

THE WORLD BANK'S NEW INDIGENOUS POLICY: A Change in International Economic Development Strategies.

BY

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Indigenous leaders throughout the world have expressed the opinion that the World Bank, and other international financial institutions, should become more directly involved in providing loans and grants to indigenous populations for their economic development. The recently established Bank policy concerning tribal populations will now test the wisdom of the indigenous leaders' demands. In May 1982, the World Bank published its first major "tribal policy" as a guide for making loans to its member state governments entitled: Tribal Peoples and Economic Development: Human Ecologic Considerations. The 111 page World Bank policy document was written by Robert Goodland of the World Bank Office of Environmental Affairs, OEA/PAS. David Maybury-Lewis of the anthropological group Cultural Survival, Raymond Noronha, Rebecca Latimer, and Francis Lethem made contributions to the final document. It is our intention in this article to review the major points of the policy and comment on its implications for indigenous populations.

Release of the World Bank tribal policy is both timely and significant in the light of the world-wide recession and the emerging political activism among indigenous populations within the international arena. That many countries like Mexico, Brazil, Australia, Peru, Bolivia, Chile, India, Indonesia and China are currently indebted to the World Bank, International Monetary Fund, various regional banks and private banks, means they will be directly affected by this new policy. That many of these countries are bordering on default to lending institutions, but eager to borrow still more money, makes this new policy even more important for indigenous populations.

As we shall explain below, the World Bank's tribal policy may well become the most important tool for political and economic leverage available to indigenous populations as they work to achieve greater economic and political freedom from external exploitation. Until now, indigenous populations have been able to apply only "moral" and limited political leverage on nation-states to gain "domestic" concessions. Where indigenous populations like the Naga in India, Papuans in West Irian,

Quiche in Guatamala, Yanomamo of Brazil and Basque of Spain have been compelled to use confrontations and violence to win their freedom, the Bank's tribal policy may become a potent new weapon. It may provide indigenous populations an opportunity to apply real "economic" and political leverage from outside nations-states, within the framework of the international financial system.

We shall further demonstrate how this new international policy may also become a major new weapon for state-governments to accelerate economic and political assimilation of indigenous populations into dominant or controlling national societies. Indigenous leaders who will ignore the World Bank's new loan policy will do so at their own peril, and the peril of their peoples. The internal economic development policies of industrial states and developing states are already being affected by the World Bank's new tribal policy. We urge in this article that indigenous leaders become familiar with the World Bank and the international monetary system so as to better understand the motivations of state governments as they selectively deal with indigenous populations. Sudden changes in state policies toward indigenous populations may be a direct result of the World Bank's new tribal policy.

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#### Background on the World Bank (WB)

The World Bank (its chartered name is the International Bank for Reconstruction and Development - IBRD) was originally established at the end of World War II as a mechanism to finance post-war reconstruction of Europe. The WB was established to make long-term, low-interest loans to nation-state governments.

During the 1950's the WB shifted its focus from European reconstruction to making loans to Third World or "developing countries" for basic development projects. WB loans have been primarily concentrated on the development of roads, dams, power plants, telecommunications, ports

and railways -- providing the foundation for growth of private (often foreign) corporations in industry and mining. (Lappe, Collins, Kinley: 1980: p.172) Annual loans have increased 67% since 1973 when they totalled \$2.051. In 1982 the World Bank made loans of \$10.33 Billion. Twenty - four percent of the total 1982 loans emphasized agricultural projects while transportation absorbed 14%, power (hydroelectric and petroleum) 13%, and industry received 12%. Nearly \$1. Billion was loaned to merely permit eight countries to pay the Bank for debt services on past loans. These countries were able to avoid default through this bookkeeping loan and payment process. (WB Report: 1982: p. 123) The total medium-term and long-term debt of developing countries has grown from \$60 billion in 1970 to \$465 billion in 1981. (WB Report: 1982: p.24)

The WB is theoretically controlled by a board of governors; each of the 142 member countries is individually represented on the board. In reality, 20 Executive Directors and the WB President (the Bank President is selected and appointed by the President of the United States) actually control the World Bank and manage its day-to-day operations. (Lappe, Collins, Kinley: 1980: p. 171) Voting power in the WB is defined according to each country's ownership of stock. The United States has the greatest voting power because it owns 20.61% of the total stock. Several U.S. allies: United Kingdom, 6.09%; West Germany, 4.15%; Japan, 8.00%; France, 4.14%; Canada, 2.68% and Italy, 4.61% have sizable voting power. (WB Report: 1982) Their combined voting power with the U.S. represents 50.28% of the total stock held by member countries. In other words, seven countries or 5% of the total WB membership control more than half of the total voting influence in the World Bank. Interestingly, corporations from the seven most influential WB countries tend to be the major beneficiaries of "bank loan foundation work" for development in developing countries.

