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IFC Financing for Soybean production in South America

Dear Ladies and Gentlemen:

On September 13th, at the occasion of a meeting of the IFC Ombudsmen with NGOs in Amsterdam, in which participated Misereor and FIAN, the issue of IFC financing for Blairo Maggi, the Brazilian soybean producer and Governor of Mato Grosso State, was raised. We, the undersigning development, human rights and environmental NGOs Misereor, FIAN and Urgewald, would like to take the opportunity to send you the attached study on “Human Rights violations and environmental destruction through soybean production in Brazil” elaborated by Misereor, which highlights the example of soybean cultivation by the Brazilian Amaggi group.

We are pleased that the World Bank Group has reiterated its commitment to contribute to sustainable development in the Amazon through Poverty Alleviation, Conditions for Economic Development (“improve land use management and support environmentally-sound economic activity and infrastructure, especially in the poorest areas of the Amazon and in areas of serious or anticipated land use conflict”) and Environmental Conservation (“increase support for existing federal and state policies and programs that seek to sustainably manage natural resources, conserve biodiversity and protect environmental services in the Amazon, with a geographic focus on areas characterized by critical biodiversity value, crucial envi-

ronmental services and/or cultural heritage”)¹, as reflected in its support to and coordination of the G7 Pilot Programme to Conserve the Brazilian Forest (PPG7).

In this light, we have difficulties to understand the granting of two US\$ 30 mn. credits by IFC to the Amaggi Group in autumn 2002 and 2004, for expanding its soybean producing activities. The international financing of soybean cultivation is contributing to the devastation of ecosystems and loss of small peasants’ habitats in Brazil, as outlined below and in the attached study. Hence, there is a clear co-responsibility of international financing for facilitating the expansion of an unsustainable pattern of agro-industrial production in Brazil which harms human beings and the environment.

Environmental and social problems in large-scale soybean cultivation

Subsequently, we would like to explain why we are severely concerned about the growing soybean expansion in South America and especially in Brazil, and would urge the IFC to refrain from any further financing to this sector:

Despite its economic success, large-scale mechanized soybean cultivation entails a series of **ecological and social problems**. Salient issues in the environmental field comprise massive deforestation and loss of biodiversity, water pollution by pesticides and, consequently, destabilisation of ecosystems and intoxication of human beings, quite apart from the problem of genetically modified soybeans. In 2002, deforestation in Brazil totalled 2.55 million ha, and 70% of the 1.1-million-ha expansion of the agricultural frontier in the Amazon region alone was attributed to soybeans.

According to the figures published by the National Space Research Institute (Instituto Nacional de Pesquisas Espaciais, Inpe), the State of Mato Grosso governed by Blairo Maggi was responsible for more than half of the 2,6 million hectares deforested in Legal Amazon in the period 2003-2004². Despite of this, Governor Maggi was quoted saying that “Mato Grosso has lots of space to grow in agriculture”, and he told the New York Times already in September 2003 “To me, an increase by 40% of deforestations means nothing; I don’t feel the slightest guilt about what we are doing”.

Worse yet, the *Cerrado*, Brazil’s second major biome and the most diverse of the world’s savannas, is suffering severe clear-cutting and irreversible losses of its original vegetation and biodiversity. Brazil is the world’s third largest consumer of pesticides, currently spending US\$ 2.7 billion each year, producing enormous waste mountains of empty packaging. The toxic pesticides applied in soybean cultivation – between 92.5 and 185 million litres in the 2002-2003 harvest (5-10 litres for each of the 18.5 million ha), comprising one fifth of the total production costs – poison human beings, animals and the environment.

From a social perspective, the increasing area of land occupied by soybean monocultures is leading to a re-concentration of land, stimulating the sale of lands and rural exodus by small peasants, and providing only a small number of jobs for skilled technicians. Even cases of slavery in land clearing for new agro-industrial plantations are frequently reported by the Churches’ Land Commission (CPT) and the International Labour Organisation (ILO) (see below). In contrast to the boom of soybeans (which are mainly destined for animal fattening in industrialised countries), the production of staple foods for human consumption in Brazil (and Argentina) has visibly been stagnating or even diminishing. Public agricultural support has been favouring the powerful class of agrobusiness while neglecting the majority of small farmers until the present day. Hence, issues of food security and national food sovereignty are still not being given the necessary weight, in the face of 16 million undernourished (10% of the total population) and as many as 50 million poor Brazilians (31%), including around 5 million landless families who lack the minimum access to land and other productive resources to feed themselves.

