

IIRSA

The Initiative for the Integration of Regional Infrastructure in South America

Action 2030 Policy Brief

Spring 2009

What is IIRSA?

Initiated in 2000, IIRSA is a continent-wide infrastructure construction project to physically link South America's economic, transportation, communication, and energy networks. It includes all twelve countries in the South American continent.

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What's happening and where?

The continent is divided into ten zones according to the physical features of the land and the identified infrastructure objectives of the region. Each zone is known as an 'axis,' or 'hub.'

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Who is funding it?

Quick facts on the Inter-American Development Bank, The Andean Development Corporation, The Japan International Cooperation Agency, KfW, Citibank, FONPLATA, BNDES, and others.

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What are the Issues?

Organizational issues, long-term feasibility and sustainability, environmental impacts, indigenous rights, civil society participation, transparency and accountability.

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What are the questions going forward?

Critical policy questions for the IIRSA technical and coordinating committees, national governments, international financial institutions, civil society, and impacted communities.

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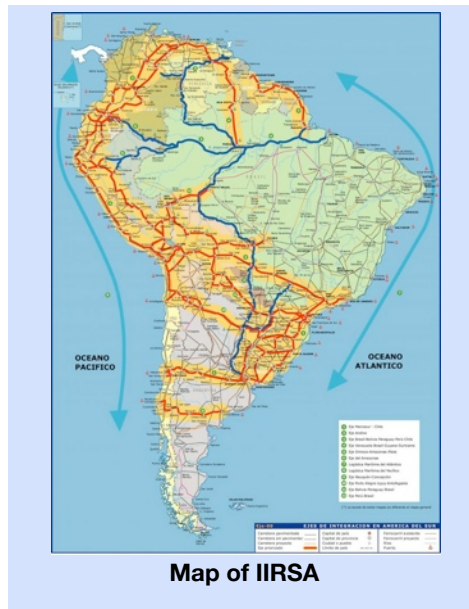
Where to find out more?

The Action 2030 Institute aims to broaden the scope of policy discussion by integrating new information and ideas from a range of formal and informal actors and institutions. Here is a complete list of references used in this report.

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What is IIRSA?

IIRSA is the **Initiative for the Integration of Regional Infrastructure in South America**. It is a regional integration and global connectivity scheme involving massive investment in infrastructure construction and expansion in all twelve South American Countries. The stated aims are to achieve "equitable and sustainable territorial development (2)" This means that the governments, banks, and contractors of Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Suriname, Uruguay, and Venezuela are participating in continent-wide construction of highways, dams, canals, railways, energy, transmission stations, airports and shipping ports (3). Currently, there are 514 identified projects, 335 priority projects, and the national governments are proceeding with 31, which are also financed at least in part by the Inter-American Development Bank (4,4a).



IIRSA is an effort to prioritize and advance conventional economic development in South America by facilitating trade, production, and natural resource exploitation as well as facilitating regional and global market access to remote areas rich in natural resources.

IIRSA has been highly controversial, with certain projects such as the Rio Madeira dam drawing the ire of international and local environmental, indigenous, agricultural, and human rights organizations. While IIRSA claims to take environmental and social issues into consideration (5), many groups argue that these measures are inadequate and without a full assessment of the cumulative impacts of IIRSA, it is impossible to avoid irreversible impacts on key ecosystems and populations.

When was it started? IIRSA was formally launched at the annual meeting of South American Presidents in 2000 (6). The idea to integrate all of South America for various purposes has been explored for decades, and several interstate and regional agreements already exist. The participants in the 2000 meeting framed IIRSA as an initiative to advance democracy, peace, solidarity, cooperation and development across the South American Continent (7).



Image available from <http://planettrailsfoundation.org/mapsandpicsofroad.html>

How is IIRSA organized?

Geographically

The **axis**, or hub, is the geographical and economic zoning of the South American landmass for the current and proposed IIRSA project. The ten hubs, which supersede national boundaries, were determined according to the current economic flows and predicted areas of future economic concentration and specialization. A basic level of infrastructure for transport, energy and telecommunications are planned for each hub.

