects. Several stakeholders in Uruguay said the actions of opponents in previous public meetings had obstructed a meaningful exchange. They said future engagement should have a predefined scope of issues to discuss and should encourage mutual respect for the individuals involved.
- IFC said in a November press release that it will seek a "stakeholder engagement process" following release of the draft Cumulative Impact Statement that "will provide concerned citizens and other parties on both sides of the Rio Uruguay with the opportunity to review and provide input. This public input, and the subsequent final conclusions of the cumulative study, will help determine whether IFC will finance the plants." The statement also said that if "IFC decides to present the pulp mill projects to its Board of Directors, and the request for financing is approved, the cumulative impact study will also influence the development of mechanisms to provide for continued public engagement, mitigation of any negative impacts, and to maximize social, economic and

environmental benefits from the mills.”

- Companies representatives said they are open to an engagement process with stakeholders to analyze the mill’s impacts. They said a process should be focused on specific issues, conducted by professionals and create a safe place for a civil discussion.
- Several stakeholders mentioned that dialogue cannot be rushed and that adequate time must be provided to review the range of concerns. Stakeholders said they also would need time to review the draft Cumulative Impact Study before exploring the possibility of a dialogue. Most stakeholders said that they would be available to participate in a dialogue during the summer months.
- Numerous stakeholders mentioned that meetings should be held on both sides of the river to ensure balance and neutrality.

## Representation

Interviewees broadly agreed that a dialogue process would need to strike a balance between 1) being open and inclusive to a wide range of stakeholders and 2) maintaining a manageable size to be effective. Some interviewees suggested that key stakeholders appoint representatives to a working group. One public official recommended that a relatively small group of representatives work behind closed doors, while ensuring that all parties are fully informed of the group’s discussions. Several interviewees said that meetings open to the general public would be unproductive.

## Convening

Many stakeholders stressed the importance of identifying mutually credible institutions or individuals to convene and support a potential dialogue. No clear consensus emerged from the interviews about who could play that role. Initial suggestions provided by stakeholders included the World Bank’s CAO office, local and national public officials, the Bi-National Technical Commission and Mercosur. Several stakeholders said dialogue would need the explicit support of local and national politicians to be credible. IFC said in a November press release that it envisioned a public engagement process “convened by IFC and facilitated by a neutral organization.”

Some instances of dialogue are already occurring or being considered. The Bi-national Technical Commission has set up meetings between technical staff and scientists to review the mills’ impact. Separately, local elected officials in Fray Bentos and Gualeguaychú met recently to discuss the mills.

## Quality of information

A broad spectrum of stakeholders expressed concerns about the information currently

available about the proposed mills, and some interviewees expect they could obtain more data through dialogue.

- Credibility: Project opponents said they don't consider the company's environmental impact studies to be credible or complete. They said simple figures such as distances between the plants and affected areas are incorrect, calling into question all other company-supplied data. Company representatives said they have provided extensive amounts of credible information over the past several years. One company representative said a company report contained typographical errors regarding distances. Those errors didn't affect the accuracy of the company's impact studies, the representative said.
- Level of detail: Argentine public officials and scientists working with the Bi-national Technical Commission said they lacked key technical details from Uruguayan regulators to analyze the plants' emissions. They also noted inconsistencies in the technical information. Uruguayan officials said they have provided comprehensive information.
- Clarity of language: Many concerned citizens, including individuals who support the plants, said information provided to date didn't help them understand in plain language how their air and water quality may change.
- CIS process: Many opponents are skeptical of the IFC's Cumulative Impact Study because of public comments from the report's initial lead writer, and a perception that IFC has already made up its mind to support the mills. IFC said in a November statement it hadn't yet made an investment decision.
- New information: The Assembly and other NGOs have commissioned their own scientific studies that they consider to be more legitimate. IFC said that it is committed to reviewing any new scientific information that stakeholders can provide.
- External expertise: Some stakeholders said an international panel of renowned scientists could serve as a potentially credible source of information for most parties. The Environmental Ministers of both countries have asked the United Nations Environment Program to offer technical advice.
- Comparative experience: Opponents have invited community representatives from Spain and Chile to share their experiences on pulp projects, and several interviewees said they consider those first-hand experiences to be as valuable as impact studies.

