

**Rede Brasil'S Statement on the Agreement Between The IDB And The Energy Company Tractebel Concerning the Cana Brava Dam Which Exempts The Company From Providing Compensation to the Dam-Affected People**

REDE BRASIL SOBRE INSTITUIÇÕES FINANCEIRAS MULTILATERAIS (Rede Brasil), having received information from the Movement of Dam-affected People (Movimento dos Atingidos por Barragens MAB) on the agreements between the Interamerican Development Bank (IDB) and the energy company Tractebel Energia S/A (Tractebel), in relation to problems faced by the population negatively affected by the implementation of the Cana Brava hydroelectric dam project, presents its opinion on the matter as follows:

According to information presented by MAB, Tractebel and the IDB recently reached an agreement that: (a) guarantee that the company makes the “payment” of the loan to the Bank; and (b) exempts the company from any obligations or commitments to the Bank or society previously adopted through safeguard policies of the financial institution applicable to the project.

Initially, it should be stated that the procedures carried out by the IDB to deal with the detrimental impacts of the project have shown to be inefficient. A formal complaint was presented by the dam-affected population on the 10<sup>th</sup> of May, 2002 to the Independent Investigation Mechanism. The issue, however, was acknowledged by the Bank only in the middle of the year 2004, and until today has not yet been adequately resolved.

Unless the IDB immediately assumes integral responsibility for the complete reparation of the population affected by the project, and not accept the payment made by Tractebel exempting it from obligations and commitments related to safeguard policies, the possibility of compensating the population will continue to be impossible.

Such damages were verified in an investigation carried out with the communities of the region where the project was implemented. According to the “Final Social Audit Report – Resettlement Plan of the *Cana Brava* Hydroelectric Dam” (Final Report, March 2004), which registers the investigation hired and carried out as an initiative of the Bank, projects such as *Cana Brava* “produce both positive and negative impacts, that exceed the area immediately surrounding the reservoir and the dam and go beyond the period of construction and operation” (p. 48). As examples of negative impacts they point out: “the uncontrolled colonization in neighboring municipalities” and “the pollution of waters as a result of the increase in sanitary effluents” (p. 48).

Moreover, the document indicates that the environmental impact studies carried out were inefficient, since they were based on secondary data: “the environmental impact studies... should be deepened, based on primary data, and not only on secondary statistical data”. It also points out that “the information on the population to be compensated or re-transferred are not

precise”, referring to the period in which the obligations of the concession contract were agreed upon. (p. 49).

On the other had, the “Independent Monitoring Report” of the 18<sup>th</sup> and 22<sup>nd</sup> of September 2001, mentions that diverse damages were caused on the region’s population. The report states that:

- “Families or people not living in the area or not found on the occasion were not informed that a socioeconomic census was to take place” (item 5);
- “The socioeconomic census was carried out only during the winter (rainy season) and not during the summer (dry season)”, while “many families, although not residents of the area, work in agricultural related activities during the winter and mining related activities in the summer”, leaving them without legitimate recognition for receiving reparations (item 6);
- Families were transferred to urban areas, resulting in adaptation problems leading to situations where “the family was left with no other source of income and greater need for resources since now they have to pay for food, electricity and water” (item 6, repeated);
- The project should “provide social assistance, including opportunities of generation of income, to most vulnerable families that opted to move from the rural area to the city of Minaçu” (item 4-3);
- There were “people indirectly affected by the project, through the loss of jobs, access to cultivated land or other business opportunities” (item 4-4).

Finally, the independent report affirms that the “socioeconomic census failed to identify all the people indirectly affected by the project and, unless a case by case analysis is carried out an acceptable solution will not be achieved” (item 4-5).

Under such circumstances, Rede Brasil considers the agreement between IDB and Tractebel, which exempts the company from the obligations to the Bank and society previously assumed, as illicit and thus, do not contribute to the respect of the rights of the local population.

The rights of the population affected by dams should be guaranteed. Operations between the IDB and private companies which bring harm and eliminate the possibility of reparation to the populations affected are against the public interest and constitute an irresponsible conduct of the Bank which cannot be accepted.

On the other hand, the conduct of Tractebel, in the case of the company denying responsibility for the profound harm caused on the local population, would justify the exclusion of the company from future financing offered by the IDB. If the IDB continues to collaborate with Tractebel, in the current circumstances, it will surely give credit to those that judge the financial institution as a true enemy of social and environmentally sustainable development.

Therefore, Rede Brasil demands that the IDB adopt the necessary measures so that just reparations for the population adversely affected by the *Cana Brava* project can be made possible.