Conceptually

There are two approaches to IIRSA. The first is to prioritize the

construction and expansion of **Integration and Development Axes**, or hubs, which 'are multinational territories involving natural spaces, human settlements, production areas, and current trade flow' in need of 'infrastructure investments [to] create new opportunities of sustainable development for the population of these territories.' (8) The second approach is to integrate **Sectoral Processes**. These 'are aimed at identifying regulatory and institutional obstacles that hinder basic infrastructure development in the region and at recommending actions to overcome those obstacles.' (9)

This means 'overcoming normative barriers and regulatory asymmetries' that lead to inefficient use of

infrastructure. The ultimate aim of the sectoral integration processes is to harmonize the policies, plans and legal and institutional frameworks among the twelve countries regarding the use of infrastructure. Included in these 'frameworks' are questions on information technology, border crossings, air transport, maritime transport, multi-modal transport, energy integration and financing (10). The driving priority behind the harmonization of these frameworks among the twelve countries is to increase the efficiency of the infrastructure, and hence the flow of resources among countries. The recommendations generated by the IIRSA working group have not yet been unanimously approved by the national governments.

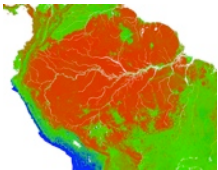
The Ten Integration and Development Hubs at a Glance:

The Andino, or Andean. This region, including Colombia, Venezuela, Peru, Ecuador, and Bolivia is home to over 30 million people (11). There are 10 telecom projects, 27 road and bridge projects, 9 rail projects, four river projects, 26 energy (electricity, oil and gas)-related projects, 12 legal and border-related initiatives, and 5 airport projects (12). Of these planned projects, three have been agreed upon by the five axis governments and two projects are currently being executed: a binational drainage project in Bolivia, and a Navigation project on the Rio Meta in Colombia at a combined cost of USD \$115.50 Million (13).



The Escudo Guianes, or Guyana Shield The Guyana Shield, a biodiversity hotspot, is distinguished by a 1.7 billion year old Precambrian geological formation in northeast South America that forms a portion of the northern continental coast and includes Guyana, Suriname, French Guiana, Northern Brazil and the southeastern half of Venezuela (14). In this region, there are 2 telecom projects, 19 road and bridge projects, 1 rail project, 3 dam projects, 4 river projects, 5 energy (electricity, oil and gas) related projects, and 2 port projects (15). Of these planned projects, 4 have been agreed upon by the axis governments and 1 is being executed: the feasibility study for the Boa Vista-Bomfim-Lethem-Georgetown highway at a cost of USD \$3.3 Million (16).

The Amazonas, or Amazon. The Amazon Hub is a lateral swath beginning at the Amazon river delta in Belem and extending westward along the length of the Amazon River to the Pacific coasts of Colombia, Ecuador, and Peru. Currently,



there is 1 telecom project, 8 road projects, 2 rail projects, 16 port projects, 2 dam projects, 19 river navigation projects, 4 energy projects, three legal and border-crossing initiatives, 6 airport projects, 5 logistics projects, and one environmental management project (17). Of these planned projects, four have been agreed upon by all participating governments and three projects are currently being executed: The Pasto-Mocoa project in Southern Colombia (18), the Paita-Tarapoto-Yurimaguas ports and logistics projects in Peru, and the Lima-Tingo Maria-Pucallpa roadway, port, and logistics project in Peru (19). The combined cost for these three projects is USD\$ 1.1 billion (20).

The Peru-Brazil-Bolivia. Covering 3.5 million square km, this is the largest geographical axis and contains 7 road projects, 5 dam projects, 4 bridge and river navigation projects, 3 energy transmission projects, 6 legal and border-crossing initiatives, and 3 airport projects (21). Of these planned projects, the three governments have agreed upon two, and one project is currently being executed: paving project the Iñapari-Puerto Maldonado-Inambari, Inambari-Juliaca/Inambari-Cusco roadway, at a cost of USD\$ 1.05 billion. (22). Blasting and exploration is underway for the Rio Madeira dam (23).



