



AS SOY MOVES FORWARD: IMPACTS OF HIDROVIAS DO BRASIL IN ITAITUBA, PARÁ.

FEBRUARY 2021



GLOSSARY

2Q20 - Second quarter 2020
ATAP - Association of Port Terminals and Cargo Transshipment Stations on the Tapajós Waterway
BNDES - Brazilian Development Bank
CONGEFIMI - Management Council for the Supervision of Projects and Investments in the District of Miritituba
CPT- Pastoral Land Commission
DNIT - Brazilian National Department of Transportation and Infrastructure
EBITDA - Earnings before interest, taxes, depreciation and amortization.
ESF - Environmental and Social Framework
ESRS - Environmental and Social Review Summary
ETC - Cargo Transshipment Stations
FAOR - Eastern Amazon Forum
HDB - Hidrovias do Brasil
IBAMA - Brazilian Institute of Environment and Renewable Natural Resources
IBGE - Brazilian Institute of Geography and Statistics
IFC - International Finance Corporation
IPAM - Amazon Environmental Research Institute
ISS - Brazilian Tax on Services
MAB - Movement of People Affected by Dams
MPF - Public Prosecutor's Office
PAC - Growth Acceleration Programme
PS - Performance Standards on Socio-Environmental Sustainability
PIL - Logistics Investment Program
PPI - Investment Partnership Programme
RIMA - Environmental Impact Report
SEMAS - Secretariat of the Environment
ZCIP - Commercial and Industrial Port Zone

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- > Management Council for the Supervision of Projects and Investments in the District of Miritituba (CONGEFIMI)
- > Pariri Indigenous Association
- > Movement of People Affected by Dams (MAB - Movimento dos Atingidos por Barragens)
- > Pastoral Land Commission (CPT - Comissão Pastoral da Terra)
- > Amazon Environmental Research Institute (IPAM)
- > East Amazon Forum (FAOR - Fórum da Amazônia Oriental)
- > Terra de Direitos Organization

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For questions, press contact and comments, please write to inesc@inesc.org.br.



THE AMAZON AS A ROUTE FOR GRAIN EXPORTS

The Tapajós River is one of the main rivers in Brazil, covering about 800km between the states of Mato Grosso and Pará and flowing into the Amazon River. Its hydrographic basin feeds dozens of municipalities in the Amazon area and its territory is surrounded by Conservation Units and Indigenous Territories. The Tapajós region is still mostly covered by native forest and is a center for research and preservation of the Amazon.

However, the Tapajós River and the state of Pará are a frontier of Brazil's development model based on extraction of natural resources and agribusiness monoculture. Recently, this region has had several projects come to completion, such as hydroelectric power plants, waterways and mines, and many others are in planning stages. In addition, projects

have been advancing in recent years that aim to convert the Tapajós into an extensive multimodal logistics corridor for the transportation of agricultural commodities from the north of Mato Grosso to the Atlantic.

The Tapajós Axis is just one part of the so-called Arco Norte, a project by the Brazilian State to create a cheaper and more efficient alternative to export logistics of Brazilian agribusiness, which is currently concentrated in the ports of the South and Southeast of Brazil. For its implementation, which involves construction of logistical infrastructure in the Amazon, a series of plans, decrees and laws were approved, at federal, state and municipal¹ levels to set the foundation and provide the conditions for the construction of roads, railways, ports and waterways, among others.

“What is this progress for? I don't see this progress reaching us here like they are talking about so much, right? For us, for the impacted people, this progress doesn't exist.”

Itaituba resident

¹ Some of these instruments in recent years: Growth Acceleration Program (PAC); Logistics Investment Program (PIL) Investment Partnership Program (PPI); Ports Decree (9048, 2017); Logistics Investment Plan; National Port Logistics Plan

The impacts of the Arco Norte project are already taking their toll on the forest and the population of the Amazon: deforestation, soil and river pollution by pesticides, involuntary resettlement of populations, and dismantling of family farms, among others. The BR-163, a highway internationally known for being a route to open new locations for deforestation and mining in the Amazon, is a central point of Arco Norte. It's had its paving completed in 2019 and now there is a project aiming to complement it with a railway, called Ferrogrão, which is constantly objected by indigenous peoples and communities in the region.

This impulse to expand the Arco Norte, however, is not just a project of the Brazilian government, it is also of international financial institutions. In addition to the IFC investment analyzed here, two other projects related to Pátria Investimentos, which invests in Hidrovias do Brasil and in other infrastructure projects in the Amazon, were carried out in recent years: from the New Development Bank, in 2018, and from the IFC in 2017.

The municipality of Itaituba in southwestern Pará and its district, Miritituba, are central territories for this development model imposed on Tapajós. Itaituba is a city of 101,395 inhabitants and Miritituba is home to approximately 15 thousand people². The city has serious issues regarding access to public services, mainly related to basic sanitation and water supply, and a high level of poverty: its GDP *per capita* (R\$ 4,728.0) is almost half the index of the state of Pará (R\$ 7,859.0) and significantly lower than the Brazilian average (R\$ 16,918.0). Additionally, 43.9% of the population has a nominal monthly income *per capita* of less than half the country's minimum wage in 2010³.

In Miritituba, soybean and corn trucks arriving via the BR-163 park and unload at *Estações de Transbordo de Carga* (ETC -

Cargo Transshipment Stations), which are private port facilities built in the municipality. Barges laden with grain cross the Tapajós and Amazon Rivers to ports located in Pará and Amapá, then proceed for export. Projects to expand the number of ports in Tapajós could lead to the region having up to 20 ports in the coming years⁴.

Increased violence, unplanned urbanization, obstructed access to livelihood resources, absence of significant dialogue between companies and the affected communities, destruction of rivers, streams and pollution: these are some of the impacts experienced by the population of Itaituba because of its position within a multimodal logistics corridor. Social movements, indigenous peoples and residents of the region have been working for years to ensure that the population and the environment are benefited, or at least compensated, for their forced insertion into global production chains.

In this report, we provide a thorough analysis based on the testimonies and experiences of the communities of Itaituba and Miritituba about the impacts and implications of ports in the region. In particular, we focus on the company Hidrovias do Brasil (HDB) and the role of development finance in supporting transport and infrastructure projects in the Amazon Basin. The International Finance Corporation (IFC), the private arm of the World Bank, is among the shareholders of HDB. The IFC requires HDB to comply with its Sustainability Framework, which includes the Environmental and Social Performance Standards (PSs), a set of requirements or standards to ensure that development projects financed by the IFC do not harm people or the environment. The IFC Performance Standards define the client's responsibilities for managing environmental and social impacts and risks. In this report, we analyze the standards that were triggered, their level of implementation, and the main E&S implications of the project and construction works in the Itaituba region.

