The IDB Board of Executive Directors discussed the Independent Panel’s findings and recommendations, and IDB management’s response, on the Cana Brava Hydroelectric Power Project. The Board appreciates the level of effort and the seriousness with which the Panel performed its independent investigation. The Board notes that the Panel report reflects the views of the Panel and not necessarily the views of the Bank. The Board also notes the continuing attention and effort given by Bank Management to properly address the environmental and social issues associated with the project and claims presented under the IIM.

The Board took note that the Cana Brava complaint presented particularly complex IDB policy and implementation issues, particularly insofar as the project was executed by a private company in an area affected by economic and social problems before the initiation of the project.

The Board was not able to reach consensus on whether the Bank’s resettlement policies were violated and if such violation occurred whether there were material adverse effects. The Board recognized that a determination of whether the IDB violated its policies in the Cana Brava case is, in part, based on a judgment on whether the project itself had left people worse off. The Board recognized that such an assessment is difficult to make, as the area has experienced severe economic difficulties that have had an impact on rural and urban economic opportunities. The Board agreed that, in retrospect, some elements in the implementation of the Cana Brava resettlement fell short of best practices.

The IIM rests on the principle that the Board’s focus following these investigations should be on what preventive or corrective measures, if any, should be pursued by the Bank to apply its policies properly. In order to do so, the necessary measures have to be based upon the findings stated in the Panel Report and the associated Bank Management Response to the Panel Report. In this respect, and related to the Cana Brava
investigation, all the members of the Board support the Panel’s recommendations related to additional social and environmental safeguard staff and budget resources, sufficiently early resettlement component screening, and clarification of lines of communication and authority between PRI and Country Offices for PRI operations. The Board expects that IDB Management will continue to implement the actions as highlighted in the Bank Management Response.

The Board also unanimously supports the concept of complementary micro-regional development for enclave projects, as well as for non-enclave projects, as a positive added value that can be promoted by the IDB. The PRI working with the Regional Operations Departments, the countries concerned as well as other stakeholders, with due consideration to the availability of resources and of specific circumstances of the project, should ensure the exploration of such assistance in future infrastructure investments. The Board considers this to be best practice, but not a policy requirement for private or public sector projects.

In this context, the Board welcomed news of an initiative recently taken by several local companies, with potential support by the Multilateral Investment Fund, to develop an economic and social development fund to help address the broader economic and social problems in the area. Although not directly related to the Cana Brava project, this fund can help create opportunity and raise living standards in this poor area of Brazil.

The Board agrees with the stated Bank Management commitment to support implementation of the Cana Brava social audit recommendations, and appreciated Management’s report that a recently established local committee (including four representatives of the claimants, a local priest, a public attorney, and the project company) is acting to resolve the potential cases of additional compensation identified in the social audit.
The IIM policy provides that the Panel Report and the associated Bank Management Response to the Panel Report be released to the public, in accordance with the IIM Policy and the Policy on Information Disclosure.

The Board expresses its continued support to the principles of the IIM, and looks forward to reviewing, in the near future, a revised IIM policy – and associated procedures -- that captures the lessons of previous IIM cases in order to ensure the responsiveness and accountability of the IDB to the needs of all stakeholders involved.