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PÓLO SINDICAL DOS TRABALHADORES DO SUBMÉDIO SÃO FRANCISCO
Rua Dantas Barreto, 139 - Caixa Postal 02 - Telefax (081) 851-1160
CEP: 56.460.000 - Petrolândia - PE
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REQUEST FOR THE WORLD BANK INSPECTION PANEL TO INVESTIGATE THE PROJECT FOR RESETTLEMENT OF PERSONS AFFECTED BY THE ITAPARICA DAM

REQUEST FOR THE INSPECTION PANEL OF THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT - THE WORLD BANK - TO INVESTIGATE THE PROJECT FOR RESETTLEMENT OF PERSONS AFFECTED BY THE ITAPARICA HYDROELECTRIC PROJECT (IBRD 2883-1)

To the World Bank Inspection Panel
International Bank for Reconstruction and Development - World Bank,

We are peasants who were involuntarily displaced due to the construction of the Itaparica dam and are represented by the Pólo Sindical do Submédio São Francisco. We herewith ask the World Bank Inspection Panel to recommend to the Executive Directors that an investigation be made into the execution of the project for resettlement of affected families. Said project is financed by the IBRD; the borrower is ELETROBRÁS, a Brazilian state enterprise, and the executor is the São Francisco Hydroelectric Company - CHESF which is responsible for dam works and resettlement of the population.

The Resettlement Project, which was the outcome of an intense struggle undertaken by affected communities, sought to provide compensation for the irreversible cultural, economic, social and environmental losses experienced by the peasant population due to involuntary removal. It thus sought to raise the quality of living of these people by providing them with housing, education, health and means of production. It consisted of the implementation of 110 agricultural settlements (*agrovilas*) with health and educational infrastructure, and six irrigation projects, totaling 19,512.5 hectares. It was a project that was to have left the population with better living conditions than before the dam was constructed.

It therefore dealt with concerns expressed by the World Bank which states: *"if involuntary resettlement is unavoidable, the Bank's policy requires the formulation and financing of a resettlement plan in order to ensure that those persons who are resettled have development opportunities that improve, or at least restore, the living standards they enjoyed prior to the project"* (OD 4.30/1990, translated from the Portuguese). Moreover, accumulated experience regarding the irreversible, adverse impacts caused by dam construction is already well known by the Bank which analyzes and regulates them in its "Environmental Assessment Sourcebook," Vol. 1, Ch. 3 (Social and cultural problems in environmental analysis) and in Vol. 3, Ch. 10 (Hydroelectric Projects), as well as in Operational Directive-OD 4.00/1989 (Annex B - Environmental Policy for Dam and Reservoir Projects) which requires environmental studies and the preparation of programs for supervision, monitoring and mitigation of impacts for dam construction and operation.

However, the Itaparica Resettlement Project has not fulfilled the objective of promoting improved living conditions for those affected, ignoring the policies and regulations of the financial agency, IBRD. The following data demonstrate this.

Nearly ten years after the population was involuntarily displaced, only 35% of the irrigation projects (6,800 ha) have been implemented, 34% are under construction (6,600 ha) and 31% (6,000 ha) are still being studied (Annex A);

Of the 35 irrigation systems in operation, most have technical problems in terms of operation and maintenance;

The Tuxá indigenous community (in the municipality of Rodelas) is resettled but unable to cultivate its crops because the promised irrigation system is still being studied;

The delay in the implementation and operation of irrigation projects has contributed to increased violence within communities, to alcoholism and family breakdown (as indicated in 1991 by The World Bank and the Environment in Brazil: a Review of Selected Projects, May 3, 1991, Operations Evaluation Department).

Thus, nearly ten years after involuntary displacement, the results of the Resettlement Project are that a large portion of the beneficiary population is in worse conditions of production and social reproduction than before the construction of the Itaparica Hydroelectric Project.

Pólo Sindical do Submédio São Francisco and the Itaparica Hydroelectric Project

The Pólo Sindical São Francisco was created in 1979 as an organization of rural workers dedicated to the defense of the rights of rural communities in relation to CHESF.

The innovative proposal of organizing a committee of rural workers' unions, which later began to operate across municipal boundaries, had a major impact on the Lower-Middle São Francisco region because it was there that the struggle against the negative effects of the construction of the Itaparica Hydroelectric Project brought together the region's squatters, tenant farmers, small farmers and landless people.

