

NATIONAL FORUM FOR LAND REFORM
AND RURAL JUSTICE

Brasília/Federal District August 27, 1999

**The
Chairman, World Bank, Mr. James Wolfensohn;
Board of Executive Directors, World Bank and,
Chairman, Inspection Panel, Mr. Jim MacNeil
WASHINGTON, D.C.
UNITED STATES OF AMERICA**

Dear Sirs,

On December 10, 1998, the National Forum for Land Reform and Rural Justice (*Fórum Nacional pela Reforma Agrária e pela Justiça no Campo*) forwarded to the Inspection Panel at the World Bank a Request for Inspection of the **Land Reform and Poverty Alleviation Pilot Project** (Project N°. 4147-BR), commonly known as the *Cédula da Terra Project*.

Among other arguments, this Request for Inspection was based on the fact that this Project was failing to achieve its objective of combating poverty; it is not being implemented as a pilot project but rather as an alternative and not a supplement to land expropriation furthering social interests for the purposes of land reform.

The Forum claimed that the financing conditions did not allow its beneficiaries to pay the debt contracted when joining the Project. It was also argued that the implementation process openly breaches the World Bank Project Standards by not allowing the participation of the beneficiary populace and its representatives.

Through the Operations Administration Department, the World Bank presented its reply to the **Inspection Panel** on March 8 this year. To the surprise of the Forum, based on a theoretical assumption that the Project "*was very well designed*" and as a Pilot Project "*was presenting good results*", the Operations Administration Department of the bank did not merely reply to the queries in technical terms. In fact, it attempted to undermine the political legitimacy of the National Forum for Land Reform and Rural Justice, stating that **1) the Request for Inspection was based on "philosophical arguments" and 2) the signatories of the request were not the legitimate representatives of the person and groups affected by the Cédula da Terra Project.**

Initially, the Request for Inspection forwarded by the Forum was based on arguments that were sufficiently valid to demonstrate the serious problems undermining the success of this Project, rather than philosophical objections of any type whatsoever. Additionally, the statement by Operations Administration Department of the Bank claimed that the choice of a "*market land reform*" policy is restricted to a "*...Government policy option*" rather than the

"...appropriate implementation by the Bank of its own policies and procedures" (page 2, item 6 of the reply forwarded by the Panel to the Forum). **This statement from the Operations Administration Department openly contradicts the decisions and responsibilities of the World Bank regarding the policy adopted for Brazil.**

According to the Country Assistance Strategy (CAS), Report N°. 16582-BR, dated June 12, 1997, in its chapter on "*The Role of the World Bank Group: Social Development*", it states "*The Bank will also consider fresh assistance with regard to land reform, launching a pilot project. This will test a model with a higher cost/benefit ratio that is easy to implement and slanted towards the market for resettling families. Should it be successful, the Bank will support an land reform program on a large scale.*" (Item 57 of the CAS).

However, the request submitted by the Forum is based on queries challenging not only decisions taken by the Brazilian Government to set up one of more "market land reform projects", but also the decisions and strategies adopted by the World Bank for Brazil.

Second, the affirmation by the Operations Administration Department of the Bank that the entities in the National Land Reform Forum that signed the request do not represent the interests of the persons affection is at the very least an attempt **by the Bank to wield political clout over Brazilian organizations in civil society.** In addition to ignoring the rules of the Bank itself — which endow any group or entity with the right to request inspection — this type of argument shows a complete lack of respect for the political history of entities and movements representing millions of workers, particularly rural workers, farmers and farm families, as well as other segments of the populace striving for survival in rural parts of Brazil.

On May 27 this year, the **Inspection Panel** submitted a report to the Board of Directors of the World Bank which, although acknowledging legitimacy of the request and the broad-ranging representativity of the signatory entities, did not recommend that an investigation be undertaken. This decision was considered by the representatives of the Brazilian Government and the Executive Director for Brazil of the World Bank as a confirmation of the excellence of the Project.

