



James Mahoney
06/02/2003 11:38 AM

To: Popi Artavanis/STFG/EXIMBANK@EXIMBANK, Karl Kendall/STFG/EXIMBANK@EXIMBANK
cc:
Subject: FW: Response to Camisea Loan Conditions

dualing NGO letters - interesting

----- Forwarded by James Mahoney/POLICY/EXIMBANK on 06/02/2003 11:37 AM -----



Maria Sanchez
<m.sanchez@conservation.org>
06/02/2003 09:44 AM

To: "Jim Mahoney (E-mail)" <james.mahoney@exim.gov>, popi.artavanis@exim.gov
cc:
Subject: FW: Response to Camisea Loan Conditions

FYI - For your reading pleasure, the message from the other group of NGOs. maria

-----Original Message-----

From: Jon Sohn [mailto:jsohn@foe.org]
Sent: Monday, June 02, 2003 9:15 AM
To: amy@bicusa.org; jgarrido@bicusa.org; g.love@celb.org; janlloyd@earthlink.net; agoldzimer@environmentaldefense.org; asoltani@igc.org; CaffreyNittler@msn.com; tcaffrey@ngonetworks.org; janlloyd@onetel.net.uk; kslack@oxfamamerica.org; ihogue@ran.org; nmartinez@seen.org
Cc: RbtGoodland@aol.com; m.sanchez@CONSERVATION.ORG; bulfelder@tnc.org; cfernandez@tnc.org; francis.grant-suttie@wwfus.org
Subject: Response to Camisea Loan Conditions

Dear All:

The attached letter and memo in final signed form, were hand delivered to WWF, TNC and CI on Friday. Please let me know if you have any questions. Per Greg's previous messages on these issues, this information will be available to anybody who wants it as well.

Thanks
Jon

>>> Greg Love <g.love@celb.org> 05/12/03 10:49AM >>>
<<Final Goodland report - Clarification.pdf>>

Dear All:

I am sending a revised version of the Goodland report, with the following added text (p. 7-8) that was mistakenly omitted from the report sent out on 5/8:

Clarifying note

Although this independent report was contracted specifically for Conservation International, The Nature Conservancy, World Wildlife Fund and the Smithsonian Institution, the attached document should be considered public and disseminated to all who request a copy. The four conservation organizations want to thank Dr. Goodland for his work and extend special gratitude to those who assisted with his visit to the

Camisea project and so generously offered input into the production of the final report. This input was invaluable to Dr. Goodland and was addressed in this final version.

The four conservation organizations contracted Dr. Goodland to gain additional insights into what actions needed to be taken to address the environmental and social aspects as they relate to biodiversity conservation of the Camisea project. This was, by necessity, a very broad mandate, covering many topics. In an effort to focus on a few key issues, we asked Dr. Goodland not to include his assessment of the training needs, environmental assessment procedures and greenhouse gas impacts of the project. Exclusion of these issues from the report should by no means be interpreted that the four conservation organizations regard these issues as unimportant. Rather, it reflected the need to focus on fewer issues of higher immediate impact. The four conservation organizations believe that Dr. Goodland's assessment provides a valuable public resource that all stakeholders can and should use in addressing the environmental and social aspects of the Camisea project.

We apologize to Dr. Goodland for this omission and request that this version be considered the final report.

Best regards,

Greg Love
Manager for Field Engagement
Energy & Mining Program
Center for Environmental Leadership in Business
Conservation International
1919 M Street, NW, Suite 600
Washington, DC 20036
Phone: 202-912-1427
Fax: 202-912-1047
E-mail: g.love@celb.org
<http://www.conservation.org/>