² <https://www.giroportal.com.br/noticias/5080-policia-militar-inaugura-no-va-sede-do-ppd-de-miritituba>

³ Data taken from IBGE Cities: <https://cidades.ibge.gov.br/brasil/pa/itaituba/panorama> and the Hidrovias do Brasil Environmental Impact Report (RIMA): https://www.semasp.gov.br/wp-content/uploads/2017/08/rima/rima_tapa-joshbsa.pdf

⁴ Diana Aguiar. A geopolítica de infraestrutura da china na américa do sul: um estudo a partir do caso do tapajós na Amazônia brasileira. 2017. <https://fase.org.br/wp-content/uploads/2017/06/A-geopolitica-de-infraestrutura-da-china-na-america-do-sul.pdf>

NORTH CORRIDOR MAP



ELEMENTS OF THE MAP

- Cities
- Indigenous Lands
- States
- Protected Areas

Elaboration: Inesc
Geographic Coordination Systems,
datum sirgas 2000.
Cartographic bases: MMA, ONTL 2019
Inesc 2020



IS HDB COMPLYING WITH IFC'S PERFORMANCE STANDARDS?

The HDB project is a high-risk project (in IFC's jargon, a category A project), with a high risk of socioeconomic impacts. The company's North Corridor is located within a myriad of indigenous lands, conservation units and traditional people's territories, in the middle of the Amazon Forest. However, we have found that the *Environmental and Social Review Summary* (ESRS)⁵, didn't trigger or activate the Performance Standard 7, which aims to protect Indigenous Peoples' rights and territories. The ESRS triggers PS 1 "Assessment and management of environmental and social risks and impacts," PS 2 "Labor and working conditions," PS 3 "Resource efficiency and pollution prevention," PS 4 "Community health, safety, and security," PS 5 "Land Acquisition and Involuntary Resettlement," and PS 6 "Biodiversity conservation and sustainable management of living natural resources." The aim of this report is to analyze the level of implementation and compliance with the PSs.

The analysis is based on the information collected during March and August 2020 through academic studies, news and, mainly, interviews⁶ with people affected by Hidrovias do Brasil and the port dynamics of Itaituba.

HDB's E&S impacts are real, and if IFC had exercised closer oversight, so that HDB did a better job, the region of Itaituba would be in a better situation now. Throughout our research, which included online searching of IFC's project database, it was not possible to find evidence that the IFC has been properly supervising the project implementation or that HDB has complied with the PSs.

5 There is no Environmental and Social Impact Assessments (ESIA) available in the website.

6 Due to the pandemic caused by the new coronavirus, the field research was canceled, and the interviews were conducted virtually.

WHAT IS HIDROVIAS DO BRASIL?

Hidrovias do Brasil is one of the leading companies in integrated transport and logistics in Brazil. It was founded in 2010 by Pátria Investimentos and has constantly expanded its activities over its ten years of existence through loans from BNDES (Brazilian Development Bank) and Banco da Amazônia, among others. Currently, in addition to grain, they also transport ores, mainly bauxite, salt, and fertilizers. The company organizes its activities in a Southern Corridor, with logistical solutions from Paraguay to export through ports in Southeast Brazil, and a Northern Corridor, where cargo is taken from Mato Grosso to ports in northern Pará.

Regarding the second corridor, the company has its own ports in Barcarena and Miritituba and is in the process

of licensing for the port of Marabá. The three ports in Pará are related to the export of commodities in northern Brazil: the ports of Barcarena and Miritituba are related to the monocultures of soy and corn in Mato Grosso, while the port of Marabá is to be installed in the leading copper exploitation municipality in Brazil. In these ways, the company is involved in the historical and current dynamics of exploiting Amazon resources.

In 2020, despite the pandemic and deep economic recession in Brazil, the company made significant profits. In the Northern Corridor, comparing the second quarter of 2019 to that of 2020, it had an increase of 88% in the cargo of grains and fertilizers (from 1.1 million to 2.0 million tons) and 84% in its profits (from R\$ 58.1 million to R\$ 106.7

“Hidrovias do Brasil has several national and international certifications and is constantly evaluated by audits of multilateral international agencies, such as the World Bank – IFC (*International Finance Corporation*)”

Hidrovias do Brasil website.

7 Profit figures refer to Adjusted EBITDA (Earnings before interest, taxes, depreciation and amortization. Hidrovias do Brasil. 2020 Results: <https://api.mziq.com/mzfilemanager/v2/d/fa-e228ac-7a8d-42c0-b5f0-f59e1f66a99d/6f35ac5d-2be3-7177-e3b1-589a774fc0f7?origin=2> 2019 Results: <https://api.mziq.com/mzfilemanager/v2/d/fa-e228ac-7a8d-42c0-b5f0-f59e1f66a99d/05418e04-87e3-bed8-8eaf-da60f0211897?origin=2>

8 http://www.itaituba.pa.gov.br/paginas/loa_2020

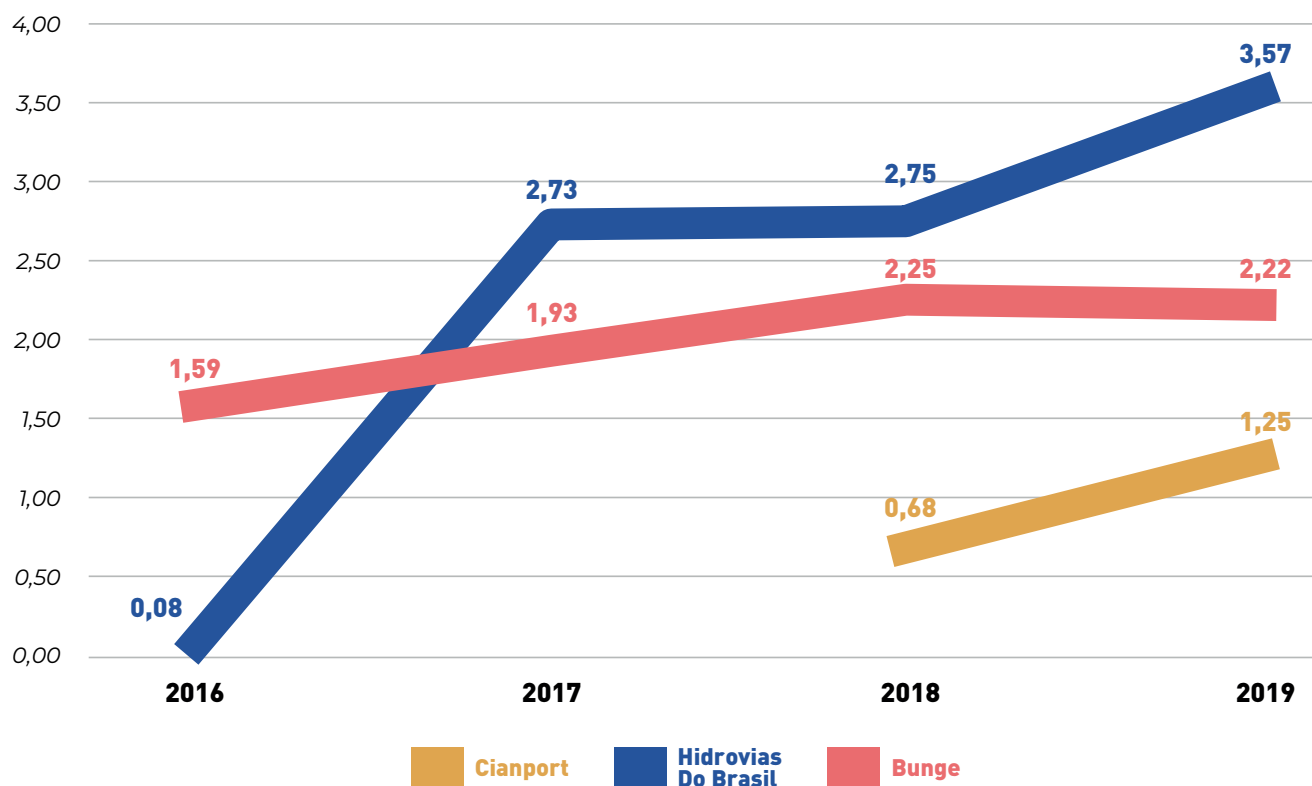
9 Preliminary prospects of the public offering for the secondary distribution of common shares of the company Hidrovias do Brasil. September 2, 2020. https://mz-prod-cvm.s3.amazonaws.com/22675/IP-E/2020/2b12af8a-820b-4b77-bb28-06b0ff549ca/20200902165123160924_22675_790639.pdf

