

DON RUCQUATI, Chairman
 Acervo
 SA
 J.P. CALIF.
 N.Y.
 N.Y.
 N.Y.
 IOWA
 TENN.
 PA.
 KANS.
 TENN.
 MO.
 FLA.
 N.Y.
 TEX.
 OKLA.
 CALIF.
 ILL.
 CALIF.
 ILL.
 TEX.
 FLA.
 N.C.
 NEV.
 N.J.
 VA.

U.S. HOUSE OF REPRESENTATIVES
 COMMITTEE ON SCIENCE AND TECHNOLOGY

SUITE 2321 RAYBURN HOUSE OFFICE BUILDING
 WASHINGTON, D.C. 20515
 (202) 225-6371

October 15, 1984

Honorable Donald T. Regan
 Secretary of the Treasury
 15th and Pennsylvania Aves., N.W.
 Washington, D.C. 20220

Dear Mr. Secretary:

As you may be aware, the Subcommittee on Natural Resources, Agriculture Research and Environment held hearings on September 19, 1984, to examine the role of research in tropical forest development projects.

As a result of testimony received at that hearing, I am writing to express my deep concern over the progress and impact of Brazil's Integrated Development Program for the Northwest Region (the "Polonoreste" project), for which the World Bank has loaned the government of Brazil nearly \$500 million. While the World Bank's participation in this agricultural development project was intended to help control and consolidate spontaneous migration into the rain forest regions of Rondonia and Mato Grosso in northwest Brazil, testimony at the hearing indicated that the project is in fact contributing to increased uncontrolled migration and accompanying deforestation.

Witnesses testified that the soils in the Polonoreste region have proved to be so poor that many of the small farmers who had cleared the forest to plant crops have been forced to abandon their land within a few years. The evidence also suggested that in many cases ranchers are consolidating the small parcels into large cattle ranches, despite the unsuitability of the area for sustainable grazing.

One of the major problems identified by witnesses is the imbalance in the progress of project components. While road construction components of the project have been proceeding rapidly, inviting further migration, there has been little progress in implementing the provisions of the Loan Agreement (2060 BR) which were intended to provide services to the settlers and to protect areas which were unsuitable for agricultural development. For example, the paving and reconstruction of the Cuiba-Porto Velho road (BR-364) has been completed. In contrast, several biological reserves and Amerindian reserves which should long have been in place according to the clear terms of the Loan Agreement have not been established or protected.

LARRY WINN JR., KANS.
 MANUEL LUJAN JR., N. MEX.
 ROBERT S. WALKER, PA.
 WILLIAM CARNEY, N.Y.
 F. JAMES SENSINGBENNER JR., WIS.
 JUDD GREGG, N.H.
 RAYMOND J. MC GRATH, N.Y.
 JOE SKIEN, N. MEX.
 CLAUDINE SCHNEIDER, RI.
 BILL LOWERY, CALIF.
 ROD CHANDLER, WASH.
 HERBERT H. BATEMAN, VA.
 SHERWOOD L. BOEHLERT, N.Y.
 ALFRED A. MC CANDLESS, CALIF.
 TOM LEWIS, FLA.

HAROLD P. HANSON
 Executive Director
 ROBERT C. KETCHAM
 General Counsel
 DAVID S. JEFFERY
 Minority Staff Director

CEDI - P. I. B.
 DATA 31, 12, 186
 COD. E4D00020

Honorable Donald T. Regan

October 15, 1984

Page Two

Indeed, instead of attempting to slow the rate of migration pending the establishment of the services and reserves which are part of the binding loan agreement, INCRA (the Brazilian land agency) is continuing to promote migration through national prime time television advertising.

The Loan Agreement provides that Brazil and the Bank agree that "the orderly development of areas of the Program Area most suitable for agricultural development . . . and the environmental protection of areas determined to be unsuitable for agricultural development are essential to the successful carrying out of the Project." Section 3.13 of the agreement further requires the government of Brazil to "take all necessary measures to (a) discourage the agricultural exploitation of areas which have been determined to be unsuitable for agricultural development or of areas whose suitability for agricultural development has not yet been determined; and (b) to prevent the occupation of areas which have been legally defined as reserves."

