

Ms. Pamela Cox, Vice President, World Bank, for Latin America and the Caribbean
World Bank
Washington, DC, USA

cc:

Mr. Makhtar Diop, Director, World Bank, Brazil
Executive Secretaries, World Bank
Environment Minister, Mr. Carlos Minc
Planning Minister, Mr. Paulo Bernardo Silva
Finance Minister, Mr. Guido Mantega
Presidential Chief-of-Staff, Ms. Dilma Rousseff
President of the BNDES, Mr. Luciano Coutinho

Dear Ms. Cox,

We are writing to express our concern regarding the loan to Brazil being considered by the World Bank for approval, called the “*Programmatic Environmental Sustainability Development Policy Loan Project (P095205)*”, both in relation to its size, as well as to its content and destination. In its initial phase, this loan would be for US\$ 1.3 billion, to be increased in a following phase to a total of US\$ 2 billion.

During the past decade, the World Bank approved a series of “technical assistance” loans to the Brazilian government (*Environmental Sustainability Agenda Technical Assistance Project 7331-BR*; *Regulatory Power Sector Technical Assistance BRPE76977*; *Energy Sector Technical Assistance 4708-BR*), besides policy reform loans (*Energy Sector Reform Loan 7120-BR* – US\$ 454 million).

These loans had among their principal objectives the mainstreaming of social and environmental considerations in diverse sectors of the government, including the Mines and Energy Ministry (MME). Unfortunately, this objective was never met.

An example of the failure of these loans to meet their supposed objectives is the lack of effective integration of social and environmental considerations in Brazil's energy planning. The Strategic Environmental Assessments that the Mines and Energy and the Environment Ministries were to have carried out as a condition of the “*First Programmatic Reform Loan for Environmental Sustainability*” (7256-BR, US\$ 502.52 million) were never carried out, and were unilaterally rejected by the MME in favor of “integrated evaluations” in some river basins where dams are planned. These studies do not contribute to determining policies for river basin management, nor do they propose sustainable social and environmental alternatives to the damming of these rivers.

The Ten-Year Energy Expansion Plan (PDE 2008-2017) is another example of the MME's failure to incorporate social and environmental considerations in energy planning. The Plan was put together behind closed doors in the offices of governmental agencies, in consultation only with energy companies. The PDE gives priority to the construction of 71 large dams, with the involuntary expulsion of more than 100,000 Brazilians and the flooding of indigenous reserves and conservation units. The Plan promotes construction of highly polluting thermoelectric generating stations burning oil, coal, and gas, resulting in a 172% increase in greenhouse gas emissions by 2017 when compared with 2008, equivalent to 39.3 million tons of CO₂, in addition to the expansion of biofuels production, which would require an additional 7.5 million hectares of sugar cane plantations. Projections for the exponential growth in energy demand are unreal, particularly in the context of the global economic crisis, and they do not incorporate coherent measures to fight global warming. Energy efficiency measures recommended as a priority in World Bank reports (Taylor et al. “*Financing Energy Efficiency*”) and the diversification of alternative energy sources are relegated to consideration at some point in the future, assuming a secondary role, due to the fact that the MME considers them to be “too expensive” for consumers.

Besides all the disastrous social and environmental consequences of infrastructure projects that are being built with greater frequency in Brazil, and that are constantly being denounced by affected populations, we are concerned about the lack of transparency concerning the use of financial resources which Brazil borrows for the construction of these projects. In this sense, discussing a new loan presupposes that, at the minimum, there be a prior public consultation within the planning process. Lacking this, there is the risk of feeding structures and processes which are inefficient and ineffective.

We are also concerned regarding the strong evidence that the latest loan will be destined to guarantee capital for financing large infrastructure projects, through the National Economic and Social Development Bank (BNDES). The loans announced recently by the BNDES include the Santo Antonio and Jirau dams on the Madeira River in the

Brazilian Amazon, for which the bank has assumed commitments to lend more than US\$ 6 billion. These projects are an assault against sustainability - they promote the destruction of biological diversity, have significant socio-cultural impacts, and could result in losses to the BNDES and to the workers' funds it manages. These, as well as other projects financed by the BNDES, place in risk those objectives and commitments assumed by Brazil internationally and internally, in terms of policies and actions relating to the causes and effects of global warming.

For these reasons, we believe it would be an error to approve this loan. We urge the World Bank to postpone the decision on the loan until it may be submitted to a broad consultation with the Brazilian public.

Sincerely,

Amigos da Terra Amazonia Brasileira
Attac-Brasil
Bank Information Center
International Rivers
Instituto de Estudos Socio-Econômicos (Inesc)
Instituto de Políticas Alternativas para o Cone Sul (PACS)
Jubileu Sul Brasil
Núcleo Amigos da Terra Brasil
Núcleo de Investigações em Justiça Ambiental (NINJA)
Rede Brasil sobre Instituições Financeiras Multilaterais