

**The Politics of Policy Compliance:
The World Bank and the Social Dimensions
of Development**

by

Eva Treneice Thorne

B.A., History
Harvard University, 1989

SUBMITTED TO THE DEPARTMENT OF POLITICAL SCIENCE IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF

DOCTOR OF PHILOSOPHY IN POLITICAL SCIENCE
AT THE
MASSACHUSETTS INSTITUTE OF TECHNOLOGY

JUNE 1998

© 1998 Massachusetts Institute of Technology. All rights reserved.

Signature of
Author: _____

Department of Political Science
May 1, 1998

Certified by: _____

Joshua Cohen
Alfred and Ruth Sloan Professor of Political Science
Thesis Supervisor

Accepted by: _____

Barry R. Posen
Professor of Political Science
Chairman, Graduate Program Committee

MASSACHUSETTS INSTITUTE
OF TECHNOLOGY

JUL 27 1998

LIBRARIES

ARCHIVES V.1

The Politics of Policy Compliance: The World Bank and the Social Dimensions of Development

by

Eva Treneice Thorne

**Submitted to the Department of Political Science
on May 1, 1998 in Partial Fulfillment of the
Requirements for the Degree of Doctor of Philosophy in Political Science**

ABSTRACT

Institutions and public bureaucracies adopt guidelines to govern their operations. The existence of such policies does not guarantee that they will be complied with fully, consistently, or at all. What determines whether or not a policy is followed by an institution? This dissertation conducts an empirical study of the World Bank's social impact policies on involuntary resettlement and indigenous peoples to answer these questions and to generate and test hypotheses that should be applicable to a broad range of cases involving institutions and policy adherence.

The study also reviews cases brought before the Inspection Panel, which the Bank set up to allow project-affected populations a channel through which to bring claims of Bank policy non-compliance. Finally, it includes an analysis of the 1993 - 94 Bankwide Resettlement Review, an internal portfolio-wide review that assessed Bank compliance with the involuntary resettlement policy.

The findings suggest that there are four critical factors that affect Bank actions: 1. internal organizational structure; 2. internal advocates of policy compliance, who tend to be social and environmental scientists; 3. NGO-generated protest, and; 4. upper-level Bank Management. Social impact policies tend to conflict with the Bank's primary mission and institutional incentive structure, which are oriented toward rapid project/loan development, approval, and disbursement. When compliance with such policies occurs, it tends to be partial, and is driven by combinations of internal and external pressures (NGOs). External pressure generates internal incentives and counterweights, which become independent variables that shape the terrain on which successive conflicts over social impact policy compliance occur.

Thesis Supervisor: Joshua Cohen

Title: Arthur and Ruth Sloan Professor of Political Science

CONTENTS

ABSTRACT	P. 2
ACKNOWLEDGMENTS	P. 4
Chapter	
1. THE WORLD BANK AND THE DYNAMICS OF POLICY COMPLIANCE	P. 5
2. REVIEW OF THE LITERATURE	P. 44
3. EXPLAINING POLICY COMPLIANCE: RESEARCH DESIGN, CASES, AND HYPOTHESES	P. 75
4. INVOLUNTARY RESETTLEMENT: POLICY AND PRACTICE	P. 104
5. THE BANKWIDE RESETTLEMENT REVIEW: THE INTERNAL DYNAMIC OF POLICY COMPLIANCE	P. 161
6. THE WORLD BANK, INDIGENOUS PEOPLES, AND THE POLITICS OF ETHNODEVELOPMENT	P. 223
7. THE WORLD BANK'S INSPECTION PANEL	P. 310
8. CONCLUSION	P. 384
SOURCES CONSULTED	P. 397

ACKNOWLEDGMENTS

First and foremost, I thank the Lord for the opportunity to study, learn, and to struggle to integrate my understanding of Christian faith with intellectual thought. The process has been both a challenge and a tremendous blessing, for which I am grateful.

I also wish to thank my dissertation committee, Professors Joshua Cohen and Myron Weiner, both of whom provided me with timely and useful feedback and encouragement. A special thanks is due to Jonathan Fox, the third committee member, who has been a wonderful teacher, mentor, and friend to me over the years. The Social Science Research Council's International Predissertation Fellowship Program, the Institute for the Study of World Politics, and MIT's Center for International Studies provided me with fellowships that made this dissertation possible.

I would not have completed graduate school had it not been for my faith community and family, Azusa Christian Community, which supported, nurtured, and loved me since I joined in 1986. Their prayers, support, constancy, and commitment have provided me with the stability and security I needed to complete this degree. I never thought that such a group of special, brilliant, and dedicated people could exist, and I thank God they do. In particular, I thank the Reverend Eugene F. Rivers, III, who has been not only my pastor, but also my first and most important intellectual mentor. Dr. Tiffany Cunningham, Jackie Rivers, and Jay Scott have been blessings to me in ways in which they could not begin to imagine. I am grateful for their friendship, understanding, and indulgence.

Aimee Thompson has been a wonderful listener and support, helping me through the last stages of this dissertation with humor and patience. Ram Manikkalingam helped me at critical points during both the writing of this dissertation and throughout graduate school. I thank him for his warm friendship.

My extended family deserves a special word of thanks, especially my sisters, Sherri, Roz, and Karen, who never lost faith or confidence in me. My godmother, Nellie Mason, has been a wonderful source of constancy, wisdom, and sweetness.

This dissertation is dedicated to the memory of my parents, Elliott H. and Hazeltyne H. Thorne, who developed in me a deep love of learning and achievement for which I will forever be grateful. Their lives were examples of dedication, commitment, and excellence, and I am blessed to have had them in my life.

CHAPTER 1
THE WORLD BANK AND
THE DYNAMICS OF POLICY COMPLIANCE

I. Introduction

1.1 The World Bank and The Social Dimensions of Development

In the early 1980s, reflecting growing international concerns with development-related human and ecological damage, the World Bank began to develop and adopt policies to better integrate social and environmental concerns into its lending practices and projects.¹ Bank-assisted infrastructure projects,² viewed by many as modern symbols of and vehicles to economic development, growth, and progress, have contributed to the proliferation of these social impact policies because of their association with large-scale negative effects on the environment and project-affected populations. The Bank's Board of Executive Directors approved the first such operational manual statement (OMS) to govern the institution's resettlement operations in 1980.³ The policy was revised and strengthened in 1986 and 1990, and is currently being reformatted.⁴ In 1982 the Bank introduced a policy to regulate its projects' impact on indigenous populations, which was

¹ The Bank was established during the Bretton Woods meetings in 1944. Its original mission was to assist in the post-war reconstruction of Europe. The institution's influence expanded to developing areas in the 1950s, eventually becoming the most important multilateral development bank (MDB). Under the leadership of former Secretary of Defense, Robert S. McNamara, the Bank became more technocratic, and began to focus on poverty alleviation. During the late 1970s and 1980s, the international environmental movement gained visibility and began to draw attention to the Bank's contribution to ecological destruction, while the institution declared itself to be a leader in global environmental protection. The Brookings Institution recently published a two-volume history of the World Bank: Devesh Kapur, John P. Lewis, and Richard Webb, editors. The World Bank: Its First Fifty Years, Volumes 1 and 2, (Washington, DC: Brookings Institution Press, 1997).

² Examples of these projects include hydroelectric dam and irrigation schemes, thermal plants, highway, and road construction.

³ For a history of the policy's evolution, see Daniel Gibson. "The Politics of Involuntary Resettlement: World Bank-Supported Projects in Asia," Ph.D. Dissertation, Duke University Political Science Department, 1993, pp. 108 - 144.

revised in 1991.⁵ Additionally, from 1989 - 1991, environmental policy reforms resulted in OD 4.01, which governs environmental assessment. NGO pressure contributed to the development of the environmental assessment policy.

These policies are relevant because they helped lay the groundwork for the next cycle of reform that occurred in the 1990s. In addition to the strengthening of older policies, two new reforms stand out. The Bank's Board approved an information disclosure policy in 1993, and the Inspection Panel, which is a public appeals mechanism, both of which came into effect in 1994. These reforms have been hailed by supporters and critics alike as important provisions for human and ecological protection. Despite the existence of such stringent policies and the evidence of some institutional responsiveness to the social dimensions of development, the Bank still has a negative reputation with respect to these issues, in part because these guidelines often are not followed. These empirical realities raise conceptual issues.

1.2 *The Problem*

Studies of policy reform have tended to focus on issues such as policy generation and policy change. What has been less explored is the issue of policy reform *compliance*, which addresses the critical question of what happens *after* a policy comes into existence and must be acted upon. Compliance refers to following a policy's stated guidelines. For example, if a policy requires that an environmental impact assessment of a development project be conducted and it is not, then the policy has been violated, and is an instance of

⁴ The 1980 policy was entitled: Operations Manual Statement (OMS) 2.33, Social Issues of Involuntary Resettlement in Bank-Financed Projects, February 1980. It was reissued in 1990 as Operational Directive 4.30, Involuntary Resettlement, June 29, 1990.

non-compliance. Compliance occurs if an *objective* and *adequate* assessment is conducted. Observations of institutional behavior reveal that actual compliance with guidelines does not always occur, but may be partial and vary over time and across cases. For academics, explaining and understanding policy compliance speaks to institutional politics in ways that overlap with but are analytically distinct from issues such as policy formation and institutional learning. Measuring, assessing, and theorizing about reform compliance probes inside an institution and its behavior to explain when, why, and to what extent an institution follows its guidelines, an issue that is not directly addressed by either theories of policy change or the literature on organizational change.

The question of policy compliance is not merely an academic one, but has significance for the daily lives of millions of people. In the case of guidelines governing the use of certain chemicals in industrial products, for example, lack of compliance may lead to serious public health hazards. Or, in the case of policies for development projects, lack of compliance may be associated with loss of cultural heritage through forced displacement, impoverishment due to loss of economic livelihood, and damage to ecosystems. For example, one of the most controversial and highly publicized World Bank-funded projects is the Narmada dam, for which the multilateral development bank (MDB) provided \$450 million in loans on concessional terms to the Government of India. The dam, its associated canals, and other infrastructure threaten to eventually displace more than 200,000 people, including tribal groups, which are particularly vulnerable economically, socially, and culturally. An independent group commissioned by the Bank

⁵ The 1982 statement was entitled, Operational Manual Statement (OMS) 2.34, Tribal Peoples in Bank-Financed Projects, February 1982. It was reissued in 1991 as Operational Directive 4.20, Indigenous Peoples, September 1991.

to investigate the extent of Bank guideline compliance revealed flagrant violation of its social and environmental impact policies.⁶ Had these policies been followed, it is possible and even probable that the level of human suffering would have been lessened - and the project may not have been funded at all. Rather, thousands of poor villagers saw their farmlands and houses destroyed under the dam's rising reservoir waters, frequently with no or inadequate provisions for their relocation. People's economic livelihoods were interrupted as a result of their forced eviction, which had a negative impact on their capacity to feed their families and meet daily expenses.

Another well-known case is the Polonoeste debacle, in which the Bank loaned the Brazilian government funds to pave a road running through the Amazon rainforest and to provide social infrastructure to facilitate regional development. The indigenous groups who inhabited the area of the project experienced cultural dislocation and the invasion of their lands by outsiders eager to benefit from the government-sponsored development program. The Bank's indigenous peoples policy (as well as other environmental impact policies) was in place during early project implementation and was systematically ignored. The stakes involved with policy non-compliance are high in human terms, financial terms (economic viability of projects), and in terms of the Bank's reputation. These empirical cases raise important conceptual questions.

1.3 Research Questions And Primary Hypothesis

⁶ For a complete analysis, see Morse, Bradford and Thomas Berger, Sardar Sarovar: The Report of the Independent Review (Ottawa: Resource Futures International, 1992). Noteworthy is the fact that Bank documents and Bank staff both concur that Narmada was "hardly the worst case," in terms of its violations of social and environmental impact policies.

Institutions and public bureaucracies adopt guidelines to govern their operations. The existence of such policies does not guarantee that they will be complied with fully, consistently, or at all. What determines whether or not a policy is followed by an institution? What can be learned about the dynamics of policy reform compliance and institutional reform more generally? What are the general patterns and factors that determine policy compliance? These are the broad, conceptual questions that guide this dissertation, which examines cases that are a subset of all Bank policies - cases of those policies that appear to conflict with either past patterns of behavior or dominant institutional priorities, or both. The Bank's primary institutional identity and mission had been associated with issues of economic growth and poverty alleviation. The institution is challenged with addressing a conceptualization of development that now includes social dimensions. An empirical study of the World Bank's social impact policies will be used to answer these questions and to generate and test relevant hypotheses that should be applicable to a broad range of cases involving organizational behavior and policy adherence, informed by the understanding that compliance is not an all-or-nothing proposition, but occurs on a continuum from non-compliance to full compliance. This is a critical conceptual issue in light of the "do no harm" and "do good" approaches that now inform the Bank's social impact policies - known as "safeguard" policies that Management has identified as institutional priorities.