Despite the thanks of the **Panel Group** for the comments and guidance of the Forum and those requesting an inspection of the Project, during its visit to Brazil (Report and Recommendation, page 3, footnote, item 5), the contents of the reply suggested the conclusion of the Panel as based largely on the comments and advice of Mr. Murilo Portugal. The reply also suggested that the information from civil servants working for State Governments and responsible for the implementation of the *Cédula da Terra* Project, who were also thanked in the document, are accepted to the detriment of the arguments and documents presented by those requesting the inspection.

As publicly known, since the start of the process in question, the Executive Director for Brazil has been systematically taking up a conservative stance against the Request for Inspection. He has urged the implementation and expansion of the financing project for the purchase of land, despite irregularities and the negative impacts of such implementation.

According to the **President of Brazil, Mr. Fernando Henrique Cardoso**, at a public hearing with Forum leaders on July 8, 1999, Mr. Murilo Portugal, the Brazilian representative to the Bank was instructed to vehemently oppose the establishment of the Panel. According to the

President of Brazil, this decision is based not on technical assumptions but rather on the fact that the Brazilian Government does not allow World Bank intervention in national policy.

The Forum understands that under such circumstances, the World Bank would run counter to its own Rules regarding the ban on political activity established in its Articles of Incorporation. According to this Rule “*the Bank and its employees may not intervene in the political issues of any member, nor should they be influenced in their decisions by the political character of the member or members involved. Only economic considerations should be relevant in their decisions, and these considerations should be weighed impartially, in order to achieve the purposes stipulated in Article 1*”. (IBRD, Articles of Incorporation, Art. IV, Section 10).

In view of this, the expectations of the Forum were that both the Brazilian Executive Director and the Inspection Panel as the representative of the IBRD would be subject to the Rules in the Articles of Incorporation, immune from all political influence of the member Government. The Panel would thus fulfill the key purpose of being an independent entity to which communities adversely affected by World Bank projects could have turned, ensuring that it acts in accordance with its own policies and procedures.

However, on May 6, 1999, documents covering the implementation process of the *Cédula da Terra* Project in five States were forwarded to the offices of Senator Heloísa Helena and Federal Congressman Valdir Ganzer. This procedure was in response to the Request for Information forwarded by these Members of Parliament to the Minister Extraordinary for Land-Ownership Policy, Raul Jungmann, on March 2, 1999. It is important to stress that these documents were not submitted by the Government to the Inspection Panel and nor were they taken under consideration in the World Bank reply.

As was to be expected, these documents proved the claims of the Forum regarding the problems of the *Cédula da Terra* Project, and also clearly outlined marked indications of corruption, over-evaluation and favoritism in the process of implementing the *Cédula da Terra* Project. These documents also clearly highlighted discrepancies between the statements made by the World Bank and the Brazilian Government regarding the implementation of this Project. For instance, although the Operations Administration Department of the Bank stated that non-productive land is not included in the purchase negotiations of this Project, the implementation process places no constraints on this aspect, and in fact, various areas open for expropriation have been acquired.

In addition to the queries mentioned above regarding the non-participation of organized civil society in the process of implementation of the *Cédula da Terra* Project and its lack of economic feasibility, the documents presented by the Extraordinary Minister for Land-Ownership Policy offer strong indications of favoritism and corruption during the implementation of this Project in various States.

This fresh information – which was obtained from official documents – proves the pertinence of the arguments submitted previously. **The National Forum for Land Reform and Rural Justice is thus forwarding a fresh Request for Inspection to the Panel of the World Bank.** We believe that this fresh Request for Inspection offers an opportunity to assess the serious problems noted, while also providing the IBRD with a chance to review the errors in its original stance, which are certainly not in keeping with the standards of austerity and probity of

this institution.

It is necessary to state that the Forum for Land Reform and Rural Justice is not refusing any help to the thousands of families of workers and rural workers struggling for land reform.

Organizations in civil society that are members of the Forum acknowledge the importance of the World Bank in view of the imbalances caused by the Brazilian economic system. However, resources earmarked for the Land Bank Program should be assigned to agricultural credits for settler families, creating funding that assures the feasibility of their long-term settlement on the land, generating jobs and income in rural areas.

