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Banking on Disaster

BY STEPHAN SCHWARTZMAN

In the heart of the Brazilian Amazon, in Brazil's newest state, Rondonia, 13,000 new settlers arrive every month on the newly paved BR 364 highway. Most of Rondonia was pristine rainforest in the mid-seventies and the highway was only paved in 1984. Even so, there are so many people arriving that the state government must send them on, further north and west. There is no more land for them in Rondonia.

In Indonesia, more than two million peasants from the densely populated inner islands of Java and Bali have been relocated to the outer islands — more than 1,000 a day over the last five years. In Java, population densities reach 5,000 per square mile in the countryside. The outer islands are more sparsely settled and are home to indigenous ethnic minorities as well as unique and delicate forest ecosystems. Both are coming under increasing pressure from the migrants.

These Brazilians and Indonesians are poor, they want land and they are intended beneficiaries of World Bank financed development plans. Both Brazil's Polonoroeste (Northwest Region Integrated Development Program) and the Indonesia Transmigration Program are state-of-the-art development projects from the world's top planning experts.

The World Bank, a development agency committed to bringing about a certain kind of economic progress, pours billions into Third World development. In 1981 it had \$92 billion committed to more than 3,000 projects. Since Robert McNamara's tenure as president (1968-1981), the World Bank has aimed to improve the lot of the "poorest of the poor." But as a bank it is rewarded for loaning money that it has borrowed. The adminis-

trative structure of the bank is set up for heavy infrastructure mega-projects, like roads and dams. Such projects make sense to the World Bank's investors on Wall Street.

By the time McNamara took over, the assumption that building roads and dams would of itself help the poor was looking a little shopworn. There had been plenty of economic growth since the Second World War, but absolute poverty seemed to grow right along with GNPs. His approach came to be known as "redistribution with growth," which might be paraphrased as "the rich get richer and the poor get richer too." It meant that the World Bank would loan more in areas like agriculture, which could be presumed to help the poor, in the hope that not only would "the cake get bigger" but the poor would actually get a slice.

In this light, it is hardly surprising that the World Bank has found agricultural colonization an attractive proposition. In a country like Brazil, where by World Bank calculations 10 percent of the landowners own 45 percent of the land while the poorest 10 percent own 1.5 percent and some 2.5 million remain landless, land reform seems like the most basic way to help the poor. Brazil's last democratically elected president, Joao Goulart, agreed, and that is one of the major reasons he was ousted in the 1964 military coup.

Brazil's president from 1969-1974, Emilio Garastazu Medici, proposed "land without people for the people without the land." Medici's "land without people" was

the Amazon, and the slogan was the rallying cry for the Transamazon highway — intended as the road to prosperity for some two million utterly impoverished drought-stricken Northeastern Brazilians. They were to be settled along the 500 km road, running from

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Atlantic almost to the Peruvian border. With massive loans to Brazil's national highway department between 1968 and 1972, the World Bank and the Inter-American Development Bank (IDB) indirectly funded the Transamazon. Although it was only opened in 1974, the Transamazon is no longer mentioned at all in official pronouncements. The agricultural development project was a total failure. Few of the colonists who went (many fewer than originally slated for resettlement) remain today. The road was never completed and is, in many areas, virtually abandoned.

When in 1979 Brazil proposed World Bank financing of another Amazon road project, the Polonoroeste project, the World Bank considered the idea risky but worthy. The plan adopted proposed heavy World Bank involvement to help ensure "redistribution with growth."

Since the project's start in 1981, the World Bank has approved \$443.4 million in five loans, in a total project cost of \$1.6 billion. More than half the World Bank's funds went for the centerpiece of the project, the paving of the 1,500 km highway through the states of Mato Grosso and Rondonia. The project covers an area three-fourths the size of France. In 1978 the region as a whole was about half rainforest, and more than 80 percent of Rondonia was rainforest. More than 8,000 Indians representing at least 35 distinct ethnic groups live in the area.

Despite criticism from indigenous rights groups such as Cultural Survival and the Anthropology Resource Center, World Bank planners mistakenly thought that they could limit runaway transformation — massive migration, conversion of forest for low-yield cattle ranching, land speculation and fraud.