The Soviet Union and its allies (with the exception of Yugoslavia, Romania and Vietnam) are not members of the WB. This is due to the WB requirement that its members must first become a member of the International Monetary Fund (IMF). The Soviet Union declined membership in the IMF shortly after it was formed in 1946. Despite not being a member of either the WB and IMF, the Soviet Union, its allies and their own multi-

national corporations have used the "system" to advance their own trade and development interest through member countries. As a supplement, the Soviet Union has increased its borrowing from Western banks to the point where its external debt has climbed to nearly \$20 billion (US). (Sardenberg, "Veja" Sao Paulo, Brazil: 1982)

The World Bank is a profit-making institution which posted its net income at \$407 million (US) in 1979 on gross revenues of \$2.4 billion (US). In 1982 the WB increased its net income to \$598 million (US) on gross revenues of \$3,372 billion (US). (WB Report: 1982) It divides its profits between its reserve funds and its grants to the International Development Agency (IDA). The IDA is an "independent" lending and granting institution established in 1960 to extend credits (the same as loans only at a lower interest rate and longer grace period) to "less developed countries" -- countries with an annual per capita gross national product (GNP) of \$581 or less. The World Bank staff administers IDA. The WB is linked with domestic banks throughout the industrial world and regional development banks, as well as the International Monetary Fund. It is this linkage throughout the global financial community that binds all of the nation-states into a mutually dependent family despite differences in ideology. It is because of this economic "interdependence" that the World Bank has become such a powerful economic and political influence in the world. Decisions made in the chambers of the World Bank in conjunction with the International Monetary Fund have come to determine governmental political decisions.

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THE WORLD BANK'S INDIGENOUS POLICY

Following more than a year of preparation, the World Bank issued: Tribal Peoples and Economic Development: Human Ecologic Considerations. This policy flows from the recognition among World Bank Directors that: indigenous groups experience extensive social, economic and political dislocation as a direct or indirect result of WB supported development projects (dislocations which threaten their survival); and, indigenous claims to land and other rights have become an abstacle to World Bank and state government strategies and projects -- preventing successful completion of projects or causing costly delays. To reduce or eliminate

the negative impact of WB projects on indigenous populations, and to reduce the chances the indigenous populations will continue to obstruct or delay development efforts, the World Bank has instituted a policy which will attempt to resolve both problems.

What does it say?

The policy document begins by making two basic statements to explain why the World Bank found it necessary to establish a policy concerning tribes and borrowers with tribal populations:

"Increased attention by the World Bank to the design of project components appropriate for the recuperation or restoration of a tribal society -- including welfare survival; and preservation of tribal groups -- is merited for several reasons. Failure to design components of projects to benefit these poorest of the poor in developing member nations widens the gap between nationals and the tribal people, and may even result in the destruction of the tribal peoples. ... The problem is large in numbers of tribal groups and will worsen as the national population grows, and as ever more marginal land is tackled by development. Another major justification for the Bank's concern is the great potential value of tribal knowledge of management of marginal lands: an increasing investment opportunity contributing significantly to the dominant society."

(Emphasis added.)

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"Other reasons for such special attention relate to the vulnerability of projects affecting tribal people, Bank policy on the social design of projects, and national and international legislation.

"Failure to understand customary tribal rights to land will result in considerable implementation delays. ... Tribal groups may also, at some future date, resort to legal actions to claim reinstatement of their original territories or compensation for loss of these lands, if acquired in a manner inconsistent with acceptable customary laws and practice. There is ample precedent for this in recent cases -- for example, in the States of Wisconsin, New York, Maine, and Washington in the United States, and in Australia and Papua New Guinea."

