



**Inter-American Commission on Human Rights
Hearing on Multilateral Development Banks and Human Rights**

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**“The Inter-American Development Bank, the Camisea Gas
Project and Human Rights”**

**Ian Gary, Policy Advisor for Extractive Industries
Oxfam America**

Oral Presentation

- The World Bank Group and the Inter-American Development Bank (IDB) provide significant amounts of financial and technical assistance to OAS Member States with the purpose of promoting investment in the region and contributing to economic growth and poverty alleviation. In 2006 the IDB provided the largest amount of multilateral lending for Latin America and the Caribbean, approving over 112 projects totaling close to \$6.4 billion.
- Despite the enormous influence that the World Bank Group and the IDB wield in the region, these international financial institutions have long asserted that they are not bound by international human rights law because their Charters, known as Articles of Agreement, do not include explicit references to human rights.
- The case of the Camisea natural gas project in Peru, funded by the Inter-American Development Bank illustrates the impacts on the full range of human rights that can result from IFI-financed activities.
- The Camisea project, a \$1.7 billion investment, is one of the most controversial energy projects in the world, taking place in a region of notable biodiversity, national parks and reserves and the home of recently contacted indigenous communities and indigenous communities in voluntary isolation.
- (By way of introduction, Oxfam America has worked with indigenous communities in the project zone for more than a decade and has support indigenous federations in the project zone in addition to policy and research work in Washington. I organized a high-level delegation from Washington to visit the

project zone in April 2006.)

- Camisea project background:
 - Companies – upstream operator Pluspetrol - Argentina (40%), Hunt –U.S. (40%), SK Corporation – South Korea (20%) – downstream TGP/Techint operator - Argentina
 - Location of blocks in Lower Urubamba - 75 percent of the producing Block 88 is located in the Nahua Kugapakori reserve for isolated indigenous people.
 - Pipeline became operational in August 2004

- Role of IDB (\$135 million A and B loans) and justification
 - \$75 million to TGP for pipeline – 12/2004
 - Syndicated B loan of \$65 million
 - \$5m to GOP for capacity building
 - Value added – bring higher standards to companies and govt
 - U.S. Export Import Bank declined based upon woefully inadequate environmental impact mitigation measures

- Indigenous groups, Peruvian and international environmental and human rights NGOs expressed serious concerns about the project prior to the IDB's decision to co-finance the project. Unfortunately, many of the concerns related to the rights indigenous peoples and environmental damage have been borne out.

- A few examples of violations of human rights:
 - Communities in the project zone did not have the right to Free, Prior and Informed Consent as enshrined in ILO Convention 169.
 - Problems with consultation included a lack of information prior to consultations
 - Low levels of compensation for communities providing pipeline right-of-way, etc.
 - Five spills in first 18 months of operation – A February 2006 report by E-Tech International, a non-profit engineering consultancy, alleged that the pipeline was constructed, in part, by unqualified and untrained welders using corroded piping and rushing to avoid onerous late completion fees that would have totaled \$90 million.
 - Loss of livelihoods – Examples include:
 - Soil erosion and increased river traffic have been blamed by communities for decreased fish stocks
 - Hunting has been affected by noise created by helicopter overflights
 - Health impacts, including the introduction of new diseases
 - A May 2004 report, published by the Peruvian health ministry's General Office of Epidemiology noted that incidences of infectious

- diseases had increased in the reserve among one isolated group, the Nanti, 25% of children now reaches adolescence
- There has been little in the way of increased social spending on the part of the central and local governments, in part due to extremely low capacity levels on the part of local governments to manage funds and execute projects. In 2005, the Municipality of Echarte received around \$22m in gas royalties but has had difficulty programming these funds.
 - There has been no independent monitoring system for the project put in place.
- IDB is currently undertaking due diligence for the second phase of the Camisea project (referred to by the IDB externally as “Peru LNG”) which involves the construction of an Liquid Natural Gas export plant, additional pipelines and the development of gas fields in Block 56, adjacent to Block 88.
 - While the IDB says its new Indigenous People’s Policy will be observed for the second phase, there are concerns that the IDB is refusing to address the lessons and problems of Camisea before embarking on \$400 million in financing for a second phase later in 2007. It remains to be seen whether the IDB will repeat the mistakes of the past and contribute to more human rights violations in the Peruvian Amazon.

For further information, please contact:

Ian Gary
Policy Advisor for Extractive Industries
Oxfam America
1100 15th Street, NW, Suite 600
Washington, DC 20005
Tel: 1-202-833-1942
Mobile: 1-202-375-3628
Fax: 1-202-496-1190
E-mail: igary@oxfamamerica.org