The World Bank proposed paving the road and building 39 rural settlement centers offering agricultural credit, health care, and education. Colonization would be confined to areas with good soil, there would be a clear demarcation of Indian lands and national forest areas, and biological reserves and ecological research stations would be created.

The road was finished ahead of schedule, and migration has topped all expectations. Thirteen-thousand people arrive each month in Rondonia alone — over

150,000 people moved into the state in 1984.

But the World Bank's vision of Rondonia as a place where the poor and landless could be productively and permanently settled on small farms sharply contradicts the available evidence. Brazilian environmentalist Jose Lutzenberger blasted the project in testimony before the House Subcommittee on Natural Resources, Agriculture Research and Environment last fall. "The Polonoroeste project is a method of decreasing the risk and increasing the security of the large landowners," he said, "and it does this by removing some of the rural poor from regions where they were born and dumping them in the Amazon."

Lutzenberger and other expert witnesses detailed an environmental catastrophe — the fastest rate of deforestation in Brazil, which if unchecked would leave Rondonia denuded by 1990.

Subcommittee Chairman Rep. James Scheuer (D-NY), shocked by the testimony, wrote a letter to the Secretary of the Treasury calling for steps to rectify the situation — demarcation of Indian lands and protection of biological reserves and national forests, both of which are included in the original loan agreements.

In an October letter to World Bank President A.W. Clausen, 31 environmental and human rights organizations called on the World Bank to take action to fulfill the conditions in the loan agreements providing for protection of indigenous peoples and the environment. The group, coordinated by Natural Resources Defense Council (NRDC) attorney Bruce Rich, pointed out that few of the stipulated measures had been taken.

Several months later, the World Bank responded with a curt note. Sen. Robert Kasten (R-WI), who had heard environmentalists testify on multilateral banks in appropriations hearings, took up the issue. In a January 24 letter to Clausen, Kasten called the World Bank's note "an insult" and requested a fuller response. As a result, in May, Senator Kasten and representatives of the NRDC, the Environmental Policy Institute (EPI), the National Wildlife Federation (NWF), and Cultural Survival met with Clausen, four World Bank vice-presidents and other staff members to discuss the issues.

By then the picture had changed. In March, the

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...Indonesia has about a tenth of the world's remaining tropical rainforest and it's going fast.

World Bank halted disbursements on the Polonoeste loans, pending resolution of environmental and indigenous peoples' problems — the first time the World Bank has stopped payments on such grounds. Environmentalists point out, however, that the worst of the damage was done when the road was finished and remaining funds are largely for the consolidation of new settlements and environmental protection. They welcomed the dramatic response, but noted that there was little evidence of policy changes designed to prevent such disasters in the future. Meanwhile, the IDB approved a continuation of the Polonoeste road into the adjoining state of Acre, a project critics consider even more poorly conceived than Polonoeste.

Transmigration in Indonesia is in some ways like tropical forest colonization projects in Brazil: People from high population areas with good soils are sent to low population areas with poor soils.

By 1982 there were 153 million people in Indonesia and 92 million of them lived in Java, an area the size of New York state. Rural population densities in Java reach 5,000 per square mile. Despite efforts at population control, Java grows by almost two million people per year. The problem of over population is compounded by the fact that one third of the land belongs to one percent of the landowners and of the 80 percent of the population that is rural almost half are landless.

In the 19th Century, Dutch colonial rulers thought there were too many people in the inner islands (principally Java and Bali) and decided to move some of them to the more sparsely populated outer islands to work on plantations. The Dutch have been gone since the 40s, but the idea has remained. By 1978, about a million people had been moved from the inner islands to the outer islands.

Since the mid-70s, with increased oil revenues and World Bank support, the Transmigration Program has been stepped up dramatically. In the Indonesian government's third five year plan from 1979-84, 350,000 families moved with government support while another 150,000 moved without government support.

Government planners want to move another 500,000 families in the next five-year plan. The government sees transmigration as the answer to a series of problems. In addition to reducing population pressure on the inner islands, it is claimed, the program will provide land and employment for Javanese. Despite irrigated rice production, Indonesia until recently was dependent on imported rice. Only a few years ago Indonesia bought half of the rice traded on the world market. The government hopes the cultivation of new lands will lead to greater food self-sufficiency.