### Sovereignty

Stakeholders from both nations said they wanted any potential dialogue to respect their rights to make decisions about projects that will impact their communities. Concern over sovereignty has transformed the conflict in some stakeholders' minds into a struggle over national respect. One Gualeguaychú interviewee lamented that the conflict has turned two communities with historically good relations into "divided families" - in effect, converting a conflict of interests into a division of nations. Some stakeholders said residents in both countries should focus on their shared interests in an eventual dialogue. Several stakeholders in Uruguay said efforts to block the international bridge and prevent Argentines from visiting Uruguay were adding to the rising acrimony. Other stakeholders expressed concern that the conflict, if not managed more productively, may create harmful, long-lasting tensions between the two countries.

## APPENDIX A: LIST OF INTERVIEWEES

### **NGOs and Civil Society Representatives**

- Horacio Chiflet Gil -- President of the Natural Resources Defense Association, Mercedes, Uruguay
- Emma Grau -- Member and former president of the Ecological Group of Young, Young, Uruguay
- Antonio Mesa -- Firefighter, Fray Bentos, Uruguay
- Eduardo Arrambide -- Deputy Director of School Inspection, Fray Bentos, Uruguay
- Martín Mernier -- Inspector of the Vocational School, Fray Bentos, Uruguay
- Sandra Otero -- Health Center employee, Fray Bentos, Uruguay
- Griselda Gonzalez -- Health Center employee, Fray Bentos, Uruguay
- Sylvia Ayres -- Director of the Health Center, Fray Bentos, Uruguay
- Rubén Bustamente Solicia -- Policeman, Fray Bentos, Uruguay
- Jorge Rios -- Policeman, Fray Bentos, Uruguay
- Julio Nedelcott -- Policeman, Fray Bentos, Uruguay
- Marta del Pino -- Head of the Fray Bentos Technical School, Fray Bentos, Uruguay
- Gustavo La Rosa -- President of the Gualeguaychú Section of the Veterinarian Association of Entre Ríos Province, Gualeguaychú, Argentina
- Horacio Machao -- Vice president of the Gualeguaychú Section of the Veterinarian Association of Entre Ríos Province, Gualeguaychú, Argentina
- Jaime Pedro Benedetti -- President of the Gualeguaychú Development Corporation, Gualeguaychú, Argentina (spoke in a personal capacity)
- Enrique G. Castiglioni -- Secretary of the Gualeguaychú Development Corporation, Gualeguaychú, Argentina (spoke in a personal capacity)
- Pablo Yapera -- Argentine Coordinator of the Forest Certification Program of the World Wildlife Foundation, Buenos Aires, Argentina
- Juan Carlos Villalonga -- Director of Campaigns for Greenpeace Argentina, Buenos Aires, Argentina

### **Business Associations**

- Roberto Villamil -- General Manager of the Uruguay Chamber of Industry, Montevideo, Uruguay
- Walter Latapié -- President of Commercial and Industrial Association of Río Negro, Fray Bentos, Uruguay
- Carlos Caballier -- President of the Rural Society of Gualeguaychú, Gualeguaychú, Argentina
- Juan Paul -- President of the Forestry Investigation and Experimentation Center, Buenos Aires, Argentina
- Claudia Peirano -- Director of the Argentine Forestry Association, Buenos Aires,

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### Argentina

Rafael E. Gaviola -- President of the Association of Pulp and Paper Producers (Argentina), Buenos Aires, Argentina

Raul A. Mastrandea -- Director of the Beekeepers Society of Uruguay, Montevideo, Uruguay

Daniel Dambros -- President of the Beekeepers Association of the Province of Entre Ríos and Owner of Danangie Bee Farm, Concordia, Entre Ríos, Argentina

### Public Officials

Raquel Piaggio -- Advisor to Martín Ponce de Leon, Undersecretary of the Ministry of Industry, Energy and Mining and Head of the Uruguayan delegation on the Bi-National Technical Commission, Montevideo, Uruguay

Alicia Torres -- Director of DINAMA (National Office for the Environment), Montevideo, Uruguay

Dr. Omar Lafluf -- Provincial Governor of Río Negro, Fray Bentos, Uruguay

Beatriz Castillo -- City Counselor of Fray Bentos, Uruguay

Luis Massey -- City Counselor of Fray Bentos, Uruguay

Raúl Estrada Oyuela -- Special Representative for International Environmental Negotiations for the Argentine Foreign Ministry and Head of the Argentine delegation on the Bi-National Technical Commission, Buenos Aires, Argentina