> -----Original Message-----
> From: Greg Love
> Sent: Thursday, May 08, 2003 5:20 PM
> To: 'AlecWat@aol.com'; 'afwatson@hillsandco.com';
'jmoriniere@pluspetrol.com.ar'; 'Brian Swinford'; 'Elgegren, Jorge';
'Miller, Timothy'; 'Keith.Kozloff@do.treas.gov';
'popi.artavanis@exim.gov'; 'James Brannan'; 'websterk@state.gov';
'Elgegren, Jorge'; 'Janet Lloyd'; 'Johnston, Leslie';
'tcaffrey@ngonetworks.org'; 'Amy Gray'; 'asoltani@igc.org';
'CaffreyNittler'; 'Ilyse Hogue'; 'janlloyd@earthlink.net'; 'Jane
Garrido'; 'Jon Sohn'; 'Keith Slack'; 'Nadia Martinez'
> Cc: 'Bill Ulfelder (E-mail)'; 'Francis Grant-Suttie (E-mail)';
'Jaime Cavelier (E-mail)'; 'Manrique Rojas (E-mail)'; Maria Sanchez;
Erick Meneses; 'Carlos Ponce'; 'Eduardo Durand'; 'Alfonso Alonso
(E-mail)'; Patricia Zurita; 'Carlos Fernández (E-mail)';
RbtGoodland@aol.com
> Subject: Camisea recommendations - WWF, TNC and CI
>
> Dear All:
>
> Please find attached with this e-mail the following documents:

>
> - Letters dated April 25, 2003 to Sr. Enrique Iglesias,
President of the Inter-American Development Bank, and Mr. Philip
Merrill, President and Chairman of the Export Import Bank of the US,
signed by Steve McCormick (President and CEO, The Nature Conservancy),
Kathryn Fuller (President and CEO, World Wildlife Fund) and Peter
Seligmann (Chairman and CEO, Conservation International). Copies of the
signed document can be faxed upon request;
>
> - TNC, WWF and CI's Recommended Loan Conditions for the
Camisea Natural Gas Project;
>
> - An assessment of Pluspetrol's biodiversity
scoping study by the Smithsonian, CI and WWF;
>
> - TNC, WWF and CI's proposed Principles and
Criteria for a Camisea Trust Fund;
>
> - Dr. Robert Goodland's Camisea Natural Gas
Project: Independent Assessment of the Environmental and Social Priorities.
>
> Spanish versions of the above documents are being sent to Peruvian
stakeholders and are available upon request.
>
> We thank everyone that assisted in the creation of these documents.
If there are any questions or comments concerning these documents,
please contact me.
>
> Best regards,
>
> Greg Love
> Manager for Field Engagement
> Energy & Mining Program
> Center for Environmental Leadership in Business
> Conservation International
> 1919 M Street, NW, Suite 600
> Washington, DC 20036
> Phone: 202-912-1427
> Fax: 202-912-1047
> E-mail: g.love@celb.org
> http://www.conservation.org/
>
> << File: Letters&Conditions.zip >> << File: Accompanying
documents.zip >>
>
>



camisea letter.doc camisea memo.doc



LOAN CONDITIONS FOR THE CAMISEA PROJECT

Presented by Conservation International, The Nature Conservancy, and World Wildlife Fund with the technical advice of the Smithsonian Institution

In October 2002, the four conservation organizations listed above urged two publicly funded banks considering financing portions of the Camisea Gas Project in Peru, namely the Inter-American Development Bank and the Export Import Bank, to require as part of their loan agreements concrete actions to mitigate and control negative environmental impacts of the project. The conservation organizations specifically recommended three broad categories in which improvements to the project were necessary. They are: (a) compliance with world-class environmental standards; (b) independent monitoring and evaluation plans; and (c) creation of a trust fund to promote biodiversity conservation in the region and improve the quality of life and economic development of local stakeholders. Participation of Peruvian civil society in all three of these areas was also noted to be of utmost importance in the recommendations.

After analyzing numerous documents (including Dr. Robert Goodland's "Independent Assessment of the Camisea Gas Project's Environmental and Social Priorities," and the biodiversity scoping study prepared for PlusPetrol), hiring consultants of our own, and direct consultation with Camisea stakeholders, we make the following specific recommendations.

I. Compliance with World-Class Environmental Standards¹

ROW Closure

As part of a loan agreement, the right of way (ROW) for the pipeline from the upstream platforms through the Lower Urubamba region should be deactivated after construction, including all roads and bridges. Without complete deactivation through this particular section, the project runs the risk of permitting unauthorized access into areas critical for biodiversity and indigenous communities. Only native species should be used to re-vegetate the ROW. Monitoring and enforcement plans should be in place to prevent unauthorized incursions into or migration/colonization along the ROW zone and in the Lower Urubamba region. All appropriate stakeholders (Government of Peru, the consortia, communities and representatives of civil society) should work together to

¹ Comparable world-class standards can be found in the following World Bank policies and directives. OP 4.01- Environmental Management Plan, OP 4.02 - Environmental Action Plans, OP 4.04 - Natural Habitats, and OD 4.2 - Indigenous People.

