## World Bank shelves vote on Brazilian loan

By Nancy Dunne in Washington

THE World Bank has put off indefinitely a vote on a key \$500m (£280m) loan to Brazil's energy sector.

The move could jeopardise \$600m in additional commercial bank financing promised under Brazil's \$5.2bn debt rescheduling accord, activated last September. A \$450m co-financing loan from Japan was also contingent on World Bank approval of the sectoral loan.
However, there have been

suggestions that the commer-cial bank loans may be made contingent on other World Bank financings.

World Bank approval of a \$500m loan to Electrobras, Bra-zil's power agency, had been expected last month, but Mr Peter Riddleberger, a World Bank spokesman, said the loan has been taken off the Bank's calendar and negotiations had foundered over the issue of Brazil's nuclear energy programme. However, talks with the Brazilians were said to be continuing.

The World Bank has had an unstated policy of refusing loans to nuclear projects. Brazil's nuclear plants are particularly controversial because of safety concerns and because Brazil has not signed the nuclear non-proliferation treaty, which means its research programme is closed to international inspection.

The energy sector loan was under negotiation for 18 months, Mr Riddleberger said, but it was not until late in the talks that World Bank officials were told that in a government restructuring, Electrobras would be given responsibility for Brazil's nuclear sector.

"We have told them we can't

finance a scheme with a nuclear component," Mr Riddleberger said. "We're at an impasse."

On Monday, US <u>Senator Robert Kasten</u>, a Wisconsin Republican, made public a letter to Mr Barber Conable, World Bank president, warning that approval of the loan would create "a storm of controversy on Capitol Hill and around the world."

The financing, he said, would mean "the unnecessary destruction of thousands of acres of tropical rain forests and displace a commensurate number of people."

He was also concerned that support for the loan would in, in effect, reverse the World Bank's policy of refusing support for nuclear projects.

The US Director to the World Bank opposed an earlier loan to Brazil's energy sector because of threats to the environment and concern that the project would not protect thousands of indigenous Indians who were to be moved out of the way of the development.

An aide to Senator Kasten said plans were under way to seek allies among other World Bank directors if the loan were to come to a vote without environmental safeguards.

Concern about Brazil's human rights and environmental policies has been heightened since the murder of Mr Chico Mendes, a union organiser of rubber tappers, in the Amazon last month. A bi-partisan delegation of US senators and congressmen is expected in Brazil tomorrow, where they hope to meet President José Sarney and may visit Mr Mendes's grave.

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