The institution-specific questions to which this study will turn include: Why and when does the World Bank follow its social impact policies? Why does it do so in some cases and not in others? In cases in which NGO protest has been a factor, what have been its effects, both positive *and* negative? To what extent has compliance been the result of

internal staff's initiatives? The hypothesis that expresses this expectation and the dissertation as a whole is: *Bank compliance with its social impact policies is most likely when internal and external pressure shift the institutional status quo away from non-compliance, and create the necessary political will in upper-level Bank actors to empower internal reform advocates who press project staff to enforce guidelines, thereby altering the prevailing institutional incentive structure.*

The proposed questions will be applied to an empirical analysis of the involuntary resettlement policy (OD 4.30), indigenous peoples policy (OD 4.20), and the Inspection Panel (IP), created to review and assess Bank compliance with its policies and procedures. The Panel serves as a forum for the complaints and grievances of project-affected groups, which present allegations of Bank policy and procedure violations before it. Borrower non-compliance can not be investigated by the Panel. In the operations and politics of the Panel the distinctions between and issues concerning compliance and implementation are readily apparent. Disentangling these areas has become a key task of the Panel. Both the policy case studies and the IP analysis seek to understand how internal and external pressures interact with one another, creating leverage for internal reformers to address non-compliance. While such action may change Bank but not necessarily borrower behavior, the focus of this study is the Bank.

1.4 *Explaining Compliance*

One possible indicator of the narrowing of the gap between Bank policy and practice is the fact that the majority of the projects that have generated public protest are

older projects, peaking before 1992, with many clustered in the 1980s.⁷ For example, a main reason the Bank declined to support the Three Gorges Dam in China is because of the scale of resettlement, which will entail the forced displacement of more than one million people.⁸ Moreover, the Bank has not funded a large dam in Indonesia since the 1985 Kedung Ombo dam, which generated controversy. It is unlikely that the Bank will fund large dams in India, given the protest generated in past projects, such as Narmada and the Singrauli power plant.⁹ The fact that such projects are less likely to be funded in the current Bank operations may be an indicator of greater compliance with the social impact policies, or it may be evidence of a new approach. A possible unintended consequence of NGO protest of Bank-assisted large dams is the increasing number of coal projects funded by the Bank. Some Bank actors argue that the Bank's attitude is "we can't do hydro anymore, so we'll do coal." Further empirically-based research that analyzes portfolio trends is necessary to establish this definitively. Coal projects are arguably worse than many large dams in terms of negative social and environmental impact. If there is any validity to this explanation of the shift in Bank lending, then it raises the question of the possible limits of NGO protest strategies.

To address these research questions, it is necessary to take into account two levels of analysis: the first, related to Bank compliance in past and current projects, and; second, the "pipeline effect." The brief answer to the question concerning the extent and quality of compliance is that the social impact policies are followed sometimes and partially. Partial

⁷ See Table 2: "Controversial World Bank Projects Influenced by NGO/Grassroots Protest," in Fox and Brown, editors., *Ibid.*, p. 13

⁸ February 12, 1998, author's email correspondence with Bank staff.

⁹ The Bank continues to support small dams in India.

or non-compliance is widespread because the institutional mission and incentive structure of the Bank do not have at the core a focus on issues such as forced displacement and indigenous peoples.¹⁰ The Bank is a lending institution first and foremost, while the social impact policies are *new* additions, mandates, and tasks that are not easily reconcilable with such a mission or identity. The expectation is that consistent and thorough integration of social impact issues as measured by extent and quality of policy compliance will be low *unless the incentive structure changes in such a way that redefines these policies as priorities.*

There are two pathways to policy compliance: one is through internally-generated political commitment, either on the part of project managers, though usually through Senior Management (who in turn pressure project managers), while the second and more common path is through external protest in the form of northern, advocacy-oriented non-governmental organization (NGO) lobbying, which in turn, creates internal pressure for policy compliance.¹¹ In both cases, the *status quo* - low, partial compliance or non-

¹⁰ The literature on the question of Bank culture, and on the addition of new tasks and functions to existing organizational mandates is extensive and will not be rehearsed here. For more analyses, see Michelle Miller-Adam's, "The World Bank in the 1990s: Understanding Institutional Change," Ph.D. dissertation, Columbia University, 1997), which uses international relations literature and organizational theory to explain why and how the Bank changes. Miller-Adams analyzes three agendas taken on by the Bank in the 1990s: governance, private sector development, and participation, and sets out to explain varying degrees of incorporation. See also Robert Wade's chapter, "Greening the Bank: The Struggle Over the Environment, 1970 - 1995," in The World Bank: Its First Fifty Years, op. cit. and Paul J. Nelson, The World Bank and Non-Governmental Organizations: The Limits of Apolitical Development, (NY: St. Martin's Press, 1995); Cheryl Payer, The World Bank: A Critical Analysis, Philippe LePrestre, The World Bank and the Environmental Challenge, (Susquehanna Press, 1989), and Philippe G. LePrestre, "Environmental Learning at the World Bank," in Robert V. Bartlett, Priya A. Kurian, and Madhu Malik, International Organizations and Environmental Policy, (Westport, Connecticut: Greenwood Press, 1995), pp. 83 - 102. For an internally generated report that offers a critical analysis of the Bank's performance and institutional culture, see Portfolio Management Task Force, Effective Implementation: Key to Development Impact, (Washington, DC: World Bank, September 22, 1992), known hereafter as the Wapenhans Report. Willi Wapenhans, formerly a high-ranking Bank manager, headed the Task Force that researched and wrote the report.

¹¹ This study builds on several years of research under and study with Professor Jonathan Fox. This formulation of internal - external factors stems directly from his work. The particular terms "internal reform advocates" and "internal reformers" are his, though I use them liberally throughout this dissertation. See Jonathan Fox and L. David Brown: The Struggle for Accountability: The World Bank, NGOs, and Grassroots Movements, (Cambridge: MIT Press,

compliance- is effectively challenged. Implementation of policy changes (at the level of the Bank) that are at variance with primary institutional incentive structures, missions, and identities are inherently partial, and tend to be driven by mixes of internal and external pressures. The external pressures in turn influence the internal pressures by creating new internal (dis)incentives and counterweights (such as increased numbers of social scientist analysts, the information policy, the Inspection Panel, the central Environmental Department, among others). These internal changes, which serve to alter the incentive structure, can then become self-perpetuating, and can lead to policy compliance in the absence of direct external pressure.¹²

The second, more macro-level answer to the question of the extent of Bank compliance with its social impact policies involves the “pipeline effect,” which “. . . refers to the process whereby the Bank is simultaneously supporting on-going projects that result from past decisions made under one set of rules and incentives, while designing future projects under a different set of rules.”¹³ An approach that allows for an analysis of the types of projects the Bank is funding well *after* the adoption of reform policies is a good indicator of institutional change over time. Taking a long-term, broader view of Bank response to its social impact policies is also useful because “[a]s a huge, internally decentralized institution, all of its policy changes--not just social and environmental

forthcoming 1998). Southern NGOs also are actors in lobbying initiatives, but the focus of this study is on northern NGOs because they have privileged access to information, the media, Bank actors, and parliamentary appropriations committees that affect the World Bank.

¹² I am grateful to Jonathan Fox for helping me to make this argument clearer. One Bank anthropologist who expressed a more cynical view of these internal changes, commented that s/he was: “[n]ot sure that they are effective factors of change in the incentive structure since this is an internal marginalization of ENV and Task Managers.” (Undated notes written to the author in April 1998).

¹³ Jonathan Fox and L. David Brown, “Conclusions: Assessing the Impact of NGO Advocacy Campaigns on World Bank Projects and Policies,” chapter 13 in Fox and Brown, editors. The Struggle for Accountability, op. cit., p. 37.

concessions to protest--take years to influence actual funding flows and produce tangible results on the ground. To the degree there will be change, it will be partial -- requiring analysts to attempt to assess degrees of change.”¹⁴ [Emphasis in the original.]

1.5 *The Compliance Continuum*

In order to understand the question of Bank compliance, the term must be further disaggregated. For example, both the Bank’s indigenous peoples and resettlement policies have several requirements, the sum total of which would, if followed, constitute full compliance. Compliance, however, may be partial, meaning that not all requirements are fulfilled. Since improvements in compliance levels that result when the Bank takes action later in the project cycle (especially if such efforts occur late in the implementation phase) will be unlikely to reach full compliance, it is important to identify and determine along which dimensions of the policy it is occurring. For example, the resettlement policy requires that income-generating schemes be provided for displaced populations. If such a plan did not exist before project implementation began, but was eventually developed and applied, then compliance along that particular dimension has increased. If other aspects of the resettlement policy were not followed before, and remained the same after retrofitting efforts, then compliance along those particular dimensions did not occur. A similar process of compliance disaggregation is necessary for the Bank’s directive on indigenous peoples. One major component of the policy involves the filing of an indigenous peoples development plan (IPDP), which should outline the range of social infrastructure needed to mitigate adverse development consequences for indigenous populations, including, for

¹⁴ Ibid., p. 1.

example, mobile health posts. If no such plan is filed prior to project implementation, and is created after, then compliance along that particular dimension has increased.

Of course such measures are inexact, as the examples cited address the *extent* of compliance but not necessarily the *quality* of compliance, which, if analyzed after efforts to improve it, may translate not into improved project performance, but rather, a lessening of the damage resulting from non-compliance. For example, issues of partial compliance arose in 1993 Bank-funded Planaflo project that was designed to address social and environmental devastation associated with the earlier Bank-assisted Polonoroeste project. With respect to the project's Amerindian component, part of which involved the provision of social services for affected indigenous groups, the Bank's Inspection Panel's "Report on Additional Review" of the claim filed by Brazilian affected groups and NGOs, commented that "[t]he design of the Amerindian component appears to have complied with much of Operational Manual Statement ("OMS") 2.34 except for the central problem that no forum was created for direct participation of Amerindians in the project planning, design and implementation."¹⁵ Participation of such groups should have helped generate community projects for economic development, for example. These projects proved to be problematic, and might have had a better chance of succeeding had this aspect of the policy been followed at the outset. The result of non-compliance along this dimension of the policy also had a *qualitative* impact in terms of project outcomes that bear directly on Amerindian populations. To the extent possible, this study will disaggregate the policies to examine the dimensions along which greater compliance occurred, and will also attempt to measure

¹⁵ Inspection Panel, "Request for Inspection Brazil: Rondonia Natural Resources Management Project (Loan 3444-BR) Report on Additional Review," December 8, 1995, p. 17. This case will be covered extensively in Chapter Seven.

the qualitative effects, though an ex-post evaluation will be necessarily speculative. While limited, such an exercise is still useful. A central assumption of policies, whatever they are, is that following them will result in some positive benefit, while violation of them *should* lead to some negative consequence.

1.6 *The World Bank and the 1987 Reorganization*

In 1987, the Bank underwent a reorganization, which provided institutional levers for pro-reform actors both within and outside the Bank through the creation of the Environment Department and the hiring of social scientists for regional divisions.¹⁶ In 1993 the Bank approved the creation of the Vice-Presidency for Environmentally Sustainable Development (ESDVP), which

supports Regionally managed operations in Agriculture and Natural Resources, the Environment, and Transportation, Water and Urban Development. In addition to operational support and advice, ESD develops, disseminates, and monitors the effectiveness of policies in these areas, and identifies and disseminates best practices within and beyond the Bank.¹⁷

This VP exercises control over the central Environment Department (ENV), which increased the number of social scientists on staff. ENV created a Social Policy and Resettlement Division, ENVSP, which “is mandated to review several areas where projects may have adverse social impacts (resettlement, indigenous people and cultural heritage) . . . [I]t recognizes that environmentally sustainable development depends in large measure on a clear understanding of human and institutional factors in such areas as natural resource

¹⁶ For an extensive history of the creation of the Environment Department, see Robert Wade, “Greening the Bank: The Struggle over the Environment, 1970-1995,” in Devesh Kapur, John P. Lewis, and Richard Webb, editors. The World Bank: Its First Half Century, Volume 2: Perspectives, op. cit., pp. 675-681.

¹⁷ World Bank Group, Organizational Directory, (June 1995), p. 52.

management.”¹⁸ Moreover, the 1987 reorganization established four regional environmental divisions - within the Europe and the Middle East, Africa, Latin America and the Caribbean, and Asia regions - to provide support to operations involving social and environmental issues. The number of these staff positions increased dramatically to nearly one-hundred.¹⁹ In summary, the 1987 reorganization created a potential political opening or favorable political opportunity structure for reformers concerned about the Bank’s relationship to the social dimensions of development. It accomplished this through the strategic placement of social and environmental scientists in positions in which they participated in project-related activities.