Offering free, partially-cleared land (usually 2-5 hectares), a house, free agricultural assistance including seed, fertilizer and pesticides, free subsistence supplies for the first year, and a one way ticket, the In-

donegian government has encouraged peasants to leave Java. A five-year residency requirement then ensures that they will stay on the outer islands.

It is not yet clear whether the program will succeed in economic terms. Most of the migrants go to upper lands where irrigation is not feasible and soils are very poor. Studies initially suggested that with fertilizer, pesticides and new cropping systems, small farmers could feed themselves and pay for their costs after a few years. But a World Bank review found few farmers meeting these goals.

For farmers who can't keep their farms going on their own after three to five years, the Transmigration Program means big trouble. It costs the government from \$6,-12,000 per family, and with oil revenues declining, the government will not be able to sustain this project.

The odds are against them. The land is cleared by huge machines which compact the soil and destroy root systems, removing what little fertility existed in the first place. The World Bank has encouraged hand clearing because of the jobs it creates, but machines are faster and therefore more lucrative for contractors.

Despite such difficulties, few migrants have opted to jump ship. But the real test will come five years from now when the free ride ends for the 350,000 families that have just moved. If migration on this scale fails, the millions of dollars spent on the project will have done little more than export poverty to the outer islands.

Environmentalists' criticisms of the Transmigration Program go beyond the question of economic returns. Indonesia has about a tenth of the world's remaining tropical rainforest, only Brazil has more and it is disappearing fast. Environmentalist Nicholas Guppy estimates that in another 13 years there will be no forest left on Kalimantan, one of the largest of the Indonesian islands and one of the most diverse and unique ecosystems on the planet. Although logging operations are responsible for much of this, when settlers follow, the deforestation becomes complete.

With no evidence that agriculture on the scale contemplated for uplands forested areas will prove sustainable, an immensely valuable resource is being thrown away for short term gains. The environmentalists call for a slowing down of the massive deforestation and promoting sustainable ways to tap the vast scientific, medical and economic potential of the forest.

Projects such as Polonoeste and the Transmigration program make the World Bank an easy target for critics of various persuasion. From the left, authors such as Cheryl Payer (*The World Bank*) and Walden Bello (*Development Debacle*) argue that multi-lateral banks serve U.S. political interests and those of U.S. and multinational corporations, so their policies will always in the end benefit those interests at the expense of the poor they allege to help.

U.S. influence has indeed been manifest in World Bank policy. McNamara agreed not to lend to Vietnam after 1979. Aid to Peru was cut after nationalization of the International Petroleum Company under Juan Velasco and no loans were made to Chile under Allende. Most recently, the United States has blocked Nicaraguan efforts to secure assistance from the IDB. But the World Bank does loan to socialist countries such as Tanzania, Romania, Hungary, Yugoslavia, Mozambique, and China. Revolution itself does not make a poor country rich, and socialist countries need capital for development. For poor countries multilaterals offer a less politicized lending process than bilateral lending and many depend on the technical expertise that comes with World Bank loans.

Conservatives attack multilateral banks such as the World Bank because the banks fail to uphold the principles of free market economics. The World Bank, it is claimed, receives a poor rate of return on ill-conceived investments that amount to either international welfare from the IDB or loans to the public sector that at best are inefficient and at worst promote socialism. The Heritage Foundation report, *Mandate for Leadership II*, finds that the United States, despite substantial contributions has "little influence in the lending process" of the World Bank, and that the multilaterals do "too little to promote free market reforms in Third World countries." The money provides the United States with "few political or security benefits." *Mandate* prescribes cutting U.S. involvement in multilateral lending, which the Reagan administration has already done. In 1984, the administration cut the U.S. contribution to the seventh IDA replenishment from \$3.24 to \$2.25 billion.