In neighbouring countries like the Argentinean and Paraguayan Chaco, the environmental devastation and rural expulsion of peasants through large-scale mechanized soybean farming is similar. Here, the situation is aggravated to the wide-spread use of transgenic, herbicide-resistant soybeans, which in combination with glyphosate has been causing soil degradation, herbicide-resistant weeds and the consequent increase in use of herbicides.

Human rights violations: the example of Slavery

In May 2005, Amaggi was revealed to buy soybeans from Amazon farms where slave labour was detected by the federal government, according to a report commissioned by the International Labour Or-

¹ <http://lnweb18.worldbank.org/external/lac/lac.nsf/0/1514180bc0676cc185256da2007a4070?OpenDocument>.

² Agência Notícias do Planalto, Marina Mendes, agencia@noticiasdoplanalto.net, 20.9.2005.

ganization (ILO) and published in May 2005 by the second largest Brazilian weekly, *Epoca*³. Amaggi admitted having among its suppliers two farms where a total 84 slaves were freed by federal agents in 2004. Amaggi explained that he was unaware of reported facts at the moment it signed the most recent contracts with the V Gercy farm in Rondonópolis and the Tupy Barão farm in Tapurah. The company also noted that the owners of these farms were not yet convicted. The ILO report focuses on the market links of farms enforced for slavery by the Ministry of Labour and was carried out by *Reporter Brasil*, an investigative journalism NGO, with support from ILO and the Secretariat for Human Rights of the Brazilian Presidency of the Republic. Other grain traders, such as Cargill and Bunge, are reported to keep slavery farms among its suppliers. Similar cases affect corporate purchases of beef and cotton.

According to the Forum of Brazilian NGOs, IFC has contravened its own rules while performing the social and environmental screening of Amaggi. This allegedly led to underestimate the risks associated to the loan, aimed at increasing Amaggi's purchase of soybean from third-party suppliers, resulting in IFC supporting indirectly the human rights violations on the Amaggi's contract farms. The problem is not singular but structural: Mato Grosso and Pará are the States where slave labour is most found in agriculture, according to reports of the International Labour Organization and the Churches' Land Commission (CPT) (see annexed study, Box 1, chapter 1.4 on Slavery).

Audit of the IFC loan by the Ombudsman:

We have taken note of the audit of the 2nd IFC loan for the Amaggi group by the IFC Ombudsman, which was commissioned in 2004 by the World Bank on request of the Forum of Brazilian NGOs, and which revealed in May 2005 severe deficiencies in IFC's system. For example, it was found that IFC⁴:

- Does not provide for disclosure around categorization decisions that would enable interested or affected parties to make an informed judgment about the adequacy of IFC's categorization decisions;
- Did not adequately assure itself of whether or not the Environmental and Social Management System would afford an appropriate level of environmental and social protection, and ensure compliance with IFC's environmental and social requirements during project appraisal;
- Did not undertake a sufficiently rigorous assessment of the status of implementation of Amaggi's Environmental and Social Management System as part of its appraisal of the second loan; and
- Did not clearly define its expectations of Amaggi as regards issues to be addressed by the assessment of the proposed silo locations and the required level of detail.

The IFC Ombudsman found that the Category B rating can not be fully justified unless these conditions are met.

In the light of the above-mentioned findings, these international credits with public taxpayers' money to the Maggi group are a bitter milestone in selling out the Brazilian middle-west to agrobusiness companies. We believe that after the true ecological and social costs of large-scale mechanized soybean cultivation are evidently revealed, further international financing for this sector are unjustifiable.

For these reasons, we would like to appeal to the IFC's commitment to sustainable development and . We would like to request you to refrain from further financing for the expansion of large-scale soybean growing in Southern America.

Best regards



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³ Amazonia.org.br, 30.5.2005, www.amazonia.org.br.

⁴ www.cao-ombudsman.org/pdfs/AmaggiFinal_Editedversion_05-26-05.pdf.