

14 April 2004

Mr James D Wolfensohn
President
The World Bank
1818 H Street, NW
Washington, DC 20433
USA

Re: Extractive Industries Review

Dear Mr Wolfensohn,

We refer to the December 2003 release of the Extractive Industries Review (“EIR”) and to the subsequent reactions thereto by numerous interested parties. As banks which have adopted the Equator Principles, we take this opportunity to voice our views in connection with certain of the findings and recommendations of the EIR.

Allow us to commend you for having initiated this landmark review, as we are all mindful of the need for projects within the extractive industries to be developed and financed in accordance with the principles of sustainable development and responsible governance.

We consider ourselves to be important stakeholders of the World Bank Group (“WBG”) by virtue of our adoption of the WBG Safeguard Policies and Sector Guidelines through the Equator Principles, and through our role as co-financiers with the WBG of projects in the extractive industries and other sectors. The banks which have adopted the Equator Principles collectively arranged \$54 billion of project financing last year, and have become the largest stakeholder group which applies the Safeguard Policies and Sector Guidelines. They include banks which are providers of financial services to some of the world’s leading extractive industry companies and to public sector clients in the emerging markets, and which are firmly committed to continuing to be value-adding service providers to these clients.

While there are a number of concerns expressed in the EIR that we fully share, we feel it necessary to draw your attention to the dangers of a withdrawal by the WBG from the financing of extractive industries. We believe in particular that the EIR has not given sufficient consideration to the fact that the extractive industries are essential to global economic growth and poverty reduction, and that for some countries the extractive industries represent a very important means of creating revenue for government programs. The extractive industries are so central to growth, poverty alleviation and social stability that it is difficult to envisage that such resources will remain unexploited. The key issues are those of improved governance, the avoidance or adequate mitigation of any adverse environmental impact, the preservation of health and safety, and an equitable sharing of value.

Addressing these issues is essential to lenders both from an ethical and a sound business perspective, which is the reason why we regard involvement of the WBG in the structuring and monitoring of extractive industries projects as fundamental. We believe that it is vital for the WBG to continue to finance the extractive industries so as to ensure that they are developed in a responsible and sustainable manner.

We fully acknowledge that effective environmental, health and social policies are particularly important to the development of extractive industries. The WBG has been instrumental to the progress achieved in several recent projects which have set new standards in responsible development.

We welcome the call for increased transparency on revenues paid to governments, because we recognise this to be an important means for achieving and monitoring requisite development benefits.

Setting as a precondition of WBG investment that countries already have robust governance criteria negates the concepts of progress and development. A country's current inability to meet robust WBG governance criteria should not prevent that country from gaining access to the support, both financial and structural, that is required in order to develop such governance mechanisms. Otherwise, countries that are most in need of such developmental assistance could be excluded therefrom, and will either remain mired in poverty or find less desirable paths to develop their extractive potential.

We are concerned about the EIR recommendations concerning "prior informed consent," believing that the implementation of the Safeguard Policies is intended to result in effective consultation with affected groups and tangible benefits for local communities given the committed involvement of the WBG.

We are concerned about the proposal that the WBG phase out support for coal extraction immediately and oil extraction by 2008. If the WBG were to withdraw from further involvement in coal and oil extraction, these sectors will be unfairly tainted by the incorrect perception that the impacts of these projects cannot be adequately mitigated and managed. WBG withdrawal from these sectors could reduce the development of responsible projects by increasing the cost of capital of – or reducing capital available to - the sounder projects, and have a wider effect on private capital allocation to these sectors. In addition, given that renewable energy cannot yet replace in any sufficient manner fossil fuels, the global energy supply could potentially be adversely affected, with slower growth as a result, particularly in developing countries where renewable energies cannot yet be financed on a large scale.

Were the WBG to withdraw from such support, this could potentially lower both the governance levels and operating standards of certain of the more challenging projects. Banks are less equipped than the WBG to monitor all the relevant aspects, and they certainly have no ability or legitimacy to enter into a dialogue on policies with any government.

As regards renewable energies, while the sector is currently growing strongly and can be financed by the private sector given the right incentives (as several of our institutions actively participating in the wind power sector can attest), we would like to point out many of the technologies are not currently commercially viable and that the economics of renewable energies currently do not allow them to play a large role in meeting current or expected future energy needs. We welcome increased investment by the WBG in renewable energy and look forward to exploring how we could increase our existing participation in the financing of renewable energy development.

Should implementation of any EIR recommendations or other considerations require changes to the Safeguard Policies or Sector Guidelines, we expect that the banks which have adopted the Equator Principles, as important stakeholders to the WBG, will be fully consulted in this process, given our role in the application of these Policies and Guidelines in our day to day business.

We look forward to continuing our dialogue on these and other areas of common interest.

Yours sincerely,

ABN AMRO Bank, NV

By: Herman Mulder
Senior Executive Vice President

Bayerische Hypo-und Vereinsbank AG

By: Kai Henkel
Managing Director,
Head of Global Project Finance
Dr. Martin Würth
Managing Director,
Head of Oil & Gas, Global Project Finance

Citigroup Inc.

By: Andrew Géczy
Managing Director,
Global Head of Structured Corporate Finance

Credit Lyonnais

By: Michel Anastassiades
Global Head of Structured and Acquisition Finance

Credit Suisse First Boston

By: Steven S. Greenwald
Managing Director,
Global Head of Project Finance

Dexia

By: Patrice Vabre
Head of Structured Finance

ING Groep NV

By: Jaap Jan Prins
Managing Director,
Head of Natural Resources
Bram L. Wijnen
Managing Director,
Global Head of Sector Based Structured Finance

KBC Bank N.V.

By: Liam Donlin
Global Head of Structured Finance

MCC S.p.A.

By: Massimo Pecorari
Head of Project & Export Finance Department

Mizuho Corporate Bank, Ltd.

By: Akira Kawamura
General Manager,
Project Finance Division

Westpac Banking Corporation

By: Michael Cleary
Head of Project & Structured Debt