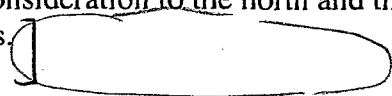
define roles and responsibilities for preventing and reporting unauthorized incursions along the ROW. For example, the consortia and the local communities should play an indispensable role in monitoring the ROW and preventing unauthorized incursions, while the Government of Peru needs to firmly commit to enforcing the law. Additional protective measures could include construction of physical barriers, hiring, training and equipping local monitors, etc. Communal reserve management plans should play a central role in these monitoring and enforcement efforts.

Erosion and Rehabilitation Efforts

Pipeline construction has resulted in significant erosion problems. All erosion zones should be stabilized upon completion of pipeline construction. Only native species should be used for re-vegetation. As part of a loan agreement, independent assessments of current erosion and rehabilitation efforts, extraction of river materials and pipeline crossings should be completed and the recommendations fully implemented by TGP and its contractors. Performance bonds that guarantee the implementation of the recommendations should be established before any loan is granted.

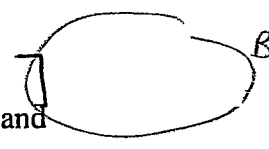
Paracas National Reserve

The process for selecting the Pisco/Paracas site for the fractionation plant and subsequent EIA process were problematic. They were not sufficiently transparent, did not adequately involve affected stakeholders and did not incorporate critical environmental or social factors. IDB and ExIm should request that the Government of Peru and the consortium reconsider the site selection, especially in light of the fact that a liquefied natural gas (LNG) plant is under consideration to the north and that a single industrial complex could house both facilities.

 B5

Fractionation and LNG Plants

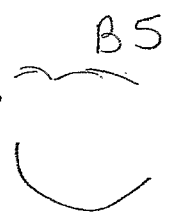
Regardless of final site selection for the fractionation and LNG plants any loan agreements should stipulate that all vessels transporting liquids from the plants be doubled-hulled, ballast water be treated on-land according to the highest standard, and any marine terminals and accompanying facilities have an EIA completed through a thorough public review process and approved prior to construction.


 B

Freshwater Ecosystem Protection

 B5

In order to protect freshwater ecosystems, all drilling muds should be re-injected into project wells. Water quality should be set to U.S. Environmental Protection Agency standards. Any produced waters should be monitored for heavy metals and other potentially hazardous material to decide which of the available options to use for its disposal – re-injection, waste pits or tanks. Monitoring should be carried out on the treatment process of solid residues and the composition of residues. Residues should be transported to an adequate off-site processing facility. A secure method of transportation should be employed to prevent accidental spills.

 B5

 B5

Regional Planning

Potential negative cumulative impacts of the Camisea project need to be prevented and mitigated. These include potential impacts from the implementation of development plans and projects by local governments that will receive royalties from the project. Therefore, the public sector division of IDB should provide an additional technical assistance package to those governments. This package should address: revenue management, transparent and participatory regional planning processes, local government support to protected areas, and the adoption of sustainable development principles into the design and implementation of infrastructure projects.

Protected Areas and Offsets

The IDB has played a positive role in supporting the Peruvian government and civil society in the creation of protected areas and communal reserves adjacent to the Camisea project. To support prevention and mitigation of long-term indirect impacts of the project, additional environmental offsets will be needed.

Specifically, the IDB and ExIm should request that the Peruvian Government include the Machiguenga Megantoni area in Peru's system of protected areas and ensure the final categorization of the Alto Purus Reserved Zone in order to protect both the rights of indigenous communities and the globally unique biodiversity in these areas. Additionally, IDB and ExIm should request the Government of Peru's full implementation of management plans for Otishi National Park, the Communal Reserves of Ashaninka and Machiguenga and Paracas National Reserve. These areas should be eligible as part of a program to offset the cumulative impacts of the Camisea project.