10 <https://www.bnamericas.com/en/analysis/whos-interested-in-brazils-us155bn-ferrograo-railway> <https://www.istoedinheiro.com.br/com-foco-no-arco-norte-hidrovi-as-do-brasil-quer-dobrar-movimentacao-de-graos-2/> <https://forbes.com.br/last/2019/08/apos-investir-us-12-bi-hidrovi-as-do-brasil-explora-opcoes-de-expansao-diz-cfo/>

million Brazilian reais). In 2019, the company made R\$ 461.3 million reais in total from its operations, with 44% of this amount coming from the North Corridor⁷. For the sake of context, the budget approved for the Municipality of Itaituba in 2020 was R\$ 375.3 million⁸.

The company has big plans for the future. In early September, sales of company shares in the Brazilian Stock Exchange were announced, with the objective of increas-

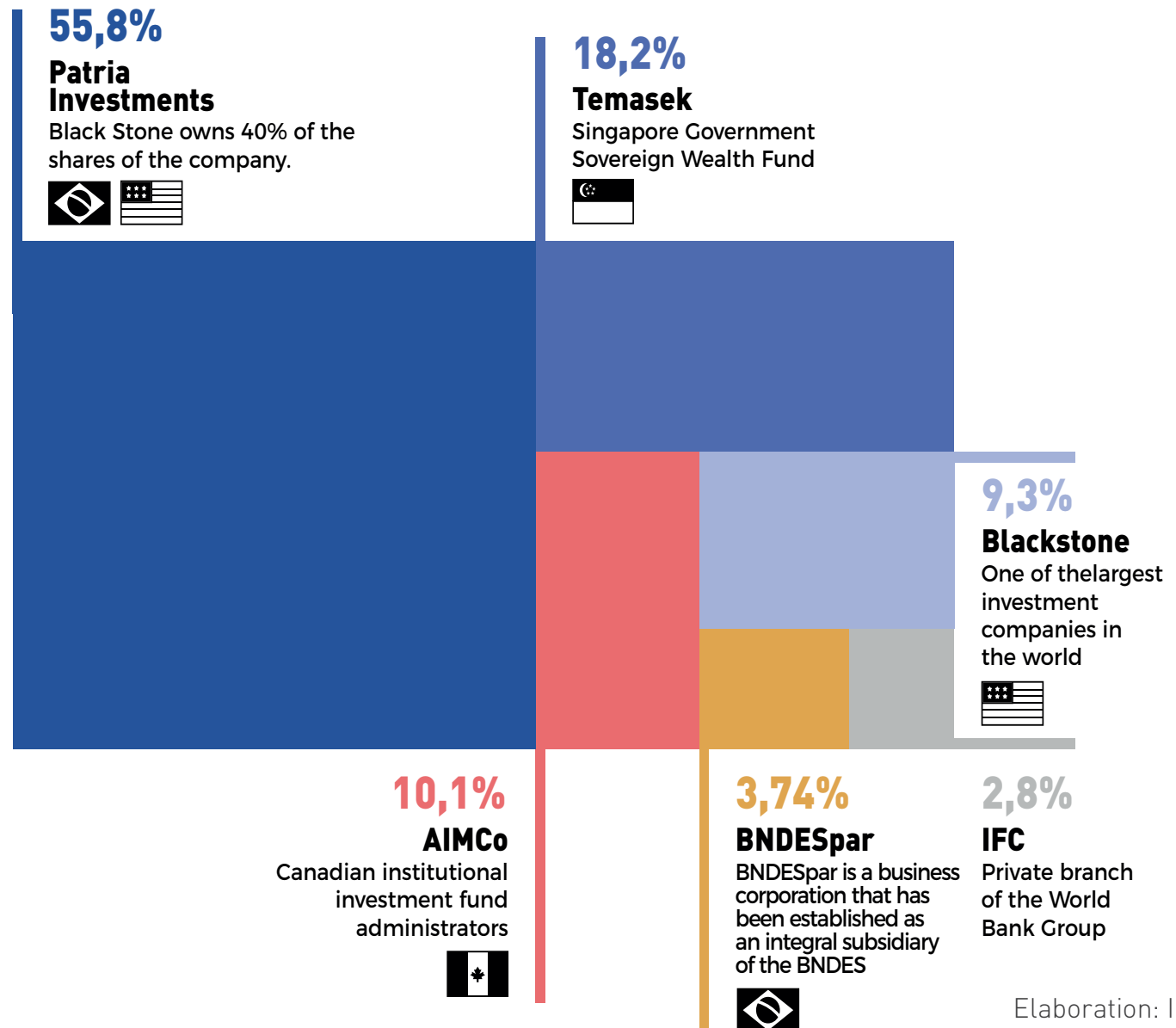
ing investments and expansion⁹. They have also publicly announced the intention to finance Ferrogrão, along with other partners, and to double grain handling capacity, by expanding the port of Barcarena, among other actions¹⁰. Is this profit being (at least) partly reinvested to benefit the population of Itaituba, since it also bears the negative environmental and social impacts? This is what we will address in the following pages.



**PORTS
ACTIVITIES
IN ITAITUBA**
VALUES IN
MILLIONS
OF TONS

Source: Antaq
Elaboration: Inesc

CORPORATE STRUCTURE HIDROVIAS DO BRASIL



Elaboration: Inesc

COMPANY'S TIMELINE OF ACTIVITIES

2012
First Iron
Ore Contract

2015
IFC investment
in HDB- US\$ 30
million, 2.8% of
the company

2017
Fertilizer operation started, with
capacity to transport currently up to
550 thousand tons/year.

Road operation started: Hidrovias
do Brasil is the first company to
offer multimodal transport in Mato
Grosso for the export of
commodities in the Arco Norte.

