

## **BNDES could finance company with history of social and environmental conflicts**

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The company Tractebel, Belgian subsidiary of Suez, the French giant in water services, is the largest private investor in the Brazilian electric sector. The company, which earned \$430 million in 2005 in Brazil, owns 8% of the country's electric generating capacity, 13 power stations, which include highly polluting coal-fired plants and mega-hydroelectric dams which generate, besides electricity, serious controversies.

Now, Tractebel awaits the liberation of a loan from BNDES, Brazil's National Economic and Social Development Bank to invest in its Estreito hydroelectric Project on the Tocantins River, which is being built by a consortium which also includes U.S. aluminum company Alcoa, and Brazilian companies Vale do Rio Doce, and Camargo Correa. A report by the Folha de São Paulo, on May 25, 2005, states that a letter of consultation has been sent to BNDES regarding the loan and that "estimates are that the bank could lend \$1.1 billion to the partners in the dam project". However, before banking BNDES' money, Tractebel should respond to accusations of social irresponsibility regarding its conduct in its last hydroelectric project, Cana Brava, also on the Tocantins.

For that project, Tractebel received \$165 million in financing from the Inter-American Development Bank (IDB) and \$107 million from BNDES. The IDB, responsible for the supervision of its loan, instead looked the other way as the company evaded negotiations with populations affected by the dam. According to the Movement of Dam-Affected People (MAB), estimates of the affected population by Tractebel and the IDB were seriously understated, and instead of 258 families, as studies affirmed, nearly 1,000 families suffered losses of land and livelihood as a result of Cana Brava. These families joined MAB in protests which resulted in the occupation of the dam by dam-affected families, and resulting police repression against the movement.

In 2002, MAB formally requested that the IDB's Independent Investigation Mechanism review the bank's handling of the project, and consultants admitted that a greater number of dam-affected families were eligible for compensation than Tractebel had acknowledged.

However, the IDB opted to not disclose the results of this study, and the multinational, in order to avoid paying additional compensation, exited from the project by pre-paying its debt to the IDB. The Investigation panel, after two and a half years, verified that the IDB violated its own social and environmental policies in its handling of Cana Brava. In order to avoid legal problems with Tractebel (which should, by all rights, lose any opportunity to borrow in the future from the IDB), the bank only published a summary of the panel report, omitting all references to the company. Meanwhile, BNDES failed to enter in the process of assessing the social and environmental implications of Tractebel's irresponsibility, a fact partially explicable by the fact that BNDES is a shareholder in Tractebel, owning 2.8% of its shares.

The most likely scenario is that Estreito will not be built quite so soon. When Brazil's environmental protection service, Ibama, approved the preliminary licensing of the project, in 2005, despite objections by its own technical staff, it also issued 53 demands for the dam-building consortium. One of these was that they carry out additional studies regarding the dam's potential impacts on the Krahô, Apinajé, Krikati and Gavião Indigenous peoples. The indigenous groups and the company have failed to come to an agreement regarding the specialists who should comprise the team carrying out these new studies.

Through all this, the BNDES, the bank with "social" in its name, remains silent regarding the conduct of its Belgian clients.

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