1.7 The World Bank's Institutional Incentive Structure

A major reason that the default state within the World Bank with respect to social impact policies has tended to be one of partial or non-compliance is because the tasks associated with the social dimensions of development are not easily reconciled with the institution’s basic mission, which is to lend money to the governments of developing countries in order to encourage economic growth and poverty alleviation. To apply such policies is to require the institution to incorporate a relatively new and alien function into its mode of operating. Some of the international relations literature that addresses questions of organizational change and learning seeks to explain how international organizations “incorporate” environmental and social impact issues into their mission.²⁰

¹⁸ World Bank Environment Department Homepage, World Wide Web,

¹⁹ See Bruce Rich, *Mortgaging the Earth*, op. cit., p. 146.

²⁰ Peter Haas and Ernst Haas, “Learning to Learn: Improving Global Governance,” *Global Governance* 1(3), September-December 1995. See Tamar Gutner, “Banking on the Environment: Multilateral Development Banks and Environmental Policymaking in Central and Eastern Europe”, Ph.D. Dissertation, MIT Department of Political Science, 1998, for a comparative analysis of the extent to which multilateral lending institutions incorporate

Indicators of change such as number of environmental staff, volume and existence/extent of environmental assessments, as has been pointed out by critics such as Robert Wade, do not shed light on what the organization actually does. In other words, the issue is one of the extent to which new tasks are incorporated in the operations of an institution.

The same analysis applies to the Bank and its willingness and ability to incorporate social impact issues such as resettlement and indigenous peoples into its operations. The career incentives and general institutional culture tend to favor the rapid identification, approval, and processing of loans for various projects. The Wapenhans report on the Bank's portfolio found that over one-third of the Bank's projects were unsatisfactory, and that the deterioration of the overall portfolio was "steady and pervasive." "The portfolio is under pressure," and "this pressure is not temporary; it is attributable to deep-rooted problems," including the Bank's "systematic and growing bias towards excessively optimistic rates of return expectations at appraisal," in addition to an "approval culture" in which "staff perceive appraisals as marketing devices for securing loan approval (and achieving personal recognition)." In other words, "[a]ppraisal becomes advocacy."²¹

Staff who develop and increase the size and amounts of their individual loan portfolios are identified as talented and tend to be promoted within the Bank's bureaucracy. There is less of a focus on the follow-up work necessary to ensure proper project implementation.

environmental mandates into their missions. Gutner compares the World Bank, the European Bank for Reconstruction and Development, and the European Investment Bank. She finds that the World Bank is the most "successful".

²¹ See the Wapenhans Report, pp. 5, 4, and 14, also cited in John Thibodeau, "The World Bank's Persisting Failure to Reform," May 1995, p. 1. This document is available on the Internet on the igc.apc.org's env.dams conference list.

[Staff] [p]ractices tend to put a premium - in recruitment, in formulating workprograms, and in promotions - on conceptual and planning abilities rather than on practical managerial and implementation experience. There is a widely held staff perception that exposure to appraisal and lending work (preferable for SALs and SECALs) enhances career development prospects whereas portfolio management experience does not. Higher visibility attaches to achievements in loan processing than in project performance management . . . [S]ome [staff] report pressure-from managers- to minimize the number of problem projects through generous rating . . . The revealed preference is . . . *reinforced* by the incentive structure.²² [Emphasis in the original.]

Moreover, because problem ratings reflect negatively on sector/division managers, they tend to ignore warning signals.²³

There is a disincentive for social and environmental scientists (who tend to serve as custodians of the Bank's social and environmental impact policies) to raise questions about projects' social dimensions. These actors very nearly owe their existence within the Bank to operations units located in the Country Departments, which hire them internally. Social scientist personnel who develop reputations as being "uncooperative" or "difficult" find themselves in vulnerable positions institutionally. If they do not sell their labor/services, they may not be retained.

The main functional locus for independent review of projects in preparation are the four technical departments that service the six operations regions and their respective country departments. (The four technical departments each include, inter alia, an environmental division that is supposed to review the environmental quality and provide technical input for its respective region(s).) But the technical departments are engaged in project review on a continuing basis mostly at the request of Country Directors, and most of the budget for the Technical Department staff is provided at the discretion of the same Country Directors; only a small core budget is allotted to the Technical Departments themselves. As a result, the Technical Departments are beholden to the very Country Departments they are supposed to

²² Wapenhans Report, op. cit., p. 17 - 18.

²³ Undated notes (April 1998) written to author by Bank staff.

independently and critically review. Country Departments have obvious incentives not to request the services of Technical Department staff who are overly critical of projects, or who are known to intervene in ways that slow down project preparation and approval. The consequences of too much attention to quality by Technical Departments would be reduction of staff levels, since the next year's budget and staffing level is directly dependent on the level of demand for Technical Department services by the Country Departments.²⁴

In other words, the Technical Departments are organizationally and financially weak in relation to Country Departments and risk obsolescence should their staff be too conscientious in holding operations personnel to a high standard in terms of complying with environmental and social impact policies. Clearly, not every issue for which consultation is required is controversial, or likely to lead to friction between these two sets of actors, though difficulties are more apt to arise when questions relating to forced displacement and indigenous peoples are present.

In the spring of 1994, Willi Wapenhans, a former Bank manager, wrote a background paper for the Volcker Commission in which he criticized Bank management's response to the report on implementation bearing his name: "It is perhaps noteworthy that the Bank's management response to the Wapenhans report does not yet address the recommendations concerning accountability. The "culture change" required is, however, unlikely to occur unless the recognized performance criteria change."²⁵ One Bank social scientist asserted that "... it seems nobody in the Bank even remembers much less

²⁴ Bruce Rich, "The World Bank: Institutional Problems and Possible Reforms," March 1995, available on the Internet on the Tides Foundation -sponsored Individual Group Conference env.dams, which covers MDB activity, p. 8. One Bank staff, when presented with this quote, commented that "... the basic problem in addition to funding, is that the CDs have refused to see that a) safeguard [social impact] policies are not going to disappear. b) Therefore the could avoid "problems" (and ensure better design) by early intervention of social scientists in their projects." (Undated notes to author by Bank staff).

²⁵ Willi A. Wapenhans, "Efficiency and Effectiveness: Is the World Bank Group Well Prepared for the Task Ahead?," in Bretton Woods: Looking to the Future (Washington, DC: Bretton Woods Commission, July 1994), note 22, p. C - 304, and cited in Bruce Rich, op. cit., p. 1.

internalized the report!”²⁶ If the incentive structure does not change, then the culture will not change, which means by extension that the likelihood that social impact issues will become fully integrated into Bank operations will remain low *in the absence of pressure*. Some Bank actors have responded by asserting that the Executive Board is responsible for holding staff and management accountable, though the reality does not match the assertion, and has been commented upon by informed critics such as Moises Naim, a former Bank Executive Director representing Mexico, Venezuela, and several Central American countries. In another background paper written for the Volcker Commission, Naim claims that the management and president have become increasingly powerful:

The relative balance of power between board and managers has been shifting away from the board. A divided board of overwhelmed directors, many of whom cannot afford to irritate the Bank’s management, and usually leave by the time they begin to be more effective, is no match for a usually brilliant group of professionals with decades of experience at the Bank.²⁷

A Bank staff also pointed out that the situation to which the statement applies “. . . is even trickier since often there is a split between managing directors and the president, particularly if the latter is upsetting the status quo.”²⁸

In summary, the organizational structure of the Bank tends to militate against deep integration of social impact issues into lending operations. Moreover, in the absence of explicit efforts to empower social scientists, they tend to remain weak vis-à-vis more powerful operations staff.

²⁶ Undated notes to author (April 1998) by Bank staff.

²⁷ Moises Naim, “The World Bank: Its Role, Governance and Organizational Structure,” in Bretton Woods: Looking to the Future (Washington, DC: Bretton Woods Commission, July 1994), note 22, p. C - 281, and cited in Bruce Rich, *op. cit.*, p. 2.

²⁸ Undated notes (April 1998) from Bank staff to author.

1.8 *The Influence of Protest*

It is not possible to understand the types of extent of change observed in the Bank over the past several years, or how the difficulties associated with the institution's incentive structure have been partially overcome, without taking into account the impact of NGO protest. An exploration of the Bank's efforts to resolve problems in its controversial projects such as India's Narmada dam,²⁹ Brazil's Polonoroeste project,³⁰ and the Kedung Ombo dam in Indonesia,³¹ (such as resettlement and treatment of indigenous peoples) points to NGO criticism as an important influence. In such cases, where Bank officials have suspended or withdrawn loans, canceled projects, where national governments have demarcated indigenous territories, and awarded compensation to affected populations - that is, where they have complied with the Bank's policies - it seems clear that protest was at least one critical factor. Evidence to support this claim can be found in the Bank itself. For example, the Executive Summary of the Bank's *Resettlement and Development: The Bankwide Review of Projects Involving Involuntary Resettlement, 1986 - 1993*³², states that "[i]n practice, criticism of resettlement failures by NGOs or other interested groups frequently has helped improve the Bank's policies and operations." Elsewhere, it reads,

²⁹ In 1985 the World Bank provided India with a \$450 million loan to construct the Narmada dam as part of the broader Sardar Sarovar Project. Public outcry mounted over the poor treatment of indigenous and peasant groups in addition to difficulties involved in executing resettlement. The Bank ended up canceling the remaining tranche of \$170 million at the request of the Indian government.

³⁰ In 1982, the Bank loaned the Brazilian government \$457 million dollars to pave the Cuiaba - Porto Velho road, BR - 364, which eventually led to rapid, uneven development that displaced indigenous groups, created public health hazards, and deforestation.

³¹ The Bank loaned the Indonesian government US \$156 million in May, 1985 to construct the dam.

³² Environment Bank, *The World Bank*, 1994, p. 4. The controversy over the Narmada project led the World Bank to commission Bradford Morse, former head of the United Nations Development Program (UNDP) to undertake an independent investigation into the Bank's handling of Narmada. This highly critical report led to concerns among senior management that other potential disasters existed in the Bank's portfolio, especially with regard to resettlement issues. This concern led the Bank to commission an internal review of its projects that had forced displacement components.

[t]he policy environments surrounding development-caused resettlement have changed over the last six years. Unprecedented progress has been achieved in the politics of several developing countries and international agencies. These changes were, in part, a result of the Bank's policy influence, as well as a *consequence of public opinion demands, of resistance to displacement by affected people, and of strong advocacy by many NGOs.*³³ [Emphasis in the original.]

Another internal Bank document comments in a similar vein that "advancements in the Operations Manual and changes in the Operational Directive frequently come on the heels of scandals and outcries in the press about the disastrous results or displacements associated with Bank-financed development projects."³⁴ In certain Bank-assisted projects, the final decisions to cancel, award compensation, or otherwise alter the project, may be understood as an ex-post application of the Bank's social impact policies. The rationale for certain cases of cancellation and/or modification are in some instances merely statements of the policies that already exist. That intense debates that ensue around these projects suggest that neither the creation and strengthening, nor compliance with Bank policy are to be assumed, but should be viewed as political and contested processes that are shaped by a range of factors, including external critique.

It is somewhat surprising that there is a relative lack of integration of insights drawn from social movements literature with explanations of organizational change.³⁵ The new wave of literature that explores the rise of transnational social movements looks at the ways in which NGOs in southern countries reach out to the international system, making alliances with northern, politically-connected NGOs, which then bring pressure to bear on

³³ Ibid., p. 99.

³⁴ Part I - "Involuntary Resettlement in the Bank Portfolio."

³⁵ There is more scholarship that combines international relations theory with insights drawn from organizational change literature.

both international organizations (IOs) and southern governments. The focus is more on these processes and less on the ways in which these movements interact with the actual target institution. Change tends to be assumed rather than demonstrated systematically.³⁶

The ways in which external pressure is internalized/resisted and generally responded to are critical to understanding the dynamics and mechanisms of policy implementation. While it is logical to see *correlation* between institutional behavior and external pressure, there is not necessarily a *causal* link between the two. By using policy compliance as the starting point, it may be easier to disentangle the relevant explanatory factors (that may not always be external ones) thereby providing a better understanding of the role that protest might play, as well as its interaction with internal organizational dynamics.

Protest affects Bank actors in different ways. As one Bank resettlement specialist observes:

Sometimes protest follows recognition internally that things are off track, and the protest either stays a few steps behind what is actually happening, or it helps crystallize attention or choice among alternative strategies of mitigation. Sometimes protest helps bring attention to projects that are being insufficiently addressed internally, by alerting a wider community of assistance within the Bank, or by forcing a more ample response by the Task Team itself.³⁷

The timeline of the effects of protest can also be both indeterminate and long-term.

Internal Bank action to correct project shortcomings may occur after a protest campaign, which raises awareness and sensitivity among task managers, and sometimes fear of further criticism, leading to remedial steps that may lead to at least partial compliance with

³⁶ See Alison Brysk, "From Above and Below: Social Movements, the International System, and Human Rights in Argentina," *Comparative Political Studies*, Volume 26(3), October 1993, pp. 259 - 285, for an example of this genre. Brysk provides anecdotal evidence of the effect of the human rights movement on the dictatorship, but not in a systematic fashion that opens the "black box" of the military government. The article, and others like it, describe the activities of the movement as well as observed changes without establishing clear causal links between the two.

guidelines. Whether or not the interactions between protest and internal reform efforts are explicit and deliberate, or implicit and carried out by tacit agreement, the effect is still the same: to challenge internal, entrenched anti-reform interests.