2010
Foundation of the
company by Pátria
Investimentos'
infrastructure fund
(September 13)

Blackstone purchases
40% of Pátria
Investimentos
(September 20)

2013
COEMA
approves the
granting of a
Preliminary
License (LP) for
HB Vila do
Conde and
Miritituba

2016
Start of
operations in the
North Corridor.

Acquisition of
bauxite
operation.

Inauguration of
the Miritituba
Cargo Transfer
Station (ETC).

2018
Hidrovias
replaces project
finance loans
with a \$600
million bond.

2020
It has entered
the Salt
market.

Initial Public
Offering (IPO)
on B3, the
official stock
exchange
in Brazil.

WHAT HAS BEEN IFC'S ROLE IN SUPERVISION DURING IMPLEMENTATION?

Hidrovias do Brasil has changed dramatically since the Bank's investment in the company seven years ago. They have finished construction of ports, entered the fertilizer and bauxite market -resources related to serious social and environmental impacts- and continue to constantly expand their activities. However, this did not generate any additional efforts of monitoring the company by the Bank: IFC's page on the company has not been updated since 2016. This goes directly against the Performance Standards (para. 25) which states "Recognizing the dynamic nature of the project, the management program will be responsive to changes in circumstances, unforeseen events, and the results of monitoring and review."

IFC's ownership of company shares means that the Bank is still benefiting from Hidrovias' expansion today, and in its documents, the IFC says it has a long-term partnership with them. In addition, Hidrovias uses IFC's "seal of approval" to exemplify its good social and environmental practices because IFC's PSs have been globally recognized as a benchmark for environmental and social risk management in the private sector. However, it was not possible to verify that the company's practices and activities on the ground are aligned with these standards.

THE SETTING OF HIDROVIAS IN ITAITUBA: IS THE GOVERNMENT DOING ITS PART?

In this section, we analyze the relationship between the Brazilian government (Municipal, State and Federal levels) and Hidrovias do Brasil and the instruments used to give the company land and water rights in Itaituba, and the implications this had on the E&S performance of the company.

Hidrovias do Brasil started operations in Miritituba in 2016, after the state government granted its **Operating License**. The company is located in the Commercial and Industrial Port Zone (ZCIP - “*Zona Comercial Industrial e Portuária*”) of Itaituba, established by Municipal Law and provided for in the city’s Master Plan. City hall expected that the installation of ports in the city would, promote social and economic development by increasing tax collections and carrying out undertakings and other improvements agreed upon as ‘environmental compensation’ for the impacts of the com-

pany in the territory. To date, five ETCs (Cargo Transshipment Stations) have been installed at the ZCIP.

For the installation of Hidrovias do Brasil in Miritituba, **public hearings** were a mandatory part of the licensing process requested by Pará’s Secretariat of the Environment (SEMAS). Accounts from residents of Miritituba who went to the hearings indicate that they were purely procedural --with no real and effective dialogue between the company and the affected people and with no possibility on the community side to influence and improve on the company’s projects.

The problems related to the hearings and the licenses granted to Hidrovias do Brasil led to two **Public Interest Civil Actions** filed by the Public Prosecutor’s Office

“When they come to public hearings, they won’t listen to the population, it’s all scripted in advance. They just want the people’s signature on the minutes, while the whole project is already being completed and implemented without consulting us.”

Resident of Miritituba and member of the CONGEFIMI.

11 Number ACPs 0000312-62.2016.4.01.3908 and 0000435-60.2016.4.01.3908

12 The companies that are now part of AMPORT and currently in Miritituba are: Cianport, Unitapajós, Hidrovias do Brasil, Cargill, Chipatão. Source: <https://amp-ort.com.br/quem-somos#associadas>

13 Some examples: the purchase of medical equipment for the Itaituba Regional Hospital; the installation of a fire brigade in Itaituba; construction of a water collection, treatment and distribution system in Miritituba

14 <http://www.portalsantarem.com.br/noticias/conteudo/prefeitura-de-itaituba-e-amp-ort-reunem-em-belem-na-sede-da-sedeme/55091>

15 Jondison Cardoso Rodrigues. O estado a contrapelo: lógica, estratégias e efeitos de complexos portuários no oeste do Pará. Doctorate Thesis, 2018. Page 266.

(Ministério Público Federal - MPF)¹¹. The civil actions aimed first at the revocation of any licenses granted by SEMAS, based on the understanding that the Brazilian Institute for the Environment and Renewable Natural Resources (IBAMA) is the competent body with the necessary technical conditions to carry out licensing procedures, given the regional environmental impacts of the projects and the Federal nature of the Tapajós River. Second, the actions sought new public hearings including the participation and engagement of indigenous peoples to consider environmental impacts holistically. An agreement was signed at a preliminary hearing, but it was not followed by the company, and after four years of processing, these actions still do not have a final court decision.

Finally, an important legal instrument for the relationship between the government and Hidrovias was established in 2013: *Agreement 008/2013*, between the Itaituba City Government and the Association of Port Terminals and Cargo Transshipment Stations on the Tapajós Waterway (ATAP), nowadays going by the name of AMPORT¹². The agreement contains a checklist with minimum requirements for social and environmental compensation actions to be carried out by AMPORT, regarding infrastructure, basic sanitation, social assistance, among others¹³. In 2018, a group of residents of Miritituba founded the Management Council for the Supervision of Enterprises and Investments in the District of Miritituba (CONGEFIMI) to monitor this agreement, among other actions.

CONGEFIMI states that only 20% of the measures established by the agreement have been complied with. According to the original agreement text, the agreed-upon improvements were to be delivered by 2015, but in September 2020 the agreement was the subject of a meet-

ing between the city and AMPORT, when so-called “next steps” of the Agreement were still being considered¹⁴. The delays, according to the Council, are attributed by AMPORT to the non-release of all Operating Licenses required by the association, in addition to the delay of the city government to comply with their part of the Agreement. While the population waits for the parties to comply with the agreement, five port companies have been operating for years, profiting, and impacting a community that does not have minimal living conditions, such as piped water and basic sanitation.

Another factor in the public-private sector relationship is the collection of taxes, which in principle would generate an increase in the government’s fiscal resources for carrying out public policies. However, limitations to the transfer of Hidrovias’ resources to public ports have already been identified by researchers. Hidrovias do Brasil is a beneficiary of Reporto, a regime that allows companies to acquire or import goods with tax exemption. In addition, the lack of transfer of ISS (Brazilian Tax on Services) by port companies has already been identified by the City Council of Itaituba, as it seems these enterprises are failing on collecting this tax from grain exporting companies¹⁵.

All these evidence indicates that the public authorities and agencies were negligent in preventing, mitigating, and compensating for the impacts of HDB and ZPIC in the region as no agreements were not fulfilled, taxes were not paid, and licenses approved were contested by the population, public bodies, experts, and civil society groups. The negative impacts of the company’s activities continue to exacerbate across the territory.