Norberto Vidal -- Member of Bi-National Technical Commission and the National Water Institute, Buenos Aires, Argentina

Lucio Janniot -- Member of the Bi-National Technical Commission

Inés Gómez -- Member of the Bi-National Technical Commission and Coordinator of the Program on Impact Assessment of the Secretary of Environment and Sustainable Growth, National Ministry of Health, Buenos Aires, Argentina

Héctor Sejenovich -- Member of the Bi-National Technical Commission, Economist and University Professor, Buenos Aires, Argentina

Elías Matta -- Advisor to the Bi-National Technical Commission and Researcher of the National Coastal University (Universidad Nacional del Litoral), Santa Fé, Argentina

Homero Bibiloni -- Deputy Secretary of Natural Resources, Standards, Research and Institutional Relations of the Secretary of Environment and Sustainable Growth, National Ministry of Health, Buenos Aires, Argentina

Miguel Canel -- Head of the Extension Office of the National Institute of Agricultural Technology (INTA), Gualeguaychú, Argentina

Roque Miranda -- Head of Local Office of the National Service of Sanitation and Health of Agro-nutrition (SENASA), Gualeguaychú, Argentina

Daniel Hernández -- Director of Sewage Treatment and Director of Civil Defense,

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Guaaleguaychú, Argentina

Mario Rujana -- Director of the Water and Environmental Institute of the Province of Corrientes, Corrientes, Argentina

Luis Mestre -- Director of Forestry Resources of the Province of Corrientes, Corrientes, Argentina

Sara Beatriz Sverlij -- Working Group on Water Resources, Undersecretary of Natural Resources, Standards, Investigation and Institutional Relations of the Secretary of Environment and Sustainable Growth, National Ministry of Health, Buenos Aires, Argentina

Julieta Parma -- Director of the National Institute of Limnology, Santo Tomé, Argentina

### Interested Citizens

Julio Ruso -- Fisherman, Las Cañas, Uruguay

Elvio Ruso -- Fisherman, Las Cañas, Uruguay

Héctor Piñeyro -- Fisherman, Las Cañas, Uruguay

Omar Curbelo -- Fishmonger, Fray Bentos, Uruguay

Cecilia Rosas -- Real estate broker, Fray Bentos, Uruguay

Fabián Villalba -- Real estate broker, Fray Bentos, Uruguay

Nelson Rolando Rosas -- Real estate broker, Fray Bentos, Uruguay

Lourdes Vila Ahmed -- Restaurant owner, Fray Bentos, Uruguay

Arial Edinson -- Restaurant owner, Fray Bentos, Uruguay

Sandra Badell -- Farmer and bee keeper (Granja Dos Hermanas), Fray Bentos, Uruguay

Ana Portela -- Journalist and civic leader, Young, Uruguay

Miguel Ángel Simón -- Owner of El Naranjo tourist establishment, Las Cañas, Uruguay

Rafael Secco -- Land owner and farm administrator, Young, Uruguay

Bettina Karawacki -- Manager of the Herbema Forestry Farm, Mercedes, Uruguay

Darío Pérez DeLeon -- Agronomist and employee of Herbema Forestry Farm, Mercedes, Uruguay

Sandra Dodera -- Development Movement (MODESA), Fray Bentos, Uruguay

Juan Otegui -- President of the Uruguayan Forestry Company, Montevideo, Uruguay

Hernán H. Molinari -- Real Estate broker and owner of Hernán H. Molinari Farms and Property, Guaaleguaychú, Argentina

María Elena Nieberhaus -- Administrative assistant of the Sociedad Rural de Guaaleguaychú, Guaaleguaychú, Argentina

Alejandro Gahan -- Guaaleguaychú, Argentina

Maria Elena Marchiolli -- Guaaleguaychú, Argentina

Emilio Alonso -- Guaaleguaychú, Argentina

Verónica Santomé -- Ahoniken Tourism Agency, Guaaleguaychú, Argentina

Raúl Almeida -- Fishing and River Guide, Guaaleguaychú, Argentina

Felipe Tommasi -- Sailing Guide and Instructor, Guaaleguaychú, Argentina

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Mariano Ardeti -- María Clara Agricultural Company, Gualeguaychú, Argentina  
Oscar Alberto Badano -- Tourism Entrepreneur, Gualeguaychú, Argentina  
Mario Bermudez -- Concierge of the Hotel Embajador, Gualeguaychú, Argentina  
Silvia Donati -- Concierge of the Hotel Aguay, Gualeguaychú, Argentina  
Pablo Damico -- Owner of Gibbons Honey and Honey Exporter, Buenos Aires,  
Argentina  
Johann G Smidt -- International Honey Buyer and Trader for Shütte & Co. (doing  
business in Argentina, Chile, Mexico, Uruguay, Asia, Rumania, and Bulgaria)  
Montevideo, Uruguay