Organizations such as the World Bank may be viewed as a political system that is the object of both internal and external protest activity. A study by Zald and Berger applies social movements insights to explain limited organizational change through a process called "bureaucratic insurgency."

Bureaucratic insurgency differs from a coup in its target: its aim is not to replace the chief executive but to change some aspect of organizational function. It differs from a mass movement in extent of support and number of adherents. It resembles a coup in that for much of its duration it may be conspiratorial. It resembles some mass movements in that its goals are limited to change in specific aspects of the organization . . . At the organizational level, bureaucratic insurgency in corporate organizations is an attempt by members to implement goals, programs, or policy choices that have been explicitly denied (or considered but not acted upon) by the legitimate authority of the focal organization. The activity of the insurgents therefore takes place outside the conventional channels of politics of the organization.³⁸

The informal working relationships that have evolved between internal Bank reformers and external NGO Bank critics fit into this framework. The goal of the relatively small number of pro-reform insiders is to increase institutional attention to social impact issues. In addition to the value of their internal lobbying efforts, they are assisted by both external scrutiny and protest by NGOs whose aims may be commensurate with their own.³⁹ Actual methods include for example, informal meetings between NGOs and internal reformers,

³⁷ Personal correspondence from a Bank resettlement specialist to author, September 27, 1997.

³⁸ Mayer N. Zald and Michael A. Berger, "Social Movements in Organizations: Coup d-Etat, Bureaucratic Insurgency, and Mass Movement, p. 199, in Mayer N. Zald and John D. McCarthy, editors, Social Movements In An Organizational Society: Collected Essays, (New Brunswick: Transaction Books, 1987).

and the leaking of information about organizational wrongdoing by staff to external critics.⁴⁰

The interested public is generally aware of the projects in which the Bank does not follow its policies, which makes sense given the fact that such cases tend to be widely publicized. These are the most dramatic cases. There are other instances besides high-profile ones that merit attention and speak to the broad question of institutional behavior and the narrower one of compliance. What explains policy compliance in the range of projects in which Bank policy violations⁴¹ have occurred, but where NGO scrutiny has been largely absent? The answer to this question is important because it identifies the internal resources, tactics, and strategies that are effective on their own terms, without reference to external factors, such as protest. The brief answer is that in some instances, Bank social and environmental scientists are placed in decisionmaking positions as project task managers, and, in some instances, sympathetic or non-obstructionist project managers support and/or permit compliance. Or, certain social scientists develop and deploy effective political strategies to overcome opposition. There are other institutional dynamics at play that require analysis, and such cases can provide useful information that addresses conditions likely to lead to *internally-generated* compliance. Considering the enormous impact of the World Bank's lending program in terms of billions of dollars

³⁹ Some Bank staff argue that this dynamic obtains more with environmental issues than with indigenous peoples or resettlement issues.

⁴⁰ This process is sometimes referred to as whistleblowing. See, for example, Roberta Ann Johnson, "Bureaucratic Whistleblowing and Policy Change," *The Western Political Quarterly*, Volume 43(4), December 1990, pp. 869 - 874. One staff commented that: "[t]here are a number of strong internal sanctions that make some staff increasingly cautious about leaking stuff." (Undated notes to author by Bank staff.)

⁴¹ The social impact policies analyzed in this dissertation will be described in greater detail in subsequent chapters. Policy violations may include for example: failure to develop resettlement plans; failure to provide infrastructure to indigenous groups; failure to research less costly project alternative, etc.

loaned, co-financing leveraged, and numbers of people affected by its projects, the compliance question is more than academic.

1.9 *The Bank, Borrowing Countries, and NGOs*

While the Bank's relationship to its social impact policies in terms of institutional factors is critical, it is also necessary to acknowledge the issue of borrower behavior. There is a difference between internal Bank *compliance* with and the *implementation* of social impact policies in projects on the ground. Projects funded by the Bank are "owned" by the borrower, which has the responsibility for executing (implementing) them - building dams, roads, sewage treatment plants, irrigation canals, and relocating affected populations, for example. Bank staff may fulfill all of a policy's requirements, but borrower governments may ignore them, which has direct consequences for project-affected populations.⁴² Sustained commitment on the part of Bank staff (in the form of consistent project follow-up, supervision, and monitoring accompanied by the use of loan suspension and cancellation should the borrower violate policies) is needed to reduce borrower violations of such policies. For example, one analysis of the Bank's displacement policy in Asian countries claims that

. . . the variable relationship between the World Bank and its borrowers impedes policy effectiveness. Information asymmetry limits the Bank's ability to appraise displacement costs accurately and to monitor implementation. Moreover, particularly with its larger borrowers, the Bank frequently lacks sufficient incentive to sanction noncompliance when detected.⁴³

⁴² For an in-depth analysis of the relationship between the World Bank and its borrowers, see Daniel Gibson, *op. cit.*

⁴³ *Ibid.*, p. I.

This analysis offers only a partial understanding of the role of information in terms of Bank action, and does not take into account the importance of the nation-state. With respect to “information asymmetry,” it is obviously the case that the Bank can not be informed of all activities taking place in projects located in distant borrowing countries. For this reason, the resettlement policy, for example, requires supervision missions in part to overcome information asymmetry. The Bank’s Resettlement Review documents the role of such missions in: 1. identifying implementation problems, 2. making recommendations for improvements, and; 3. providing the basis for action such as loan disbursement suspension.⁴⁴ It is probably impossible to overcome *all* “information symmetry” problems, though addressing as many of them as possible will lead to better project implementation.

There are other ways in which borrower behavior matters in terms of impacts on, for example, resettlement outcomes. To illustrate this point, it is useful to compare Indonesia and India’s treatment of resettlement.⁴⁵ India is highly decentralized, with each state adhering to its own individual policies, while Indonesia is a unitary national state in which the central government has greater power. India’s economic growth rate for the past few years has been between 1 and 3 percent, while Indonesia has experienced rates of 8 percent or better, which means that there is more money for development projects, including resettlement and rehabilitation. India’s management of its public bureaucracies is poor in comparison to Indonesia’s, which also has more effective implementing

⁴⁴ One Bank staff highlighted the potential of supervision missions: “Even where there is excellent supervision, once the loan is signed there is virtually NO stopping a project regardless of violations.” [Undated notes to the author by Bank staff. Emphasis in the original.]

⁴⁵ This section is based on an October 1997 interview with a Bank resettlement specialist.

agencies. The massive scale and poor quality of civil works constructed by India contribute to the problems seen in its irrigation and power projects, while Indonesia tends to opt for smaller scale projects, which means that any retrofitting is less costly and therefore more likely to happen. When the issue of seeking redress for compensation arises, India tends to be more resistant because of the longer term implications and sheer cost involved in providing benefits to potentially hundreds of thousands of disgruntled project-affected people, while in Indonesia, the comparatively smaller number of people involved in seeking greater compensation is not as daunting. The formerly poor management of the India Bank's Country Department is also a critical issue. Efforts to "clean up" resettlement become problematic because of the huge costs involved. One Bank staff claimed that if accurate counts of people to be forcibly evicted in India CD projects existed, many of them would not be financed by the Bank because they would not be economically viable. This was heavily debated in the Bank-whether or not to internalize resettlement costs as project costs.

One of the results of the Bankwide Resettlement Review is that "[l]ack of Bank participation in resettlement finance is a common cause cited by task managers and counterpart staff for many resettlement problems." The Review goes on to dispute the notion that resettlement costs calculated as project costs would make projects unfundable, approaching the issue by addressing three sets of arguments:

The evidence suggests that in most cases this is unlikely. A careful review of completed projects shows that cost overruns for resettlement were not a major cause of disappointing project performance. Cost overruns for physical works and delays brought about by resettlement were the dominant reasons why some projects perform less well than anticipated.⁴⁶

⁴⁶ Resettlement and Development, op. cit., pp. 145-148.

One Bank anthropologist took issue with this statement, asserting that: “. . . this still makes resettlement requirements the bad guy.” The truth is that often there is the assumption that physical works are unstoppable and resettlement is not dealt with sufficiently in advance to prevent delays.”⁴⁷

The Review goes to evaluate the other relevant concerns about resettlement costs, including what happens when resettlement costs rise above initial estimates made at appraisal. While arguing that most such projects do not become unviable, it does concede that

[i]n a small number of projects where resettlement is large and project returns are not much greater than the opportunity cost of capital, the viability of the project may be threatened if full provisioning is made for resettlement. In such cases, major rethinking of the project clearly is required . . . [I]t is poor resettlement planning and management rather than providing adequate financing for resettlement that reduces project returns.⁴⁸

The Itaparica Resettlement Project, initially financed by the Bank in 1987 for \$132 million, is such an example. Project delays and problems increased the costs of resettlement and led the Bank to provide a supplemental loan for an additional \$100 million, for a total Bank investment for resettlement and rehabilitation of \$232 million.⁴⁹ Total costs for the project soared to more than \$1 billion. Fifty-thousand people required relocation. An internal Bank report echoes the dilemma expressed in the above quote from the Resettlement Review report:

⁴⁷ Undated notes from Bank staff to author.

⁴⁸ Ibid., p. 48.

⁴⁹ May 28, 1993, Teresa Serra, “Brazil: Itaparica Project Supervision and Resettlement Review Mission Back-to-Office Report, p. 6. The report provides an excellent analysis of the history of Bank involvement in the project.

Socially acceptable and economically feasible solutions in many cases cannot be found for all project impacts which would require compensation or mitigation. A clear stance should be taken by the borrower (and the Bank) as to situations where either the costs of compensation or mitigation would exceed project benefits or satisfactory compensation or mitigation outcomes are not available . . .

Despite what is said . . . above, the notion of “economic feasibility” is a particularly difficult one in the context of involuntary resettlement and where implementation is a given fact. All population in the project site must be relocated. “Feasible” solutions must be found for all and it seems inconsistent for the Bank to finance only part of the resettlement operation. In the case of Itaparica, for instance, the “full” resettlement operation is significantly larger than the project considered by the Bank . . .⁵⁰ [Emphasis in the original.]

The general role of the borrower must be situated in the context of the nation-state - specifically regime type, which matters in several ways for the issue of project implementation. First, the literature on social movements and democratization predicts that protest is more likely to emerge when there exists an opening in the regime. When political space becomes available as a result of the lessening of state repression, actors and groups are able to press their grievances more openly, forcefully, and effectively. A weakened state becomes more receptive and some type of change is likely to occur. The case of movements that organize in response to hydroelectric dam-related displacement provides a relevant case study of these processes. Frequently, dams are located in rural areas where state-sponsored and state-sanctioned violence is greatest, and where semi-authoritarian enclaves are strongest and most resistant to change. Such projects provide financial and political resources to elites such as: patronage, concessions, jobs, and

⁵⁰ Ibid., pp. 48 - 49.

contracts, which raise the level of investment in their successful implementation, as well as opposition to groups who challenge these clientelistic systems.

Since the Brazilian authoritarian regime's liberalization in 1974 and subsequent democratization, movements responding to hydroelectric dam construction have emerged and organized for the protection of natural resources, access to land, and participation in development decisions made nationally and internationally that affect daily life at the grassroots. The political opening (*abertura*) initiated by General Ernesto Geisel provided groups an opportunity for open mobilization. Those located in the southern state of Rio Grande do Sul (Commissao Regional dos Atingidos por Barragens -CRAB) were most effective in pressuring the regional power company, Eletrosul, into signing and honoring an agreement (1986) to provide those affected by the Ita' dam with resettlement, social infrastructure, technical assistance, and other concessions. The fact that Brazil was undergoing a democratization process made CRAB's victory possible. The Itaparica campaign is another example of similar processes. The Polosindical rural union group took advantage of the political opening to press both Companhia Hidreletrica do Vale Sao Francisco - CHESF- and the World Bank to take action to insure implementation of the agreement signed between Polosindical and CHESF (1987). The Bank stepped in and loaned the government money to carry out resettlement, which CHESF had not intended to do.⁵¹ During Brazil's authoritarian era, the government constructed numerous dams and was not confronted by movements such as CRAB or Polosindical, precisely because there was no political space available for such groups to mobilize. Those displaced by dams

⁵¹ For an analysis of this case, see Chapter Four.

such as Sobradinho, Moxoto, Itaipu, and Tucurui, all of which were constructed under authoritarian rule, did *not* organize and gain concessions, because there was no political opening.