(Goodland: World Bank. 1982: pp.10-11)

The Bank policy is clearly "moral" and "economic" at its root, and not concerned with the political rights of indigenous populations. Its moral foundations are similar to those that drive the Summer Institute of Linguistics (SIL) and the Cultural Survival organization. The basic premise of this moral view is that : Progress

is inevitable and the objective must be the eventual assimilation of indigenous peoples into the national system, and the preservation of ethnic identity. This view has been described as the "conservative-humanitarian" view. ( Bodley: 1982: p. 192) This moralistic perspective complements the essentially economic interests of the World Bank.

Since the World Bank is a profit-making business, of the trans-national variety, its principal motivation is making a profit, promoting capital formation, expanding the market economy and promoting development towards these ends. In the more remote regions of the world, as well as in many of the more populated regions, capital expansion by corporations is being made less expensive for raw material development as a result of World Bank development loans to state governments. The major obstacle to road development and other basic development efforts in these remote areas is tribal populations. International Human Rights legislation and wider global consciousness of indigenous populations prevents the World Bank from simply ignoring the wholesale destruction of indigenous groups. It is, therefore, more preferable to promote the market economy in the name of progress while aiding in the process of assimilation.

#### World Bank Policy Abstract:

The policy document cites three alternatives which represent the range of options for dealing with indigenous populations. These include: "total enforced isolation of the tribal groups allowing no change", and rapid and complete assimilation resulting in the loss of the tribe's identity", and, the "intermediate policy" alternative of cultural autonomy which "allows the retention of a large measure of tribal autonomy and cultural choice." Ignoring a fourth alternative: political autonomy; the World Bank adopted the intermediate policy. For the intermediate policy to succeed, several conditions are noted in the document as essential:

"National governments and international organizations must support rights to land used or occupied by tribal people, to their ethnic identity, and to cultural autonomy.

"The tribe must be provided with interim safeguards that enable it to deal with unwelcome outside influences on its own land until the tribe adapts sufficiently. (emphasis added)

"Neither the nation nor the nontribal neighbors should compete with the tribal society on its own lands for its resources."

(Goodland: 1982: p. 28)

The goal of this World Bank policy is to produce the following outcome:

"A tribal population that forms a recognized and accepted ethnic minority -- one component of an ethnically pluralistic national society;

as such, this ethnic minority maintains its traditional way of life, more or less modified in accordance with the preferences of the tribal population itself;

the tribal economic system progressively evolves from pre-contact subsistence to a sustained-yield agro-ecosystem with the production of a surplus on occasion." (Emphasis added)

(Goodland: 1982: p. 28)

The World Bank has established this policy for all of its member states. Its central focus is, of course, on those states which have identifiable tribal populations within their boundaries. To implement this policy the WB has established several "operational steps" required of borrowers, which we outline as follows:

1. Country Economic Analysis and Sector Work

The World Bank prepares an introductory and basic economic report which includes an assessment of a country's economic and social structure. Knowledge and general locations of tribal groups that may "constrain development strategies or projects, or that need special attention" is recorded to assist designers of proposed bank supported projects.

2. Project Identification

"If the presence of tribal people in the general region is identified, and a decision is made not to relocate the project to avoid the tribal area, then reconnaissance by (intermediaries) appropriate anthropologists would be necessary before project preparation." Consult the "state tribal agency" (i.e. Bureau of Indian Affairs, U.S.; Department of Aboriginal Affairs, Australia; Department of Social Welfare, Indonesia; Consejo Nacional de Asuntos Indigenos, Costa Rica; Instituto Nacional Indigenista, Mexico; Tribal Welfare Institute, India; Division de Comunidades Nativas de la Selva, Peru; etc.) or non-governmental tribal organizations within the State for comprehensive and detailed information.

### 3. Project Preparation

State government staff or agencies (including consulting firms) concerned with project preparation must have "specialist indigenist" advisors to evaluate the information collected about the tribe. Project preparation teams should furnish a profile of the affected tribal society and an assessment "of the possible impact of the project on the tribal peoples". The Bank will aid the applicant country in its efforts to establish a Project Preparation Facility and locate international or bilateral sources of financing to establish the facility.

