

Mr. John Briscoe
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C/C:

Silas Rondeau Cavalcante Silva, Minister of Mines and Energy
Dilma Vana Rousseff, Presidential Chief of Staff (Casa Civil)

**Ref: World Bank Technical Cooperation Agreement with the Mines and Energy
Ministry and the Madeira River Hydroelectric Project**

Brasília, 18 May, 2007

Dear Mr.. Briscoe:

We are writing to demand immediate transparency regarding the technical cooperation agreements between the World Bank and the Brazilian Mines and Energy Ministry. This cooperation is being executed without any accountability; documents produced through this agreement are not being made available to the public, and partial and incomplete results are being mis-interpreted by representatives of the Government to the press.

From the beginning of this process, the public has been denied any access to reliable information or to the documents and studies being prepared as part of the Energy Sector Technical Assistance Loan (ESTAL). According to information on the World Bank site, this project has as its principal objectives: 1) Market development and regulation; 2) Benefits to the poor - increasing access to and affordability of electricity, natural gas and LPG; 3) environmental management – strengthening the environmental structure of the sector, its management, capacity, and licensing procedures; 4) Expansion planning - developing a strategy and methodologies for meeting future demand, integrating multiple sources of energy, as well as demand and supply side possibilities; and 5) Institutional strengthening - enhancing the Government's capacity for policy-making, and its ability to implement reform measures, coordinate multiple initiatives, and monitor their progress.

Significantly, it is also stated on the World Bank's Brazil site that "at the request of the Mines and Energy Ministry, ESTAL also will finance economic feasibility studies, to be contracted externally by the Brazilian government, regarding the proposed hydroelectric complex on the Madeira River".

Despite the Bank's affirmation that "the results of these studies do not imply a position or evaluation of the Madeira River project by the World Bank", it is evident that the relationship between the Mines and Energy Ministry and the World Bank is being subjected to manipulation. As an example, we can cite the study by Dr. Sultan Alam, contracted by the World Bank as part of ESTAL, to analyze impacts of sediments on the Santo Antônio

Hydroelectric dam, part of the Madeira River complex. On April 24, 2007, the President's Chief-of-Staff, Ms. Dilma Rousseff was quoted in various media reports as having stated that "a key problem regarding the sediments was resolved, since the Mines and Energy Ministry, through the World Bank, contracted Dr. Sultan Alam, a top sedimentologist...This sedimentologist considered the project very good, saying that there was no way that erosion or sediments could affect the two dams, from the environmental point-of-view. On the contrary, he praised it highly".

On the same day, Rede Brasil requested a copy of this study from the World Bank's office in Brasília, and received a response that we would have to contact the Mines and Energy Ministry. The Ministry refused us access. Only two weeks later did Rede Brasil obtain a copy through extra-official sources.

The fact that Brazilian society was denied access to a public document of great relevance to the debate regarding the Madeira River Hydroelectric Complex, which has an official budget of US\$21.6 billion, is illegal, and is very serious. Even more so was the fact that the public statements by Minister Dilma Rousseff mis-represent the study and mis-state the findings of Dr. Sultan Alam's study.

Contrary to what the Minister stated, Dr. Alam's study had as its objective to analyze whether the hydroelectric engineering design for Santo Antônio (part of the Madeira River complex) would permit adequate sediment management, and if not, how it could be improved. As a secondary objective, the study attempted to evaluate the impact of sediments in the Santo Antônio reservoir.

Given that the principal environmental impacts being discussed in the context of the licensing process for the dams involve impacts of sediments on the upstream Jirau dam, which is not considered in the World Bank-financed study, and not Santo Antônio, which Dr. Alam studied, the Minister's declaration that, according to Dr. Alam, "erosion and sediments will not affect the two dams, from an environmental point-of-view" is simply false. Besides, the fact that Dr. Alam recommend in his study that changes be made in the engineering design for the project appear to us to indicate that his conclusions can only be considered as "praise" by someone who wishes to fool the public, this apparently with the World Bank's consent.

Another serious problem is that another, still-uncompleted World Bank study was publicly used for political purposes. Referring to a study on environmental licensing in a public meeting reported in the press, Nelson Hubner, Executive Secretary of the Mines and Energy Ministry, "presented data from a yet-unreleased study, carried out by the World Bank, on environmental licensing in Brazil. Without presenting the study's overall conclusions, the executive secretary revealed a section from the study, in which the licensing processes for 63 hydroelectric dams between 1997 and 2006 were analyzed. In these cases, the approval of a preliminary license – today obligatory for auctioning the project to private investors – took, on the average 1,188 days. Environmental laws permit a maximum of one year, three times less than what takes place in reality".

Rede Brasil also requested a copy of this study, and was told by the World Bank Brazil office that “The study has not been completed. This is a work-in-progress. It is the policy of the Bank to only divulge final documents, after informing the client”. It is extremely unprofessional and a sign of disrespect for the public’s right to information, that the Bank tolerates the selective dissemination of parts of an unfinished study but denies the public any access to the document.

Therefore, we demand:

- The immediate publication of all documents produced under the World Bank/Mines and Energy Ministry technical assistance project;
- A consultation by the World Bank with civil society groups regarding national energy policy and the Madeira River hydroelectric complex;
- The consultation by the World Bank with independent specialists regarding the Madeira River project.

Finally, we hope that the World Bank improves its performance and its transparency as part of its technical cooperation with the Brazilian government, since the process cited above violates the World Bank’s own “information policy”.

Any development project should be the object of open and democratic discussion and should not be subject to secret decisions or incomplete and inaccurate references, such as in this case have resulted from the association between the electric sector and the World Bank. This is even more critical for an extremely expensive project such as the Madeira River Hydroelectric project with the potential for enormous social and environmental impacts.

We will expect a prompt response regarding how the World Bank plans to deal with the concerns and demands expressed in this letter. In this regard, it would be important for Mr. Briscoe to meet with the undersigned civil society networks.

Sincerely,

Rede Brasil on Multilateral Financial Institutions

and

Members of the Energy Working Group of the Brazilian Forum of NGOs and Social Movements for Environment and Development (FBOMS)

Instituto Madeira Vivo
Fórum Independente Popular do Madeira
4 Cantos do Mundo
Greenpeace
International Rivers Network