The Interoceánico Central, or the Central Inter-Ocean Axis, includes Brazil, Bolivia, Peru, Paraguay, and Chile. It includes 3 telecom projects, 21 road and bridge projects, 8 rail projects, 7 port projects, 4 airport projects, 1 energy transmission project, 12 border-crossing initiatives, and 1 environmental projection project (24). Of these planned projects, seven have been agreed upon by the five governments and five road projects spanning from Atlantic to Pacific are underway, at the combined cost of USD \$642.4 million (25).

The Capricornico, or Capricorn Axis. This lateral swath across the Tropic of Capricorn integrates Argentina, Bolivia, Chile, Paraguay, and Brazil. It includes 42 road and bridge projects, 16 rail projects, 6 port projects, 3 electrical



transmission projects, 9 border-crossing initiatives, and 1 dam project (26). Of these planned projects, two have been agreed upon but none are currently underway (27).

The Andino do Sul, or South Andes. This includes the southern half of South America's western coast in the countries of Chile and Argentina. No projects are currently planned (29).

The MERCOSUL-Chile. This axis includes Brazil, Argentina, Paraguay, Uruguay and Chile. It includes 26 road and bridge projects, 24 rail projects, 17 port projects, 7 airport projects, 11 energy-related projects including one nuclear and 4 dam projects, and 10 border-crossing initiatives (30). Of these planned projects, 7 have been approved and 5 are in execution, at a cost of USD\$ 3.5 billion (31).

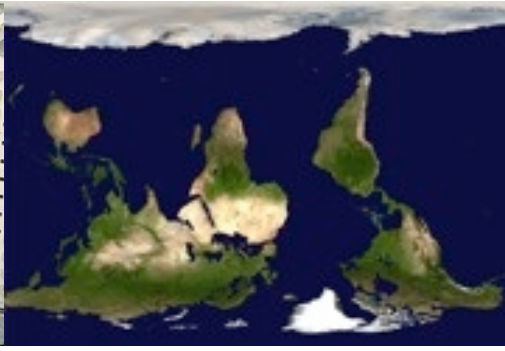
The Sur, or South. This smallest axis of 480,000 sq. km links Argentina and Chile with 11 road projects, 9 rail projects, 3 port projects, 2 energy transmission projects, and 1 border-crossing initiatives, (32). None of the proposed projects have been agreed upon, and none are currently in execution (33).

The Paraguay-Parana Canal. This axis emphasizes building waterways between Paraguay, and the state of Parana in



Southern Brazil. It includes Brazil, Paraguay, Bolivia, and Argentina, and Uruguay. None of the proposed projects have been approved for the current period, concluding in 2010 (34), but this area has the highest concentration of proposed road and river projects. It includes 19 road projects, 21 rail projects, 1 dam project, 21 river and canal projects, 5 telecom projects, 31 port projects, 3 electricity projects, 1 defense project, 1 gas pipeline project, and 10 forthcoming feasibility studies for canal and lock systems (35).

"IIRSA has identified, based on consensus of the regional governments, 514 infrastructure projects, with an estimated investment of 69 billion dollars."



Who is financing IIRSA?

According to the Technical Coordinating Committee of IIRSA, of the current USD \$21 billion invested in the priority projects, 62% has been allocated by the national budgets of the twelve member countries, 21% by the private sectors,



and the remaining from other financial institutions (36).

Principal infrastructure financing mechanisms in South America. The Agreement on Reciprocal Payments and Credit of the Latin American Integration Association (CCR) was created in 1965 to facilitate long-term financing for regional infrastructure projects. It is a multilateral compensation mechanism between the central banks of Argentina, Bolivia, Brazil, Colombia, Chile, Ecuador, Mexico, Paraguay, Peru, The Dominican Republic, Uruguay and Venezuela. Many regional institutions rely upon the CCR as a risk mitigation instrument.(36a)

The **Inter-American Development Bank (IADB)** is the largest financier to IIRSA outside of the budget allocations of the twelve member countries. It is supporting all 31 of the priority projects with USD\$6.4 billion dollars, approximately 10% of the current estimated investment. (37)

There are several major finance actors other than IFI's, including funds, networks, and hybrid institutions.