Thus, the Pólo Sindical gradually became a coordinating body for issues relating to the Itaparica dam and established itself as a mediator for affected communities in dealings with CHESF, the World Bank and local authorities. Over the years it has organized hundreds of demonstrations, some of them bringing together over 5000 persons, petitions, seminars, protests and campaigns dealing with the social and environmental effects of the dam.

CHESF built the Itaparica dam on the São Francisco River, bordering the states of Bahia and Pernambuco. The dam flooded nearly 834.0 km2 and involuntarily displaced over 40,000 people. However, the company did not plan in advance what to do with these people, despite the dramatic experience of the cases of the Sobradinho and Moxotó dams, both located in the same river basin (Annex B).

The Pólo Sindical began to pressure the company to obtain irrigated resettlements for the displaced population, which was achieved with the signing of the Agreement between the

Pólo Sindical and CHESF in 1986 (Annex C) which obliged the company to resettle the rural population in *agrovilas* and on land with irrigation.

When Itaparica began operating in 1988, CHESF was still taking the first steps toward meeting the demands agreed with affected communities. It was only after the release of financing for the Resettlement and Irrigation Project was submitted by Eletrobrás-CHESF to the World Bank, that the problem began to be tackled.

The World Bank thus played an important role in meeting the demands of involuntarily displaced communities, not only as the founder of works but as co-participant in planning the resettlement and irrigation projects.

World Bank Projects in the São Francisco River Valley, and Financing for the Itaparica Dam and for Resettlement

The International Bank for Reconstruction and Development (IBRD) - World Bank has been supporting projects in the São Francisco River Valley, in Northeast Brazil. According to a report by IBRD's Operations Evaluation Department (OED), these projects have benefited millions of northeasterners by increasing the supply of electricity, but, on the other hand, they have involuntarily displaced nearly 170,000 people who demanded solutions for resettlement that were treated in different ways (The World Bank and the Environment in Brazil: A Review of Selected Projects, May 3, 1991, Operations Evaluation Department).

Although on the one hand some of these projects were designed to produce hydroelectricity from large dams (Annex D), others sought to mitigate the "negative impacts" of displacement and even to provide social and economic support to an impoverished rural population.

In fact, the World Bank provided funds for the Brazilian Power Sector through a loan to Eletrobrás, approved in 1986, when the construction of the Itaparica dam was one of the sector's principal priorities; this leaves no doubt about the Bank's responsibility for the socio-environmental effects caused by the project (The World Bank and the Environment in Brazil: A Review of Selected Projects, May 3, 1991, Operations Evaluation Department).

But this was not all. CHESF representatives stated at a joint evaluation seminar with the World Bank that *the plan for vacating the reservoir area (of Itaparica), submitted to the World Bank and started in 1986, created such significant social tensions that the Bank, in order to grant an important sector loan to ELETROBRÁS, required the formulation of a community-based resettlement policy* (Environmental Aspects of Projects Co-Financed by the World Bank - Lessons for the future, org. Alencar Soares de Freitas and Pedro Ribeiro Soares, IPEA/146, Brasília, 1994, based on conclusions of studies made by the World Bank's OED) (Annex E).

Thus, the World Bank's responsibilities in relation to the Itaparica Resettlement Project stem from two factors: the dam was partially financed by a sector loan to the Power Sector, and resettlement, according to recommendations of the Bank's evaluation, was also financed (The World Bank and the Environment in Brazil: A Review of Selected Projects, May 3, 1991, Operations Evaluation Department).

More recently, the International Bank for Reconstruction and Development (IBRD) - World Bank financed the conclusion of the Itaparica Resettlement Project with a US$100 million loan, out of a total of US$271.7 million [sic], having disbursed US$93.5 million [sic] to date (Annex F).

In reality, the Itaparica Resettlement Project is a resettlement and irrigation project for nearly 6,000 rural families, the rural population involuntarily displaced by the construction of the hydroelectric plant and the filling of the reservoir.

The area and population directly affected by the Itaparica Dam

In the municipalities of Glória and Chorrochó in the state of Bahia, farmland was flooded, villages were relocated and communities were resettled. In Rodelas (state of Bahia), 71% of the municipality's residents were affected, besides suffering the flooding of the municipality's administrative center, villages and farm lands. In Curaçá and Paulo Afonso (Bahia), no areas were flooded; however, Curaçá was the site of a large resettlement project that took in affected populations from Chorrochó, Rodelas and Belém do São Francisco.