### 4. Appraisal

Determination is made by the Bank as to the adequacy of the tribal component prepared by the applicant country as a part of its project proposal. Three areas will be evaluated: i.) reviewing the measures proposed to mitigate the impact of the project on the tribal people; ii.) assessing whether there are risks that the tribal people might interfere with project implementation; iii.) assessing the ability of the tribal agency to implement the proposed tribal component.

### 5. Negotiations

The Bank and the applicant country must agree on the details of the tribal component of the proposed project. Consideration will be given to the possible need for new "domestic" state legislation and administrative rules which may be needed to ensure the success of the project.

(Goodland; World Bank, 1982: pp. 33-34)

The WB tribal/loan policy appears on the surface to be open and supportive of indigenous interests. The policy document spells out the intention to establish "procedures to ensure the survival of tribal peoples, and to assist with their development". Indeed, the policy is not wholly inconsistent with the recently proclaimed views of the World Council of Indigenous Peoples. (WCIP Third General Assembly, 1981, Canberra, Australia) (WCIP submission to EcoSoc: UN Third Development Decade) But, unlike the WCIP's view the World Bank policy steers clear of any consideration of tribal political rights, and the real probability that tribal groups do not desire to become integrated or assimilated into a surrounding national society. Furthermore, the World Bank implicitly considers only state political jurisdiction, and explicitly recognizes the value of indigenous lands and technical knowledge to non-indigenous societies. The Bank

ignores tribal political jurisdiction and tribal laws, and ignores the great importance that tribal technology has for the welfare of indigenous groups themselves. ~~The obvious problem with this Bank policy~~

The major concern of the Bank's policy is the tendency for indigenous groups to oppose state development projects which infringe upon tribal peoples, territories and natural resources. Indigenous groups become a significant obstacle (politically, legally and physically) to the development and timely completion of WB supported projects. Tribal land claims and natural resource interests compete with the interests of the state. Such competition is inherent in their parallel political existence. Tribal assertions of original rights have caused slow-downs and actually stopped the construction of dams, roads, electrical lines, communications facilities and port facilities. Borrowing states experience costly delays, and more importantly, these countries fail to demonstrate their capacity to complete Bank supported projects in a profitable way. The WB policy is fundamentally aimed at "safeguarding tribal rights" while simultaneously easing tribes into the mainstream economic system, thereby, reducing the likelihood that they will act as obstacles to development projects. Development in this context simply means slow dismemberment of tribal societies while advancing "market economy" goals in the name of inevitable progress.

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#### WB Policy Implications for Indigenous Populations

Of the more than 200 million indigenous peoples in the world, about 97% are located within the boundaries of Third World countries. Many of these countries are heavily indebted to the World Bank, International Monetary Funds, Regional Banks and private banking institutions. These countries rely heavily on international loans, grants and credits to prevent collaps of their respective economies; they are most directly affected by the WB tribal policy. Countries like Mexico (with an external debt exceeding \$80 billion (US)), Brazil (\$70 billion (US)), Costa Rica (\$4 billion (US) and the country with the highest per capita debt in the world) also have sizable indigenous populations.

As a result of the global recession, countries like Mexico, Brazil and Costa Rica have experienced serious downturns in the value of their currency and the value of their export products. Earnings from exports constitute the major source of revenue to pay-off the growing debts. Un-

able to increase export revenues, Third World Countries are forced to seek extensions on existing loans, and borrow more money to support new development projects which will help diversify their economies. Under the World Bank tribal policy, these debt-ridden countries can no longer undertake development projects with WB help at the expense of indigenous territories and indigenous peoples without their consent.

In many instances, Indigenous populations which vigorously oppose country development projects may literally hold a whole country hostage to gain certain economic and political concessions. Indian Tribes in Costa Rica, for example, could literally prevent the development of a World Bank supported power generating dam and, thus, cause Costa Rica to default on its loans. If the countries of Mexico, Brazil, Guatamala, Peru, Venezuela and Panama were caused to default on their outstanding external debtes (totallying an estimated \$165 billion (US)) the global economic system could simply collapse. The effect of financial collapse on indigenous communities would be minimal; largely due to the fact that an estimated 99% of indigenous economies are not integrated into the global "market economy". It is mainly due to this circumstance (long considered a disadvantage) that indigenous populations are such a formidable obstacle to economic development projects throughout the world. The paradox created by the World Bank's tribal policy is that the "poorest-of-the-poor" can exercise enormous economic power through the manipulation of World Bank loan guidelines, and by obstructing World Bank supported development projects to gain economic and political concessions for their own benefit. In many situations around the world, state governments have become victims of the economic system which they have long advocated. The World Bank Tribal Policy can become a powerful economic tool for indigenous populations to force state governments to bend to their economic and political interests. Indigenous populations may be the key to implementing the Declaration for a New International Economic Order, while giving rise to a new international political order where even the smallest nations -- indigenous nations and tribes -- can become active participants among the family of nations.