PROBLEMS BEGIN IN THE FIRST PERFORMANCE STANDARD

IFC has suggested that mitigation and monitoring of impacts addressed through environmental licenses were considered to be aligned with the requirements set out in Performance Standards, and that a common, overarching community development action plan mandated by state environmental authorities would lead to a series of investments in traffic safety, sanitation, and development of a local supply chain to service the river ports. We have noted, however, that these instruments have many weaknesses and had been objected to by the affected populations and by the government. Therefore, they should not be considered sufficient for Hidrovias do Brasil to comply with IFC's Performance Standards (PS) on Social and Environmental Sustainability.

There are indications of flaws in the implementation of **Performance Standard 1**, in the requirements of:

- (1) Policy: Non-compliance with laws and agreements; such as the ones mentioned above.
- (2) Identification of project risks and impacts: Poor characterization of the project area, which not only includes the headquarters of HDB but also Miritituba and Itaituba.
- (5) Monitoring and auditing: The lack of engagement of the affected communities in this process;

(7) Stakeholder engagement and information disclosure: Failure to identify all project affected peoples, including indigenous peoples; no prior dissemination of relevant, transparent, objective, meaningful and easily accessible information; not allowing for significant participation; failure to hold an Informed and Participatory Consultation.

ITAITUBA IN TRANSFORMATION: EFFECTS OF HIDROVIAS DO BRASIL AND THE PORT COMPLEX IN THE CITY

“ Here, our people compete with the trucks for space, and the weaker of the two has to run. ”

Resident of Miritituba.

Four years have passed since the installation of Hidrovias do Brasil in Miritituba. Although this date is relatively recent, Itaituba and especially the district of Miritituba have been deeply transformed by the port complex. The district had a population of 3,383 inhabitants in the 2010 census. Today, this number has increased to approximately 15 thousand, partly due to the unplanned urbanization resulting from the port complex. In this section, we focus on the impacts of Hidrovias and the port complex in the daily lives of Miritituba's population, with closer attention to one aspect: **the trucks that unload soy at the ports.**

Before diving into these aspects, it is important to highlight that Hidrovias do Brasil (HDB) stands out in the region due

to its social work, in comparison to other companies in the same sector. The interviewed residents have confirmed this information and identified actions such as providing: technical training and hiring of local labor (such as the Youth Talent Program)¹⁶; a confidential ethics channel for communications of ethical violations¹⁷; donations to philanthropic entities in the district; and action in relation to COVID-19. Regarding the latter, the company made a significant donation (R\$4.6 million) to Hospital Regional do Tapajós, located in Itaituba, right at the beginning of the pandemic¹⁸. Another positive highlight is that, even after the start of operations in Itaituba, HDB holds bimonthly meetings with the community through AMPORT, to monitor compliance with Agreement 008/2013.

¹⁶ <http://hbsa.com.br/carreira>

¹⁷ <https://canaldeetica.com.br/hbsa/>

¹⁸ <https://g1.globo.com/jornal-nacional/noticia/2020/05/27/solidariedade-sa-leitos-de-hospitais-cestas-basicas-estruturadas-exclusiva-para-pacientes.ghtml>



PORTS FOR GRAIN TRANSPORTATION ON THE TAPAJÓS RIVER - ITAITUBA AND MIRITITUBA

ELEMENTS OF THE MAP

- Indigenous Lands
- Ports - Cargo Overflow Stations (ETC)
- BR 230
- Transportuária

Elaboration: Inesc
 Geographic Coordination Systems,
 datum sirgas 2000.
 Cartographic bases: MMA, ONTL 2019
 Inesc 2020

However, collected accounts demonstrate flaws in these actions. For example, there are complaints that the ethics channel does not generate results and the bimonthly meetings are carried out in the same way as the public hearings previously mentioned in this document, and are limited to specific organizations, with others not being invited. The interviewees concluded that they are not enough to make up for the negative impact caused by the company and the port complex in the city.

The trucks are a central issue in the problematic relationship between ports and the population of Miritituba. During the peak harvest season, the traffic in this small district can reach 1,500 trucks per day. In addition to the disturbance of heavy vehicles passing through a small town, they drive around while waiting for their turn to unload the products into boats on the Tapajós River. In interviews, the people reported impacts related to the private appropriation of roads and streets, pollution, and increases in violence, drug trafficking and prostitution.

Regarding the first issue, we have identified that excessive number of trucks prevents freedom of movement and enjoyment of common goods by the locals. There are several accounts that mention noise pollution, soy scattered throughout the town, and traffic accidents in the district. In addition, dust clouds known as “soybean powder” - which contain residues of pesticides, cereals, soil, and vegetables - cause illnesses to workers and are carried by the wind beyond the company’s property. The intense circulation of trucks also makes it difficult for the residents to commute or carry out other daily activities, such as attending school or accessing the local hospital.

Transportuária, the road through which the trucks arrive in Miritituba and proceed to access ports, is located in the

middle of the district. This road is not paved, it is constantly filled with trucks and has no sidewalk, presenting a threat to the locals’ safety. An alternative route was promised by the city administration, in partnership with DNIT (Brazilian National Department of Transportation and Infrastructure), so that the trucks would not need to drive through the district. Ten years have passed since the promise was made, and no action has been taken. The population has protested on five different occasions, by closing roads and demanding alternative routes, but the government has neglected to act.

Finally, the increase in violence is an expected result of the increased flow of people in the district, both inhabitants and truck drivers, mostly male. Residents have presented reports of growth in drug trafficking and sexual exploitation, including child abuse. In effect, according to data from the Public Security Secretariat of Pará¹⁹, the number of road traffic deaths increased 400% in 2014, the year in which the ports began to operate in Itaituba, and 2019. The number of police occurrences grew 23% in the same period.

In Hidrovias’ Environmental Impact Assessment (RIMA-Relatório de Impacto sobre o Meio Ambiente), these impacts were mostly ignored, or only vague actions were proposed to mitigate them. For example, regarding the increase in male population, the company answered with a recommendation to “carry out the socioenvironmental responsibility and institutional articulation program, looking to establish partnerships with the local government and other social organizations”. Regarding traffic and trucks, HDB answered that “actions will be carried out to reduce impacts on the local road system”. Although it is possible to identify some actions that could be attributed to what was agreed in RIMA and to Agreement 008/2013, it is still far from what is actually necessary to mitigate the effects of a daily flow of 1,500 trucks, in a town with 15 thousand people.

19 <http://sistemas.segup.pa.gov.br/transparencia/>

20 Such a broader interpretation flows from the wording in the Performance Standards, e.g. PS 4 (para. 1) which “addresses the client’s responsibility to avoid or minimize the risks and impacts to community health, safety, and security that may arise from project related-activities, with particular attention to vulnerable groups.”

21 Specifically, PS 3 para. 10 states: “The client will avoid the release of pollutants or, when avoidance is not feasible, minimize and/or control the intensity and mass flow of their release. This applies to the release of pollutants to air, water, and land due to routine, non-routine, and accidental circumstances with the potential for local, regional, and trans-boundary impacts.”

22 ESRS reads: “To minimize the generation of dust from these sources, these activities will be done through closed systems (closed conveyors and loading/unloading areas). If applicable, storage areas will have exhaust systems with dust collection via bag filters; collected materials will be reused. The company will develop and implement management strategies for reducing air emissions at all its operations, including procedures for combustion sources, VOCs and dust”.