The riverbank on the Pernambuco side was more affected by flooding, with more than twice the area flooded as on the Bahia side. Itacuruba, Petrolândia, Belém do São Francisco and Floresta saw parts of their land flooded. In Itacuruba, the loss of land affected 27% of the municipality and consequently 65% of the population suffered. Petrolândia, the second most severely affected municipality, lost 9% of its area and 27% of its population was displaced. Orocó and Santa Maria da Boa Vista, although not flooded, took in a considerable number of affected persons who were resettled in irrigation projects (Annex G).

Irrigation projects

Irrigation projects are located in the municipalities of Glória, Rodelas and Curaçá - in the state of Bahia, and Petrolândia, Orocó and Santa Maria da Boa Vista - in the state of Pernambuco. The size of the plots ranges from 1.5 to 8 hectares, as described in the summary below.

Borda do Lago de Itaparica (Itaparica Lake Shore) - Bahia: includes the municipalities of Glória and Rodelas, with a total area of 1745.5 hectares and 547 plots measuring 1.5 to 6 hectares; it is divided into three sub-areas: Glória, Rodelas and Itaquatiara.

Borda do Lago de Itaparica (Itaparica Lake Shore) - Pernambuco: in the municipality of Petrolândia, with a total area of 5712 hectares and with 1723 plots measuring 1.5 to 6 hectares; it is comprised of two sub-areas: Barreiras and Icó-Mandantes.

Brígida - Special Project: in the municipality of Orocó, with a total area of 1501.5 hectares, 429 plots measuring 1.5 to 6 hectares, and six *agrovilas*.

Pedra Branca - Special Project: in the municipality of Curaçá, with a total area of 2466 hectares, 706 plots measuring 1.5 to 6 hectares, and 19 *agrovilas*.

Caraíbas - Special Project: in the municipality of Santa Maria da Boa Vista, with a total area of 5605.5 hectares, 1603 plots measuring 1.5 to 6 hectares, and 47 *agrovilas*

Apolônio Salles - Special Project: in the municipality of Petrolândia, with a total area of 880 hectares, and 101 plots measuring 8 hectares. It is the only project where settlers live on their own plots, not in *agrovilas*.

Resettlement of Tuxá Indians was carried out by dividing the community into two groups, one relocated to the municipality of Ibotirama (94 families) and the other to Rodelas (96 families).

The Downstream Project is being prepared. Located in the municipality of Glória, it covers an area of 1600 hectares, divided into 580 plots (Annex H).

Problems with resettlement and with irrigation projects

The Itaparica Resettlement Project has not achieved the more general objectives of promoting improved living conditions for all those affected and is not even following the policies and regulations of the financial agency, the IBRD - World Bank.

The gap between progress in the resettlement plan and the implementation of productive infrastructure has produced high social costs, such as increased crime, idleness and excessive alcohol consumption in the *agrovilas* (Environmental Aspects of Projects Co-Financed by the World Bank - Lessons for the future, org. Alencar Soares de Freitas and Pedro Ribeiro Soares, IPEA/146, Brasília, 1994, based on conclusions of studies made by the World Bank's OED), which also occur with part of the Tuxá indigenous community.

Recent CODEVASF data (December 1995 and August 1996) indicate that the levels of productivity achieved *were very low in the various crops, and far below those programmed* and the average of other irrigation schemes in the region (EVALUATION REPORT ON TECHNICAL ASSISTANCE IN IRRIGATION PROJECTS UNDER THE ITAPARICA SYSTEM - JAN - JUNE 1996 - CODEVASF/GEEP) (Annex I).

These data reveal the existence of natural limitations to the formation of soils selected for most of the irrigation projects, showing that resettlements will only be feasible by developing a suitable technological standard that facilitates production factors, or else, in some areas, by changing the location selected for irrigation.

But, along with natural limitations, there are also technical and operational problems.

Some of the *agrovilas* that have been constructed are deteriorating due to the use of inappropriate materials, as in the case of Itaquatiara (municipality of Rodelas), Borda do Lago - Bahia.

The irrigation projects in operation contain significant problems in their installed irrigation systems, such as: excessive electrical demand for operation, which can make it infeasible to produce some of the region's traditional crops; defects in the installation of systems that have caused rapid deterioration of equipment; mistakes in preliminary technical analyses which are causing difficulties in irrigating the entire prepared area; signs of soil erosion and salinization that show the unsustainability of the system from an environmental standpoint; low-quality materials used in irrigation systems, resulting in a significant reduction in their useful life.