Regional Finance Institutions. RFIs are distinct from conventional IFIs because they are regional in focus and are

designed to be active in Latin America or in sub-regions within the continent.

Regional governments provide officials and oversight of their decision-making processes. Their primary focus is on conventional finance, funding infrastructure and energy projects, private enterprise growth, or technical cooperation (38).

The RFIs involved in IIRSA are listed here, and generally better known by their Spanish initials (in parentheses): The Andean Development Corporation (CAF), the Financial Fund for the Development of the River Plate Basin (Fonplata), the National Bank for Social and Economic Development (BNDES), of Brazil, and the Bank for Economic and Social Development (BANDES), of Venezuela. Although it is classified differently because it is part of the World Bank Group, the IADB also has many attributes of an RFI (39).

Fonplata, the Financial Fund for the Development of the River Plata Basin, is made up of Argentina, Brazil, Bolivia, Paraguay, and Uruguay. Generally, the fund supports pre-investment studies and technical assistance for large projects, although it also finances, guarantees, or endorses some works. Its base of operations is in Santa Cruz, Bolivia. At present, it has 14 projects ranging from business restructuring to paving highways, for a total of \$303 million dollars. Fonplata also maintains the Intergovernmental Committee for the Parana-Paraguay Waterway, an old infrastructure megaproject that is now an IIRSA Development Hub (40).

National Banks involved in IIRSA include the Brazilian National Bank of Economic and Social Development (BNDES) and

the Venezuelan Economic and Social Development bank (BANDES).



BNDES, created in 1952, is a public company of the Brazilian government under the Ministry of Development, Industry, and Foreign Trade. BNDES has a large portfolio; it is only slightly smaller than

the IADB. In 2006 it disbursed approximately \$24 billion, most to finance Brazilian production, consumption, exports, and business. BNDES has also taken on characteristics of an RFI, acquiring significant influence in IIRSA and other regional projects. It is financing all IIRSA projects in Brazil, including the gas pipelines and dams on the Madeira and Xingu Rivers (43).



On an international level, the BNDES promotes the "internationalization" of Brazilian companies through providing loans and brokering acquisitions and mergers. The bank finances Brazilian construction companies that operate in various Andean countries and provides loans for Brazilian companies to acquire local companies outside of Brazil (42). The BNDES 2006 report lists financing for several gas pipelines in Argentina for \$690 million, two hydroelectric dams, an aqueduct in the Dominican Republic, and the Maddén-Colon highway in Panama

that runs parallel to the Panama Canal. In addition, the bank acted as comptroller and financier of acquisitions for the Companhia Vale do Rio Doce (CVRD), helping make it one of the largest mining companies in the world (43).

BANDES has a different orientation. It was created under the Venezuelan Finance Ministry in 2001 to ‘Finance Socialism.’ As a financial extension of the government, it is used to support projects of economic decentralization and to stimulate private investment (44). It is also an instrument of foreign policy, emphasizing energy projects in Latin America. Although it requires that at least 50% of an enterprise be Venezuelan, it places more emphasis on complementary agreements as compared to BNDES which takes an explicit pro-Brazilian approach. Also, BANDES tailors its strategy from country to country based upon its human development index (45).



Hugo Chavez and Nestor Kirchner Discussing a trans-Amazon Oil Pipeline. 2008. <http://www.venezuelanalysis.com/analysis/environment>

Conglomerates and Private finance groups. The BNDES, in partnership with multilateral institutions (such as the IDB and the IFC/World Bank) and Brazilian private banks, announced in September 2008 the creation of the Brazilian Company of Projects (**EBP**), aimed at structuring and shaping infrastructure projects under the form of public

concessions and Public-Private Partnerships in Brazil and South America. The following eight banks are part of this company: Bradesco, Itau, Unibanco, Santander, Citibank, Votorantim, Espírito Santo and Banco do Brasil (46).

National and regional banks from elsewhere. This includes KfW from Germany, JICA from Japan, and EIB from the European Union.

