

XX March, 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 {"the Equator Banks"}, we take this opportunity to voice our views in connection with certain of the 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 Equator Banks, which collectively arranged 54 billion of project financing last year, have become the largest stakeholder group which applies the Safeguard Policies and Sector Guidelines. In addition, the Equator Banks include banks which are leading providers of financial services to the some of the world's leading extractive industry companies and to public sector clients in the emerging markets, and we are firmly committed to continuing to be value-adding service providers to these clients.

While there are some aspects of the EIR that we can support, there are other aspects that we cannot. We believe 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 revenues for government programs.

We regard the WBG involvement in the support of extractive industries project as fundamental to facilitating the structuring and monitoring of responsible and sustainable projects. We believe it is vital for the WBG to continue to finance the extractive industries.

We recognize that effective environmental and social policies are essential for responsible and sustainable development within the extractive industries. Both the Chad Cameroon and BTC pipeline projects illustrate how meeting these conditions can produce projects that advance these goals.

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

We do not believe that it should be a precondition of WBG investment that countries already have robust governance criteria. 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, a consequence that runs counter to the WBG ideal of increasing hard currency income for developing countries which will allow them to invest in poverty alleviation.

We are concerned about the EIR recommendations concerning 'free 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 of support for coal extraction immediately and oil extraction by 2008. If the WBG were to withdraw from further involvement in coal and oil extraction, we have significant concerns that these sectors will be unfairly tainted by the incorrect perception that the impacts of these sectors cannot be adequately managed. WBG withdrawal from these sectors could reduce the development of responsible projects and have a wider effect on private capital allocation to these sectors. In addition, given that renewable energy development cannot yet meaningfully compensate for any reduction in the development of extractive industries, the energy supply within many developed and developing countries could potentially be adversely affected, with a resultant decrease in the developmental benefit of many areas most in need.

Moreover, 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 in the sectors, a consequence which would be inconsistent with the goal of striving to alleviate poverty through sustainable development. The Equator Banks are less equipped to assume this role than the WBG.

The most significant challenges facing renewable energy are that many of the technologies are not current commercially viable and that the economies of scale currently do not allow renewable energy to play a significant role in meeting current or expected future energy needs. We welcome increased investment by the WBG in

renewable energy and new technologies, and look forward to exploring how we could play a greater role in financing renewable energy development.

Should implementation of any EIR recommendations require changes to the Safeguards Policies or Sector Guidelines, we expect that we, as Equator Banks, will be fully consulted in this process, given our important nrole in the application of these Policies and Guidelines.

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

Your sincerely,

FOLLOW LIST OF NAMES OF ALL EP BANKS