### **Botnia and Ence**

Eugenia Rosario Pou -- VP of ENCE's Celulosas de M'Bopicua, Montevideo, Uruguay  
Ronald Beare -- General Manager of the Botnia Plant, Montevideo, Uruguay  
Carlos Faroppa -- General Advisor of Botnia in Uruguay, Montevideo, Uruguay  
Ana Inés Anton -- Forestry Advisor to Botnia in Uruguay, Montevideo, Uruguay

### **International Finance Corporation Representatives (Washington DC)**

Rachel Kyte -- Director, Environment and Social Development Department  
Bill Bulmer -- Associate Director, Environment and Social Development Department  
Dimitris Tsitsiragos -- Director, Global Manufacturing and Services Department  
Mark Constantine -- External Relations, Global Manufacturing and Services Department  
Richard English -- Senior Specialist, Environment and Social Development Department

### **INFORMAL CONSULTATIONS**

#### **CAO Representatives**

Amar Inamdar -- Senior Specialist, Washington DC  
Ximena Gamboa -- consultant

## APPENDIX B:

### Uruguay Pulp Mill Stakeholder Assessment Invitation Letter

November 18, 2005

Dear Sir / Madam:

The International Finance Corporation (IFC) would like to request your participation in a regional stakeholder assessment and public engagement process regarding the proposed Uruguay Pulp Mills. The assessment and engagement process will be facilitated by a neutral institution.

The purpose of the stakeholder assessment is

- 1) to understand and document the range of stakeholder views and concerns regarding the proposed pulp mill projects in the affected area, as an input to the preparation of the Cumulative Impact Study (CIS) for the mill projects; and
- 2) to explore the possibility of a public engagement process to review and address potential impacts.

In order to obtain a thorough understanding of the views and concerns of stakeholders toward the proposed pulp mill projects, IFC has requested that the Consensus Building Institute (CBI) conduct this assessment and recommend ways to engage stakeholders based on their findings. CBI is a neutral, non-profit facilitation and mediation firm based the United States, with partners in Uruguay and Argentina (CBI website: [www.cbuilding.org](http://www.cbuilding.org)). CBI specializes in resource management and sustainable development issues, and has significant experience in Latin America. CBI is acting as a non-partisan assessor and facilitator on issues related to the Uruguay Pulp Mills.

CBI is seeking to interview the full range of stakeholders who have expressed interests and concerns regarding the proposed projects. The interviews will be used to create a detailed Stakeholder Assessment summarizing stakeholder views. The Assessment will inform the IFC's ongoing Cumulative Impact Study. It will also serve as an independent document that will guide public engagement next steps.

Please note that CBI will attach to the Assessment a list of people CBI has interviewed, but specific comments will not be attributed to stakeholders by name. This practice ensures that interviewees can be as honest and direct as possible. Interviewees will have an opportunity to confirm their key points with the interviewer.

Assessment interviewing typically takes about 30 minutes to 1 hour. CBI will be contacting you shortly to set up an interview time.

## The Consensus Building Institute

To help you prepare for your interview, please take a moment to review the attached questions that will guide the assessment phase. Please also review the draft Table of Contents for the CIS, which will be an important focus of CBI's discussion with you. CBI looks forward to speaking with you soon.

Sincerely,



Dimitris Tsitsiragos  
Director,  
Global Manufacturing and Services  
Department  
International Finance Corporation  
Washington, DC



Merrick Hoben,  
Consultant

*The CBI Assessment Team*

Merrick Hoben  
David Fairman  
Carlos Ibañez (Uruguay)  
Francisco Ingouville (Argentina)  
David Plumb  
Patricio Nelson (Argentina)

Email: [equipo@cbuilding.org](mailto:equipo@cbuilding.org)

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## APPENDIX C:

### Uruguay Pulp Mill Stakeholder Assessment Draft Interview Protocol

#### BACKGROUND

- Please tell us about yourself and/or your organization. How long have you been with this organization? In what ways have your work and/or interests led to your involvement with the proposed pulp mill projects?