KfW of Germany jointly funded the Cotapata-Santa Bárbara highway in Bolivia with the Interamerican Development Bank. The funding for this project began in 1994, but is now included among the completed IIRSA projects. 44% of the USD\$ 150 million was financed by the IADB, 20% by KfW, 14% by the Andean Development Corporation (CAF), and the rest through local counterparts (47).

JICA. The Japan International Cooperation Agency has signed several loan agreements with the twelve member countries for project- or sector-specific loans. In 2006, JICA signed a USD\$ 217.5 million loan agreement with the Secretary of the Environment in Paraguay to expand the Iguacu Hydropower project. Since hydropower is considered a ‘clean’ project, it is receiving CDM credits under the Kyoto Protocol. This is the first agreement that JICA has made to support IIRSA. Earlier agreements include major highway projects in Peru and Bolivia that were completed in 2005, now counted among the earlier IIRSA projects (48).

EIB. The European investment bank is a major lender to IIRSA, though mostly through indirect means. Since 1997, it has disbursed USD\$ 537.9 million in infrastructure-biased loans to South American Countries (49). Projects financed by the EIB must present “a mutual interest for both the country in which the investment is implemented and the EU.” In other words, loan must include concessions that are favorable to EU companies. According to Friends of the Earth International, the “joint ventures,” i.e. the EIB + European transnational corporations in Latin America has generated conflicts between

Latin American governments and private sector, put access to basic services at risk, and promoted the privatization of public services (50).

National Budgets. Each country has set up their own system for financing IIRSA. **Brazil**, for example, has created the Accelerated Growth Program (**PAC**), a new entity managed by the federal government to facilitate domestic and international investment in infrastructure and distribute revenues to the poorest Brazilians. Comprehensive information is not yet available online (51).



There is not a uniform, IIRSA-wide approach to guide each country’s methods for financing its projects,

which is in keeping with the initiative’s approach not to interfere with the internal affairs of any member country.

In addition to the standard approaches of incentivizing international and domestic financing and investment along with allocating government funds and subsidies, several national banks in South American countries have become ‘intermediary banks’ between large multilateral lenders such as the EIB, and specific infrastructure projects. This arrangement allows the recipient banks complete oversight of how the funds are disbursed, freeing up the international financial institutions from their obligation under adopted international standards of project-to-project monitoring and evaluation. This arrangement is exemplified in the EIB’s Global Loans, awarded to BNDES and CAF to be used for infrastructure (52). Beyond an initial expression of preference for how the loan is used, there is no required follow-up or assessment due on the part of the EIB. The PAC also acts as one of these entities, equipped to receive foreign investment and loans, and then disburse them at the discretion of the federal government. Several groups and organizations are alarmed by this institutional innovation because it is less transparent than direct project loans and poses new challenges for accountability and redress (53).

What are the issues?

It is difficult to conceive of any large-scale infrastructure project without generating a plethora of questions concerning the feasibility, long-term sustainability, and social and environmental impacts. A conclusive study on the overall feasibility and long-term impacts of IIRSA has not been undertaken, and it is unclear if it has been seriously considered. The issues that are generating the most public debate have to do with prospecting and execution of particular projects, like the Trans-Amazonian highway and the Rio Madeira dam complex. This section examines the claims of multiple parties concerning the current and anticipated social and environmental costs of IIRSA.

What are the stated benefits? The foremost stated benefit is of a more “open regionalism.” This is identified in a couple of ways. South America is already considered a fully integrated geo-economic territory, but internal trade barriers and infrastructure bottlenecks have been identified as obstacles to the region’s greater economic growth. Proponents of IIRSA assert that, contrary to facilitating resource extraction, regional integration will enable better retention and distribution of the benefits of trade within the region, and will protect the South American economy from global market fluctuations. Additionally, IIRSA supporters point to the necessity for creating a “Normative Convergence,” which is required to make infrastructure projects more feasible by encouraging dialogue between the countries’ regulatory and planning authorities in order to ensure compatibility. IIRSA proponents hope this convergence will have positive impacts beyond particular infrastructure issues because it will stimulate consensus and joint programs in other sectors (54).