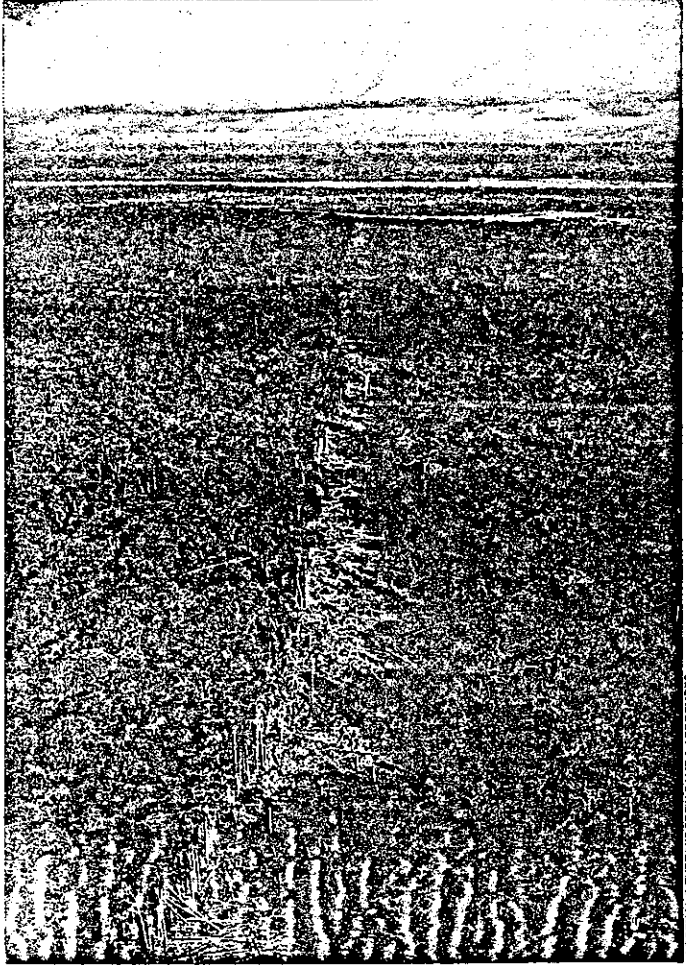
Ideological criticisms notwithstanding, development will continue. If the right has its way, larger and larger shares of the money would go to the private sector — with no aid to countries that can't afford market rates.

A growing group of environmental and human rights advocates take another view of the multilaterals. The banks, they argue, are uniquely situated to promote environmentally sound development planning that takes into consideration the right of local peoples to be involved in decisions concerning the use of their resources. Recent cases show that such influence is possible.

On several occasions over the last two years, NRDC and EPI staff have testified before the Foreign Operations subcommittees of the House and Senate Appropriations committees on multilateral bank funding. Supporting funding for the banks, the environmentalists have urged improved environmental planning. In September of 1984, the House subcommittee on International Development Institutions and Finance of the Banking and Finance Committee, after five hearings, recommended that the U.S. executive directors of the multilateral banks promote environmental staffing and training, the involvement of conservation and indigenous peoples' non-governmental organizations in development planning, and a series of other measures to improve the environmental performance of the banks. These recommendations were largely supported by the U.S. Treasury — the agency to which the U.S. directors must answer.

The international financial crisis may be off the front page, but it hasn't gone away. International indebtedness, inflation and the failure of previous development schemes have put a long list of Third World countries on a tightrope, and for many, foreign assistance — including multilateral lending — is the balancing pole. Some countries are so tightly pressed that they can't afford new loans, and that has some World Bankers worried. The private banks, with their huge resources, technical expertise, and central decision making position, will continue to be in the middle of discussions, the outcome of which will in part be determined by innovative initiatives, like those of the environmentalists, to influence multilateral bank policy. □

Stephan Schwartzman is a freelancer who has conducted anthropological research among the Krenakore Indians of the Brazilian Amazon.



BR-364 slashes through the rainforest.

Strangers in the Amazon

WASHINGTON—In what could become one of the most unexpected political alliances of conservative Washington, a New Right senator and a group of environmentalists have teamed up to block further destruction of Brazil's endangered rain forests, save the homelands of thousands of Indians, and in the process, deliver a deserved kick in the ass to the World Bank.