The Nahua-Kugapakori Reserve

To protect both biodiversity and indigenous inhabitants, the IDB and ExIm should request that the Nahua-Kugapakori Reserve be upgraded to the highest appropriate official category of protection under Peruvian law and sufficient resources provided for its management. All extractive activities within the reserve (e.g., mining, fossil fuels, and logging) should be delayed until it is upgraded and its inhabitants consent to such activities taking place. Given that local inhabitants include indigenous peoples living in voluntary isolation, an independent, expert organization, such as the International Labor Organization, should assist in making a determination regarding the best way to involve them in a participatory decision-making process. We commend the Government of Peru's decision to prevent logging concessions from overlapping the Nahua-Kugapakori Reserve. However, the Government of Peru should enforce the new limits and prohibit illegal extractive activities in the future.

Financial Resources for Mitigation and Compensation

To ensure compliance with environmental standards, the IDB and ExIm should require that effective financial surety mechanisms² are in place so the project has sufficient resources for environmental mitigation and compensation measures. Control of these mechanisms should be placed under an independent board representing all stakeholders. These mechanisms can be used to ensure compliance in mitigating potential impacts such as spills, erosion, closing the right of way, etc.

IDB Environmental Policy

The Camisea project illustrates the need for more clarity and consistency in how the IDB evaluates projects that impact indigenous peoples and areas of biodiversity importance. We recommend that the IDB, as part of the development of its environmental policy, begin a formal review of its policies and procedures regarding design, evaluation, and implementation of projects like Camisea. Measures should be taken so that the IDB can ensure that its financing promotes both socio-economic development and protection of natural and cultural resources throughout the Western Hemisphere. We offer the collective expertise of our organizations in assisting the IDB in such a process.

II. Project Monitoring and Evaluation

Independent, Expert and Comprehensive Monitoring

World-class standards are only effective if project impacts can be measured and steps taken to modify operations accordingly. A number of monitoring systems are currently in place for distinct portions of the Camisea project, but none has the full confidence of all the critical stakeholders. To remedy this, the IDB and ExIm should request that the Government of Peru, the consortia and civil society develop and implement comprehensive, independent, transparent, and effective biodiversity and socio-economic monitoring systems for the entire Camisea project (upstream, downstream and distribution).

Common monitoring protocols should be established, and indicators tied to local management and development plans. Biodiversity indicators need to be tied to management plans and include monitoring of natural resources used by local communities. Coordination and information should be shared among all those monitoring direct and indirect impacts of the project. Civil society should participate in the implementation of the plan, air grievances and provide solutions to challenges that arise. Recognized panels of experts should periodically assess the project and make recommendations for necessary changes. Moreover, the monitoring program should be implemented throughout the life of the project and beyond. Loans should be made contingent upon the development and implementation of the recommended monitoring programs.

² Financial surety mechanisms includes options like environmental performance bonds, insurance, guarantees, etc.

For greater detail on designing and implementing an appropriate monitoring program, please see our letter to PlusPetrol regarding their biodiversity scoping study.

Capacity Building

Even the best monitoring plans will fail without effective enforcement. We commend the IDB's \$5 million loan and Peruvian government efforts to build government capacity in the management of the Camisea project; however, we believe additional training and resources for government personnel are urgently needed. We recommend an evaluation, with the participation of the Government of Peru, consortia members and civil society, of how those funds have been utilized and a determination of unmet needs for additional assistance. Any additional, identified unmet needs should be considered for future IDB assistance.

III. Trust Fund

The IDB and the Government of Peru have recognized the need for resources to address the environmental and socio-economic impacts of the project and to enhance its potential benefits. To strengthen this process, our organizations commit their expertise in working with key stakeholders to determine appropriate funding levels to promote positive environmental outcomes for the Camisea project. Moreover, we will share our findings and expertise with those organizations addressing the project's socio-economic dimensions.

Our organizations recommend two separate, independent funds to address, respectively, environmental and socio-economic aspects of the Camisea project. We strongly recommend the environmental fund be administered by Peru's National Protected Areas Fund (PROFONANPE) due to its expertise, proven management record, transparency and low administrative costs.