The configuration of the nation-state matters because its degree of openness or closedness will shape the conditions under which its organs (such as power companies) can be pressured to fulfill requirements of international aid agencies' social impact policies. The expectation is that democratic or democratizing regimes will be more receptive to policy compliance when there are pressures brought to bear on the regime from below. Such regimes are more susceptible than those that are authoritarian. In closed political contexts, there are fewer pressure points available for aggrieved groups, and therefore, less incentive for governments to comply with policies such as the World Bank's indigenous peoples and resettlement directives, unless advocated for by actors within the regime. Of course, these observations do not provide a complete reason to explain why the Bank continues to lend to countries that flagrantly violate loan and policy requirements.⁵²

With respect to borrower behavior, there is evidence to indicate that the Bank *can and does* act to influence and often, to constrain borrower actions, though it rarely does so to seek compliance with social impact policies.⁵³ The Bank has legal covenants, loan

⁵² I am grateful to a Bank staff for pointing this out to me.

⁵³ The Bank tends to be quite strict with the conditions it attaches to its sectoral adjustment loans (SECALs). As the Wapenhans Report notes in an observation based on the World Bank Borrowers' Workshop on Portfolio Management,

. . . the [Bank] staff rigidly insists on as many conditions as possible- some of which reflect insensitivity about the political realities in the borrower country - to convince the Board that the project will be successful. Yet those very conditions make it impossible for the project to attain its objectives. Project disbursements are often held up because of failure to satisfy nonproject conditions over which the project team has no control. Indeed, strict adherence to sectoral conditions sometimes conflicts with fiscal policy required under structural adjustment loans. (Wapenhans Report, Annex B, p. 2.)

agreements, and other instruments at its disposal that it may *choose* to deploy to foster greater degrees of borrower compliance.⁵⁴ For example, in response to borrower non-compliance with and general intransigence toward the resettlement policy in the Bank-assisted Upper Krishna II irrigation project, the Bank suspended loan disbursements (in November 1992, two months after the Morse Commission began its independent review of the Bank's involvement with the Narmada dam) and threatened to halt all future lending to the borrowing government agency. The recalcitrant agency responded by complying with Bank standards, and after several months, the Bank renewed the loan disbursements (the Bank partially lifted the suspension in February 1993, and lifted it completely in February 1994). While detailed empirical analysis over time of the Bank's India portfolio would be necessary to establish whether or not Bank suspension of disbursements *decreases* Bank leverage over its borrowers in terms of social impact policy implementation, there is no evidence that the Indian state governments responded by canceling Bank loans (in an effort to "shop" these projects around to other donors with lower social impact policy requirements) in other projects that were ongoing during the Narmada and Upper Krishna II events.

One Bank staff expressed the view that the inflexible conditions of the SECALs are also related to the Bank's incentive structure.

⁵⁴The arena of macroeconomic policymaking stands out as an example. The Bank has been largely unresponsive to calls for approaches that diverge from prevailing neo-liberal models. It has strictly enforced conditions tied to loans made to countries for structural adjustment. See Stephen Gill, "Globalisation, Market Civilisation, and Disciplinary Neoliberalism," *Millennium: Journal of International Studies*, Volume 24(3), 1995, pp. 399-423. See also Paul Moseley, Jane Harrington, and John Toye, editors. *Aid and Power: The World Bank & Policy-based Lending*, Volume 1, Second Edition, (London, New York: Routledge Press, 1995), which analyzes the Bank's move toward policy-based lending and the bargaining that accompanies it.

The main point of the Upper Krishna II story is that Bank pressure *can* raise borrower standards to conform with Bank social impact policies.⁵⁵ What weakens the Bank's argument that its engagement provides leverage to improve social impact policy compliance is the fact that it usually does *not* employ its considerable arsenal of available instruments to induce borrower compliance, such as suspension of disbursements and more importantly, *voluntarily* withdrawing from a project.⁵⁶ For example, in the case of those displaced by the Kedung Ombo dam, "Bank field officials sought ways to keep the project moving forward, effectively forcing them to side with the government rather than insisting upon policy compliance." This is not an isolated example. A Bank memorandum about resettlement in Latin America and the Caribbean (LAC) prepared by the Legal Department, noted that "[r]esettlement covenants or objectives were not always fully complied with, yet we are aware of no case where the Bank exercised any of its contractual remedies because of non-compliance with resettlement conditionality." The accompanying footnote highlights ". . . cases . . . where the Bank did exercise its remedies in response to improper encroachment upon lands occupied by Amerindian groups, thus attempting to prevent the involuntary dislocation of those groups (see, e.g., Northwest Region Development Program

⁵⁵ One Bank social scientist commented that ". . . given that evidence shows we can influence borrowers it is amoral not to do so." (Undated notes from Bank staff to author.)

⁵⁶ In cases in which the Bank has withdrawn from projects, such as the Indonesian government's Transmigration Program, the loan to the Indian government for the Narmada dam, and others, it has done so in the presence of sustained and extensive NGO and grassroots-generated protest. I am grateful to Professor Myron Weiner for pointing out the importance of this condition of Bank withdrawal. During the Resettlement Review, the Bank did take strong action and canceled the Karnataka Power project because of poor resettlement performance. Because of poor resettlement in the Cameroon Second Urban project, the Bank refused any further loans for urban projects. One Bank staff commented that: "In [the] face of NGO protest the Bank's reaction typically is to 1) put the wagons in a circle; 2) pretend it really is complying and it's the borrowers fault; 3) Management will lie; 4) When confronted with all the evidence and only then will [the] Bank tend to react." (Undated notes to author from Bank staff.)

-- First Phase: Agricultural Development and Environmental Protection Project (Loan 2060-BR)).”⁵⁷

An analysis of this issue based on cases of Bank-supported projects in India and Indonesia found that “[t]he Bank often accepts noncompliance by reference to “constructive engagement” - relaxing requirements in hopes of coaxing greater compliance. Rarely does the Bank sanction noncompliance with loan cancellation; imperfect influence is viewed as superior to none at all.”⁵⁸ It is not clear what the value of “imperfect influence” is if borrower behavior does not change in any substantive ways as a result of “constructive engagement.” As one scholar/Bank consultant who is knowledgeable about the Bank’s handling of the Sardar Sarovar (Narmada) projects commented, “the Bank stopping of disbursements/withdrawal would send a message not just to India but to countries everywhere that the Bank takes its guidelines seriously.”⁵⁹

There are projects that testify to the mitigating role that the Bank can play when it applies its political will and necessary resources to ensuring its own policy compliance. Of course, observed improvements in such projects should be understood in *relative* terms. In the case of the 1993 Rondonia Natural Resources Management Project (Planafloro) in Brazil, NGOs *specifically* cited the *value* of Bank involvement, which it credited with pressuring the government to comply (at least partially) with policies on the environment and indigenous peoples. In the Brazilian Itaparica dam project, the grassroots group representing project-affected people credited the Bank’s involvement with inducing the

⁵⁷ December 23, 1992, “Bank-wide Resettlement Review: Findings Regarding the Latin America and the Caribbean Region (Initial Report),” p. 2.

⁵⁸ Dan Gibson, *op. cit.*, p. 249, p. 215.

⁵⁹ December 10, 1997, author’s personal correspondence.

Brazilian government to comply with Bank standards for resettlement and compensation. Moreover, in the claim brought before the Panel by the Polosindical, *continued Bank involvement was specifically requested* in order to pressure the dam company (CHESF) to comply. The 1994 Bank report on its resettlement review also makes a point of this:

Ensuring that [projects involving displacement] protect as well the interests of those to be resettled is more beneficial than bypassing such projects altogether. Government officials of several developing countries, as well as some NGOs otherwise critical of the Bank, have emphasized that the Bank's policy has positively influenced, and can further influence, the development of improved domestic policy frameworks and practice.⁶⁰

The Bank's use of incentives and disincentives can be a decisive factor. In other words, there is some validity **-under certain conditions-** to the Bank's oft-repeated contention that its involvement in a project can be influential in a positive way.

The converse issue concerns what happens when the Bank withdraws from a project in response to protest. Put another way, if there may be relative gains associated with Bank involvement, are there any relative losses to Bank withdrawal - for example, in terms of maintaining leverage over borrower? Since external protest has resulted in Bank withdrawal, and frequently, a declining standard to which borrowers are held in terms of social impact issues such as involuntary resettlement and indigenous peoples, the question may be: Are there limits to NGO critiques of the Bank, and if so, what are they? From the vantage point of certain NGOs, these are controversial questions, especially since for years the Bank has advanced variations on the argument that "the project would have been worse in the Bank's absence."

⁶⁰ Resettlement and Development: The Bankwide Review of Projects Involving Involuntary Resettlement, 1986-1993, (The World Bank, Environment Department, April 8, 1994),p. 3/6.

There are two issues that should be considered when evaluating the issue of Bank withdrawal from a project: 1. The nature of the project in terms of its goals, treatment of affected people, and the extent to which they participate are important. If the project in question is “bad,” in terms of the scale of environmental and social impact and the provisions made for affected populations, then whether or not the Bank is present is almost immaterial. The trade-off becomes one between poor quality and poorer quality, which, given project impacts on vulnerable populations, is a choice that hardly inspires rejoicing. 2. If the Bank does not comply with its social impact policies, or does not pressure the borrower to be accountable, even in a “good” project (which may have environmental protection as a goal, for example), then its presence, again, may be inconsequential. If, however, the Bank *does* comply, and does monitor borrower behavior, then the results *on the ground* will be substantially improved, and there is value in Bank involvement, even if the outcome is partial and not full compliance. In other words, the Bank’s claim must be properly contextualized before it can be either supported or refuted. In cases where the Bank can be induced to comply with its policies and pressure its clients, some NGOs’ demands for the Bank to “get out” may be counterproductive in terms of improving outcomes for the people on whose behalf they are lobbying.

The Bank also claims that its engagement with borrowers can influence them to adopt social and environmental impact policies on a national level, thereby improving outcomes for affected populations. It is not always clear, however, what Bank efforts in this area have yielded in terms of project-based outcomes. While theoretically a valuable outcome, the practical import of such policies seems to depend on both the borrowers’ and the Bank’s commitment to compliance, as well as the effectiveness of lobbying efforts.

Numerous projects in India, for example, have come under intense scrutiny because of resettlement problems.⁶¹ While a few of India's states have guidelines for forced displacement, the country as whole lacks a national policy to govern resettlement and rehabilitation.⁶² An internal Bank report acknowledges that there is little difference between resettlement undertaken in states with and without a policy. One Bank resettlement expert disagreed with this analysis and argued that "states with policies are ore progressive and treat resettlers better" than those without such policies.⁶³ The difference in both types of states appears to be a result of Bank influence and involvement. While this is one clear instance of positive Bank impact, it is not a case that demonstrates that policy adoption is in and of itself, decisive.⁶⁴ For example, India's National Thermal Power Corporation (NTPC) adopted a resettlement and rehabilitation policy as a result of discussions with the Bank.⁶⁵ The creation of the policy did not prevent the Bank's Inspection Panel from recommending to the Board that it investigate a claim brought before it by 34 rural producers affected by the NTPC-Singrauli plant, which the Bank

⁶¹ For a case study of the relationship between project-based and national resettlement and rehabilitation policy, see S. Parasuraman, The Anti-Narmada Project Movement in India: Can the Resettlement and Rehabilitation Policy Gains be Translated into a National Policy[sic] Working Paper Series No. 161, (Institute of Social Studies, the Hague - The Netherlands: October 1993).

⁶² Laws governing compensation for groups displaced by development projects in India are determined at the state level. Moreover, tribunals that tend to be project-specific, are used to address these questions. See, Hari Mohan Mathur ed. Development, Displacement and Resettlement: Focus on Asian Experiences, (New Delhi, India: Vikas Publishing House Pvt. Ltd., 1995), p. 24. Chapter 4 discusses the Bank's South Asian resettlement portfolio in some detail and documents empirically the poor quality of project preparation that characterized the region's work.

⁶³ Undated notes (March 1998) written to author by Bank resettlement specialist.

⁶⁴ See Resettlement and Development, op. cit., page 98 which reads

[e]ncouraging policy reform is part of a broader Bank effort to foster local *institutional capacity*, defined as synergy between policies, organizations, and resources. To achieve such reform, the Bank has initiated: policy dialogues on resettlement with some Borrowers; negotiations on resettlement strategies and legal issues as part of sector lending and studies; as well as technical discussions and legal work in the context of project preparation and appraisal.

