

GUATEMALA: Sign-on letter related to World Bank investment in Glamis Gold mining operation in Mayan communities.

Can your organization sign on? Please contact: Karyn Keenan, Friends of the Earth Canada, kkeen@foecanada.org.

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Office of the Executive Director
World Bank

October X, 2005

Dear X,

RE: World Bank CAO report on the World Bank-funded Glamis Gold "Marlin" Mine Project

We wish to bring your attention to the Compliance Advisory Ombudsman's (CAO) findings regarding the Marlin mine in the western highlands of Guatemala. The mine, which is owned by Canadian company Glamis Gold, is financed by the International Finance Corporation. In its report, the CAO reveals a series of institutional failures in project assessment and management on the part of the IFC's Oil, Gas, Mining and Chemicals Department.

The CAO began investigating allegations relating to the Marlin mine in May 2005, following receipt, in March, of a complaint by MadreSelva, a Guatemalan environmental organization. The claim alleged that the Guatemalan government failed to consult local indigenous groups about the mining concession, in violation of Convention 169 of the International Labour Organization (ILO). The claimants also alleged that they were not informed of the dangers associated with the use of cyanide in gold extraction, that the excessive use of water by the mine compromised scarce community water resources and that the construction of the mine exacerbated social tensions, creating conditions for violence.

The CAO report was released in September 2005. While the CAO dismisses complainants' concerns regarding water resources in Sipacapa, the area least affected by the mine, it reveals glaring oversights on the part of the IFC. The Report found numerous instances "where increased clarity and greater rigor on behalf of IFC would have been helpful to addressing issues raised by complainants" (p. 39)[1].

A partial list of the most serious shortcomings identified in IFC due diligence and project management includes:

- The IFC failed to guarantee that adequate consultations were carried out with affected populations (p. 33). The CAO confirms findings made by the Guatemalan Human Rights Ombudsman. In May 2005, the Guatemalan Ombudsman issued a report arguing that the licence for the Glamis mine should be revoked because the government failed to consult affected communities about the concession, in violation of ILO Convention 169.

- The Environmental and Social Impact Assessment (ESIA), which the IFC used to review the project prior to loan approval, was fundamentally flawed. Moreover, several environmental management plans were formulated post project approval, and in some cases, after construction began (p.19).
- The IFC failed to ensure that the project met each of the IFC's relevant environmental and social safeguards and other basic procedural requirements (p.20).
- The IFC failed to indicate how it expected the company to address concerns identified by an independent audit of the company's ESIA or how the IFC planned to monitor the implementation of recommended improvements (p.20-21).
- The IFC failed to adequately assess the adverse socio-economic impacts of the mine (p. 26).
- The IFC failed to assess the potential security and human rights issues associated with mine development in a country with a long history of violence and social marginalization (p. 34).
- The IFC failed to assess the Guatemalan government's capacity to effectively mitigate conflicts that might arise in the region and to regulate the project, a capacity that the report describes as very weak or nonexistent (p. 32-33, 39).

The IFC's response to these damning findings is both ruefully inadequate and highly misleading. In a September 8 press release, the IFC disregarded the multitude of institutional failures identified by the CAO and the series of recommendations made by that office to address these failures. Instead, the IFC held the CAO report out as vindication of its involvement in the project.

Given the CAO's finding that the IFC inadequately assessed the Marlin project prior to loan approval, we demand:

- a. an immediate suspension of all project-related activity;
- b. that Glamis Gold and the Guatemalan government carry out new consultations with affected communities, in accordance with ILO 169. The project should only be permitted to proceed if consultations reveal broad community support for the mine; and,
- c. that an independent assessment be undertaken of the mine's potential impacts on water quality and quantity, in the entire affected area, with the participation and support of local communities and civil society organizations.

The CAO similarly recommended that Montana undertake enhanced consultations with local community groups, and that Montana and the government of Guatemala create a comprehensive program of participatory environmental monitoring, in collaboration with community members and independent experts.

It is our position that if these demands are not met, that the IFC should recall its loan.

Finally, the IFC's extreme mismanagement of the Marlin mine and its unwillingness to adopt desperately-needed institutional reforms call into question its role in the extractive industries. Recent criticism regarding Marlin comes in the wake of the World Bank Extractive Industries Review. The Review called on the World Bank Group to dramatically reform its involvement in

these sectors, to ensure that such involvement is consistent with the Bank's poverty alleviation mandate.

The IFC's Oil, Gas, Mining and Chemicals Department must either be dramatically reformed to reflect the recommendations of both the Extractive Industries Review and the CAO, or should be shut down altogether.

Yours sincerely,

Fraser Reilly-King, Halifax Initiative
Karyn Keenan, Friends of the Earth Canada

*** more to sign on ***

CC: Executive Directors, World Bank Group
Paul Wolfowitz, President, World Bank
Asaad Jabre, Acting Vice President, International Finance Corporation
Meg Taylor, Compliance Advisor Ombudsman
Rashad Kaldany, Director, Oil, Gas, Mining and Chemicals Department, International Finance Corporation
Rachel Kyte, Director, Environment and Social Development, International Finance Corporation

[1] All references are to the CAO report: Assessment of a Complaint Submitted to CAO in relation to the Marlin Mining Project in Guatemala. September 7, 2005.