There are important signs of misuse of resources or of the diversion of allocations to other works, which explains the "excessive" costs per resettled family: US$63,000, acknowledged by CHESF and questioned by World Bank experts (Environmental Aspects of Projects Co-Financed by the World Bank - Lessons for the future, org. Alencar Soares de Freitas and Pedro Ribeiro Soares, IPEA/146, Brasília, 1994, based on conclusions of studies made by the World Bank's OED).

Thus, the resettlement and irrigation projects have not succeeded in restoring the social and economic conditions of production and reproduction for most of the population forced to leave the more fertile lands of the São Francisco Valley. Part of the population still lacks minimum conditions for agricultural production, nearly ten years after involuntary displacement. And some of those who are already producing are beginning to see that the irrigation projects were poorly planned and executed, making them economically and environmentally unsustainable. Project execution did not meet technical specifications, the material used in irrigation systems is often of low quality and some units already need immediate repair.

In view of the above, we believe that IBRD - World Bank, as a financial institution, bears responsibility for the project's current state, by omission, by not adequately supervising and monitoring progress in the implementation of resettlements and irrigation systems. The World Bank is obviously not the only one responsible, since the Brazilian Government, Eletrobrás and CHESF are borrowers and executors of the work. However, IBRD bears an important share of the responsibility for having financed the work without ensuring that borrowers and executors comply with policies for resettlement and treatment of communities involuntarily displaced by dams.

Complaints to the World Bank

The concerns of the involuntarily displaced population were submitted to the World Bank - as well as to Brazilian Government agencies - on various occasions. Pólo Sindical leaders from different periods recall that an average of at least three meetings per year were held with World Bank representatives in Petrolândia and in other affected areas on problems related to resettlements and irrigation systems.

Only a few of all these meetings and contacts were recorded in documents, such as:

Meeting with IBRD representatives in 1991, in Petrolândia, on the need for more resources and denouncing the diversion of materials from resettlement works (Annex K).

In February 1992, Pólo Sindical representatives met with World Bank officials in Washington to discuss ways in which the Bank might support the conclusion of the implementation of irrigation systems (Annex L).

Official letter 136/93 dated November 18, 1993, from Pólo Sindical to the World Bank, begins with the following statement: *We herewith wish to inform you about the current situation of the Itaparica resettlements, which we think is highly alarming. We would also like to bring your attention to the International Bank for Reconstruction and Development's responsibility toward the settlers who were affected by the dam.* The document continues to narrate the process of the Itaparica Resettlement and the difficulties encountered at that time in its implementation, such as: problems with delays in delivery of works, the issue of high electricity costs, and technical defects in implementation. IBRD replied on December 15 of the same year in a letter from the Chief of the Environment and Agriculture Operations Division, Department I, stating that *the specific problems indicated in (...) letter were the subject of broad discussion with CHESF and CODEVASF during our latest supervision mission. The Bank is planning a mission in March 1994 to follow up on the implementation of agreed actions.* Despite the hopes raised in IBRD's letters, nothing was actually resolved (Annex M).

In 1994, the Coordinator of the Pólo Sindical sent a letter to Mr. Lewis Preston, then President of the World, in which he stated:

In a letter sent recently to the World Bank by fax, we alerted that your institution is running the risk of supporting a policy which you yourself criticize: Through technical negligence or other motives, the irrigation systems that have been implemented or planned do not correspond at all to minimum needs: the systems have serious technical flaws and defects which may soon make production infeasible...; the system's efficiency is well below the acceptable economic level...; (...); CHESF has still not resolved the basic pre-requisite for operating an irrigation system, especially in the semi-arid region: drainage. In the Senator Nilo Coelho Project (Petrolina, CODEVASF), many lands are already salinized due to the lack of, or insufficient, drainage; very high costs... according

to a technical report, (showing) "clearly that the resettled farmer will not be able to afford to pay by means of income generated by agricultural production on his plot." (Itaparica Consortium, June 1993, pp. 3 and 4); in the Borda do Lago projects, systems are being implemented in which sprinklers are spaced 15 by 15 meters, which is valid in laboratory conditions, but not with wind speeds of 10 meters per second or more. Consequently, up to 50% of the area is not properly irrigated. The coordinator concludes his letter by exhorting the World Bank to act in favor of the project: *We wish to draw your attention once again to this cynical disregard, so that the World Bank can truly assume its responsibility toward families affected by the dam, and so that we do not go hungry in the future, as victims of a mistaken policy that the Bank itself publicly condemns* (Annex N).