#### KEY ISSUES AND CONCERNS

- What are likely to be the most significant positive and negative impacts if the mills are built as proposed?
- Does the list of potential pulp mill impacts in the outline of the draft CIS include the impacts you think are most significant? Are there others that should be considered for inclusion in the CIS?
- What options, if any, do you see for minimizing negative impacts and maximizing positive impacts from the proposed mills?

#### PUBLIC ENGAGEMENT

- How effectively have those who are optimistic about the benefits of the proposed pulp mills and those who are concerned about possible negative impacts worked together to review the issues and make decisions?
- Have there been any efforts at dialogue, planning or joint investigation regarding potential impacts that you would consider productive or successful?
- Are there particular sources of information (documents, individuals and/or organizations) that you believe all or nearly all stakeholders would find useful and credible in evaluating project impacts?
- Suppose a diverse group of stakeholders were convened to review the potential impacts of the proposed mills, primarily through a joint review of the draft CIS:

- Would this be a useful way to review and resolve some of the questions that have been raised about the mills' impacts? If not, what other process might be useful. If so...
- What topics should be addressed? Are there some areas of concern that might be easier to resolve than others?
- Which stakeholder groups would need to be represented? Who do you think could effectively represent your views?
- In principle, would you and your organization be interested in participating in a joint review process?
- What issues would need to be addressed to increase your interest in participating?

### OTHER ISSUES

- What additional information, if any, would you like to share with other stakeholders to help them understand your perspective?
- What additional information would you like to receive from other stakeholders to help you understand their perspectives?
- Do you have suggestions on any other stakeholder groups or specific individuals that we should speak with to assure that we have heard all points of view?

Is there anything else you would like to address before we close this interview? If not, please let me review the key points from the interview with you. (Interviewer to restate).

**APPENDIX D:**  
**Public Statement from the Gualeguaychú Assembly**  
**Regarding the Stakeholder Assessment (Spanish)**

## **Posición de la Asamblea de Gualeguaychú Respecto al Proceso de Consulta**

Considerando el desembarco en la Argentina y en el Uruguay de la consultora Consensus Building International (CBI) contratada por la CFI para realizar una consulta con los afectados por la instalación de las plantas de celulosa, la Asamblea Ciudadana Ambiental de Gualeguaychu quiere expresar públicamente su posición respecto al proceso de consulta, a la relación de este con el estudio de impacto ambiental transfronterizo y acumulativo, dispuesto por la Corporación Financiera Internacional (CFI), y respecto a las condiciones previas que deben existir antes de que la Asamblea acepte participar en una consulta.

Observamos y nos preocupa que esta “consulta” se está llevando a cabo de manera extremadamente acelerada, sin reglas claras sobre la naturaleza ni los tiempos del proceso, sin claridad sobre lo que implica la participación de los afectados y más precisamente, cómo la CFI tomará en cuenta las múltiples preocupaciones y estudios existentes y por realizar sobre los esperados impactos negativos de la producción de celulosa por las empresas Botnia y ENCE en la margen oriental del Río Uruguay.

La Ombudsman (CAO - organismo de control de proyectos de la CFI), recientemente publicó su informe sobre su visita a la localidad revisando los puntos de la demanda presentada por el gobierno de Entre Ríos, 39.633 personas de Gualeguaychú, más ONGs de Argentina y Uruguay, y sostiene que las preocupaciones de los firmantes por los posibles impactos ambientales, sociales y económicos que tendrán estas fábricas para las comunidades locales, son legítimas y coherentes. También indica que la construcción de confianza entre los afectados que genera o deja de generar la CFI por sus actos en el proceso actual, es clave para el éxito o el fracaso de la resolución del conflicto.

La CAO también ha expresado reiteradamente su recomendación de que se establezcan pautas claras y acordadas entre las partes para poder llevar a cabo un proceso de consulta que sea legítimo, que tenga la participación plena de los interesados, y que demuestre que la CFI está dispuesta a incorporar la opinión de los afectados de manera real y efectiva. Concordamos con estas observaciones y sostenemos nuestra posición en el marco de legalidad del informe de la CAO.