Brazil's continued promotion of migration to the Northwest Region, particularly in the absence of services and the establishment of protected reserve areas, can only serve to foster uncontrolled development, unnecessary deforestation, and continued conflicts with the native Amerindian populations.

In addition, at least some of Brazil's settlement plans appear directly to violate the terms of the Loan Agreement. Of gravest concern is the construction of the President Medici-Costa Marques highway (BR-429), scheduled to be completed this November, and the planned settlement of some 10,000 families along the road in Bom Principio, Terra Firme, Conceicao, Porto Murinho, Surpresa, Cena Grande, Sao Domingos, Monte Cristo and Sao Miguel. The highway and settlement projects will lead to further migration into the Guapore valley which will directly threaten a number of reserve areas required to be established by the Bank (including the Guapore Biological Reserve, the Rio Branco Indian Park, the Pacaas Novas National Park, and the still-undemarcated territory of the Uru-eu-wau-wau and Urupa-in Indians). Significantly, a soil map prepared in 1983 by EMBRAPA, the Brazilian agriculture research agency, shows that most of the soil in the area is unsuitable for small farmer agriculture.

The threat to the Amerindian population posed by the BR-429 road and the settlements would also appear to violate the terms of the Loan Agreement which require Brazil to "take all necessary measures" to protect the Amerindian population. The regional head of FUNAI, the Brazilian Indian agency, recently indicated that the BR 429 road was proceeding without the necessary Certidao Negativo (a no objection agreement) from FUNAI certifying that there were no Indians in the area.

Honorable Donald T. Regan
October 15, 1984
Page Three

In light of the testimony received at the hearing, action should be taken immediately to ensure compliance with the terms of the Loan Agreement and to fulfill the original intent of the Project to limit and control development in this environmentally-sensitive area. Prompt efforts to ensure compliance with the Agreement will also send an important signal to other borrowers that loan agreement provisions intended to protect the environment and native populations will be taken seriously by the Bank and that such provisions will be enforced. Specifically, the following steps should be taken:

1. Urgent action is required to stop the completion of the BR-429 highway and settlement project. Further development and construction in this area should not be permitted until such time as (a) a "no objection agreement" (as required by Brazilian law) is received from FUNAI, and (b) studies are conducted which indicate the suitability of that areas for sustained small farmer agriculture.
2. The present plans for agricultural development in the Project area should be reconsidered in light of experience to date. At the same time, to prevent further deforestation, the Bank's first priority should be to consider ways to keep the farmers on the land. To this end, the Bank should immediately begin to improve the support and extension services available to the settlers. If necessary, to achieve this end, portions of the Loan Agreement could be renegotiated or a separate special project undertaken.
3. The Bank should immediately begin a research and development program to identify agricultural programs which are more likely to be economically and ecologically sound. For example, several witnesses discussed agroforestry projects which appear to hold some promise.
4. The Bank should immediately take measures to bring about compliance with the provisions of the Loan Agreement which establish and protect the biological reserves and the National Park, and which demarcate and protect the Indian reserves, including the expulsion of squatters from those areas. It is also imperative that the portions of the project requiring continuing evaluation of the impact on the environment and the Amerindians be continued.
5. The Bank should consider whether it should fund special projects aimed at improving the capabilities of FUNAI, the Brazilian Indian agency, and IBDF, the Brazilian Forestry Development Institute, to carry out the environmental protection and Amerindian protection provisions of the Loan Agreement.

Honorable Donald T. Regan
October 15, 1984
Page Four

I would request that the Department respond to these concerns and suggestions, indicating the response of the Bank and the actions taken by the Department. I would be pleased to discuss these issues in more detail with you, other Department officials, or members of the Bank staff.

Sincerely,



JAMES H. SCHEUER

Chairman

Subcommittee on Natural Resources,
Agriculture Research & Environment

cc: Mr. James B. Burnham
Mr. James Conrow
Mr. Stephen J. Canner
Cong. Jerry M. Patterson
Cong. Gus Yatron
Senator Bob Kasten
Senator Charles McC. Mathias, Jr.