⁶⁵ See Resettlement and Development, op. cit., pp. 99-100 for a discussion of Bank-NTPC negotiations in addition to its negotiations with borrowers such as China, Colombia, and Brazil.

funded to respond to previous resettlement problems.⁶⁶ Brazil's power sector adopted sector-wide resettlement guidelines even though the proposed Bank power sector rehabilitation loan in which they originated was never approved.⁶⁷ The difference in outcomes, according to a Bank resettlement specialist, has been small. Part of the explanation lies in the vagaries of borrowing countries' internal politics. For example, a state government may promulgate a resettlement policy, but a subsequent state government of a different political party may not exhibit the same commitment to the policy.⁶⁸

In and of themselves, the policies may not always make a positive difference. The extent to which the existence of such policies makes a difference in national governmental contexts will likely depend on the advocacy of internal pro-policy actors, and the effectiveness of external groups in holding governments accountable to following their own regulations, especially if such policies represent a departure from relevant agencies' missions. The fact that project-affected groups located in countries that have social and environmental impact policies still solicit assistance from NGOs to pressure the Bank, in order to hold their own governments to a higher standard underscores the powerful role of the Bank, both on its own terms and with respect to influencing its clients' behavior. Still, while the *operationalization* of policies is the ultimate test of institutional responsiveness, they do have value as benchmarks and standards of accountability, a fact acknowledged even by NGOs that are otherwise critical of the Bank. As one NGO activist said, "Bank

⁶⁶ See Chapter Seven for the discussion and analysis of the Singrauli claim. Given the harmonization of Bank and NTPC policies, the expectation is that there should not have been the types of violations found. Rather, the same institutional dynamics found in the Bank are probably found within analogous development-oriented agencies in India.

⁶⁷ Resettlement and Development, p. 8.

⁶⁸ Undated notes (March 1998) written to the author by a Bank resettlement specialist.

policies, as imperfect as they are, are the ceiling. There are so many other [agencies whose policies] are worse than the Bank's. We try to push others toward the Bank's standards."⁷⁰

The Bank has set a standard for developing and adopting policies to govern the social dimensions of development that have had a decisive influence on other bilateral and multilateral aid agencies, such as: the Inter-American Development Bank, which adopted resettlement guidelines similar to the Bank's in 1990; the OECD, which requested Bank assistance in drafting resettlement policies patterned on the Bank's, and which resulted in the 1991 sanctioning by OECD development ministers of similar unified guidelines for OECD countries' aid agencies; and the adoption of resettlement guidelines by the Asian Development Bank in 1996..⁷¹

While these are not the primary concerns motivating this study, they will be addressed throughout the dissertation, especially in the case study chapters and in the concluding chapter, which returns to the conceptual framework.

1.10 *Importance*

These issues have relevance for a range of audiences including policymakers, World Bank officials, and NGO groups. For policymakers who are concerned about stated policies and the gaps that frequently exist between them and actual outcomes, this project offers a close analysis of the factors that increase the likelihood that a given policy will be applied. For interested World Bank staff, this project will provide an account of internal institutional dynamics, identifying how competing interests interact and the conditions

⁶⁹ October 1997, interview with Bank resettlement specialist.

⁷⁰ March 4, 1998 interview with NGO activist.

⁷¹ Resettlement and Development, op. cit., pp. 102-103.

under which reform action wins out. Such lessons have relevance for increasing the effectiveness of the organization, and potentially decreasing public criticism of the Bank. Finally, for NGO groups, this project will contribute to a fuller understanding of ways in which NGO-generated conflict is internalized, processed, and acted upon in various segments within the Bank. Moreover, it will provide a critical analysis of the limits of certain NGO strategies. The Bank's social impact policies owe their existence in part to NGO pressure, which has made the Bank the leading multilateral development aid agency in terms of the high standards embodied in its policies. When the Bank withdraws (under certain conditions), the standards governing a project may lower as well, having major consequences for affected populations, and potentially decreasing the leverage of NGOs. This is a difficult question facing NGOs concerned with maintaining a high commitment to protecting people from the negative consequences of development.

II. Plan of the Dissertation

This chapter has presented the research questions that guide this dissertation and their relevance to the debates on policy reform and institutional behavior, a brief overview of the Bank's experience with its social impact policies, an analysis of the Bank's institutional incentive structure and the ways in which it constrains Bank actions and an analysis of the issues that arise in Bank-borrower-NGO interactions. The next chapter situates the research questions within both the contemporary context and the literature on policy reform and institutional change. Chapter Three is a presentation and discussion of relevant hypotheses guiding this study in addition to the development of a theory to explain variation in policy compliance. Chapter Four offers a discussion of cases involving the resettlement policy (pre- and post- Bankwide Resettlement Review) in addition to an

empirical account and analysis of cases with and without NGO protest. Chapter Five focuses on the 1993 Bankwide Resettlement Review, and highlights the *internal* debates and struggles to enforce policy compliance. Chapter Six details case studies of Bank-assisted projects involving the Bank's indigenous peoples policy and offers an explanation of conditions under which the directive is followed by Bank staff, in addition to a close comparison of cases with and without NGO protest and compliance. Chapter Seven is a discussion of the evolution of the Inspection Panel and focuses on the interaction between different segments within the Bank, the Panel and NGOs. Chapter Eight returns to the questions and theory proposed early on, and offers conclusions.

CHAPTER TWO
REVIEW OF THE LITERATURE

I. Context/Literature Review

The research questions in this dissertation emerge from both contemporary debates that revolve around the issue of whether or not the World Bank can reform itself, and from studies that attempt to explain both institutional change and policy reform.

1.1 The MDB Campaign

In 1983, northern advocacy-oriented NGOs¹ organized a sustained campaign that sought to reform the policies and lending practices of multilateral development banks (MDBs) such as the World Bank.² Based initially on the case study method³, the campaign raised awareness of Bank-assisted projects and their disastrous social and environmental impacts.⁴ These coalitions have become increasingly transnational with the inclusion of movements of southern grassroots groups (especially project-affected populations) and NGOs. Both southern and northern NGOs have been critical actors, conducting the research and engaging in fact-finding activities that have led to the production, dissemination, and utilization of politically useful information, which, in the

¹ These NGOs include several that maintain offices in Washington, DC such as: Environmental Defense Fund (EDF), Natural Resources Defense Council (NRDC), and International Rivers Network. Many of these have large budgets and membership bases.

² For an NGO perspective on the campaign and its relationship to US environmental policy, see Barbara J. Bramble and Gareth Porter, "Non-Governmental Organizations and the Making of US International Environmental Policy," in Andrew Hurrell and Benedict Kingsbury, editors. The International Politics of the Environment (New York, New York: Oxford University Press, 1992), pp. 313 - 353.

³ These NGOs used the media to highlight project-related hardship in addition to lobbying congressional members and parliamentarians to hold hearings about MDB activity. These efforts were successful, leading to 17 such hearings been 1983 and 1986. Twice during that time, in 1984 and 1986, the US Congress followed NGO suggestions to hold the World Bank more accountable for taking environmental considerations into account in its activities. Moreover, US executive directors of the Bank were required by the 1985 foreign appropriations bill to encourage environmental reform in Bank projects.

⁴ Among these impacts are large-scale forced displacement, loss of biodiversity, flooding, increases in insect-borne diseases, and radical transformations in social, economic, and cultural relations within affected communities.

context of grassroots protest and media attention, is a major strength in their interactions with actors within the Bank. These transnational issue networks, which include NGOs, have been influential in providing leverage to non-state actors.⁵ Their approach is grounded in the view that effective critiques must be based on accurate, technical information and data that are of high-quality. In other words, challenges to the institution must be framed in terms that are commensurate with the Bank's approach to development - professionalized, knowledge-based, and intellectually rigorous.

Grassroots groups in the coalition were particularly concerned with project-related hardship and more broadly their own governments' decisionmaking practices, while NGOs questioned the extent and depth of Bank reform. Project-affected groups' contributions to the effort include: humanizing the technical analyses developed by NGOs, providing powerful media images of vulnerable victims of insensitive development initiatives, and legitimating largely northern-generated NGO critiques. In addition to these contributions, these groups have been pivotal to protest efforts in many

⁵ For Keck and Sikkink, TINs are

a set of relevant actors working internationally on an issue who are bound together by shared values, a common discourse, and dense exchanges of information and services. Such networks are most prevalent in issue areas characterized by high value content and informational uncertainty. They involve actors from non-governmental, governmental, and intergovernmental organizations and are increasingly present in such issue areas as human rights, women's rights, and the environment. At the core of the relationship is informational exchange. What is novel in these networks is the ability of non-traditional international actors to mobilize information strategically so as to gain leverage over much more powerful organizations and governments. (Margaret Keck and Kathryn Sikkink, "Transnational Issue Networks in International Politics," Paper presented at Latin American Studies Association, Washington, DC, September 14, 1992, p. 2.)

Relevant actors in Keck and Sikkink's model include governmental actors, who are excluded from some conceptualizations of the transnational phenomenon.

cases, most notably in the high-profile Narmada, Itaparica, and Pak Mun struggles, in addition to others.

Still, northern NGOs in particular have enjoyed a fairly privileged position in these campaigns, by virtue of their superior access to a range of resources, including information about projects that was often unavailable to groups within the borrowing country; access to parliamentarians and congressional representatives who preside over appropriations committees that determine donor contributions to MDBs such as the World Bank; the media, and; Bank personnel. As the campaign progressed, gained visibility, and was even credited with bringing about some change,⁶ the World Bank asserted that it was an organization that learned from its mistakes - which illustrated its capacity for reform - and that it was the leading aid agency in terms of the value it accorded to the environmental and social impacts of its projects. Skepticism remains, however, with both external and internal detractors claiming otherwise.⁷ The debates continue through the present, with the same claims made and defended by both the Bank and its critics- with the Bank stating that it has evolved and been responsive and critics charging that any apparent changes are merely cosmetic dressing.

⁶ In 1985, under pressure from the US Congress, the Bank's Executive Board voted to suspend loan disbursements on the Polonoeste project. Environmental groups reported violations of Bank policies on indigenous peoples, environmental assessment, etc. as reasons to stop the project's continuation. The Board decision marked the first time that a Bank loan was suspended for environmental reasons. In later years, NGO pressure on the US Congress and the Executive Directors of European donors, led to the creation in 1993 of the Bank's Information Policy, and in 1994, of the Inspection Panel.

⁷ There is an extensive literature on the question of the World Bank and reform. See for example: Nuket Kardam, "Development Approaches and the Role of Policy Advocacy: The Case of the World Bank," *World Development* 21(1), 1993; Pat Aufderheide and Bruce Rich, "Environmental Reform and the Multilateral Banks," *World Policy Review* 5 (1988), pp. 301 - 321; Bruce Rich, "The Multilateral Development Banks, Environmental Policy, and the United States," *Ecological Law Quarterly* 12(1985), pp. 681 - 784; Bruce Rich, "The Emperor's New Clothes: The World Bank and Environmental Reform," *World Policy Journal* Spring, 1990, pp. 305 - 29.

1.2 Institutional Behavior

The debates occurring in the contemporary political context are also reflected in the scholarly literature. Both sociology and political science address the sources and dynamics of organizational change and policy innovation/reform.⁸ Sociological analysis has focused on the development of a more systematic analysis of organizational change, while political science has been more adept at analyzing policy questions.⁹ The two issues are related and may overlap but are analytically distinct. Neither body of literature, however, adequately addresses the dynamics involved in policy compliance, which is not only an issue of organizational *change* but also one of organizational *behavior*. The difference is neither semantic nor minor. An institution may incorporate new ideas, the evidence of which may be an altered mission, but ultimately what it *does in practice* is really the best indicator of change.

Current scholarship on the World Bank explores the issue of “fit” between the institution’s original mission and its efforts to incorporate new tasks - such as those

⁸ A discussion on the debate between institutional change and institutional learning as they relate to the World Bank can be found in a chapter written by Jonathan Fox, “When Does Reform Policy Influence Practice? Lessons from the Bankwide Resettlement Review,” in Jonathan Fox and David Brown, editors, *The Struggle for Accountability*, op. cit. This section is informed by in part by the work of Aaron Wildavsky, especially “The Self-Evaluating Organization,” *Public Administration Review*, 32(5), September/October, 1972, pp. 509 - 520.

⁹ See Gayl D. Ness and Steven R. Brechin, “Bridging the Gap: International Organizations as Organizations,” *International Organization*, (42)2, Spring 1988, pp. 245 - 273 for an attempt to integrate insights from both disciplines. The authors are grounded in the political science discipline. For literature specifically on organizations and reform, see Nils Brunsson and Johan P. Olsen, *The Reforming Organization*, (London: Routledge Press, 1993); Nils Brunsson, *The Irrational Organization: Irrationality as a Basis for Organizational Action and Change*, (Chilchester: Wiley, 1985); B. Dente, and F. Kjellberg, *The Dynamics of Institutional Change*, (London: Sage Press, 1988); B. Levitt and James March, “Organizational Learning,” *Annual Review of Sociology*, 14: 319-340; and James March and J. Olsen, “The New Institutionalism: Organizational Factors in Political Life,” *American Political Science Review*, 78: 734-49; and Ernst B. Haas, *When Knowledge Is Power: Three Models of Change in International Organizations* (Berkeley: University of California Press, 1991). There are others to numerous too cite.

relating to the environment and social impact issues.¹⁰ How well does the Bank, which is a lending institution, incorporate non-technical, non-economistic issues? The conceptual hypothesis that guides this question is that the more at variance the new task is with the organization's original mission, the less likely it will be to successfully incorporate it. The hypothesis therefore predicts that the Bank will experience difficulty in addressing social impact issues such as forced displacement and indigenous people. While this framework and associated hypotheses are useful for answering the broad question of Bank success in dealing with non-financial, non-poverty-related issues, it does not address the question of, or predict when and why the Bank *does* address such issues, which is what this dissertation sets out to accomplish.

