



---

## A PROJECT OF THE BANK INFORMATION CENTER

---

### BICECA'S BULLETIN

No. 1, December 2005

In this bulletin you will find the following articles:

- The World Bank's role in IIRSA
- "Sustainability Framework" at the IDB
- Rio Madeira Hydroelectric Complex
- The South American Pipeline
- The Peru-Brazil Inter-Oceanic Highway

BICECA's Monthly Bulletin - Building Engagement for Conservation in the Andes-Amazon region.

A project of the Bank Information Center

About the BICECA Monthly Bulletin:

Through this bulletin, the BICECA project of the Bank Information Center seeks to offer relevant and up-to-date news and information about particular aspects of projects and policies associated with the South American Regional Infrastructure project (IIRSA). The publication is aimed at a diverse audience of civil society organizations, indigenous groups, students, academics, and other individuals or entities that monitor international financial institutions' IIRSA-related policies and projects.

Edited by Paulina Novo

Translated by Victoria

Wigodzky

The World Bank's role in IIRSA -

By Paulina Novo, Bank Information Center

Although until now the World Bank (WB) has not formally been part of IIRSA, the institution can -and in fact does- support its projects. Throughout the last year, IIRSA's Executive Committee president, Roberto Salinas from Paraguay, visited the World Bank seeking financial support for the initiative. His visit sparked a series of speculations about WB participation in IIRSA. The World Bank's Finance, Private Sector and Infrastructure Offices for Latin American and Caribbean region confirmed that the Bank backs regional integration efforts and considers IIRSA projects within the framework of the Country Assistance Strategies (CAS) developed for each borrowing country.

---

#### AMPLIFYING LOCAL VOICES TO DEMOCRATIZE DEVELOPMENT

1100 H St., NW Suite 650 | Washington, DC 20005 | Phone: 202-624-0628 | Fax: 202-737-1155 | [www.bicusa.org](http://www.bicusa.org)

The WB plans to invest in various IIRSA projects. Other World Bank projects are also part of IIRSA and are already underway. For example, the International Bank for Reconstruction and Development (IBRD) has approved partial-risk guaranteed loans for the Peruvian government to advance infrastructure projects. Such initiatives include more than six type-A projects -the riskiest social and environmental category. These guarantees are given through the Ministry of Finance. The list of eligible projects includes the following IIRSA initiatives: Puerto Callao, Red Vial N4, Red Vial, as well as a group of 12 regional airports (which include the three IIRSA projects up for concession) and expansion and modernization of the Piura, Tarapoto and Pucallpa airports. Such partial-risk guarantees include projects in the Amazon (groups 3 and 4) and the Andes (groups 5 and 7). In addition, the World Bank finances four type-B projects in Uruguay through a sector-specific loan granted to the Ministry of Transportation and Public Services. The loan allows for the expansion of Puerto Nuevo Palmira, the repairing of the Montevideo-Fray Bentos road, as well as the renovation of the Rio Branco-Colonia corridor, a well-known IIRSA project. The Bank has also disbursed US\$500 million in regional loans to Brazil for the restoration of more than 25,000 kilometers of federal highways which are most likely to include some IIRSA projects.

Until now, none of the development banks that provide financial support to IIRSA have indicated how they will

ensure adequate standards, policies, and social and environmental processes at the sub-regional and regional levels once their various investments become part of a set of IIRSA-led projects. Despite the fact that IIRSA is already being implemented, these institutions have not addressed issues of external costs and indirect and cumulative impacts that might arise from the integration of hundreds of infrastructure projects throughout the region.

Isn't it time to apply the SEAs?

Robert Goodland, former director of the World Bank's Environment Department, has written an article about Strategic Environmental Assessments (SEAs). SEAs serve as a tool to carry out ex-ante, integrated evaluations of policies, programs, and regional development plans—this is precisely the IIRSA initiative. In the case of the World Bank, Dr. Goodland recommends that "...the best way to start an SEA is to look at the list of infrastructure projects included in the Country Assistance Strategy (CAS)..." He also explains that although the IDB has implemented various SEAs (including a post-hoc SEA in Camisea), the results have not been disseminated. In his article, Dr. Goodland urges the banks to incorporate the SEAs in the CAS, in the programmatic and structural adjustment loans, in sector-specific areas of technical assistance, and even in efforts to include the effects of climate change in the evaluation of loans. Nevertheless, the author questions whether the SEAs can have an appropriate impact on

financial institutions such as the World Bank, where public relations activities are granted a larger budget than environmental safeguards policies.<sup>1</sup>

## The IDB's "Sustainability Framework"

By Aarón Goldzimmer, Environmental Defense

The Inter-American Development Bank has proposed a "Sustainability Framework" document that may serve as a tool for evaluating sustainable development proposals. With this proposal, the IDB seeks to anticipate the possible social and environmental impacts that might emerge from IIRSA's regional infrastructure integration project. The IDB hired consultants to prepare a report using Geographic Information Systems (GIS) technology, as well as a preliminary analysis of potential problems that might arise from this initiative. These studies seek to produce an initial, high-level diagnosis to assess the social and environmental risks associated with IIRSA.

The IDB sought the help of conservationist groups with information and databases on biodiversity to help produce the desired diagnosis. In response, these organizations convened a series of meetings to discuss the "Sustainability Framework," as well as feasible alternatives to what they

consider an incomplete assessment of risks and social and ecological vulnerabilities. The groups asked the IDB for any available geographic information systems on IIRSA projects in order to carry out their own analysis. The participants of these meetings believe that if the analysis is done adequately, the "Sustainability Framework" will reveal the many serious social and environmental risks that IIRSA may bring and that have not been properly assessed. This initiative will require more systematic analyses, as well as many other changes and strong safeguards.