As a result, Robert W. Kasten Jr. won a conservation award in Wisconsin and can look forward to possible environmental support as he faces a stiff reelection campaign next year in that environmentally conscious state.

The alliance was formed around the Northwest Regional Development Project, known in Brazil as Polonoroeste and involving some 100,000 square miles of tropical rainforest in the states of Rondonia and Mato Grosso where the Brazilian government has already cut a 900-mile road called BR-364.

BR-364 cuts a swath as far as the eye can see through the Amazon rain forests. At the urging of the Brazilian government, thousands upon thousands of poor Brazilians make the trek out this road. Many come from the rich farmlands in the South where they are forced off small holdings. The land there is being reorganized for export agriculture, part of an effort to bolster foreign exchange. These people are desperate for a tiny plot of their own in a nation where 43 per cent of the farmland is owned by 1 per cent of the people. They come at the rate of 13,000 a month, 150,000 last year alone. From 1978 through 1983, more than 275,000 settlers have poured into Rondonia.

But there's no Eldorado at the end of BR-364. Instead, these new settlers discover that cash crops like rice and coffee don't grow well in the environment of a tropical rain forest, that in fact, the soils

of these forests are among the poorest in the world—something the bureaucrats at the World Bank surely must have known. Moreover, the settlers discovered promised towns and services—agricultural extension, credit, medical care, schools—were for the most part insufficient or nonexistent. And as for the promised title to a small plot of land, applicants are backed up two and three deep. They are sent on along this night-marish road in fading hope that somewhere in another state they may yet find an Eldorado. Unbelievable as it may seem after all these years of experience in international development, many of these poor people find themselves even poorer than when they began their dreadful journey.

But nothing deters the World Bank. It has committed \$500 million in seven different loans to the Polonoroeste project. More than half that money went to pave the road, the only part of the project actually to be completed. And the Inter-American Development Bank (IDB), also headquartered in Washington, is providing more money to stretch BR-364 westward into the state of Acre.

As the Polonoroeste project took shape, members of two Cambridge groups—the Anthropology Resource Center and Cultural Survival—tried to stop it. They were joined by anthropologists abroad and then by environmentalists at the Natural Resources Defense Council, Defenders of Wildlife, and the Environmental Policy Institute. An international network sprang into being. Early last fall, this group persuaded New York Democratic Congressman James Scheuer, who heads a House subcommittee on natural resources and the environment, to conduct hearings on Polonoroeste project, and thereby made the criticisms public. Scheuer sought to put pressure on the bank, but his subcommittee has no direct authority over bank operations. Next, the group wrote A.W. Clausen,

World Bank president, pointing out the dangers of the project and arguing that by not applying the bank's own environmental guidelines, the Brazilian government had violated the terms of the loan. What they received in response was an arrogant note from the chief of the Brazil division promising to "follow the situation very carefully," and pledging to recommend to Brazil "needed modifications" to the project "if and when appropriate." That's Washington lingo for fuck off.

The group saw no hope at the bank, and it was with some trepidation that Bruce Rich, the staff attorney of the Natural Resources Defense Council and the principal strategist in the fight against the bank, approached Wisconsin's arch conservative Senator Robert Kasten, chairman of the Senate appropriations subcommittee with direct control over World Bank funding. Kasten is sometimes lumped together with Kemp on the right wing of the party. Kemp in the past has sharply attacked multilateral bank funding on grounds the money goes to public not private enterprise, and that by making these kinds of loans the U.S. is setting up the Commies in business. Kasten is critical of the multilateral banks, but does not share Kemp's ideological thrust. He has supported environmental measures in the past, although he is given a low rating by environmental groups. When Rich had testified before Kasten's subcommittee last spring, lambasting the multilateral lending agencies for failure to adhere to environmental concerns, the senator had seemed sympathetic.

When Rich showed Kasten the letter to Clausen along with the peremptory response, the senator and his aides went through the roof. The environmentalists, Kasten wrote in an angry letter to Clausen, "raised a number of legitimate concerns and suggested some reasonable approaches to alleviate those concerns. The response from the World Bank was at best a brush-off, but frankly, more correctly described as an insult.