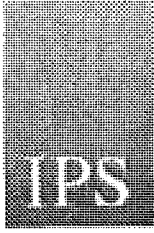
Independent oversight committees composed of representatives from government, the consortia, NGOs and local communities should oversee the administration of both funds. Civil society representatives should form the majority on the oversight committees. To avoid potential conflicts of interest, our organizations will neither serve on the oversight committees nor be eligible to receive funds.

Key stakeholders need to work together to determine appropriate funding levels for both environmental and social funds and what revenue streams should be used to capitalize the funds (royalties, revenues, project financiers, IDB loans, donations, etc.). We do not expect the Camisea consortia or the Government of Peru to provide full capitalization of both funds. Rather, all relevant stakeholders should engage in a process to determine their respective contributions to the funds.

We recommend that expert estimates, including Peruvian Society of Environmental Law's (Spanish acronym SPDA) evaluation of protected area funding needs, be an

integral part of the analysis on the appropriate size of the environmental trust fund. A technical advisory committee, whose members should have no vote in the allocation of the fund's resources, should be formed to provide the oversight committee with expert opinion. We are willing to serve on the technical advisory committee as non-voting members.

Please refer to our document "Camisea Environmental and Protected Areas Fund Principles and Criteria," for additional, more specific recommendations.



May 29, 2003

Mr. Steve McCormick
President
The Nature Conservancy
4245 North Fairfax Drive, Suite 100
Arlington, VA 22203-1606

Ms. Kathryn Fuller
President
World Wildlife Fund
1250 24th St., NW
Washington, DC 20037

Mr. Peter Seligman
President
Conservation International
1919 M St., NW Suite 600
Washington, DC 20036

Re: Camisea Project, Peru

Dear Kathryn, Steve, and Peter:

We are writing to express our grave concern with the position that The Nature Conservancy, World Wildlife Fund and Conservation International are taking with respect to potential Inter-American Development Bank (IDB) and U.S. Export-Import Bank (Ex-Im) support for the Camisea Fossil Fuel and Pipeline Project in Peru (Camisea). We are encountering a repeated scenario where your organizations are negotiating the approval of destructive projects and feel it is vital to come forward directly with this concern. We understand that these issues are complex and crucial environmental impacts are at stake. Yet, we believe that the path of negotiating approval in these controversial extractive industry projects has a poor track record. "Mitigation" of projects in high conservation value areas, at best, marginally slows down the rate of global ecological destruction and harm to indigenous peoples.

We all agree that there are few regions on Earth more ecologically valuable or biodiverse than those threatened by the Camisea project, and that the Lower Urubamba Region affected by the project is also home to some of the most marginalized and vulnerable peoples on Earth. Our organizations are concerned that by negotiating loan conditions with these banks and agencies, your organizations are giving a green seal of approval to financing of a controversial and destructive project. The support of TNC, WWF and CI for U.S. taxpayer financing of Camisea indicates that there may be no fossil fuel project in the world that is so bad as to not deserve financial support from these public institutions, no matter the ecological resources or indigenous lives at stake. There has to be a better way forward towards a sustainable planet and we welcome further dialogue

with you on how we can jointly work towards a future of clean, renewable energy, conservation and respect for the rights of indigenous peoples.

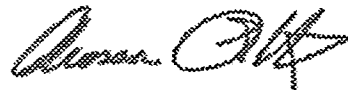
It is with these concerns in mind that we would request that your organizations reconsider your position with regards to the Camisea project and oppose IDB and Ex-Im financing for it. Our partners in Peru are under tremendous pressure and have urged us to hold a hard line on Camisea. Our organizations seek to phase International Financial Institutions (IFIs) out of fossil fuel drilling and pipelines and are demanding that the Earth's remaining ecologically and socially sensitive areas be "no-go zones" for such financing immediately. We need to send a clear message that development banks and export credit agencies should respect these "Hotspots" and not finance ventures so risky and destructive that even private commercial banks have been unwilling to participate without public financial support.

Attached please find a memo with more specifics on our position and concerns with respect to Camisea.