HIDROVIAS PROMISED AN ALTERNATIVE ROUTE THAT WAS NOT BUILT

In summary, it is notable that HDB has a more active social role in Itaituba than the other port companies installed there, a position that can be partly attributed to IFC’s investment and requirements of the PSs. However, when we look at the current situation in Miritituba, there is strong evidence of non-compliance with Performance Standards 3 and 4, especially when responsibility of the company is not restricted to the territory occupied by its port, but rather the total area actually impacted by Hidrovias do Brasil is taken into account²⁰.

PS 3 states that air (and other) pollution must be prevented or mitigated²¹, and HDB’s ESRS emphasizes that “*The company will develop and implement management strategies to reduce atmospheric emissions in all its operations*”²². Although some actions have been identified by locals, such as road moistening of the Transportuária, the actions taken **by the company so far are not enough to control the previously mentioned “soybean powder” problem.** Regarding solid waste, the ESRS mentions only the residues produced directly by the company, with no mention to the soy remains scattered throughout the town. This indicates that main requirements of PS 3 haven’t been effectively identified in the ESIA and addressed in the ESRS.

Based on these testimonies and experiences of project-affected communities we also find levels of non-compliance with PS 4, as

both the health and safety of the population of Itaituba were affected by HDB and the port complex, and mitigation measures were not pursued. However, as they are indirect effects, they practically do not appear in the ESRS. There is an important exception related to traffic: “*To minimize the impact of traffic in the surrounding community, the project includes a separate access road and a truck waiting area that HDB and other port operators will build to redirect the highway traffic away from urbanized or residential areas of Miritituba. In the second phase of the Miritituba terminal, an average of 440 trucks/day is expected.*” **This separate access road was not built, despite being promised by Hidrovias to the Bank and requested by the community. Thus, the traffic was not diverted.**

FISHING ACTIVITY AND PORTS

Local fishing activity was strongly affected by the installation of the ports in Miritituba. The ports affect fishing practices in two ways:

1) Through the cordon: The cordons are considered a port security measure and isolate the area where fishermen would operate, preventing any resident of Miritituba from fishing within a radius of 30 meters from each port. Since there are five ETCs operating side by side, the right side of the riverbank was basically lost by the population of Miritituba and its fishermen. The cordons are kept by private security guards, who prohibit fishermen from accessing the region where they used to work.

The territory privatized by Hidrovias do Brasil is particularly identified as favorable to fishing, as a fisherman from Miritituba tells us: “That was the best fishing spot for the fisherman who harvested Piau (local fish species). Fishermen from the area used to harvest [up to] 400 to 500 kilos of fish a day, and now we cannot catch anything anymore, because they invaded our place. Now the fishermen from there have to fish far away.”

2) The movement of barges in the river: From the ports and up to 200 meters along the Tapajós riverbed, the barges occupy the water surface, waiting for their turn to load grain and preventing fishermen from placing their mesh in the water.

“Soon us fishermen will have to open holes to bury our nets, since fishing is prohibited everywhere.”

Fisherman of Itaituba.

Fishermen, therefore, can no longer concentrate their fishing activity near their homes, which used to be less expensive fishing areas with lower fuel consumption, there being no need for the use of ice for transportation²³. With the ports, their work routine was severely altered. Fishermen need to travel up to four hours along the riverbed, spending the week away from Miritituba and living in their boats to ensure their means of survival. With the decrease in the number of fish and the new costs, both the number and the income of the residents of Itaituba who exercise artisanal fishing have been reduced.

These impacts were underestimated in HDB's description of the situation in the RIMA: "In this area [...] fishing was not observed. The activities that exist today may remain, with restricted use for safety reasons, around the pier and dolphin, in an approximate range of 300 meters, reserved for the operation of the terminal and movement of barges." The mitigating action is described by HDB as: "defining of safety areas for navigation of small and medium-sized boats; and establishing partnerships with local fishermen's associations". Also, there is no mention of either of these issues in the HDB's Annual Environmental Information Report (2016/2017) and Agreement 008/2013. Finally, the Operating License for Hidrovias do Brasil states that a Program to Mitigate Impacts on the Fishing Population were to be carried out between 2013 and 2014.

Both at public hearings and at AMPORT bimonthly meetings, fishermen were present. The fishermen report the same situation as mentioned above in this document: the hearings didn't provide a real opportunity for dialogue. A fisherman commented: "Every time there is an audience, I'm there. And every time they say that they do not forbid the fisherman to fish there [near the ports], but when we get there, we are stopped by them."

None of these legal instruments, considering agreements, licenses, and hearings, have changed the situation of the fishing population in Miritituba, which is an emergency. The increase in violence, drug trafficking and prostitution in Itaituba may be related - in addition to the reasons identified in the previous section - to the loss of livelihood and income for a significant part of the district's population. Fishermen have been robbed of their livelihoods and claim compensation from companies. Both the government and Hidrovias do Brasil, however, did not provide any answers about the ports' impacts on the territory.

23 Jondison Cardoso Rodrigues. O estado a contrapelo: lógica, estratégias e efeitos de complexos portuários no oeste do Pará. Doctoral thesis, 2018. Page 142.

ECONOMICALLY DISPLACED PEOPLE WERE IGNORED

The accounts and testimonies raised from project-affected communities indicate a violation of **Performance Standard 5**, Land Acquisition and Involuntary Resettlement, in impacts related to **economically displaced people**. The ESF stresses that: *“In cases where land acquisition or restrictions on land use affect commercial structures, affected business owners will be compensated for the cost of reestablishing commercial activities elsewhere, for lost net income during the period of transition, and for the costs of the transfer and reinstallation of the plant, machinery, or other equipment.”*²⁴. None of these payments were offered to the fishermen in Itaituba. **This issue is not addressed in the HDB ESRS.**

Performance Standard 5 also touches on the compulsory **resettlement of families**. Regarding this, the ESRS states that the purchase of the Hidrovias port area was from a voluntary buyer and seller, and no resettlement was involved. This study did not elaborate on this issue, but other researchers identified a strong indication of land grabbing: *“Hidrovias do Brasil Miritituba SA com acquired a 10 hectare property in July 2011 for R\$ 4.5 million from a businessman from Santarém, whom had purchased the property from farmer Raimundo exactly thirteen days prior for 50 thousand reais”*²⁵.

24 Performance Standards on Environmental and Social Sustainability, page 31. https://www.ifc.org/wps/wcm/connect/24e6bfc3-5de3-444d-be9b-226188c95454/PS_English_2012_Full-Document.pdf?MOD=AJPERES&CVID=-jkV-X6h

25 Diana Aguiar. A geopolítica de infraestrutura da china na américa do sul: um estudo a partir do caso do tapajós na Amazônia brasileira. 2017. Page 36.