At a recent presentation in Washington D.C., Mauro Marcondes-Rodrigues, IIRSA Coordinator at the Inter-American Development Bank, refuted claims that IIRSA is a mechanism to finance megaprojects, or a plan to speed up resource extraction from South America. Instead, he stated that IIRSA is a regional dialogue forum committed to realizing a sustainable development model through consensus among the twelve member countries. Nowhere in his presentation or in the IIRSA literature is there a clear statement on the means by which such a model will be realized, or through what mechanisms the dialogue forum is or will be expanded. Most problematic is a failure to acknowledge or discuss and address the potential opportunity costs of this initiative (55).

On the other side of this argument, Eric Gimenez and Lyra Spang of the Bank Information Center argue: “Infrastructure development in the name of regional economic integration poses one of the greatest challenges to environmental sustainability and social justice today. The initiative for Integration of Regional Infrastructure in South America (IIRSA) is a striking example of this new trend. IIRSA proposes a series of large-scale, explicitly high-risk (and debt-heavy) mega-projects that would result in extensive alterations to landscapes and livelihoods in the region. In this development framework, mountains, forests, and wetlands are seen as

barriers to economic development and rivers become the means for extracting natural resources (56).” Historically, big infrastructure projects in South America have been plagued by corruption, displaced rural and indigenous peoples often with little or no compensation, exacerbated deforestation, and contributed to large-scale migration. Opponents of IIRSA are not convinced that a mega-project overseen and executed by many of the same ministries and firms with poor social and environmental legacies will be fundamentally different from the past, or will benefit those peoples and regions that have traditionally been disadvantaged in big infrastructure projects.

Structural Concerns

A central claim of IIRSA is that under this initiative, that industry, governments, ecosystems, and people will all be the equal beneficiaries of South American integration. As a regional dialogue forum, IIRSA leadership is working to frame the initiative as something more than an organization that condones debate, rather, it is the forum in which the debate itself takes place. Yet little or no effort has been made to expand the dialogue to include regional expertise or incorporate the views of multiple stakeholders, with civil society engagement with the IADB suffering particular setbacks in 2008 (56a). Opponents point to shortcomings in the IIRSA model as evidence that it is likely to encounter serious inefficiencies, and will commit the same social and environmental offenses akin to those in the notorious *Polonoroeste* (Northeastern Brazil Integration Development Program) or the Camisea Natural Gas Project. These concerns include (57):

- Limited access to information about proposed projects and policy reforms;
- Weak environmental and social standards (which lead to inadequate mitigation programs);
- Limited or unenforceable institutional accountability;
- No mention of labor protections
- An absence of open and transparent means for civil society participation and input into the decision-making process;
- Inadequate or non-existent monitoring programs (see previous page);
- Little or no demonstrable links to poverty reduction or fairer economic distribution mechanisms.

Environmental Concerns

All IIRSA projects—whether under execution or in preparation—are subject to the environmental standards derived from current the national legislation in force in each country (58). The standard approach is to encourage “the use of a strategic environmental evaluation methodology...to draw a map, pinpointing environmentally sensitive areas, identify high-impact projects, evaluate their implementation timetables, and show how concerned actors play their part in the process

(59).”

The national coordinator of Kanindé, the Ethno-Environmental Defense Association based in Rondônia, that has been actively campaigning against the Rio Madeira dam complex on the grounds that it is illegal and threatens irreversible losses in biodiversity and human culture. At a meeting of the Indigenous People’s Congress at the World Social Forum in January 2009, she agreed that the national coordinating bodies have indeed undertaken the mapping process with great precision, but argued that mapping sensitive areas is useless if the companies and ministries are not required to respect and preserve the protected areas (60). In fact, she argued, the infringements on the biodiversity and indigenous protected areas is even more reprehensible because of the clear availability of precise, accurate information. Among the proposed projects, the Rio Madeira dam complex is perhaps among the more notorious because it is a case in which substantial legal and informational measures are failing to guide project implementation along a more sustainable, socially sound and environmentally responsible course because of collusion and a lack of enforcement power between private interests and state authorities.

