

Brazil: World Bank loan to plantation company, Aracruz, in breach of bank forest policy

by Chris Lang in the WRM Bulletin
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The world's largest producer of bleached eucalyptus pulp has plans to become even bigger. Last year, Aracruz Cellulose produced 2.5 million tons of pulp. The company is looking at five possible sites to build a new, one million tons a year pulp mill. Over the next two years, Aracruz will spend US\$600 million on upgrading its existing pulp mills and expanding its 305,000 hectare plantation area.

The World Bank is keen to help Aracruz with its expansion plans. In November 2004, the Board of the International Finance Corporation, part of the World Bank Group, approved a US\$50 million loan to Aracruz. IFC's Principle Environmental Specialist, Peter Neame, told me that "IFC is pleased to support this leading Brazilian forest sector company and to recognize their environmental and social programs and the progress they have made in these areas."

Aracruz's plantations were established on the lands of local communities, including those of the Tupinikim and Guarani indigenous peoples. Aracruz built their pulp mill in Espirito Santo on a Tupinikim village called the Village of the Monkeys.

In February 2005, WRM received a leaked copy of a report that IFC staff produced to inform the Board about the proposed loan. In the report IFC staff dismissed any criticism of Aracruz: "Aracruz has been the target of allegations concerning its environmental and social practices, typically from non-governmental organizations ("NGOs") with political or anti-plantation agendas." IFC staff apparently did not consider it appropriate to worry the Board with awkward facts such as an occupation by the Movement of Landless Peasants (MST) of Aracruz's plantations which took place in April 2004. IFC staff did not explain to the Board that Tupinikim and Guarani indigenous peoples continue to protest against Aracruz's conversion of their lands to eucalyptus plantations.

IFC staff did tell the Board that they had carried out an appraisal of Aracruz's "sustainability practices", which included meetings with "local authorities, community leaders, market analysts and NGOs", according to IFC's report to its Board. I asked IFC's Peter Neame for a list of all the people and organisations that IFC had met during its appraisal of Aracruz. I also asked for notes of the consultation meetings.

Neame declined to provide any of this information, and instead referred me to IFC's Environmental Review Summary. The summary provides no information about any meetings. Neame's reply, however, does reveal the inadequacy of IFC's consultation with local people. He explained that the Environmental Review Summary "was publicly disclosed here in Washington and also locally in Brazil." He added, "There were no questions raised by local groups or civil society in response to this disclosure."

IFC's loan is in breach of the World Bank's forest policy, which requires that "industrial-scale commercial harvesting operations" must "be certified under an independent forest certification system acceptable to the Bank". IFC has its own forest policy, which makes no mention of certification. But, according to IFC's report to the Board, when the World Bank produced its new forest policy in 2002, IFC "did indicate to the Board . . . that it agreed with the certification approach".

IFC staff did not tell the Board that in 1999 Scientific Certification Systems, a Forest Stewardship Council (FSC) accredited assessor, began an assessment of part of Aracruz's plantations. Aracruz failed to meet FSC's standards. Instead, IFC staff wrote in their report to the Board that Aracruz aims to have all of its plantations certified under a Brazilian certification scheme called CERFLOR.

To be acceptable to the World Bank a certification system must recognise the rights of indigenous peoples. The standards must be developed with the "meaningful participation" of NGOs, local people and indigenous peoples. The

certification system must be based on "objective and measurable performance standards". It must be independent. Its decision-making procedures must be "fair, transparent, independent, and designed to avoid conflicts of interest."

CERFLOR meets none of these requirements. CERFLOR's do not even mention Indigenous Peoples. Aracruz took part in drawing up the standard, but no indigenous peoples and very few NGOs were involved. Rather than specifying minimum performance standards, CERFLOR requires that plans and programmes are in place. CERFLOR's standards are only available on payment of a fee. Summaries of assessments are not publicly available. Rather than avoiding conflicts of interest, CERFLOR appears designed to encourage them. Aracruz represents Brazilian Pulp and Paper Association on the Forestry Technical Subcommittee of the Brazilian Certification Committee.

IFC commissioned an "independent forestry specialist" to check whether CERFLOR complies with the World Bank's forest policy. Neame turned down my request for a copy of the consultant's report.

Neame told me that CERFLOR "is generally consistent with the requirements for an acceptable system as specified in the World Bank Forests policy". To Neame, any problems with CERFLOR are simply "areas in which it could be further improved".

Although IFC staff acknowledged in the report to the Board that "CERFLOR does not yet fully comply with the new Bank policy", they decided that "an appropriate way forward would be for both IFC and Aracruz to work cooperatively with the Brazilian accreditation and standard-setting bodies . . . to further improve CERFLOR's standards and procedures to the point where they would be fully acceptable."

This approach, wrote IFC staff, "can be considered to meet the spirit of the new Bank policy". But if the World Bank can simply decide that loans need only comply with the spirit rather than the letter of Bank policies, there is little point having the policies in the first place.

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