Sincerely,

Dr. Brent Blackwelder
President
Friends of the Earth-US

Randy Hayes
President
Rainforest Action Network



John Cavanagh
Executive Director
Institute for Policy Studies

Atossa Soltani
Executive Director
Amazon Watch

Memorandum

TO: Steve McCormick, The Nature Conservancy
Kathryn Fuller, World Wildlife Fund
Peter Seligman, Conservation International

FR: Dr. Brent Blackwelder, Friends of the Earth
Randy Hayes, Rainforest Action Network
John Cavanagh, Institute for Policy Studies
Atossa Soltani, Amazon Watch

DT: May 29, 2003

RE: Loan Conditions for Camisea vs. Public Financing For Tropical Forest
Destruction

Over the course of the past year, our organizations have had communications on the subject of Camisea. This memorandum presents concerns with the document entitled "Loan Conditions for the Camisea Project" (loan conditions) drafted by The Nature Conservancy, World Wildlife Fund and Conservation International and currently being used as a basis for negotiations with the IDB and Ex-Im.

I. Negotiating Without The Prior Informed Consent Of Affected Communities And Indigenous Organizations.

These loan conditions were released without adequately consulting or coordinating with local indigenous communities and organizations most directly affected by Camisea. In a May 9, 2003 letter to IDB President Enrique Iglesias from the Amazon Alliance of Indigenous Leaders (including indigenous leaders working on behalf of Camisea-affected communities) state:

"The request for the creation of the Fund for 'Conservation' made by The Nature Conservancy, Conservation International and World Wildlife Fund, has not been consulted with the indigenous people nor with civil society, motivating us to declare here that these institutions do not represent the interests of indigenous people nor of the local population with respect to conservation and sustainable development of the area."

We recognize the issues of working with civil society in Peru are complex and that there is a good faith effort on your part to work in that direction. We also appreciate the recent announcement that TNC, WWF, and CI will no longer seek direct funding for conservation funds from the Camisea Project and its financiers. However, consensus positions in Peruvian civil society should not be on pressured timelines mandated by oil & gas companies and international financial institutions and we encourage your organizations to wait on the deliberations of civil society in Peru rather than driving these groups towards loan conditions for an environmentally and socially destructive project. Additionally, several organizations working on Camisea, including Environmental Defense, Oxfam Amazon Watch, Sustainable Energy & Economy Network, Friends of

the Earth and Greenpeace, were never invited to these discussions with IDB and Ex-Im to present a more balanced position of the community. Influential members of Congress and staffers at these very international financial institutions explicitly have stated that the Camisea consortium uses these "divisions" for their benefit in order to extract loan conditions from your organizations and to present our organizations as outsiders.

II. Problematic History of Failed Loan Conditions on Sensitive Projects

Judging from recent controversial projects approved by public international financial institutions in developing countries, including the Chad-Cameroon pipeline (World Bank Group, Ex-Im) and the Cuiaba pipeline running from Bolivia to Brazil (approved and later cancelled by the Overseas Private Investment Corporation), it is clear that loan conditions such as trust funds and mitigation measures simply have not been implemented or have not worked sufficiently in these sensitive areas. In the Cuiaba project, the conservation program negotiated by WWF and the indigenous compensation programs have failed, resulting in blockades and company-camp takeovers by indigenous communities. The pipeline—despite loan conditions promising close control of the pipeline right-of-way has opened up the forest to roads, hunters, loggers, and other invaders and their livestock, and has led to plans to tap into the pipeline to supply gas to a mine and other ventures in the forest, just as the companies and banks involved promised would not happen because of loan conditions. Chad-Cameroon faces inspection panel claims at the World Bank and ongoing implementation problems.

In the Camisea case, the situation on the ground appears to be even worse than at comparable junctures in the two projects noted above even though the IDB, project companies, and the Government of Peru have for over one year been purportedly taking measures to 'improve' the project. IDB, Ex-Im and the Government of Peru lack the capacity and will to adequately ensure implementation of all necessary mitigation measures in such a large, complex and remote project over its decades-long lifetime.

III. Potential Non-Compliance With International Law and the Rights of Isolated Indigenous Peoples

Regarding the Nahua-Kugapakori Reserve in the Camisea region, the positions have been stated by key indigenous groups, and the principles of International Labor Organization (ILO) Convention 169 require compliance. These positions and principles of international law stem from the knowledge that the future well being of peoples living in voluntary isolation within the Reserve lies in the protection of their internationally recognized rights. Basic to these rights is the freedom to choose if, when, and how to engage with the outside world.