Indigenous populations have only recently begun to use "moral" and "political" leverage within the international arena to promote their own interests, and to modify state government behaviour toward indigenous populations. They have begun to experience, but limited successes. The World Bank's policy may now be used as real economic leverage to promote political change. Ofcourse this opportunity is dependent upon the extent

to which indigenous leaders can mobilize their own limited resources, and the extent to which they can depend upon non-indigenous help. The Bank policy can certainly be turned against indigenous populations if they lack the capacity to assert their will within the international community.

WB Tribal policy Implications for States Governments:

State governments enjoy the real opportunity to turn the WB policy into an economic and political bonanza by manipulating tribal populations. They can use political interference, financial "buy-offs" and military suppression as "domestic" tools to force tribes to support State development interests. Such actions can erode indigenous capabilities to oppose development projects. State governments and their multi-national corporate associates can create an economic and political climate which convinces indigenous communities that it is in their own best interest to support World Bank supported projects. Promises of money, health facilities, educational facilities, and state government grants of limited political jurisdiction over lands and natural resources have historically been used to sway indigenous communities to accept encroachments by state governments and corporate economic interests.

Indeed, the World Bank has conveniently offered to assist state governments in the establishment of Project Preparation Facilities (See point #3 on page 8 above), and require a project mitigation "tribal component" to be built into project proposals. Such project mitigations can simply provide the means to draw and indigenous groups into the "market economy", increase indigenous dependence on the state economy, and cause internal economic dislocation within the indigenous community. This method of removing tribal groups as economic and political obstacles has been effectively used by South Africa, Norway, United States, Canada, Soviet Union and Australia. While, in these states there remains considerable resistance among indigenous groups, the market economy has been used quite effectively to erode indigenous opposition to state and corporate development plans. Meanwhile, indigenous populations have been forced into smaller enclaves, politically and economically assimilated or completely dismembered and extinguished. State governments like Brazil and Chile are likely to accelerate their the destruction of the Yanomamo and Mapuche, respectively, under the new license provided by the World Bank.

## WB Policy is a double edged Sword

The World Bank Tribal Policy can serve as a doubled edged sword with possible benefits and disadvantages to indigenous peoples and state governments. If indigenous populations have not seen the necessity to leverage concessions from state governments through the use of international tools in the past, they are now forced by the World Bank's action in May 1982 to recognize that their homelands and peoples are now directly threatened by an international action which will be used against them. The WB policy can either be used by indigenous leaders to protect and preserve the rights and interests of their peoples, or they can permit state governments to take advantage of the new policy and use it against indigenous peoples.

The irony is that the WB policy creates a situation where indigenous populations and Third World countries (both economically desparate and suppressed) are forced into confrontations which can spell the economic and political destruction of one or the other. The major beneficiaries of such confrontations will be industrial states and multi-national corporations. This will be particularly true if Third World States win the confrontations. In actuality, neither indigenous populations nor Third World States can win unless they both agree to respect one another's right to politically and economically exist as distinct nations. Mutual coexistence in persuit of a new international economic order and a new international political order is what both must require, While an international monetary collapse may ultimately benefit indigenous populations, they cannot win military confrontations against state governments. An international monetary collapse may seriously disrupt state governments, but they can win violent confrontations against indigenous populations. The World Bank Tribal policy may increase global conciousness regarding the necessity for all nations to reorder their economic and political goals. In a way, all peoples are victims of an economic and political system globally which no longer serves human need. The World Bank's Tribal Policy is symptomatic of the greater need to re-evaluate the idea of development and the basic goals for humankind.

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