"As you know better than anyone else, securing support for U.S. contributions to multilateral development institutions is difficult at best. That the World Bank would respond in such a cavalier fashion to groups and individuals who would otherwise support their programs is most difficult to understand." At the same time, Kasten sent a "Dear Don" letter to then Secretary of the Treasury Regan asking him to give the matter personal attention and obtain from the bank's American director the internal files on environmental and agricultural planning to find out what had really been going on in the bank. American directors of multilateral banks answer to the secretary of the treasury.

The bank responded with a letter that made Kasten even more angry. And now, apparently for the first time seriously worried, the bank representatives implored Kasten to let them take the letter back and rewrite it so as to be more conciliatory to the Senator. Eventually Kasten brought the environmentalists together with the top management of the bank and insisted the bureaucrats directly answer their critics.

As these discussions took place, the IDB neared a decision on a separate Brazilian proposal for \$72 million in new funding to extend BR-364 into Acre, another Amazon state. The Treasury Department applied pressure to the bank through its American director and, while it couldn't block the entire loan, did succeed in vetoing a small portion.

At this point, the World Bank quietly halted disbursements for the project. The bank has not released its internal planning documents on the project, and there is speculation that Kasten may attempt to tie up supplemental appropriations until the bank produces the material. The environmentalists now are working with Kasten to stop or change two other enormous bank projects, one for a hydroelectric project in India which they say will displace thousands of indigenous peoples, and the other for the fifth stage

Annals of the Age of REAGAN

James Ridgeway



of a transmigration scheme in Indonesia, whereby the Indonesian government will attempt to move people from the populous part of Java to New Irian Jaya, the part of New Guinea controlled by Indonesia.

As for the future of the new alliance: "To tell you the truth," Rich says, "the conservatives are much more straightforward and have produced more than the liberals."

World Bank Urged to Halt Aid to Brazil for Amazon Development

By ERIK ECKHOLM

Critics asserted yesterday that Brazil's program to settle the Amazon frontier was harming the forests and jeopardizing Indian tribes, and they called on the International Bank for Reconstruction and Development to reassess its financial support of the project.

More than 25 environmental and anthropological groups from the United States, Brazil and other countries issued the complaint in a letter to A. W. Clausen, president of the World Bank. The critics said Brazil's poor planning was causing "accelerated, rampant deforestation, invasion of Indian lands, and destruction of natural areas unsuited for agriculture but possessing

tremendous biological significance."

A spokesman for the World Bank, Peter Riddleberger, said, "This is a thoughtful letter and it will receive a thoughtful response." But he declined to offer immediate comment on specifics.

Bank Financing Major Road

The World Bank has committed \$443 million in loans for paving a 1,000-mile road into the region, building feeder roads, providing services to settlers and establishing biological reserves.

Landless families are streaming into the project area, which includes the entire state of Rondonia and part of Mato Grosso. Most of the migrants come from southern Brazil, where mechan-

ization is displacing farm laborers.

Stories from the frontier are reminiscent of the Old West in the United States, with land disputes often settled through gunfights, farmers futilely clearing fragile soil, speculators taking over farms and settlers invading areas set aside for Indian tribes, some of which are only now making their first contacts with people of European descent.

Scientists say the unchecked clearing of the Amazonian forest in the area will exterminate several plant and animal species and could alter the regional climate.

Bank Demanded Safeguards

The World Bank wrote stringent conditions for protection of the environment and of tribal groups into the loan agreements in 1981. The Brazilians agreed to set aside several nature reserves, to limit farming to soils that could sustain it and to demarcate and protect Indian lands.

Critics now say the building of roads has speeded migration to the region but little has been done to put the safeguards into effect.

Arguing that the "credibility and image" of the World Bank was at stake, the letter from private organizations asserted: "To insure that bank loan conditions are respected in the future, the bank must exercise its maximum leverage in this situation."

Congressman Writes Letter

The letter was written by the Natural Resources Defense Council and signed by many other environmental groups, including the National Wildlife Federation and the National Audubon Society, and by the presidents of national anthropological associations in the United States and Brazil.