Policy creation and change may be constitutive of organizational learning in the sense that they can form the basis for action. If the policy's contents are not translated into compliance, however, then learning, as evidenced by changed behavior, has not occurred. Institutions are not monolithic, but contain various and frequently competing ideological and practical approaches to their goals. Policies may emerge from particular segments (and often a very small number of *individuals*) within an organization that attempt to translate lessons from past mistakes into guidelines, which may or may not gain universal acceptance, even if formal *adoption* is achieved.¹¹ Perhaps a more focused distinction should be made. Understanding policy creation as a response designed to

¹⁰ See Robert Wade, *op. cit.* For an earlier, more developed analysis of this issue from an international relations perspective, see Ernst B. Haas, *op. cit.* For a test of the Haas model, see Tamar Gutner, "Banking on the Environment: Multilateral Development Banks and Environmental Policymaking in Central and Eastern Europe," Doctoral dissertation in progress, MIT Department of Political Science, 1998.

¹¹ See Kardam, *op. cit.* for her discussion on these issues.

adapt to new demands as opposed to a learning response, for example, is illuminating but does not necessarily speak to the issue of institutional *behavior*. What an organization *does* is a more relevant indicator of whether and to what extent change is actually occurring. Ultimately, actions may be the most rigorous test of an organization's claims about the value it accords to its policies.

1.3 Policy Creation¹²

There are several levels to the policy process, the first of which involves the role of a handful of committed individuals who identify a recurrent problem, and undertake relevant research in order to find solutions. The second step involves the codification of the research into a set of guidelines related to the problem. The third involves efforts to raise awareness among, persuade, and educate implementing staff about the issue. This involves convincing them that there is a problem, that the institution can and should do something to correct it, and that by doing so, the quality of its work will be improved. When sufficient support is gained, the proposed policy is presented to the institution's directors for approval, and then adopted. Because this process occurs does not necessarily mean that learning has occurred, or that *compliance* is guaranteed. Even when it does happen, the question of learning is not necessarily answered if compliance happens on a case-by-case basis. Rather, the litmus test is if the policy is *consistently* applied across cases, signifying that a culture of compliance has become established. It is important to state, however, that the existence of policies *has* made a significant

¹² This section draws heavily from Kardam's discussion on the incorporation of the sociological issues into the Bank's operations, in addition to interviews with Bank staff concerning its tribal peoples policy, which was first drafted in 1979 by a Bank ecologist, but not accepted until 1982. The process by which this operational directive (OD) was accepted mirrors that of the sociological issues discussed in Kardam's article.

difference in terms of some aspects of institutional behavior, which is what the next section will explore in greater detail.

1.4 *When Policies are Adopted - Policy Feedback*

However it is they come into existence, policies can generate politics - that is, they are not merely outcomes of political processes, but inputs, as well.¹³ In this concept of policy feedback, policies are both independent and dependent variables. Generally, both sociological and political science studies have tended to explore this issue by focusing on government policy. In the same way that social movement insights have relevance for organizational dynamics, studies of policy feedback that focus on government initiatives are applicable to institutions such as the World Bank. The concept links well with the previous discussion in that it encompasses both internal and external factors that determine policy compliance. Leaving the question of the origins of policy reform aside, the concern in this section is on the impact that the existence of policies adopted by the World Bank has on both actors within and outside the institution.

Policies may be viewed as norms and standards that are internalized and/or resisted, depending on the perspective of a given group. Policies create frames of reference, incentives, and accountability mechanisms for groups, such as the environmental movement and Bank staff concerned with reform policy compliance. The information that NGO groups provide, for example, becomes valuable in the eyes of the Bank *because there is a policy associated with that information that gives it value by providing a benchmark, a standard, or a norm against which to evaluate it.* Information

¹³ Paul Pierson, "When Effect Becomes Cause: Policy Feedback and Political Change," *World Politics*, 45 (July 1993), p. 595.

is important to the Bank because it acts upon it, either by taking remedial steps to correct a problem project, or even by publicly invalidating the information (while often quietly correcting the problem raised by NGOs). Information indicating that a given activity is or is not happening or is occurring so improperly can be measured and evaluated against the policy. Such guidelines provide something concrete for groups to mobilize around, potentially giving them leverage over an institution. For actors concerned with correcting and otherwise improving institutional behavior and performance, policies are a political resource.

For relevant audiences, policies may serve as accountability levers, with their existence providing leverage and credibility for both aggrieved groups and internal reform advocates. If there is no agreed upon organizational yardstick or benchmark, then it is more difficult to challenge questionable procedures and actions. Organizations can be challenged more readily if there is a standard to which they can be held, especially if there is an ethos of professionalism among the staff.¹⁴ Policies are these standards. The potential impact of policies can be great in an institution such as the Bank, which prides itself on being professional, knowledge-based, and concerned with proper procedure.

Actors within institutions can be affected by policies as well, which can *potentially* serve as favorable political opportunity structures, providing more political capital to internal advocates of reform. In institutions with entrenched interests at all levels - including senior management - policies can provide reformers with some leverage over directors, who may not be aware of daily operations and potential violations.

Revelations of improper procedures can serve to embarrass higher level management, who are reminded of organizational policy by public watchdog groups, further pressuring them to action. Policies can, in such instances, enhance the capacity of reformers: “policies transform or expand the capacities of the organization. They therefore change the administrative possibilities for official initiatives in the future, and affect later prospects for policy implementation.”¹⁵

Moreover, as Pierson suggests, there are the benefits that policies provide for “political entrepreneurs,” who use them to activate pre-existing, yet dormant interest groups, thereby helping them overcome obstacles to collective action. These potential resources are important tools for groups seeking to gain access to a formidable, powerful institution such as the World Bank. For example, the 1993 creation of the Bank’s Inspection Panel potentially provides this type of resource, with a semi-independent body that explores claims and recommends actions. Its existence can facilitate a point of entry to the institution.

If it is true, as many observers of policy feedback have noted, that policies provide incentives for supporters, such as pro-reform factions within and outside the World Bank, then it is also true that they offer a vehicle for counter-mobilization, as well, providing anti-reformers with a focus.¹⁶ For opponents, such policies can provide reference points for backlash, with arguments advanced about why a policy is untenable

¹⁴ The confusion surrounding OD 4.20 is an example of this. Many Bank staff with responsibility for policy compliance, do not have a clear sense of what the policy actually requires. This translates into the lack of a coherent standard to which to hold both the Bank and borrowers.

¹⁵ Theda Skocpol, Protecting Soldiers and Mothers: The Political Origins of Social Policy in the United States, (Cambridge: Belknap Press, 1992, p. 58) quoted in Pierson, op. cit., p. 603.

¹⁶ Pierson, op. cit., p. 600.

and how it can be altered (read “weakened”) to become more “efficient.” While it is still too early to draw firm conclusions because the process is still underway, there is some evidence to support this observation. The World Bank is currently in the midst of “reformatting” its policies. In the case of its social impact and environmental guidelines, there may be some evidence of efforts to weaken the policies and rob them of some of their stringency. Interviews with well-placed Bank officials almost universally cite the effectiveness of NGOs in using the policies as leverage points, and also the justification for what they term the “gutting” of the policies. The fact that this process may be occurring speaks to the importance and utility of these policies as points of leverage.

Another vantage point from which to view this issue is to explore the disposition of internal and external actors *before* the adoption of social impact policies, the oldest of which was promulgated in 1980. Before that time, Bank-assisted debacles were numerous. Projects such as: the Sobradinho dam in Brazil that displaced over 60,000 people with traumatic social, cultural, and economic consequences; the Balbina dam in the Brazilian Amazon that destroyed extensive portions of the rainforest, and; the ill-conceived agriculture projects in strife-torn countries such as Rwanda, all are examples of development occurring without the protection potentially afforded by guidelines such as the resettlement and indigenous people’s policies.¹⁷ To the extent that protest existed, it was ineffective, at least in part because there were no standards to which to hold the Bank accountable - no benchmarks against which to evaluate the social and environmental impact of its actions. With the existence of such policies, the potential for the balance of

power between anti- and pro-reform interests to shift in favor of the latter group increases. Moreover, documentation of social and environmental impacts associated with Bank lending become valuable in a more explicitly political manner, since carefully researched and presented information is evaluated against policy requirements.

1.5 Implementing Reform - Outsiders Can Help

Because policies may be merely adaptive in nature and therefore potentially less threatening does not necessarily mean that their implementation is welcome or desired. Many institutions resist reform measures, even though usually they do not lead to comprehensive organizational changes. There are several obstacles that must be overcome.¹⁸ Because of the nature of most organizations, it is frequently crisis that sets the context for policy implementation, an observation largely supported by the empirical findings of this study. Crisis and controversy may provide an environment that can create a more favorable, receptive context for Bank staff who are particularly concerned with social impact policy compliance. This is particularly true for the involuntary resettlement policy, which addresses the forced relocation of large and generally vulnerable populations (though for reasons that will be explained subsequently, this is less true for the indigenous peoples policy). In recent years these project-affected groups, in conjunction with NGOs, have mounted protracted resistance campaigns (usually

¹⁷ The Bank funded Sobradinho in 1974, Balbina in 1981, and the Rwanda Mutura Agriculture and Livestock Development Project in 1974. See Bruce Rich, *Mortgaging the Earth*, op. cit., pp. 93-99 for other Bank-assisted agriculture projects with negative impacts.

¹⁸ This section draws heavily from pp. 1404 -05 of Benjamin L. Crosby, "Policy Implementation: The Organizational Challenge," *World Development*, Volume 24 (9), pp. 1403-1415. The study, based on the US Agency for International Development's Implementing Policy Change Project, seeks to highlight obstacles and solutions to policy implementation. Also relevant is Nils Brunsson and Johan P. Olsen, op. cit. The book details the problems involved in implementing reform, and distinguishes this process from the decisionmaking process that goes into initiating reform.

involving direct action tactics including the kidnapping of power company representatives, mass invasions of work sites, confrontations with state security forces, and refusal to relocate, even in the face of rising reservoirs) that have captured international media attention.

These realities can make the compliance process especially contentious for those favoring the status-quo, which may be some degree of policy non-compliance, but may provide the space for policy advocates- defined as those within the Bank who lobby for the adoption of and compliance with social policies - to act. Crisis can be politically useful, accomplishing several tasks: interrupting the institutionalized modes of action that perpetuate an organization's way of executing tasks and evaluating information, thereby providing the political space necessary for new analysis and approaches to be considered; highlighting and focusing action on a particular problem that has received little or insufficient attention, and; accumulating and applying organizational resources in a deliberate way to an issue. In the context of issues involving social impacts, crisis can open and/or expand the existing political opportunity structure in a way that benefits policy implementation.

Observations from the literature on regime change and democratization are relevant to the present discussion. Scholars such as Alfred Stepan point out that the impetus to the breakdown of authoritarian regimes in Latin America is the division that exists *within* the ruling coalition.¹⁹ The regime's "softliners," who promote less draconian measures and exhibit some concern for civil and human rights, are in conflict

¹⁹ See Alfred Stepan, Rethinking Military Politics: Brazil and the Southern Cone, (Princeton University Press, 1988) for an exposition of this framework.

with “hardliners,” who advocate the use of repressive measures and limited participation and access. Public controversy in the form of demonstrations and other social movement activities can strengthen the more moderate elements in the regime, thereby providing them with leverage over the hardliners, and ultimately, hastening the demise of authoritarian rule. In the context of the Bank, operations staff tend to be more concerned with moving loans and projects along, frequently viewing operational directives (ODs) governing social questions as “obstacles.” Under the more traditional definition of development, which has focused on issues of economic growth and even poverty alleviation, task managers who develop and oversee projects, may be referred to as “hardliners,” while policy staff(usually social scientists and some sympathetic task managers), can be classified as “softliners”.²⁰ NGO critiques can empower the softliners, creating an “enabling environment” for them in their negotiations with the hardliners, sometimes allowing for policy application.

