



By Bruce Rich

The Bank Failed, but Not Greenpeace

Environmental advocacy campaigns and aggressive legal actions have sometimes been viewed as zero-sum approaches compared with win-win, solutions-oriented cooperation with the private sector — or so the rhetoric surrounding many such partnerships goes. But a 2010 report of the World Bank Independent Evaluation Group concludes that efforts of the bank's private sector lending arm, the International Finance Corporation, to green the operations of two Brazilian multinational agribusiness giants failed. It notes without irony that Greenpeace and other nongovernmental groups achieved much more with campaigns and boycotts, working with Brazil's public environmental prosecutors.

Between 2002 and 2007, the IFC made three loans in Brazil to expand and modernize the production facilities of the agribusiness firms, the soybean multinational Amaggi and the beef processing giant Bertrin. The conversion of Amazon rain forest for cattle ranching and soybean production is a global environmental concern, and the IFC projects tried to promote "sustainable agribusiness management." The IFC sought to ensure through its loan conditions and advisory services that Amaggi and Bertrin would require strict tracing and documentation that all soya and beef they purchased would not come

from illegally deforested lands. The hope was that the companies would also then spearhead the greening of their competitors.

Amaggi ensured that no new deforestation occurred through its own farms and some suppliers, but the company had no capacity to identify the ultimate farm of origin for the large amounts of soya it purchased from many other intermediaries. An audit by the IFC compliance adviser and ombudsman found that bank management inadequately assessed the environmental risks of the activities financed by the Amaggi loans. Bertrin not only failed to make significant progress in ensuring its more than 600 suppliers were not providing cattle from illegally deforested lands, it also opened new slaughterhouses in the heart of the rain forest that were clearly catalyzing more deforestation.

The bank concluded that the IFC "wagered its reputation that these loans would tame, rather than encourage deforestation" — and lost. For one thing Amaggi and Bertrin are so huge that the IFC loans, of under a hundred million dollars, were relatively small

change and not essential for their expansion plans. Another factor is that the companies clearly were not interested in making the greening of their supply chains a priority. In 2009, the IFC cancelled the remaining disbursements on the Bertrin loan.

Meanwhile, Greenpeace Brazil launched an international campaign resulting in a "Soy Moratorium," a 2006 agreement between the entire industry and Brazilian and international non-governmental organizations. The moratorium avoids the complications of tracing supplier chain of custody by setting as a benchmark zero new deforestation, monitored by the improved remote sensing technologies of the Brazilian space agency. The prospect of competitors' taking advantage of one company's good behavior

was avoided. The bank report dryly observes that in the wake of its own failed strategy, "Greenpeace's participation as independent monitor lends credibility to the enterprise."

Greenpeace also launched a 2008 report and campaign, called "Slaughtering the Amazon," against marketing of beef and leather products produced in violation of Brazilian environmental and forestry laws. The campaign helped spur aggressive enforcement initiatives from independent federal public prosecutors and the Brazilian Environmental Agency against numerous ranches and slaughterhouses. Brazilian NGOs organized nationwide boycotts of supermarkets that continued to purchase beef from Bertrin and other illegally operating producers and processors, reinforced by threats of federal prosecution of supermarkets and wholesalers that bought illegally sourced beef.

Frustration with ineffective government enforcement of existing environmental laws led to World Bank efforts to create incentives for the private sector to adopt sustainable practices through trying to green the supply chain for soya and

beef. But the private sector strategy did not work. What finally succeeded was a combination of national and international NGO campaigning and pressure on buyers; together with aggressive legal enforcement strategies of Brazil's independent public prosecutors; combined with using remote sensing technology rather than old-fashioned chain-of-custody documentation to guarantee that soya and beef are not produced through illegal deforestation.

"This experience," the bank concludes, "could have important implications for palm oil, timber, and other markets."

Bruce Rich, an ELI Visiting Scholar, is an attorney and author who has served as senior counsel for major environmental organizations. His email is brucemrich@gmail.com.

Civil society campaigns and legal enforcement succeeded where the World Bank did not