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## [World Bank and International Finance Corporation \(IFC\) investment in the company Aracruz Celulose S.A.](#)

### **Letter to the President of the World Bank: Mr. James D. Wolfensohn**

cc'd to:

- Executive Directors and Alternates
  - Bank Group Senior Management
  - Vice Presidents, Bank, IFC and MIGA
- 4 April 2005

#### **President Mr. Wolfensohn,**

In November 2004, the World Bank through the International Finance Corporation (IFC), granted a loan of 50 Million USD to the company Aracruz Celulose S.A. in Brazil. It is inadmissible that the World Bank, after a full environmental and social analysis of the company, concluded that Aracruz Celulose S.A. is dealing correctly with social and environmental issues, and fulfilling the Bank's Operational Directive (OD) 4.20 Indigenous Peoples.

It is surprising that nowhere in the text did the IFC cite and/or evaluate the issue of the land dispute involving Aracruz and the indigenous Tupinikim and Guarani in the municipality of Aracruz (Espírito Santo), or other land disputes that exist with communities affected by Aracruz Celulose. One example includes the 34 quilombola [see note 1] communities from the cities of São Mateus and Conceição do Barra that have been fighting to reclaim lands to which they have a right and that are controlled by Aracruz Celulose since the 1970s. When analyzing the Operational Directive 4.20 of the World Bank on indigenous peoples and similar minorities, it indicates that this was not totally fulfilled when the project of the Aracruz was prepared and analyzed. This directive defines that "special action is required where Bank investments affect indigenous peoples, tribes, ethnic minorities, or other groups whose social and economic status restricts their capacity to assert their interests and rights in land and other productive resources" (OD 4.20, par. 2). Another clause affirms that "in a project that involves the land rights of indigenous peoples, the Bank should work with the borrower to clarify the steps needed for putting land tenure on a regular footing as early as possible, since land disputes frequently lead to delays in executing measures that are contingent on proper land titles" (OD 4.20, par. 17). Therefore, we consider the affirmation in documents of the project, presented to the Bank's Board, that Aracruz and the project "complies with (...) the World Bank's Operational Directive 4.20 on indigenous peoples" to be unacceptable.

We can only conclude that the analysis of the World Bank disrespected issues of utmost importance to the communities that live around and resist the eucalyptus plantations of Aracruz Celulose which include: Indigenous Tupinikim and Guarani, quilombolas, fishing communities, small farmers and landless peoples. The invasion of the lands of indigenous peoples, quilombolas and peasants by Aracruz has been the main reason for the resistance by these communities.

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Since 1979, the Tupinikim and Guarani have been fighting for the recovery of their lands, a right guaranteed by the Brazilian Constitution. In 1981, the Tupinikim and Guarani obtained the rights to 4,491 hectares of indigenous lands. In 1997, the Working Group No. 783 identified an area of 18,070 hectares to be re-demarcated. The FUNAI stated in its advice about this identification that it “confirms all the terms from the report of the Working Group installed by the Decree no. 783/94, that appeals for the demarcation of the indigenous lands”, and decided in relation to the plea presented by Aracruz, “for the impertinence of the presented manifestation”.

In spite of this, in 1998 Aracruz Celulose pressured the Federal Government into acting against its legal attributions by deciding through the Ministry of Justice to reduce the indigenous area to only 7,061 hectares from the 18,070 hectares that is rightfully indigenous lands. Unreconciled to accept this decision, the indigenous initiated on their own the demarcation of the 18,070 hectares, but an intervention by the federal police on the 18th of March 1998, in a true war operation, closed

the access to the villages. The federal government forced the indigenous leadership to go to Brasilia where they were pressured to sign an agreement with Aracruz Celulose. The agreement stated that the indigenous communities accept that Aracruz would continue to exploit 11,009 hectares of Tupinikim and Guarani lands in exchange for creating social projects with the two groups for the following 20 years. The illegal exchange of indigenous land for money was confirmed by the Federal Public prosecution service of Brazil which removed its signature from the Agreement. In the PUBLIC LETTER, annexed to this letter, the indigenous leaders clearly state their dissatisfaction with this Agreement, affirming that they will fight for the constitutional rights to their lands.