In a related action, Representative James H. Scheuer, Democrat of the Bronx and Queens, who is chairman of

a Congressional subcommittee concerned with natural resources, sent a letter Monday to Treasury Secretary Donald T. Regan, whose department handles Federal relations with the World Bank. Mr. Scheuer said the bank should encourage the Government of Brazil "to limit and control development in this environmentally sensitive area."

The United States holds about 20 percent of the shares of the bank, the world's largest development lending agency.

At hearings before Mr. Scheuer's Congressional subcommittee in September, José Lutzenberger, a Brazilian agronomist, said many settlers were being given plots unsuited to farming, forcing them to sell out after a few years to speculators and ranchers who were consolidating large holdings and violating forest protection laws.

Road to Pristine Forest

He and other witnesses expressed particular concern about a new road being constructed into the Guaporé Valley, the last untouched forest in Rondonia. He said the road "blatantly flouts two conditions in the World Bank's loan agreement."

The valley's soils are generally poor, he said, and the remote area is inhabited by still-unidentified Indians who killed colonists and rubber tappers in encounters in 1981 and 1983.

The critics also urged the World Bank to strengthen its ability to reject loans that could cause harm to the environment. The bank has issued formal guidelines for environmental planning, but, according to Bruce M. Rich of the Natural Resources Defense Council and other critics, it has not yet committed the resources and staff needed to guarantee they would be put into effect.



The New York Times/Oct. 17, 1984

Brazil's Amazon frontier project involves area larger than Britain.

Payments Stopped on Loan to Brazil

By CLYDE H. FARNSWORTH

Special to The New York Times

WASHINGTON, April 8 — The World Bank has stopped disbursements on nearly \$500 million of loan commitments for development of Brazil's northwest frontier because conditions for protection of Indians and the environment have not been met, according to members of Congress and environmental groups.

The action was taken in mid-March, but had not been announced.

"It represents the first time the bank has ever halted disbursements for environmental reasons," said Bruce M. Rich, staff attorney for the Natural Resources Defense Fund.

The World Bank's action was re-

lated only to environmental concerns and not to Brazil's financial problems with the International Monetary Fund and commercial banks, bank officials stressed. Nor is it expected to affect other loans to Brazil.

Widespread Criticism

The project — to develop agribusiness in a Virginia-sized region known as Polonoroeste in Rondônia Province at Brazil's western extremity — has drawn criticism from environmentalists as well as Indian rights advocates, anthropological associations in the United States and Brazil and both Republican and Democratic members of Congress.

Critics say the development was poorly planned. They charge that it has spawned unsustainable land use,

deforestation, invasion of Indian lands and violent land conflicts.

The project, which calls for construction of a 1,000-mile jungle-penetration road and for a variety of agricultural services, has been subjected to a good deal of heat from Congressional committees. There is a "growing Congressional concern that sustainable, ecologically sound development must be a basis for international development assistance efforts," said a report by the House Subcommittee on International Development Institutions last September.

About the suspended payments, Senator Robert W. Kasten Jr., Republican of Wisconsin, said, "This is very good news, and we look forward to working with the World Bank and the Treasury to resolve these environmental concerns."

Mr. Kasten, one of the leading critics of the plan, is chairman of a Foreign Operations subcommittee that has responsibility for financing all multilateral development institutions. The World Bank, officially known as the International Bank for Reconstruction and Development, is the biggest of these institutions. Last year it lent about \$15 billion to developing countries.

'Environmentally Sensitive Area'

Another Congressional critic, Representative James H. Scheuer, Democrat of the Bronx and Queens, who is chairman of a Congressional subcommittee concerned with natural resources, had earlier urged the bank to encourage Brazil to "limit and control development in this environmentally sensitive area."

Reached in his district, Mr. Scheuer called the decision a "welcome step that will help avoid an environmental disaster in the Amazon," he said, "The World Bank has shown that it understands that development that is not environmentally sound cannot be sustained."

H. Martin Koelle, the bank's acting director of information and public affairs, said that the bank and Brazil had been "reviewing" the project and that "Brazil has requested the bank in the meantime to suspend disbursements." He added, "The bank has suspended disbursements."