Instead of explicitly recognizing fundamental rights, the loan conditions TNC, WWF and CI are negotiating state that these peoples should be involved in a decision-making process to ascertain their level of consent to fossil fuel operations. Yet, in the unique case of indigenous peoples living in voluntary isolation, this type of involvement or consultation is questionable as it necessitates forcing contact upon them. The removal of such peoples' control over if, how, and when contact occurs undermines their right to

choose their own development path (ILO Convention 169, Article 7.1) and to have their social and cultural values respected (Article 5). All peoples living in voluntary isolation hold these rights, including groups in the initial stages of contact. This loss of control over contact can result in social and cultural dislocation. Forced contact itself is a threat to life. Past experience clearly indicates that extractive industries in the territories of peoples living in voluntary isolation lead to the introduction of disease to which these peoples have little or no immunity. It is well documented in the case of the Nahua people in this region, that almost half of their population died from introduced disease during exploratory operations in the 1980s (Shepard, 1999).

Rather than advocating that the Camisea Project should permanently withdraw from the Nahua-Kugapakori Reserve, the loan conditions of TNC, WWF and CI affirm that extractive industries should simply be delayed until the Reserve's status is upgraded and the 'consent' of its inhabitants is obtained.

We also call for an ILO inspection of the indigenous rights implications of the Camisea Project and related company procedures and practices with respect to indigenous peoples living in voluntary isolation in the Nahua-Kugapakori Reserve. However, contrary to the suggestion in the proposed loan conditions that the purpose of an ILO inspection would be to determine the best way to involve peoples living in voluntary isolation in a participatory decision-making process, we understand the aims of any ILO inspection to be the identification and assessment of possible indigenous rights violations and the formation of recommendations to prevent future violations.

IV. Unclear Loan Condition on "Upgrading" Status of Nahua-Kugapakori Reserve

Insufficient information is given on how the "upgrading" of the Nahua-Kugapakori Reserve would change the area's protection status and safeguard the internationally recognized rights of peoples living in voluntary isolation. Would the change in the Reserve's status be permanent and would it suffice to prevent all extractive industries' activities and intrusion by outsiders into the Reserve?

V. Lack of Transparent Analysis of Project Pathway

It is our understanding that TNC, WWF and CI adhere to the position that Camisea will go ahead regardless given ongoing construction-and that therefore it necessary for IDB and Ex-Im to finance the project in order to be able to demand whatever mitigation measures they can. However, this position does not transparently address the following factors: (a) only one of the major project sponsors has investment-grade credit, meaning that it is questionable that they could finance completion of the project if IDB and Ex-Im do not; (b) if IDB and Ex-Im do not support the project, it is likely that the companies will have to sell their stakes or invite in other partners, or scale-back the project; (c) this project is only the beginning of expansion and connection plans involving surrounding concession blocks, liquefied natural gas export expansions, and (d) approval by IDB and Ex-Im will signal a public "seal of approval" to financial markets, thereby making all of these expansion and connection plans much more likely; whereas rejection by IDB and

Ex-Im would throw the current project into jeopardy and have a much-needed chilling effect on further expansion and connection plans. These expansion and connection plans may have impacts equal to or greater than the current phase of the project-and none of these impacts are being assessed in IDB's or Ex-Im's environmental review. IDB alternatively could be funding large-scale investments to protect the environment and indigenous peoples should the project go forward, instead of prioritizing loans to oil companies.

VI. International Campaign For No-Go Zones Undermined

Friends of the Earth International, in 70 countries around the world, seeks to phase International Financial Institutions (IFIs) out of fossil fuel drilling and pipelines and is demanding that the Earth's remaining ecologically and socially sensitive areas be "no-go zones" for such financing immediately. RAN, Amazon Watch and SEEN also work towards this goal. We need to send a clear message that development banks and export credit agencies should respect these "Hotspots" and not finance ventures so risky and destructive that even private commercial banks have been unwilling to participate without public financial support.