According to IBRD Resolution N°. 93-10/AID 93-06 (which establishes the criteria for the functioning of the Inspection Panel), the Panel Group is authorized to accept Requests for Inspection covering specific matters on which it has already issued its recommendations. This resolution states that a fresh request is justified by the appearance of new evidence or circumstances unknown at the time of the original Request (Paragraph 14D). The Forum feels that the documents present new evidence which reflects distortions in the purpose of the *Cédula da Terra* Project, endowing this request with technical eligibility.

In view of this, and as new facts have become known, all from official sources and including the attached document, we once again request that an Inspection Panel be established for the Project under consideration based on the World Bank Resolution that established this Panel. We would also like to advise the Directors that the Forum is forwarding a request to the Brazilian Ministry of Justice for an investigative procedure analyzing the irregularities listed above.

Yours faithfully,

D. Tomas Balduino
Executive Secretary
National Forum for Land Reform and Rural Justice

National Landless Peasants Movement
(MST — *Movimento Nacional dos Trabalhadores Rurais Sem Terra*)
National Confederation of Peasant Workers in Agriculture
(CONTAG — *Confederação Nacional de Trabalhadores Rurais na Agricultura*)
Pastoral Land Commission
(CPT — *Comissão Pastoral da Terra*)
National Conference of Bishops/Brazil
(CNBB — *Conferência Nacional dos Bispos do Brasil*)
Indigenous Peoples' Council / Brazil
(CAPOIB — *Conselho de Povos Indígenas do Brasil*)
National Rubber-Tappers Council
(CNS — *Conselho Nacional dos Seringueiros*)
National Confederation of Workers / INCRA

(CNASI — *Confederação Nacional dos Servidores do INCRA*)
National Network of Rural Women Workers
(ANMTR — *Articulação Nacional de Mulheres Trabalhadoras Rurais*)
Brazilian Land Reform Association
(ABRA — *Associação Brasileira de Reforma Agrária*)
Socio-Economic Studies Institute
(INESC — *Instituto de Estudos Socioeconômicos*)
Indigenist Missionary Council
(CIMI — *Conselho Indigenista Missionário*)
Land Reform Unit / Workers Party
(PT — *Secretaria de Reforma Agrária, Partido dos Trabalhadores*)
Caritas / Brazil
National Council of Christian Churches
(CONIC — *Conselho Nacional de Igrejas Cristãs*)
National Human Rights Movement
(MNDH — *Movimento Nacional dos Direitos Humanos*)
Trade Union Training and Advisory Institute
(IFAS — *Instituto de Formação e Assessoria Sindical*)
Rural Services and Studies Department
(DESER — *Departamento de Estudos e Serviços Rurais*)
Federation of Social Security and Education Entities
(FASE — *Federação de Órgãos para a Assistência Social e Educacional*)
Brazilian Institute for Social and Economic Analysis
(IBASE — *Instituto Brasileiro de Análises Socioeconômicas*)
Workers Trade Union Confederation
(CUT — *Confederação Única dos Trabalhadores*)
Alternative Projects Advisory Unit
(ASPTA — *Assessoria de Projetos Alternativos*)
National Movement for those Adversely Affected by Dams
(MAB — *Movimento Nacional de Atingidos por Barragens*)
Ecumenical Services Coordination Unit
(CESE — *Coordenadoria de Serviços Ecumênicos*)
National Federal Civil Servants Council
(CONDSEF — *Conselho Nacional dos Servidores Federais*)
Amazon Working Group
(GTA — *Grupo de Trabalho Amazônico*)
Brazil Network - Multilateral Financial Institutions —
(*Rede Brasil sobre Instituições Financeiras Multilaterais*)
Movement for the Freedom of Landless Peasants
(MLST — *Movimento pela Libertação dos Sem Terras*)
Rural Youth Pastoral
(PJR — *Pastoral da Juventude Rural*)
Brazilian Studies Institute —

(IBRADES — *Instituto Brasileiro de Estudos*)
Networking Process and Dialogue between Ecumenical Agencies and their Partners in Brazil
(PAD — *Processo de Articulação e Diálogo entre Agências Ecumênicas e seus
Parceiros no Brasil*)

SIGNATURES: LEADERS AND WELL-KNOWN NAMES REPRESENTING
BRAZILIAN SOCIETY.