Official letter 13/95, dated January 24, 1995, from the Pólo Sindical to the World Bank, attaches copies of documents dealing with requests made by the Pólo Sindical to CHESF and CODEVASF to accelerate the conclusion of hydraulic systems and resettlement projects, seeking in this way to avoid repeating the errors of the past (Annex O)

On September 24, 1996 a meeting was held between the Pólo Sindical and two World Bank representatives who are monitoring the project. At the meeting, problems with resettlements and irrigation projects were discussed, with emphasis on outstanding issues in the projects that hinder their productive process. The position of the Bank representatives, although favorable to the Pólo Sindical, showed that the financial institution does not plan to have greater involvement with project continuity (annex, Minutes of Meeting with World Bank, 9-24-96) (Annex P).

Official letter 133/96 from the Pólo Sindical to the World Bank, requesting IBRD support for a research program that seeks to find solutions to technological problems related to settlements and irrigation projects (Annex Q).

As noted above, in response to requests and complaints, the World Bank, despite the availability of many of its managers and experts, was unable to make CHESF implement its resettlement guidelines, nor has it managed to adequately supervise and monitor the implementation and operation of irrigation projects, with the result that, to date, the project remains unfinished and has serious operational problems, which amounts to negligence.

Demands to the World Bank Inspection Panel

Thus, in light of the situation and negligence described above, which materially affect our interests, we ask the Inspection Panel to recommend to the World Bank's Executive Directors that an investigation be made into this matter, so that appropriate measures can be taken to solve these problems. Furthermore, we expect the measures to be taken by the Bank, as a financial agency, to correct errors already made that have caused most of the resettled population to remain effectively unable to produce.

In addition to the Bank's raising the issue with the Brazilian Government, we request a new IBRD loan to ensure the implementation of the measures listed below:

Implementation of drainage structures (macro and localized), soil rehabilitation, adjustment to the hydromechanical system and installation of agricultural research programs in all the irrigation projects, in order to make production viable.

Identification of alternative types of subsidies for the electricity used in the irrigation projects.

Construction of physical works and installation of facilities (Storage Center, mini-hospitals, etc.) in the main centers of all projects.

Creation of special credit lines for operating costs, investments and working capital.

Installation of meteorological stations to provide weather data that is needed for efficient irrigation management.

Borda do Lago Project - Pernambuco (Block 2): total reformulation of the project, including the transfer of *agrovilas*, redefinition and rehabilitation of agricultural plots, overhaul of the irrigation system.

Icó-Mandantes Project, Borda do Lago - Pernambuco (Block 3): guarantee that hydraulic works will be concluded and land tenure problems resolved.

Itacuruba Project - Pernambuco, Downstream Project (Glória - Bahia), Barra do Tarrachil Project (Chorrochó) and Itaquatiara Project (Rodelas): complete implementation of irrigation projects that were never even started, to the detriment of a population of nearly 6,000 people.

Caraíbas Project (Santa Maria da Boa Vista - Pernambuco): 80% of the project is concluded but hindered from operating because the remaining 20% remains unfinished, jeopardizing a population of approximately 11,000 persons. We request that this project be fully concluded.

Pedra Branca Project (Curuçá - Bahia): the project is fully operational, but without means of marketing its production. We request the conclusion of the BR 116 highway, in the section from Euclides da Cunha to Trevo do Ibó, and the construction of the section from Curaçá to Barra do Tarrachil on the BR 110 highway.

Experimental projects (Manga de Baixo, Glória 01 and Rodelas 02): economic rehabilitation of projects.

Furthermore, we believe an international financial and technical audit should be made of the Itaparica Resettlement and Irrigation Project. The financial audit is necessary due to

suspicion of diversion of project resources to other works. A technical audit is necessary because the irrigation systems are jeopardizing the viability of production.

As requested in the World Bank's Operational Procedures, our request to the Inspection Panel is brief, but we are ready to provide you with any additional information you may require.

As we are an organization of Brazilian civil society, we authorize and ask that this request, with its annexes, be made public. We take this opportunity to inform you that we are sending a copy to the World Bank Resident Mission in Brasília, to the Secretariat of International Affairs of the Brazilian Ministry of Planning and Budget, to CHESF, to Eletrobrás, to the Federal Chamber of Deputies, as well as to the Federal Senate.

Our contact address is:

Pólo Sindical do Submédio São Francisco
Rua Dantas Barreto, 139
Petrolândia, Pernambuco
Brazil

tel/fax: (081) 851-1160

Bahia and Pernambuco (Brazil)

Area of the Itaparica Resettlement and Irrigation Project, March 12, 1997.

(signed)
Eraldo José de Souza, General Coordinator