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## Brazil: Forests in the balance: Challenges of conservation and development

The importance of a review on the implementation of the Bank's 1991 Forest Policy in Brazil hardly needs to be stressed, given that the country contains almost 27 percent of the remaining moist tropical forests in the world. The OED study states that the average annual forest loss in the Amazon (some 13,000 sq.km/year in the post 1991 period) has slowed down compared to the pre-1991 period, but adding that the precise extent of forest loss remains ambiguous. At the same time, Brazil has been one of the Bank's largest borrowers.

According to the OED team, the "strategic victory for the Bank has been to avoid criticisms for doing the 'wrong' things" since the adoption of the 1991 policy. In spite of the fact that some of the best economic and sector work on the economic and political causes of tropical deforestation has been conducted by Bank staff working on Brazil, the Bank's presence in the forest sector was low. The report acknowledges the inexistence of a productive dialogue between the Bank and the national government on the future of the Amazon, and attributes such situation to two causes: 1) the Government's perception that the Bank's objective of conserving the Amazon forest without financial transfers is at odds with national economic and political development objectives and 2) the Bank's forest policy's prescription regarding the treatment of areas with moist tropical forests.

Within its lending activities, the Bank-financed poverty alleviation and land reform projects in the Northeast aimed at slowing migration to the Amazon, but only as pilot projects. The study adds that the Bank did not involve itself proactively in directly addressing the issues of poverty or land tenure in the Amazon and even more, that "the Bank has consciously avoided covering the Amazon region in its land tenure and rural development activities." Additionally -and contrary to previous Bank-thinking- the poverty of small farmers is said to be less important in deforestation than domestic urban demand for timber.

Regarding indigenous peoples, the report adheres to the concept that demarcation of and clear title for indigenous lands is generally beneficial to forest conservation and spells out a number of challenges associated with such demarcation. The process of demarcation of indigenous peoples' lands in the case of one Bank-implemented program (PPG-7) is highlighted as having received strong support from the Bank.

The Bank's openness to participation seems to have improved and specific mention is made on this issue in the analysis of two specific projects (PLANAFORO and PPG-7). In the former, early complaints from NGOs about the lack of community involvement in project design led the Bank to condition its financing on the participation of NGO representatives in project management. However, the OED team states that the project overlooked the importance of including other interest groups, as municipal governments, and private-sector actors (loggers and ranchers). The latter project is perceived as having been instrumental in building a constituency of Brazilian NGOs and professionals, that have become relevant actors in influencing the country's environmental policy. Nonetheless "slow coalition-building with Brazilian society and with the private sector has deprived PPG-7 of needed support."

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With respect to indirect effects on forests of other policies supported or implemented by the Bank, the report states that transportation projects financed by the Bank were not implemented in forest-sensitive areas. However, it does mention that the Bank carried out some projects in the "cerrados" forest, which is considered to be a highly endangered biologically-rich forest ecosystem in the OED's main report. Analysis on possible impacts of adjustment lending to forests is not included because "the forest sector strategy is not applicable to forest sector lending or adjustment lending, as there have been no such loans involving macro-policy dialogue -except participation in the IMF package- since inception of the strategy." However, the report states that adjustment lending after 1991 rose to 19 percent of the portfolio.

The report highlights the importance of global economic forces in relation to deforestation in Brazil which "seem to dwarf even the mightiest of national policy instruments", such as liberalization of trade and decentralization. These forces are considered to offer powerful incentives to deforest in the short and medium term. Trade liberalization, coupled with a devalued currency, has been the driving force to increased exports of primary products -including soybeans, production of which is rapidly expanding into the Amazon and leading to deforestation.

Regarding tree plantations, the report finds it "puzzling" why the Bank has not financed the plantation sector, which is "showing impressive results" and is one of the "most dynamic among developing countries." One of the reasons mentioned is that plantations have brought about significant concentrations of landholdings. Moreover, plantations cannot match the biodiversity of forests. The report states that "some observers" are concerned about the use of large-scale, commercial reforestation (eucalyptus and pine plantations) because of its perceived negative social and environmental impacts. The solution put forward to overcome such issues is to limit reforestation to small-scale plantations or based on high-diversity agroforestry systems for which there is also substantial potential.

In its summary evaluation, the OED team concludes that the 1991 Forest Policy is not very relevant from Brazil's perspective. The reason for Bank's staff reluctance to carry out a number of possible actions aimed at curbing deforestation is that the Bank's policy discouraged the Bank from being too involved. As a consequence, the Bank "largely skirted the issues" and has not been very efficient in the approaches it has pursued. On the positive side, the Bank is said to have been instrumental in spawning an environmental movement, capable of influencing domestic policy and institutions.

To our view, the following points can be highlighted in the OED Report:

- The conclusion that the problem is the Bank's 1991 policy and not its implementation is unconvincing;
- The Bank has basically failed in implementing the policy, which is shown by the fact that its "strategic victory" was to avoid criticisms for doing the "wrong" things;
- There is insufficient analysis regarding multisectoral causes of deforestation and actions to address them;
- The fact that trade liberalization -highlighted as an important factor in deforestation- has continuously and consistently been promoted by the Bank, goes unmentioned;
- Blame for deforestation is finally removed from "the poor" and the positive role of indigenous peoples in forest conservation is recognized;
- The OED team seems to have been much influenced by the government's position regarding "sovereignty". The government itself has vowed -and passed laws- to protect the forest, while at the same time continuing to promote its destruction. So the real issue is not sovereignty but economic and political power;

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- Given the Bank's in-depth knowledge about the direct and particularly the underlying causes of deforestation, it could have implemented many programmes -not directly linked to the "sovereign" Amazon- in areas which may ultimately result in relieving pressures from the forest. Land tenure issues outside the Amazon, for instance, are probably more relevant to deforestation than tenure issues within the region;

- The report's position regarding plantations is -to say the least- ambiguous. Parts of the text suggest that plantations are the solution to deforestation, while others have a more critical stance.