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## [The Inter-American Development Bank, Forests and Plantations](#)

The Inter-American Development Bank (IDB) does not have a specific forest policy or sector strategy, as they claim they have covered forests in other policy and strategy documents, including those on rural poverty reduction, rural finance, agriculture, water resources, coastal resources and energy. The IDB's current draft of its Environment and Safeguards Compliance Policy also touches on protection of natural habitats.

In June 2005, the IDB put out a Forest Investment Attractiveness Index (IAIF) that rates countries on how fit they are for investments in the forest sector. The index rates Latin American and Caribbean countries based on 80 indicators, including national economic measures, political risk, national regulations, and rule of law. Using 2002 data, the index identified Brazil, Chile, Argentina, Uruguay and Costa Rica as offering the best "business investment climate" for forestry. The index identified Haiti, Ecuador, Guatemala, Belize, and Paraguay as the most challenging countries for forestry business.

Prior to developing the index, the IDB commissioned three studies on IDB actions in forestry and the forest sector between 1999 and 2002. The most recent report, "Forest Financing in Latin America: The Role of the Inter-American Development Bank" presents recommendations for the IDB's forest-related lending and support to institutional and policy development.

The report states that the financing potential for the forestry sector in Latin America and the Caribbean is estimated at US\$6.8 billion per year over the next 10 years, with more than two-thirds of the potential finance in industrial plantations. This obviously means that the countries identified as offering the best "business investment climate" for forestry will be further impacted by IDB-funded industrial monoculture tree plantations, which have already proven to have negative social and environmental effects in the five countries mentioned above.

The IDB's investment in the forestry sector dropped through the 1990's from US\$100 million to between US\$20 and US\$40 million. However, the report encourages the IDB to increase financing in the forestry sector to take advantage of "investment opportunities" in what it calls "sustainable forest management."

The report explores a wide variety of financing sources and instruments that could make private forest management investments more feasible. It goes on to say that IDB's public sector loans will continue to be important to promote environmental and social forestry, and that they can also be used to create enabling conditions for industrial forestry.

The IDB will also promote the use of "market development instruments such as carbon offsets, water use charges, and venture funds" to promote "sustainable forest management activities." Sustainable forest management would include a shift to "sustainable" plantation forestry, which, according to the report, means that "strict adherence to environmental precautions should be required and due consideration should be given to the protection of indigenous peoples' rights and other social issues." Brazil, Chile and Uruguay are presented as important success stories in plantation forestry

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in Latin America.

In spite of what the report says, the fact is that plantations in none of those countries can be defined as “success stories” for people or the environment. Unless of course loss of livelihoods, human rights abuses, dispossession of indigenous peoples and forest communities, land concentration in corporate hands, water and soil depletion and biodiversity loss are considered as “successful” achievements. IDB lending to the plantation sector would only exacerbate those impacts.

A number of IDB strategy and policy documents deal with forests in a variety of ways, but they do not seem to add up to a comprehensive forest strategy. The Environment Strategy acknowledges that forests are “fragile and in most cases are in a state of deterioration,” but fails to outline any specific steps to stop deforestation. The Rural Poverty Reduction strategy says that one of the key factors in new rural strategies is “breaking the vicious circle of deforestation, the degradation of water and soil resources and growth in rural poverty.” The implementation of this strategy should lead the bank to stop funding industrial plantations –because these result in the mentioned impacts- but this is obviously not the case.

The Strategy for Agricultural Development includes forestry production in the agricultural sector, and says that new trade agreements are presenting new opportunities to increase trade in forestry products. The strategy again calls for sustainable management of forest products, sustainable use of natural resources, and reforestation practices in high watershed areas. This raises the question: what are “reforestation practices”? Are they industrial plantations or the replanting of diverse native species?

The IDB has had the same one and a half page Environment Policy since 1979, and is finally revising the policy this year. The revision process came about following the IDB’s decision to fund the highly controversial Camisea natural gas pipeline project in Peru, which extracts gas deposits from one of the most culturally and biologically diverse areas of the Amazon rainforest, transports it across the Andes mountains to the coast, and processes and exports the gas from a facility in Paracas Bay, in an area adjacent to a UN Ramsar Site.

Camisea’s concession area in the Amazon and the gas fractionation plant on the coast were among the most controversial parts of the project. Seventy-four percent of the concession area is in the Nahua -Kugapakori Territorial Reserve for isolated indigenous peoples, some of whom actively avoid contact with outsiders. The Paracas Bay fractionation facility poses a direct threat to Peru’s only marine protected area. The debates that emerged over construction in these areas seemed to have served as an impetus for the IDB to revise both its Environment Policy and to create an Indigenous Peoples’ Policy –but not to revise its lending to Camisea. The consultation processes for both policies have ended, but neither policy has yet been approved.

The consultation draft of the new Environment and Safeguards Compliance Policy has a directive protecting “critical conservation areas” that is roughly parallel to the World Bank’s policy protecting critical natural habitats. The IDB draft version of the natural habitats policy, however, is significantly weaker than the World Bank’s policy and would protect fewer areas. During the consultations on the policy, NGOs urged the IDB to strengthen the wording of this directive, but it remains unclear how the IDB will incorporate this input in the final draft.

In general, the IDB seems to view the promotion of “forest-based business” as a prerequisite for the sustainable management of forestry resources, and is therefore promoting plantations and other investments in the forest sector as a way of promoting “sustainability”. Unfortunately, what the IDB

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understands by sustainability does not necessarily mean what we understand it means.

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