

*Via electronic email*

March 22, 2024

Paracel Project Team  
IDB Invest  
1300 New York Avenue  
NW Washington, D.C. 20577

Dear Mr. Mazzei, Mrs. Miller, and Mr. Parodi,

We are writing to follow up on our meetings with you in October and November 2022 and March 2023 regarding IDB Invest's Paracel project ([13258-01](#)). The risks and impacts we warned you about are now becoming reality. Therefore, we strongly urge IDB Invest to take action towards its client and fulfill its responsibility as a financial institution.

We raised the [concern](#) that Free, Prior, and Informed Consent (FPIC) had not been properly implemented with all affected indigenous and other local communities. We highlighted the case of a project-impacted indigenous community being classified as "non-affected" after they refused their consent to the project and the related consultation. As far as we know, this issue has not been addressed.

We have also recently learned about further problems with Paracel S.A. On one side, the Finca N° 22, with an area of 15,178 hectares belonging to Paracel S.A., overlaps with areas of the lands of Finca N° 573 (see **Annex 1 and 1.1**). However, the finca N° 573 was identified as a public property that belongs to the Institute for Rural Development and Land (INDERT, Instituto Nacional de Desarrollo Rural y de la Tierra) and aimed to support smallholder subsistence farmers in the area. In 1974, the land was expropriated from Pancracio Giménez by the dictator Alfredo Stroessner (1954-1989), through decree N° 9264, of September 25 in favor of the Instituto de Bienestar Rural (IBR) (then renamed INDERT) for reasons of utility and social interest, to establish the Sgto colony. José Félix López (see **Annex 2 and 2.1**).

There is a cadastre problem because there is an overlap of titles for the same land. Paracel didn't do the necessary due diligence, as they are now occupying lands that belong to the INDERT. The Campesino families located in the District de Sgto. José Félix López (ex Puentesíño) are being pushed out of Finca N° 573 from the areas that overlap with Finca N° 22.

On the other hand, Paracel S.A. also occupies about 752 hectares of land in the finca N° 573. According to local communities, that area, "Estancia la Hermosa," was illegally acquired by Paracel from a cattle rancher company. Paracel S.A. started deforesting natural forests to plant Eucalyptus.

In addition, according to cadastral records, changes are observed between January and March 2024 in the registers and properties belonging to Paracel. Since March 2024, the owner in the records is no longer Paracel, but FINEXPAR.

Furthermore, local people living in those lands informed us that Paracel S.A. is removing remaining fragments of natural forests to expand its eucalyptus plantations, and pesticides sprayed into the air are affecting the health of local communities. Testimonies of local people also report that Paracel's eucalyptus plantations in the district generate drought, drying up streams and estuaries, causing loss of wildlife, and destroying the soil quality. They also pointed out that deforestation occurs on the lands irregularly occupied by Paracel (see **Annex 3**).

We also learned that Paracel S.A. publicly says that the families of District de Sgto. José Félix López are sharing false information because Paracel did not occupy public land (see **Annex 4**). In addition, at least four individuals from the community received a warrant for arrest for invasion of property.

Also, the Paraguayan state security forces established a military camp in front of the territory in dispute. Their duty is to evict people if the area is occupied again by the campesino families (see **Annex 5**). According to our experience, reprisals often escalate over time, and this regularly starts with smear campaigns or stigmatization, which are used to delegitimize a defender's character or motivation. The presence of a military camp in an atmosphere of reprisals increases risks of sexual exploitation and abuse. Also, development projects occurring in the context of unclear land tenure – where there are competing claims to land or natural resources and/or where local communities have not received recognition of their collective rights – carry a high risk of reprisals. In this context, escalating conflict and using warrant arrests against local people is a form of reprisal. The [IDB Invest's Environmental and Social Sustainability Policy](#) (2019) includes specific commitments not to tolerate reprisals, such as threats, intimidation, harassment, or violence, against those who voice their opinion or opposition to IDB Invest financed projects. For more information, read [here](#).

In several meetings with IDB Invest management in 2022 and 2023, we highlighted serious risks due to the social context of Concepción. We recommended that IDB Invest require Paracel S.A. to conduct a contextual risk assessment to effectively prevent risks connected with land grabbing and the exacerbation of social conflicts and vulnerabilities.

As it is IDB Invest's role and responsibility to make sure that its client is in compliance with IDB's Sustainability Policy, we strongly urge IDB Invest to take the following measures:

- Have Paracel develop a reprisal prevention and mitigation plan for the project, including measures for reprisal-sensitive stakeholder engagement and grievance mechanisms, and enhanced monitoring.
- Demand that Paracel publicly retract the allegations that it has made, with a public communicate also to be posted on the same social media that spread the aforementioned allegations (**See Annex 4**).
- Put measures in place to prevent Paracel S.A. from further a) clearing remaining areas of natural or regenerating forest and b) applying pesticides in any way that may negatively affect surrounding communities or ecosystems and downstream water basins.
- Conduct a full contextual risk assessment to prevent exacerbating further conflict, looking at local historical/ongoing conflicts and issues specific to the sector, contractors, and local population. The assessment should include a public, open, and inclusive process

of social conflict mapping involving all the affected communities to identify previous abuses in the land acquired by Paracel S.A. and prevent future cases of unclear land acquisition.

- Take the opportunity presented in this project by working with Paracel to help them develop a strong set of standard operating procedures (SoPs) in line with the core principles of the [Accountability Framework Initiative](#) to:
  - a) Apply due diligence in land acquisitions,
  - b) Confirm there have been no land-grabbing or other abuses in acquiring the land subsequently sold to Paracel S.A.,
  - c) Commit to avoiding land grabbing or buying lands that might involve the eviction of local people from those lands, even if they don't have the land title, and
  - d) Prevent Sexual Exploitation and abuse in and around their projects.
- Submit an allegation to the Office of Institutional Integrity if IDB Invest finds evidence of Paracel engaging in any fraudulent practice.

We request a meeting with you and the team to discuss the issues mentioned above. We look forward to hearing from you.

Sincerely,

Environmental Paper Network

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Bank Information Center

Instituto Maira

Axial

FortaleSer