## The Rio Madeira Hydroelectric Complex-

Environmental authorities have still not released Madeira River studies

By Glenn Switkes, International Rivers Network

Civil Society Organizations have filed another petition soliciting copies of the Environmental Impact Assessment for the Santo Antonio and Jirau hydroelectric projects, the first two dams planned as part of the Madeira Hydroelectric-Hidrovia complex. The Madeira complex, which also includes a bi-national dam (Brazil-Bolivia) and another in Bolivia, in addition to implanting a 4,200 km-long industrial waterway, is IIRSA's single largest project, with an official budget of US\$ 10.5 billion.

---

<sup>1</sup> Environmental Assessment and the World Bank Group", International Journal of Sustainable Development & World Ecology 12 (2005) 1-11

Studies for the two dams, which will have a total installed capacity of 7,480 MW, were delivered to the Brazilian environmental protection service, Ibama, in May. However, Ibama says that under its new regulations, it will only make the studies public after determining whether they comply with the terms of reference established by the agency. Brazil's Mines and Energy Ministry has already stated it's plans to offer the project to private investors in 2006.

## An Introduction - The South American Gas Pipeline

By Paula Granada, CEDHA

The Northeastern Gas Pipeline (NGP) from the MERCOSUR-Chile axis in hub number five was one of IIRSA's 31 primary initiatives. The project's main purpose was to transport reserves located in Bolivia and Northeastern Argentina to meet Argentina's consumer market demand, as well as to export gas to Chile.

The Northwestern Gas Pipeline was cancelled due to Bolivia's difficult political and social crisis around oil and energy issues at the beginning of this year. Instead, stakeholders began to analyze a Chilean proposal to import gas from Peru (Camisea) excluding Bolivia, and from there supply to the rest of the MERCOSUR countries -"The Energy Ring."

However, the Energy Ring project became a new initiative after

MERCOSUR's Energy Ministers met in Montevideo last October to discuss regional integration issues with their counterparts in Chile and Peru, this time also including Bolivia. The meeting focused on the creation of a new project named "the South American Gas Pipeline," through which Bolivia and Peru would provide natural gas to the bloc of MERCOSUR member countries and Chile. The meeting included Inter-American Development Bank (IDB) officials as well as representatives from the World Bank, which is willing to provide technical and financial support for the integration project.

Tensions arose in the last few months due to the fact that oil-exporting countries often make export commitments, while failing to provide energy services to their own populations. Peruvian President Alejandro Toledo, for example, forbade his Energy Minister to continue in the South American Gas Pipeline negotiations, calling for the "provision of gas to our own country before signing onto new accords." At the same time, Chile is seeking other alternatives, focusing on Venezuela's gas supply.

However, the South American Gas Pipeline will most likely become a reality at the next country meeting planned for December 8<sup>th</sup> of this year. The purpose of this meeting is to agree on the project's institutionalization through a legal framework to be completed at year's end. Although the South American Gas Pipeline is not yet a formal component of IIRSA, IDB internal sources indicate that it might be

incorporated in the official agenda of IIRSA projects as soon as negotiating countries reach an agreement.

## The Peru-Brazil Inter-Oceanic Highway

By Michael Valqui, WWF-Peru

Inhabitants and public officials of Madre de Dios -an isolated region of Southeastern Peru bordering the departments of Acre, Brazil and Pando, Bolivia-have long dreamed of a road that would bring them out of their isolation. The Inter-Oceanic Highway (also called trans-oceanic or bi-oceanic) extends from Puerto Velho, Brazil to the Peruvian coast. The Highway constitutes one of the key projects in IIRSA's Peru-Brazil-Bolivia axis, and will attempt to advance the development of ten Southern Peruvian regions and two Brazilian states. For Madre de Dios, the project holds promises of ending the town's historic isolation and establishing a fluid connection with Brazil's extensive internal market, as well as with the Peruvian coast. It has the potential for national as well as maritime commerce with countries bordering the Pacific Ocean. For Brazil, which displays the most complete network of roads, the investment focuses on the construction of an international bridge over the Acre River, creating an efficient border crossing. On the Peruvian side, projects include constructing a paved road over the existing path between the Inambari River and the Brazilian border, as well as the renovation and improvement of three routes that

connect across the Andes with three ports on the Peruvian coast: Marcona, Matarani, and Ilo.

Consequently, the Peruvian government, with financial support from the CAF and the BNDES of Brazil, has awarded contracts for US\$892 million. For the most part, the Peruvian state will be responsible for payments on an annual schedule of US\$100 million during 15 years, with a yearly subsidy of US\$15 million during 25 years for site maintenance.

The government is seeking to revitalize the economy in these regions. However, there have been strong criticisms about the different scenarios. For example, proponents have indicated that, three years after the completion of public works in Madre de Dios, agricultural surfaces will have increased to 196,500 hectares. Yet this outcome can only be achieved through the deforestation of tropical parks. In general, the main critique points to an absence of studies and plans that could favor orderly development based on minimizing the degradation of the tropical parks, which today constitute most of Madre de Dios territories. These wooded areas are home to an extremely high number of plant and animal species. Indeed, Puerto Maldonado is often referred to as the "world capital of biodiversity".

---

## Bank Information Center (BIC)

The Bank Information Center partners with civil society in developing and transition countries to influence the World Bank and other international financial institutions (IFIs) to promote social and economic justice and ecological sustainability. BIC is an independent, non-profit, non-governmental organization that advocates for the protection of rights, participation, transparency, and public accountability in the governance and operations of the World Bank, regional development banks, and IMF.