The implication is, therefore, that despite improvements in surveying and documentation and progress in regulation, it is difficult to foresee a substantial departure from the social and environmental shortcomings of past infrastructure projects.

Social Concerns

The official IIRSA position on social concerns is unspecific, perhaps to accommodate the discrepancies in standards and regulation among the member countries. The website addresses the question with a general statement: “Participation of civil society in any initiative of this kind is deemed highly important and fruitful,” without discussing the means by which social concerns might be addressed (61).

It is difficult to identify examples of good faith efforts taken national IIRSA coordinators to expand civil society inclusion in accordance with basic international principles. In the same section referenced in the previous paragraph, the website continues: “Since 2004, workshops have been organized by the respective national coordinators in each of the twelve member countries so that IIRSA-related issues can be disseminated, among other purposes (62).” The workshops to which they are referring are the annual Strategic Vision Summits, which are not open to the general public, and in several cases, have excluded leaders of local communities, business, parliamentarians, local and municipal governments.

However, these are not the only public outreach events undertaken in an attempt to fulfill obligations to civil society. One particular case emerged in Brazil, where series of regulations concerning civil society participation and the principle of free and informed consent in development decision-making have long been in force, concerning the Jirau dam. Ivaneide Bandejas, the National Coordinator for Kaninde, recounts: “The companies brought cars and cars full

of people there [to the Jirau dam site] just to say that they wanted the dams. We [the local people] were really in the minority. And they didn't allow any of us to speak at all. We finally had to say to them, if you don't let us speak, we're going to make trouble.” (63)

Many of the proposed projects pose direct or indirect threats to indigenous communities and protected lands throughout South America, while reliable, regional mechanisms to address these threats remain elusive. The March 20, 2009 ruling of the Brazilian Supreme Court to uphold the integrity of a 6,560 square mile *Raposa Serra do Sol* in Northern Brazil signals a major victory for indigenous people in the territory, and sets a precedent for the hundreds of remaining indigenous land disputes in South America (64). It is an encouraging development for indigenous peoples throughout South America, not least because the supreme court justices treated this ruling as a basis upon which other similar cases and conflicts can be resolved. The ruling contains 19 conditions which are intended to govern decision-making in other indigenous land disputes.

Two of the nineteen conditions have immediate relevance for IIRSA and the ongoing dispute between certain projects and impacted communities, because they absolve the federal government of the obligation to comply with basic protections specifically intended for indigenous people when it comes to large-scale infrastructure development projects, most notable of which is the obligation to obtain free and informed prior consent before proceeding with large-scale projects or initiatives. Provisions six and seven of the Brazilian Supreme Court ruling stipulate that the armed forces can conduct operations deemed to be in the national interest without needing to consult the indigenous communities or FUNAI (National Indians’ Foundation), the overseeing organization. Additionally, the provisions allow road, transport, and communications network construction that are ‘in the national interest’ to be constructed at the discretion of the federal government without need for obtaining prior consent from the indigenous communities (65). While the ruling in favor of maintaining indigenous peoples’ lands is a major victory, these two conditions have immediate implications on the ongoing struggle between local communities and project authorities.

Feasibility, Transparency and Long-Term Sustainability

The DC-based *CG/LA Infrastructure LLC* conducted a survey of 600+ infrastructure executives in South America on key issues of integration, infrastructure and IIRSA in the context of the financial crisis for the December 2008 South American Integration Leadership Forum hosted by the Inter-American Development Bank. The results were striking. While the majority (98%) believed that infrastructure integration is critical for regional competitiveness, and (92%) believe that the participation of multi-laterals is important in financing the process, most (89%) had little or no familiarity with IIRSA (66). If most of the top 500 infrastructure decision-makers are not familiar with IIRSA, begs the question of how well IIRSA is

functioning as a regional dialogue forum, which raises legitimate concerns on the feasibility and transparency of the initiative.

The decades-long process undertaken to establish and integrate the European Union has often been cited by groups and officials who have expressed their concerns that similar care is not being taken with IIRSA (67). Many of the those who object to IIRSA do not do so because they are dogmatically opposed to trade or improved regional integration, but because they have serious concerns over how trade and construction is being negotiated in absence of a truly public dialogue forum that allows the development of consensus among all stakeholders, not just a few planning heads of state. Experts and concerned citizens alike who are unaffiliated with the select offices of the national planning and construction entities have been excluded from the project formulation and decision-making process (68), which could lead to serious shortcomings in planning expertise and undermine long-term sustainability. Questions and concerns on the feasibility and long term sustainability of the project include the following:

Many countries 'are not ready' for social, political, and economic integration, and would stand to lose more than they would gain because of poor or non-existent project monitoring bodies, few labor and environmental protections, and unbalanced power among the public and private sectors of member countries (69).

Regional integration is not a necessary outgrowth of global integration. Integrating globally without first harmonizing regional policy and regulatory standards may lead to greater regional inequality.

IIRSA is highly dependent on multilateral and bilateral bank loans for financing. What measures are being taken to keep the debt burden from spiraling out of control?

What measures are being taken assess whether recovering existing and destroyed infrastructure (such as railroads?) across South America would be more feasible than building new infrastructure through previously undisturbed territory? (70)

Ongoing Questions

Certain information is simply not yet available. This is partially due to IIRSA's claimed status as a dialogue platform above all else in addition to the unwillingness to interfere in any of the twelve member countries' technical and financial management of the mega-projects. This also speaks to the enormity of the task of coordinating detailed, accessible information among twelve countries. With sustained interest and demands for greater transparency, this situation is likely to evolve. Current ongoing questions include:

What measures are being taken to guarantee transparency and accountability in financing IIRSA?

What formal, legal channels exist for impacted communities to obtain information, express their concerns, and demand redress?

What proportion of the overall project is being financed by multilateral and bilateral banks outside of South America? What are the conditions of these loans?

What proportion of the twelve member countries' GDPs are allocated for this project? How does that compare to GDP allocations for other regional initiatives?

What proportion of proposed project are eligible for CDM credits?

To what extent are national banks and ministries financing IIRSA initiatives in countries outside their own?

To what extent is the IIRSA coordinating committee able to incorporate the latest policy, design, and engineering expertise into its plans and approach?

How will displaced persons be compensated?

How can the IIRSA coordinating committee be made more accessible?

What measures are in place to inhibit and punish corruption?

What measures are in place to prevent human and narcotics traffickers from exploiting further regional integration?

Does the coordinating committee intend to guide the 'normative convergence' on environmental, social, economic, and labor standards away from the lowest common denominator?

What is the overall environmental, social, and climate change impact of IIRSA?

What is the projected impact of climate change on the proposed projects?

To what extent does the IIRSA model of economic expansion and infrastructure-based development need to be rethought?

Where to find out more?

The IIRSA Website www.iirsa.org

BANDES www.bandes.gob.ve

The Bank Information Center www.bicusa.org

BICECA www.biceca.org

Inter-American Development Bank www.iadb.org

International Rivers Network www.irn.org

Friends of the Earth www.foe.org

Kaninde www.kaninde.org.br

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The Action 2030 Institute aims to broaden the scope of policy discussion by integrating new information and ideas from a range of formal and informal actors and institutions. Here is a complete list of references used in this report.

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Action 2030's Integrative focus on Aid, Development, and Environment

At Action 2030 our goal is to facilitate an integrative approach to policy discussions.

In the global conversations on improving livelihoods and decreasing greenhouse gas emissions, Action 2030 emphasizes that large-scale proposals should include a detailed consideration of potential long-term impacts to ensure a functional, sustainable future for everyone.

The process of formulating and implementing economic, development, and environmental policies is poorly understood, which limits opportunities to make important changes. Long-term policy efforts to achieve greater effectiveness and accountability of all aid agencies, as well as integrating affected communities into the decision-making process, is crucial to the evolution of a more just and sustainable aid regime.

In collaboration with other institutions engaging these challenges, we are evolving a new policy assessment tool to facilitate new thinking and policy innovation. If you want to participate, get more information, or to receive updates, email us at contact_us@action2030.org

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