THE AMAZON IN TROUBLE: EFFECTS OF PORTS ON FAUNA AND FLORA

“As barges spill corn and soy into the water, there is an odor because the soy rots. The fish come and eat that. Sometimes we catch a fish with a belly full of soy, we have to immediately take care of that fish, otherwise it’s not good for consumption.”

Fisherwoman from Itaituba

The lack of studies on the environmental impacts of ports in Itaituba, Pará and in the Amazon Forest as a whole, is a problem identified by the CONGEFIMI and by the Amazon Environmental Research Institute (IPAM). This lack of data is sometimes used by port companies as an excuse to not take actions to mitigate the environmental impacts of their operation on the Tapajós River. Even without studies, however, it is possible to identify probable impacts of ports on the environment.

Firstly, in regard to local impacts, we have already seen in previous sections some environmental effects such as soy remains scattered throughout the town and river pollution. Other impacts identified by the population are:

- The dust clouds, in addition to causing health problems in the local population, also reach the tops and branches of trees, impairing the growth of local flora.
- Researchers have identified the siltation of the Santo Antônio de Itaituba stream, resulting from the construction of ports in the city²⁶.
- The downfall of the quantity and quality of fish that the fishermen and women are able to catch in the area around the ports. “The fish are gone,” commented a fisherwoman, referring to Aracú, the main species in the region. The arrival of an invasive species, the sawfish, has also been identified. This species is not suitable for consumption and

has no commercial value in the region. The fisherwoman also stated that the soy grains that fall from the barges are consumed by the fish, and then rot in the animal's belly²⁷.

27 The negative impact of soy consumption on fish appears more than anecdotal. While dealing with a different riverine species, one study found reduced growth and other undesirable chemical impacts: "Effects of Replacement of Fish Meal by Soy Protein Isolate on the Growth, Digestive Enzyme Activity and Serum Biochemical Parameters for Juvenile Amur Sturgeon (*Acipenser schrenckii*)," <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4093030/> Accessed 6 October 2020.

28 <https://www.icv.org.br/website/wp-content/uploads/2020/06/traseis-suebrief4pt.pdf>

29 <https://valor.globo.com/agronegocios/noticia/2020/06/16/cresce-area-que-des-respeita-moratoria-da-soja.ghtml>

Regarding indirect effects outside Itaituba, they come from the incentive to soy production caused by the construction of ports, which generates deforestation in large areas of the Amazon Forest and the Cerrado along the BR-163, in its stretch in Mato Grosso. Hidrovias do Brasil, however, is a signatory to the Soy Moratorium (SM), an agreement between companies not to sell and/or finance soy that comes from crops in areas that suffered deforestation in the Amazon biome after 2008.

The Moratorium is welcomed by researchers and activists, who attribute part of the reduction in deforestation over the past decade to this policy. However, two important issues limit the Soy Moratorium as an instrument to contain indirect deforestation caused by Hidrovias do Brasil. First, the agreement does not monitor environmental compliance and deforestation throughout the territory, only being concerned with the areas where soy is cultivated. This means that, even on farms in compliance with the SM, illegal deforestation can occur in other parts of the territory. Second, the Moratorium monitors only the Amazon biome, and not the entire Legal Amazon. The Cerrado biome, present in Mato Grosso (the state where most of the soy transported through HDB comes from) is currently being most impacted by the expansion of large-scale soy plantation farms in Brazil²⁸. Finally, it is worth mentioning that

monitoring of the Soy Moratorium identified an increase in the 2018/2019 harvest area²⁹.

Little action is enforced through the legal instruments to mitigate the environmental impacts of Hidrovias do Brasil. The recovery of Igarapé do Santo Antônio, previously known for its Speckled peacock bass and Butterfly peacock bass, was a condition in the Operating License of Hidrovias do Brasil, but it was not executed. In the RIMA, they list as actions which might mitigate these effects: implement a project to promote the recovery of vegetation; plant trees and enrich the local forest's biodiversity; scan the residual cargo residues in warehouses and maneuvering yards; implement green curtains around cargo handling areas; identify the populations of plant species which allow artificial replication; implement the Flora Rescue Program; implement the Land and Aquatic Fauna Monitoring Program; put into motion the Ornithofauna monitoring program for bird conservation and implement the Emergency Plan to control changes in local water quality.

It was not possible to corroborate or verify in the interviews conducted that these actions were implemented by the company. On the contrary, testimonies identified negative impacts produced as a result of not implementing these measures. The Annual Environmental Information Reports, which supposedly monitor RIMA, are not accessible to the population, and not available on the SEMAS (Secretariat of Environment of the State of Pará) website.

DIRECT AND INDIRECT EFFECTS ON FORESTS

For direct impacts, HDB's ESRS is based in the company's licensing process and legal requirements. For indirect ones, it is based in Brazilian law and mainly in the Soy Moratorium. As mentioned above, these instruments were not sufficient to prevent environmental impacts in Itaituba and in forests and other sensitive biomes and were not properly monitored by the government.

First, the problem with the changing and quantity and quality of the fishes in the region and the invasion of exotic species, along the other environmental impacts in Itaituba previously described, should trigger action based not only on the Economic Displacement provisions of PS 5 (paras. 25-29), but also PS 6, *Biodiversity Conservation and Sustainable Management of Living Natural Resources*.³⁰

Second, another factor raised by IFC is that the direct and indirect impacts of Hidrovias are incremental, when compared to the impacts of the port complex and other fronts for the exploration of the Brazilian environment, such as gold mining and the creation of roads. This point is used as an excuse not to apply PS 6 in the surrounding areas and territories indirectly affected by the operations and works of the company,

If the PS 6 had indeed been applied to HDB's operations, the company could have taken measures such as:

- Classification of the affected territory in critical, natural, or modified habitat, and application of safeguards and the mitigation hierarchy for environmental impacts according to this classification;
- Prevention or mitigation of invasion of exotic species;
- Participation of affected communities in determining priorities for relocation of access to fishing and other ecological services.
- Monitoring of producers of soybean transported by the company and exclusivity to producers who can prove absence of deforestation of the Amazon and the Cerrado.

³⁰ Specifically, para. 15 states that in "areas of natural habitat, mitigation measures will be designed to achieve no net loss of biodiversity where feasible. Appropriate actions include: Avoiding impacts on biodiversity through the identification and protection of set-asides; Implementing measures to minimize habitat fragmentation, such as biological corridors; Restoring habitats during operations and/or after operations; and Implementing biodiversity offsets."

INDIGENOUS AND TRADITIONAL COMMUNITIES ARE IGNORED BY HIDROVIAS DO BRASIL

“ We managed to cancel two hearings to which we were not invited, they were going to happen here in Itaituba. The society here in Itaituba was not invited to this hearing. They called only a group of businessmen who were very interested in the establishment of ports, and the communities were not called to participate in the hearing, nor to be heard. So we went and canceled the hearing, we went there and asked for other hearings to be held. ”

Member of the Munduruku indigenous group

31 Data extracted from the count of Special Indigenous Sanitary Districts (DSEI). Number of people per territory: Praia do Índio: 136; Mangrove beach: 123; Orangery: 116; Sawre Apampo Km 43: 45; Sawre Muybu: 100; Karo Muybu: 22; Sawre Jaybu: 61; Dace Watpu: 90; Daje Kapap: 77; Poxo Muybu: 63; Sawre Aboy: 35.