Therefore, it is of utmost importance that the World Bank also evaluates the real contribution with the Brazilian population of a company who occupies 375,000 hectares of lands in four states. Today, Aracruz Celulose is the biggest landowner in Espirito Santo, a state where according to information from the Rural Landless Workers Movement (MST) are about 70,000 families without land. Agrarian reform in the North of Espirito Santo and the Extreme South of Bahia, regions where Aracruz concentrates its lands, has been practically paralyzed. A strategy applied by Aracruz Celulose has been to buy or ‘rent’ the most fertile agricultural lands, taking possession of farms that could be used for agrarian reform while also provoking a rise in land prices which has been confirmed systematically by the regional representatives of the National Institute of Colonization and Agrarian Reform (INCRA).

Regarding job creation, the facts indicate that Aracruz Celulose generated only 2,031 direct jobs in 2004. Besides, the supposed 6,776 indirect jobs include, to a large extent, the workers in the plantations that earn about US\$ 100 per month and do not have the same rights or working conditions as the direct labor. The jobs generated by Aracruz are absolutely insignificant compared to the population of indigenous peoples, quilombolas, peasants and landless who could live from small-scale agriculture on the lands now occupied by the company. The lands of Aracruz Celulose could produce foods in a country where millions suffer from hunger, and could generate work and income for people who do not have access to the land because of the expansion of the company. Each one of the 173 direct and indirect jobs generated by the third pulp mill of Aracruz Celulose in 2002, cost the equivalent of US\$ 3,323,699, while the generation of a job in a rural settlement costs only 2,900 dollars, according to a study of the Rural University of Rio de Janeiro.

The IFC states that Aracruz fulfills an important macroeconomic function as an export company. But from the point of view of the affected communities, the presence of Aracruz has been a disaster. Cited below are some examples of the company’s harmful actions:

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- Destruction of 50,000 hectares of Atlantic Rainforest in the decades of 60 and 70; besides continuing the deforestation indirectly in lands bought from farmers who sell their lands to Aracruz; this situation has occurred in the South of the Bahia, as stated by the environmental control agency IBAMA;
  - Implantation of extensive areas of eucalyptus monoculture without respecting the environmental legislation; in March of 2005, a Public Civil Lawsuit was entered the Federal Justice of Vitória, Espírito Santo, by the Federation of Organizations for Social and Educational Assistance (FASE), having denounced the not-fulfillment for the Aracruz Celulose of the legal requirement to carry through Environmental Impact Assessments;
  - Application of agrochemicals that contaminate the water sources of the communities that resist;
  - Explosive growth of the population and the problems of the fishing community of Barra do Riacho (Espírito Santo), before and after the implementation of the pulp mills of Aracruz;
  - Promotion of the persecution by the police of the neighboring populations that have only the residues of eucalyptus as a survival source;
  - Pollution and illegal diversion – Aracruz is also being prosecuted for this – on rivers that supply communities, to only guarantee enough water for its plants of cellulose in Barra do Riacho that consume an amount that is equivalent today to the consumption of a city of 2,5 million inhabitants.
  - Financing of election campaigns in exchange for favors;
  - Manipulation of the public opinion through the medias;
  - Co-optation of communitarian and trade-union leaderships, besides environmental NGOs.

It is based on the exploration of the natural resources and on the disrespect to local communities that depend on these resources that Aracruz turned the 'efficient' and lucrative company for the world of the businesses. Moreover, it promotes an excessive consumption of disposable papers (55% of the production is used for sanitary and tissue papers), over all in Europe and North America. But it needs to be added that the violation of economic, social, cultural and environmental rights by Aracruz Celulose already had been reported and denounced internationally to the Inter-American Court of Human Rights of the OEA in the city of Washington in 2002.

We affirm that the affected communities are only in search of dignity, and want to use the land so that it can give life and not generate the death that Aracruz provoked with its "green desert". Therefore, we demand that the World Bank revokes its loan granted through the IFC to Aracruz Celulose. And further for the World Bank to question and to pressure Aracruz Celulose and the Federal Government of Brazil in the direction of that the rights of the impacted populations are respected, above all the constitutional right to their lands.

We request that a reply to this letter is directed to the e-mail addresses of the 64 signatories of this letter,

Sincerely,

[Signatures follow] For details of the signatories please see the publication at <http://www.wrm.org.uy/actors/WB/brokenpromises.html> and at <http://www.forestpeoples.org>.

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(1) With 'quilombolas' are meant descendants of African slaves who fled from plantation areas during the colonial time and founded 'free' and autonomous communities (called 'quilombos'), often within forest areas.