La Asamblea, haciendo eco y de acuerdo con la opinión de la CAO, condiciona su participación en cualquier consulta a que la misma sea clara, creíble y transparente y

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basada en las recomendaciones de la CAO y que permita los tiempos necesarios para llevar a cabo un proceso de consulta legítimo y real. Para ello, la Asamblea respetuosamente solicita a la CFI a **acordar** con los afectados reunidos en esta Asamblea, las reglas de participación debiendo establecer:

- Las condiciones bajo las cuales los interesados participarán en la consulta
- La metodología que se utilizará en la consulta
- Quién llevará a cabo la consulta y bajo qué términos
- Cómo se recepcionarán las opiniones de los consultados y qué incidencia tendrán en el proceso
- Cuales serán los tiempos establecidos para la consulta y las oportunidades brindadas a los consultados para responder a las conclusiones del estudio de impacto acumulativo y a las conclusiones de la consulta
- Qué relación tendrá la consulta de los afectados con los estudios de impacto acumulativo
- Qué oportunidades tendrán los afectados de brindar información complementaria al estudio de impacto acumulativo y como será incorporada y/o tratada esta información por la CFI

Que se respeten las pautas y condiciones recomendadas por la CAO respecto a la consulta y la medición de impacto acumulativo.

**APPENDIX E:**  
**Public Statement from the Gualeguaychú Assembly**  
**Regarding the Stakeholder Assessment (English)**<sup>2</sup>

## **Position of the Gualeguaychú Assembly Regarding the Consultation Process**

With the landing in Argentina and in Uruguay of Consensus Building International (CBI) - a consulting firm hired by the IFC to carry out a consultation with the people affected by the installation of two pulp plants - the Citizens Environmental Assembly of Gualeguaychú wishes to publicly express its position regarding the consultation process, its relation to the cross-border and cumulative environmental impact study arranged by the International Finance Corporation (IFC), and the pre-existing conditions that must exist before the Assembly agrees to participate in the consultation.

We are concerned about the fact that this “consultation” is being carried out in an extremely fast manner, without clear rules about the nature or the timing of the process, without clarity about the implications of the affected parties’ participation and, more precisely, about how IFC will take into account the multiple concerns and studies that have been done and that will be done regarding the expected negative impacts caused by the production of pulp by the companies Botnia and ENCE on the eastern bank of the Uruguay River.

The Ombudsman (CAO: Compliance Advisor Ombudsman - an oversight agency for IFC projects), has just released a report on its recent visit to the area reviewing the points of the complaint filed by the government of Entre Rios, 39,633 people of Gualeguaychú, and NGOs from Argentina and Uruguay, and argues that the concerns presented by the subscribing parties about the possible environmental, social and economic impact that these mills will have on the local communities are coherent and legitimate. It also points out that the development of trust among affected parties that the IFC generates or fails to generate through its actions in this process is crucial to the success or failure of the resolution of this conflict.

The CAO has also repeatedly expressed its recommendation of establishing clear guidelines that must be mutually agreed upon by the parties in order to carry out a legitimate consultation, with the participation of all the interested parties, and demonstrating that the IFC is willing to incorporate the opinion of those affected in a real and effective manner. We agree on these observations and we maintain our

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<sup>2</sup> This public statement was released in Spanish during the stakeholder assessment process. The text was professionally translated in Buenos Aires, Argentina, for the benefit of English readers. This is not an official translation, nor has it been reviewed by the Assembly.



position within the legal framework of the report by the CAO.

The Assembly, in line with the opinion of the CAO, shall only participate in a consultation process that it is clear, credible, transparent, based on the CAO recommendations and able to allow the necessary time to carry out a legitimate and real consultation. For that purpose, the Assembly respectfully asks the IFC to **agree** with the affected parties present in this assembly on the following participation rules:

- The conditions under which the interested parties shall participate in the consultation
- The methodology that shall be used in the consultation
- Who shall perform the consultation and under what terms
- How the opinions of the consulted parties shall be received and what incidence they shall have in the process
- The timeline for the consultation and the opportunities given to the consulted parties for responding to the conclusions of the cumulative impact study and the conclusions of the consultation
- What relation the consultation of the affected parties shall have with the cumulative impact studies
- What opportunities the affected parties shall have for providing supplementary information to the cumulative impact study and how this information shall be incorporated and/or dealt with by the IFC
- Adherence to the procedures and the conditions recommended by the CAO regarding the consultation and the review of the cumulative impact.