He said that it was a "very complex project with all sorts of institutional and environmental aspects to it," and added, "It's like the American frontier, where everything was not orderly or controlled."

'Well-Designed Project'

Eimar Avillez, assistant to the Brazilian executive director on the bank, said that the new Government of President Tancredo Neves, who has been seriously ill, had "ordered suspension of disbursements on all major programs."

"This was a well-designed project, and we want it to go forward," he added.

Mr. Rich of the Natural Resources Defense Council and other analysts said the change in the Brazilian Government gave both Brazil and the bank a face-saving way to retreat from the project.

Brazil, which has fallen out of compliance with conditions on loans from the International Monetary Fund, has earmarked about \$1.6 billion for development of the Polonoroeste project, of which \$434.4 million in six separate loans was to come from the World Bank.

The bank has already disbursed \$178.3 million on these loans. The effect of the suspension is to freeze the remaining \$256.1 million.

For the fiscal year ended last June 30, the bank approved 19 loans totaling \$1.6 billion for all of Brazil. So far in the current fiscal year only three loans totaling \$372 million have been approved, but a bank official said that the bulk of loan approvals usually comes in the April-June quarter.

World Bank and Brazil reconsider project

By Nancy Dunne in Washington

WORLD BANK officials will begin talks immediately with the Brazilian Government in order to get lending "back on track" for a controversial development project in western Brazil, a bank official said yesterday.

The bank decided last month to halt \$250m of loan disbursements for the agribusiness project in western Brazil, for the first time the World Bank has suspended payments for environmental reasons. The Bank, which has already handed out \$178.3m for the project, claims that Brazil agreed that disbursements be suspended.

The bank's loan is for development of a project in Polonoreste in Rondonia province in western Brazil, which calls for the construction of a 1,000-mile jungle penetration road and for several agricultural services.

However, environmental critics and several congressmen have complained that conditions for protection of Indians and the environment have not been met. They say the development was poorly planned, and led to unsustainable land use, deforestation, invasion of Indian lands and violent land conflicts.

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Bailout in Brazil

On April 1, the International Bank for Reconstruction and Development—the World Bank—stopped payment on \$209 million of a loan to finance deforestation and destruction of Indian lands in northwest Brazil. Friends of the Earth and 30 other environmental and human rights groups in the U.S., Brazil and 10 other countries have opposed continued support for the road-building and development project known as Polonoreste. Natural Resources Defense Council attorney Bruce Rich, a leader in opposing the project, said this cutoff was the first time the World Bank has halted disbursements for environmental reasons. Begun in 1981, the Polonoreste loan financed the construction of a 1,000-mile road through the state of Rondonia and Matto Grosso and opened to development an area three-quarters the size of France. The Brazilian government hoped to encourage landless farmers to migrate and settle in the region, half of which is covered by Amazon rainforest.

Though not complete, the project encouraged migration of 13,000 land-hungry migrants into Rondonia each month in 1984.

Brazilian ecologist Dr. Jose Lutzenberger, testifying before the House of Representatives in September, argued that the project "is a method of decreasing the risk and increasing the security of large landowners [in Brazil] by removing some of the rural poor from regions where they were born and dumping them in the Amazon." Stephen Schwartzman, an anthropologist with the Anthropology Resource Center who spent a year living with Amazon Indians, said development had brought migrants, many of whom are unable to develop sustainable farms or cattle ranches, into conflict with the 25 different Indian groups in the region. In an October letter to World Bank President A. W. Clausen, environmentalists charged that road construction and migration into fragile Amazonian lands contributed to "uncontrolled migration, accelerated deforestation, conversion of land to unsustainable cattle ranching, land speculation and increased encroachment on Indian land areas."

Environmentalists and human rights advocates persuaded Congress to hold a series of hearings on the project in 1983-84. These groups circulated draft testimony in both the U.S. and Brazil. Brazilian cooperation prevented Brazilian government and World Bank officials from painting project opponents as unsympathetic to Third World development. "The Brazilian input and the testimony of Dr. Lutzenberger were crucial," Schwartzman says. "If U.S. environmentalists had acted alone, the Brazilian government would have ignored them."

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