

July 10, 1984

Mr. A. W. Clausen
President
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. Clausen:

We are writing to express our grave concern over disturbing evidence of the consequences of the World Bank's continued neglect of sound management of natural resources and the environment in the design and implementation of its projects.

Several independent sources in Brazil have called our attention to the accelerating and uncontrolled ecological and human destruction occurring in the World Bank financed Brazil North-west Development (Polonoroeste) Program. There is substantive, verified evidence that the agencies responsible for the program lack either the will or the institutional means to provide minimum protection to ensure the physical survival of the ecology of the Northwest region and over 5,000 Amerindians belonging to 25 tribal groups. Although Bank support for the Program was strictly predicated in the first Loan Agreement (No. 2060 BR) on the prompt implementation of measures to protect the ecology and Amerindian population of the Program area, there are strong indications that the Bank has lost control - or will not take effective measures to control - the destruction being unleashed in the region. Information we have received strongly indicates that the Bank's \$412 million investment has so far contributed to increased uncontrolled migration, accelerated deforestation, unsustainable conversion of land to cattle ranching and speculation. Rondonia's thousands of Amerindian inhabitats and irreplaceably biological diversity are threatened as never before.

Worse, in spite of this evidence -- and in disregard of the terms of the Loan Agreement for Phase I of the Program -- the Bank actually accelerated lending late last year for the third phase of Polonoroeste, which will settle 15,000 more families in the region. Although the purpose of this accelerated loan disbursement (part of the Bank's Special Action Program) is to help countries maintain development momentum in the face of the lingering world recession, it is the height of folly to

accelerate funding for projects already encountering grave difficulties in managing the resources at hand.

The Bank's \$412,000,000 investment in the three phases of the Program accounts for nearly 1/2 of the one percent of Brazil's enormous foreign debt; it will be a tragedy for Brazil if this huge investment leads to the destruction of the natural resource base of Rondonia -- and of the thousands of indigenous people dependent on these resources -- rather than to development which is sustainable in the long term.

We urge and request the Bank to undertake effective measures to regain control over its enormous investment. In particular, we wish to know what measures the Bank plans to undertake to:

1. ensure adequate protection and management of the two Biological Reserves, the National Park, the four Ecological Stations, the National Forests and the numerous Indian Reserves in the Polonoroeste Program Area - almost all of which either have not been established, are occupied by squatters or are non-demarcated;
2. deal with accelerating, illegal, indiscriminate deforestation in the Bank financed settlement areas and increasing forest clearing for speculation, sale to larger landowners and conversion to cattle pasture;
3. discuss with the federal government of Brazil and the state of Rondonia ongoing plans to settle 8,000 settlers in the Guapore Valley on soils unsuitable for small farmer agriculture, threatening the Guapore Biological Reserve, the Rio Branco and Ur-Ea-Wau-Wau Indian Reserves and the Pacaas Novos National Park, and violating Section 3.13 of the Bank's Agreement with Brazil for loan 2060 BR;
4. raise with the state of Rondonia the issue of three planned roads - state highways 370, 377, 383 - which will crisscross the Guapore Biological Reserve and the Rio Bronco Indian Reserve and link them with two major federal highways and existing and planned settlements removing all remaining hope of conserving these protected areas;
5. increase its professional environmental staffing and institute and systematically implement more rigorous procedures to ensure improved environmental design and implementation of projects so that the Bank does not repeat the costly mistakes in resource management that appear to characterize its involvement in Polonoroeste. Such measures would help to forstall increasing concern in the U.S. Congress, whose Senate Appropriations Committee has stated that it "agrees"

with our "concern over the lack of environmental consideration given by the World Bank in the formulation of its projects," and has directed the U.S. Treasury Department "to press the issue of the environment by encouraging more environmental professionals to be employed by the Bank so that its projects are adequately reviewed with the environment in mind" (Foreign Assistance and Related Programs Appropriation Bill, 1985, Report (To accompany S2793, No. 98-531, p. 30).

The Bank should withdraw financial support for ^{all} ~~the~~ aspects of the Polonoroeste Program in the near future if it appears that the Program agencies are unable to, or will not adequately manage and implement, the Amerindian and environmental subprojects of Polonoroeste.

At stake is the ecological survival of an area the size of Great Britain and the very lives of its thousands of indigenous inhabitants, as well as the credibility and image of the Bank.

We have enclosed memoranda outlining indications of major deficiencies in the implementation of the environmental and Amerindian components of Polonoroeste.

The profoundly disturbing situation in Polonocoeste underscores all the more the urgency of the need of the World Bank to undertake concrete measures and commit real resources, such as more professionally trained staff, to improve the ecological design and review of projects. Further neglect and dilatoriness of the Bank in addressing environmental management issues will not only inflict grave long term damage on the Bank's image, but ultimately undermine public and legislative support for funding of the Bank in its most important donor countries.

Sincerely,