32 <https://acervo.socioambiental.org/sites/default/files/documents/MUD00074.pdf>

There are two urban villages of the Munduruku people on the banks of the Tapajós that live daily with the ports and their effects: Praia do Índio and Praia do Mangue. For the Munduruku, however, the entire indigenous population of the Middle Tapajós feels the effects of the project, as the impacts spread through the kinship network that links these communities, affecting other indigenous territories in the region, which has 868 indigenous inhabitants, according to data in 2019³¹. Despite this, there was no prior, free and informed consultation with indigenous peoples, both on Hidrovias do Brasil and other ports installed in the region.

It is necessary to indicate that waterway and port projects have been a concern for the Munduruku of the Médio Tapajós for decades. In 1997, the invisibility of indigenous and

riverside populations was questioned in the environmental impact studies of projects planned by the region³². Historical leaders of the Munduruku people say that the articulation to contain the progress of a waterway project boosted the formation of the Pariri Association, which represents all the Munduruku communities in the Middle Tapajós. In 1996, the first major protest by these communities against the waterway was organized, and in whose public hearing the indigenous people heard, from representatives of companies and public authorities, that there were no indigenous people in the Middle Tapajós.

It is also important to mention that there are several efforts by the Munduruku of the Médio Tapajós to contain the advance of ports, waterways and other projects proposed for the region, which are not separated from the struggle

33 <https://fase.org.br/pt/acervo/biblioteca/protocolo-de-consulta-munduruku/>

34 Jondison Cardoso Rodrigues. O estado a contrapelo: lógica, estratégias e efeitos de complexos portuários no oeste do Pará. Doctoral thesis 2018. Page 266.

for the demarcation of the Sawre Muybu and Sawre Bapim indigenous lands.

Coming back to the present, the Munduruku Consultation Protocol³³, a document prepared after a cycle of conversations between the Munduruku Ipereg Ayu Movement, the Da'uk, Pusuru, Wuyxaximã, Kerepo and Pahyhyp associations, the Brazilian Public Prosecutor's Office (MPF) and civil society organizations, has not been implemented in the hidrovias do brasil licensing process. The Protocol outlines procedures to be carried out with indigenous peoples who may be affected by the construction of enterprises and covers the entire Munduruku people.

As well as having their constitutional rights violated, indigenous people are also affected by the prohibition of fishing activities imposed by Hidrovias and the other companies in the waterway complex, as we saw in the previous section. Changes in the ways of relating to the river, one of the pillars of Munduruku territoriality, also affect other aspects

of community life, such as productive practices, exchange relations, etc., which demand access to areas free from ports and barge transits. Besides, these changes also directly affect men, women and children from other villages who often stay or spend seasons at Praia do Índio and Praia do Mangue.

In addition to indigenous peoples, other traditional populations, such as riverside dwellers, fishermen and artisanal miners (garimpeiros), located in the project's area of influence and affected by the ports' operations³⁴ did not have access to prior, free and informed consent or even consultation.

YES, THERE ARE INDIGENOUS AND TRADITIONAL PEOPLES IN ITAITUBA!

For the IFC and Hidrovias, the indigenous peoples and traditional communities identified here do not exist. The ESRS states that Performance Standard 7 does not apply because indigenous peoples and traditional communities were not identified in the project's areas of influence: "according to Hidrovias, there was no interaction with indigenous or quilombola populations".

This could not be further from the truth, and strongly indicates non-compliance with PS 7. This process of making indigenous peoples "invisible" **is not new.** In other investment projects in the Tapajós region this tactic has been used by public authorities and investment banks to deny communities their constitutional rights, which led to the production of studies and reports documenting their historic presence in the region and their struggle for their right to Free, Prior and Informed consultation³⁵.

If PS 7 had been applied to the project, some of the impacts on the traditional populations of Miritituba, such as riverside dwellers, indigenous people, and artisanal fishermen, could have been avoided. Some of the actions deemed by the IFC as mandatory to be performed by the client (in this case, HDB) according to the ESF are:

- > Document efforts to avoid and minimize **impacts on natural resources and significant natural areas;**
- > **Compensate** affected communities, considering the laws, institutions, and customs of those communities;
- > Customer **collaboration** with the **responsible government agency**, playing an active role during planning, implementation, and monitoring of all activities.
- > Implementation and documentation of the **free, prior and informed consent process**, with a description of the rights granted by the government to the affected indigenous peoples and traditional communities, and proposed measures to fill any gaps between such rights and the requirements of this Performance Standard.

³⁵ For example, this argument was used by private companies interested in building the Tapajós Hydroelectric Complex, and by the Chico Mendes Institute for Biodiversity Conservation, in the context of the auction of Flona de Itaituba II. About this, see the book *Ocekadí and TI Sawre Muybu's descriptive memorial*, made by researchers Maurício Torres and Bruna Rocha. See also MOLINA, Luísa Pontes. *Terra, luta, vida: autodemarcações indígenas e afirmação da diferença*. 2017.

RECOMMENDATIONS TO THE IFC

The population of Itaituba, especially in the district of Miritituba, has faced violation of basic rights and abandonment by the government. The port complex companies, including Hidrovias do Brasil, contributed to this devastating scenario and obtained profits on the order of millions of Reais from their activities in the territory. The International Finance Corporation (IFC) has also profited from this process and has failed to implement its safeguard measures, which could have limited the infringement of human and social rights and environmental degradation. In a global pandemic scenario, with great repercussions in the Itaituba community, the infringement of rights is exacerbated, leading to a multifaceted crisis.

Accordingly, and in a scenario of basic rights infringement financed by IFC, we propose a few measures for it and its client to honor its Performance Standards:

- > Resumption of environmental and social monitoring of the HDB by the IFC, which includes consultation with the affected communities;
- > Development of a new ESRS and elaboration of studies on the social and environmental impact of Hidrovias do Brasil, to include action plans for further mitigation of HDB's local E&S impacts.

- > Effective consultation with indigenous peoples and traditional communities in the region, aligned with the Mundurucu Consultation Protocol and other local protocols;
- > Compensation and actions to restore livelihoods for economically affected populations;
- > Construction of an alternative route for Transportuaria that avoids the population center.

This research had a limited scope, looking at some impacts and a specific territory in which HDB operates, Itaituba. In this context, we encourage the IFC to investigate, in addition to the questions raised here, other points that we identified, but could not explore, such as the port of Barcarena, which probably presents PS violations similar to Itaituba and, in relation to PS 5, appears to have undergone a violent compulsory resettlement process. Further, impacts related to PS 8 were not presented here, but there is evidence of destruction of archaeological sites by the Itaituba port complex.

IFC urgently needs to check on the environmental and social impacts of this investment and apply its safeguards, since there is significant evidence of violation of human rights and of Performance Standards in the region of HDB's operations. Itaituba calls for help!

Realização:



Apoio:

