

## SOCIAL IMPACTS – FROM CONFRONTATION TO DEVELOPMENT

*Antonio Fonseca*

### **Brookfield Track Record in Social Responsibility in Brazil**

Since the end of 2003, when it became operational with the SHPPs of Pedrinho and Salto Natal (PR), Brookfield Renewable has shown significant growth, increasing its power generation capacity of 61 MW to 700 MW at the end of 2013.

A big part of this growth process, around 300 MW became reality through the development and construction of 12 hydropower plants in different regions in Brazil. All these constructions were made in complete compliance with the local and Federal environmental laws and regulations, at the highest standards of health and work safety and operational excellence.

Brookfield Renewable owns and operates hydro facilities in small counties located far from large cities and frequently has to deal with communities that face social, environmental and economic hardships and lack of development opportunities.

Brookfield's approach to conducting business is intended to foster responsible partnerships for social development in the areas in which we operate assets and are fully committed to improving social and environmental practices.

This commitment to social responsibility and to sustainability is reflected in the different programs that the company undertakes in partnership with government agencies, non-governmental organizations and communities directly or indirectly linked to the company's operational activities.

These programs are a powerful instrument for supporting social, economic and environmental development, and, among others, we can mention the following:

- Granada power plant – Brookfield Renewable has invested in the implementation of a Waste Selection and Recycling Plant. This project, ongoing since 2007, when fully operational, will allow the proper disposal of the city's waste, part of it being recycled; part composted and the remaining going to a controlled landfill. The project satisfies a local need where, nowadays, waste is disposed of in dumps.
- Rio Carreiro Hydropower Complex – During the construction of the Carreiro Complex (Caçador, Linha Emília and Cotiporã SHPPs), there was an increase in the demand for local health services. This occurred due to the affluence of workers and its families attracted to the job opportunities. In addition to that, it is a fact that the region already has high life expectancy which generates a demand for elderly health care already outstripped by the available infrastructure. The São Roque Hospital of Charity, located in Dois Lajeados (RS), satisfied part of the demand, giving medical care to employees who worked in the construction. Through a partnership established with the hospital in 2008, Brookfield renovated its geriatric unit. The next step in this partnership is the construction of a new building to house a new area for elderly patients, which will start and be completed during 2011.
- Ponte, Palestina and Triunfo power plants – The social survey performed in the Pomba River Valley, where Ponte, Palestina and Triunfo SHPPs are located, revealed the need of a strong environmental awareness program to increase the

environmental standards of the communities throughout the region. To support this program, the company established a partnership with the municipality of Guarani, for the construction of an Environmental Education Center. The Center was created as a place where environmental education activities can be developed. The construction is already concluded and the facility is being managed by the local community, which has been trained to manage the project and make it self-sustaining. The management group has already created a non-profit organization to represent the project called The Environmental Education Center for the People of the Pomba River Valley (CEAVARP).

- Barra do Brauna power plant – Laranjal is a small city in the region where Barra do Braúna HPP is located. Standing in the margin of an important federal highway in Minas Gerais State, the city has a significant part of its population at social risk. The municipality began to invest in social projects to empower these people and create cooperatives that generate employment and income. Many projects were created and the City Hall rents places where these activities are being developed. Brookfield established a partnership with the town to build a facility to house all these activities. The objective of building a center for social, environmental and cultural activities in Laranjal is to support and facilitate these social initiatives and to provide training, leisure and entertainment not only for the Laranjal community, but also for neighboring cities.

Brookfield Renewable has been working with issues related to social and environmental responsibility in order to add value to the company by bringing it closer to external and internal stakeholders involved with our developments and with matters of interest to the company.

Getting closer to the communities is of vital importance to consolidate our reputation for social and environmental responsibility, which is based on an increasing awareness of the work carried out by the company in line with its principles and values.

The implementation of a range of environmental and social programs of both a compulsory (legal and environmental licensing requirements) and voluntary (social responsibility) nature as mentioned has strengthened Brookfield Renewable standing in the field of social and environmental responsibility and created value for the company.

### **Barra do Brauna Power Plant – The Confrontation**

Barra do Brauna project is a power plant that has been studied since the 1990's by a private developer, and has received all environmental permits in early 2000's. Since then, the developer delayed the implementation of the project due to shortage of resources. The implementation of the Social Assistance Plan approved in 2002 by the State Council of Social Assistance – CEAS, which is a legal requirement of the environmental licensing process, was also delayed. Nevertheless, the communities that would be affected by the construction of the plant were aware not only of the construction of the power plant, but also waiting the implementation of such plan.

Since 80's this private developer has been implementing several power plants in the Zona da Mata region and there were accusations of lack of transparency in the negotiation criteria with the many stakeholders evolved, mainly the social movements acting in the

region, which is one of the poorest regions of the state. It is a fact though, that at that time the environmental legislation was not established, and active participation of the communities in the discussion regarding implementation of infra-structure projects was not a legal requirement.

Since then, the government in Brazil changed from a military dictatorship to a democracy, and new legislation was created, giving the opportunity through legal instruments for the communities affected by infrastructure projects to raise its concerns and make its demands. This fact opened space for the creation of Social Movements aiming to defend the interest of the local stakeholders, and negotiate with project developers having the support of the legislation. Even though, the developer choose to continue to confront such movements, never allowing any kind of negotiation with social movements representing the communities, in any of the projects that it implemented, which leads to a history of almost 25 years of conflict on the region that reflects in the image of the company and its projects until now.

When Brookfield acquired Barra do Brauna project and decided to implement it, there was a Social Assistance Plan in place (approved by the environmental authority and so a legal requirement of the permit), and the decision made was to continue with the implementation of this plan as it was conceived. It is worth to mention that, as the project was acquired trough a bid process, a lot of the information about the social plan and the negotiation were not available at that time. Also Brookfield had no experience in development, construction and operation of projects in that region, and this fact supported the decision to continue with the implementation of the plan already in place. During the implementation of the plan some issues arose that led us to the actual situation such as:

- Social and economic technical survey performed for the definition of the affected families with a series of mistakes.
- Initial negotiations decided with a political bias to gain support from local authorities.
- Land survey performed not taking into account social issues.
- Lack of discussion with regional social movements and other stakeholders to reach an agreement with the affected communities.
- Lack of updating of the social survey, once there was a delay from the proposal of the Social Assistance Plan to the beginning of its implementation.

### **Long Term Solution – The Development**

The People Affected by Dams Movement known as “MAB”, is a social movement that dates back to the late 1980’s and was formed in south of Brazil, after the completion of Itaipu hydroelectric power plant to fight for the rights of the people affected by hydropower dams. At that time, during the military regime in Brazil, the usual practice was to expropriate the land needed for the reservoir by paying land value for the owners, but disregarding any other population that had its livelihood linked with the properties. At that time, as the power plants were built and operated by governmental companies, the area needed for the reservoir was declared “national security area” and if there was any kind of social turmoil, the army was called to solve it, removing the families in order to fill the lake.

MAB has close links with the Workers Party (PT) and is supported by some international NGO’s (IRN – International Rivers Network, WCD – World Commission on Dams). It grew

strong during the late 1980's and 1990's as the country slowly changed from dictatorship to democracy. The new Brazilian Constitution, issued in 1988, with strong Environmental rights, and establishing the need of public hearings for any project with significant environmental and social impact was a big leverage. With the ascendance of PT into power, the movement became a strong political stakeholder in the Brazilian energy agenda.

Since that time, the most successful stories of power plant construction, passed through the establishment of agreements with the affected population and local communities usually represented by commissions set up by MAB. This was the case for instance of Salto Caxias, Campos Novos and Dona Francisca power plants.

In the state of Minas Gerais, particularly in the Zona da Mata region (where Barra do Brauna and all other Brookfield Renewable's power plants in the state of Minas Gerais are located), MAB has a strong presence, with the support of the Federal University of Viçosa, a well regarded university and with a strong social activism due to its location (Zona da Mata is the poorest region of the state).

As mentioned before, previous owner has a history of confrontation with MAB in the construction of its power plants. They never even considered the movement as a stakeholder, and some times, during public hearings for the construction of some power plants there was physical confrontation with members of the movement being arrested and a real commotion in the small towns where the hearings took place.

MAB is not only a social movement, but now, mainly a political movement since some leftists federal and state house representatives and mayors were elected with its support. Being a political movement, the solution for the problem that MAB is causing for Brookfield in the Barra do Brauna power plant shall be a political one.

The first thing we have to demonstrate is that Brookfield is not the previous developer, since the ways that this company works in the region resembled in some degree the practices of past, and Brookfield Renewable had its social and environmental sustainability as a cornerstone of its growing, development and operations.

As Brookfield is implementing in Barra do Brauna region a social and economic development plan as part of the legal conditions stated in the environmental license, BNDES finance obligations and also with many voluntary programs, there is a good opportunity of getting close with MAB, and change the perception that the movement has of the company, finding a political solution for the situation.

The main actions that should be taken are as follow:

- Meeting with representatives of the National Movement to explain the situation;
- Meeting with Minas Gerais State governmental organizations (such as Environment, Economic Development and Social Assistance Authorities) to explain the situation;
- Meeting with MAB's local representatives to propose an action plan to solve the main issues regarding the power plant;
- Meeting with the president of the State Council of Social Assistance – CEAS to explain the proposal;
- Present the proposal for CEAS' Directory Board;
- Approve the proposal in the CEAS's plenary monthly meeting;

- Set up a commission with local authorities (Mayors, Public Ministry, Environmental Authority, Social Assistance State and Municipal Committees, Community leaders and other relevant state governmental authorities), representatives of the social movement (MAB) and Brookfield. This commission would have as main objective:
  - Settle all the claims (legal or not) that are still pending;
  - Discuss and supervise the implementation of the projects foreseen in the social and economic development plan.

The main tool to solve the problem is the action plan that has to have the capacity of deliver some political gain for MAB and change the perception that some members of the community have of Brookfield.

We also have to be sure that the action plan does not back fire on us (meaning recognizing indemnification for people that were not affected). For this we have to prepare this plan using all the tools already in place (projects being developed, indemnification criteria already defined by the State Social Assistance Committee, agreements and contracts being implemented and to be implemented with local actors such as municipalities, military policy and NGO's). The idea is to have the action plan well defined before start the discussions with the commission and then close the negotiation with a formal agreement.

#### **Time Line for Main Actions**

- Meeting with representatives of the National Movement to explain and discuss the situation – March 4<sup>th</sup>.
- Meeting with Minas Gerais State governmental organizations (such as Environment, Economic Development and Social Assistance Authorities) to explain and discuss the situation – March 4<sup>th</sup>.
- Meeting with MAB's local representatives to propose an action plan to solve the main issues regarding the power plant – March 4<sup>th</sup>.
- Meeting with the president of the State Social Assistance Commission – CEAS to explain the proposal – March 4<sup>th</sup>.
- Present the proposal for CEAS' Directory Board – March 9<sup>th</sup>.
- Approve the proposal at the CEAS's plenary monthly meeting– March 18<sup>th</sup>.
- Set up a commission with local authorities (Mayors, Public Ministry, Environmental Authority, Social Assistance State and Municipal Committees, Community leaders and other relevant state governmental authorities), representatives of the social movement (MAB) and Brookfield – April 20<sup>th</sup>.

#### **Conclusions**

At the end of this process is important to note that the identification and evaluation of social liabilities is very important in the early stages of the development of any project. When this instrument, which in this case can be stated that was fundamental to solve the problem, is used in the correct manner and at the right time can avoid a lot of problems preventing major financial and also social consequences for the developer, consequences that may even derail the project.

It is also important to note that this instrument should be used through a thorough job of public consultation in the early stages of the project, which although not a legal requirement (doing it exhaustively) is crucial to reduce the social risks that may arise in during the deployment and implementation.

All this process of identifying and evaluate social liabilities trough a thorough work of public consultation in the early stages of a project in most cases has to be done voluntarily by the developer since it is not a legal requirement in the identification of impacts process. This kind of voluntary action (a clear mark of the social responsibility of a company) demonstrate that sometimes not only attention to impacts, but a strong position regarding social and environmental responsibility can be the difference between feasibility and unfeasibility of a project.