The role of NGOs, even if indirect, should not be underestimated. Empirical data and research reveal many instances in which Bank softliners warned project directors and management about impending disasters which, if the task manager had applied Bank social impact policies, could have been averted, or at least substantially mitigated. Often, it is not until outside pressure is brought to bear on the institution that some action is taken. It should be noted that this connection between softliners and NGOs is often tacit and informal, though sometimes, softliners actually provide NGOs with critical project

²⁰ An alternative way to conceptualize these two categories of actors refers to policy staff (usually social and environmental scientist analysts) as “hardliners,” because of their commitment to social impact policies. This categorization would apply to the newer approach to development, which seeks to integrate environmental and social issues. I am grateful to Professor Myron Weiner for pointing out this alternative conceptualization.

information, understanding that by doing so, their own positions will be strengthened, increasing the likelihood of policy compliance. In some cases compliance may require the presence of internal policy advocates *and* external supporters who are able to leverage the favorable political opportunity structure created by crisis. In the case of the Bank's earliest reform policies - those governing resettlement and the treatment of indigenous peoples - internal processes to secure policy adoption began before external pressure, while later policies have come under more extensive external pressure.²¹

The effect of such pressure may sometimes have positive repercussions beyond the length of the particular cycle of protest. In the period following the resolution of controversial projects, the institutional *memory* left behind by public scrutiny may remain, affecting the attitudes and actions of those whose work was challenged. Project managers' *attitudes* about a policy may not alter (in terms of whether or not they agree with its aims), but their *actions* might, in anticipation of the next cycle of NGO scrutiny and possibly protest. While a wholesale transformation of actions and attitudes toward social impact policies would be most desirable, even a partial change that leads to enforcement works to the advantage of policy advocates and affected populations.

1.6 *Other Obstacles to Complying with Reform Policies*

The application of social impact guidelines may threaten an organization's primary mission, and implies a reconfiguration of power and authority in the loan preparation and project cycle processes. Specifically, policy personnel are extending their domain of influence into the operations sphere - in a context in which such actions

²¹ These policies include the Bank's participation policy and information policy.

are not always viewed favorably. This statement, however, requires some qualification. Relations between policy and operations personnel need not always be strained or contentious. Many project-related issues that require collaboration between the two groups often involve very technical and relatively uncontroversial issues. Conflict tends to increase when the social impact policy issues of involuntary resettlement and indigenous peoples are involved.

Policy change [and implementation] addresses fundamental questions of what is to be done, how it is to be done, and how benefits are distributed. When change occurs, relationships at various levels and between stakeholders will be shifted. There will be winners and loser, and more often than not the losers will be in a position to exercise strong and effective opposition.²²

These political dynamics are especially relevant to the application of social impact policies at the Bank, where operations personnel located in country departments enjoy far greater leverage over decisions than social policy personnel.²³ Day-to-day responsibilities for Bank-assisted projects fall under the jurisdiction of task managers, who historically have tended to be either engineers or economists, and generally lack training in ecological or social impact issues, and have frequently been ignorant of or hostile to Bank social and environmental impact policies.²⁴

The allocation of resources necessary to carry out the demands of a policy also requires consideration. In the past, because of the organizational structure of the World Bank, the personnel with the expertise to assist operations personnel in properly

²² Crosby, *op. cit.*, p. 1404.

²³ Subsequent chapters will examine in greater depth the organizational aspects and dynamics within the Bank.

²⁴ Several interviews with Bank staff confirm the existence of these attitudes among task managers.

implementing social impact policies have been dependent on project managers.²⁵ Their services must be *requested*, which is how necessary money for policy -related functions is released. Sometimes, task managers may be resistant to the inclusion of social and/or environmental scientists in their projects, and other times, there may be resource allocation issues that are independent of more political questions. As Crosby asserts,

[b]udget resources are not free goods [], and they cannot be shifted easily or unilaterally. The allocation of resources represented by a budget is the product of understandings an arrangements arrived at over considerable negotiation and commitment of interested and often powerful actors. Resources can be reallocated, but only with the consent of those with prior interest²⁶

This analysis is borne out by studies conducted by consultants for the World Bank. In a survey of task managers designed to identify obstacles and provide solutions to problems encountered in dealing with the Bank's involuntary resettlement operational directive, it was found that "[t]he most pressing problems facing World Bank Task Managers are a lack of financial and staffing resources appropriate for dealing with the enormous complexities of the resettlement process²⁷ A great deal of effort - particularly a

²⁵ The Bank is currently undergoing a reorganization, and there have been changes made in how different units function.

²⁶ Crosby, op. cit., p. 1404.

²⁷ Janet Mancini Billson, op. cit., p. 2. Another section of the report comments on the connection between budgetary and bureaucratic pressures faced by task managers with respect to carrying out projects involving forced displacement.

Part of the pressure on TMs (task managers) is bureaucratic, part of it is budget pressure. TMs think in terms of number of staff weeks for each stage of the process, but often find themselves short of resources to cover a project adequately. In order to stay in budget, they are tempted to choose projects that require very little "TLC" or intensive involvement in resettlement, environment, or other priority areas. Thus, budget constraints drive choice of project to some extent. . . .

There is a seeming inability of departments to push up from the bottom the budgets which are made by the division level (p. 26.)

One Bank staff commented on pressures faced by task managers: "The reward and incentive is in doing it [the project] faster and cheaper - NOT better, particularly when it applies to social issues." (Undated notes from Bank staff to author.)

commitment from the upper levels of the institution - must be expended to overcome resource allocation issues.

Finally, there is the critical question of borrower commitment.²⁸ While the Bank is largely responsible for project preparation, appraisal, design, and approval, projects technically are owned by the borrowing country - usually a government ministry. Although the Bank can exert its intellectual, professional, and financial influence in all aspects of the loan/project development process, there is still a role to be played by the borrower in the implementation process. Even in the best case scenario in which the Bank has carefully followed its guidelines on social impact, it can not guarantee that the borrower will scrupulously do the same. Take for the example the case of the Bank-assisted Itaparica resettlement loan. Years after grassroots, international, and Bank pressure forced the Brazilian government to accept a loan to properly resettle the affected population, problems in the project remain. The Bank has been called upon to address policy violations through a complaint to the Inspection Panel, recently filed on behalf of the affected groups. Threats have been made against the borrower to enforce compliance and have even been carried out in the form of loan disbursement suspension.²⁹ The question that arises in cases such as this one is: What are the limits of the Bank's obligations?

1.7 Overcoming Obstacles - Favorable Political Opportunity Structures Help

The previous discussion suggests that overcoming entrenched interests in the

²⁸ For an extensive treatment of the relationship between the Bank and its borrowers around its resettlement policy, see Dan Gibson, *op. cit.*

²⁹ Loan disbursements were suspended on more than one occasion in the early 1990s.

Bank that are opposed to reform policy compliance requires deliberate action. Social movements literature insights are useful in understanding how this might occur.

Organizations are characterized in part by political cleavages, the creation, dissolution, and reconstitution of coalitions, and the existence of pro-reform and pro-status quo factions. Drawn from the protest literature, the political opportunity structure concept can be usefully adapted to apply to the dynamics of policy reform within a large bureaucratic organization. The three salient features of the concept involve: 1. the in/stability of political alignments within the organization; 2. the degree of openness of the institution, and; 3. the presence and disposition of external allies.³⁰ Changes in one of these aspects can affect the other two and ultimately, the chances for policy application.

For policy reform to occur, some change in the existing political alignments must take place so that the balance of power is shifted away from defenders of the status quo to those lobbying for policy compliance. Change may come about through internal efforts to educate and persuade opponents, through outside pressure and lobbying, or some combination of the two. The argument here is that both usually are necessary. It is necessary here to draw an even finer distinction. The combination of internal and external pressures may not always induce compliance, though compliance is often driven by the two. This study is different in that it shows explicitly and in detail precisely *how*

³⁰ Sidney Tarrow, Struggling to Reform: Social Movements and Policy change During Cycles of Protest, (Ithaca, NY: Cornell University Press, 1983), p. 3. See also Frances Fox Piven and Richard Cloward, Poor People's Movements: Why They Succeed, How They Fail (New York: Vintage Books, 1977) and Doug McAdam, Political Process and the Development of Black Insurgency, 1930 - 1970, (Chicago: University of Chicago Press, 1985), and Doug McAdam, John D. McCarthy, and Mayer N. Zald, Comparative Perspectives on Social Movements: Political Opportunities, Mobilizing Structures, and Cultural Framing, (Cambridge: Cambridge University Press, 1996) for perspectives on political opportunity structures.

the two interact, and the conditions under which the combination of forces will have an impact.

Lobbying within an institution lays the groundwork, builds internal political support if carried out carefully, and sensitizes relevant actors to the issue at hand. Such efforts may lead to increased interest in the issue and additional staff, but may not necessarily lead to a thorough integration of the policy in a manner that leads to its consideration in all projects.³¹ External pressure may create internal fears about the institution's image in the eyes of relevant audiences. It may also raise questions internally about whether or not the issue really does require attention, especially if there is a disjuncture between what management knows and what external groups claim is occurring in a project. Outside scrutiny may also trigger institutional response that is enacted to appease and placate protesters and scrutinizers, who may include donors. Recalcitrant elements in the organization may react defensively, while policy staff may see an opportunity for a good outcome. What will shape, influence, and frequently direct the *type* and *extent* of the response are the presence, political tactics, and strategies of internal advocates who are strategically placed in the organization and recognize policy change as an intrinsically political process. The mutually reinforcing processes of internal and external advocacy in the context of crisis will, under certain conditions, yield policy compliance.

The degree to which the institution is transparent will shape the capacity of external actors to gain access to relevant actors within an institution. A closed

³¹ This is the also the analysis offered by Nuket Kardam.

institutional context obviously is not receptive to attempts made by outsiders to influence internal processes. Over time however, an organization may become open through repeated attempts by external actors to force greater transparency. Such campaigns can eventually whittle away at barriers enough to gain entry into the institution. In the case of the MDB campaign, some efforts went into conducting hearings on the Bank by Congressional appropriations committees; lobbying of the US Treasury department, and; the strategic placement of articles in key media outlets on Bank behavior. Internal advocates of reform who recognize the necessity of cultivating allies may take the initiative themselves to reach out, thereby facilitating a more open political environment. Often, such action is taken without the explicit knowledge of reform opponents. Pro-reform actors understand the precariousness of their situation organizationally and may serve as sources of information for outside groups.

External allies can serve in critical roles, ranging from public education and information dissemination, to the strategic marshaling and utilization of information, to organized lobbying of actors within an organization, to sophisticated media campaigns, and, in the case of large public bureaucracies, oversight and appropriations committees and donors. After several protest cycles, critics' presence with its associated threat of a campaign, may encourage compliance. These three aspects of political opportunity structure can reinforce one another in such ways that contribute to the creation of a propitious environment conducive to policy change.

1.8 *Summary*

The first section of this chapter reviewed both the context of the dissertation's research questions and the literature on institutions, focusing on the question of behavior

as distinct from institutional change or learning. The next section looks in greater detail at the value of internal lobbying in creating a more propitious climate for policy compliance.

II. The Role of Internal Lobbying

2.1 The Effectiveness of Learning

The above discussion has outlined the range of issues that require consideration in understanding the dynamics of reform policy compliance. This section will focus more closely on the variables relevant to this dissertation, while also providing some background into how the policies came into being. This issue deserves some attention given the previous discussion of policy feedback.

In an article on policy reform, Nuket Kardam isolates the factors that explain the conditions under which IOs create and adopt policy guidelines and internal procedures.³² Drawing from a case study of the World Bank's efforts to incorporate indigenous peoples' rights and forced displacement into the existing mission of the organization, Kardam points to four explanatory variables: "the degree of independence of the IO within the international regime in which it functions; the nature of external pressure on a new issue; the consistency of new issue [sic] with organizational goals and procedures; and the extent of internal advocacy."³³ These factors generate several hypotheses, the most relevant of which is that if the IO is moderately independent within the international system, if the new issues fit moderately well with the existing organizational procedures

³² Nuket Kardam, "Development Approaches and the Role of Policy Advocacy: The Case of the World Bank," *World Development*, 21(11), pp. 1773 - 1786. Kardam defines change as "an IO's response to new ways of thinking and new issues, or to what some call "epistemic innovations" s reflected in new policies, procedures and staffing." pp. 1773.

and goals, internal advocacy will be more relevant than external pressure to incorporation of the issue. Incorporation seems to entail the creation and adoption of policy guidelines, and to some extent, the application of those guidelines. The conclusions are based on analysis of internal dynamics related to the creation and work of the Sociology Group, which undertook a campaign to heighten awareness among Bank staff of human settlement and tribal peoples issues. According to Kardam, the adoption and “mainstreaming” of these issues resulted primarily from the work of this group of social scientists. External pressure, though a factor, seems to have been less relevant than the internal work of sociologists who educated staff about how insensitivity to social and environmental impact issues contributed to poor project performance.

2.2 Kardam's Argument

Kardam argues that IOs that are more independent and therefore less accountable will be more resistant to external pressure, while greater accountability would imply, conversely, constraints on organizational behavior in the policy realm. If shareholders or a wider public, for example, have input into an institution's decisions, then it is operating under constraints. Technically, the Bank is accountable only to its capital subscribers, with wealthy countries such as the US and Western European nations contributing the most money and owning, therefore, the largest share of votes. The institution enjoys greater independence than other UN agencies, Kardam argues, in both its relationship to borrowing countries, and to NGOs.

³³ Ibid., p. 1773.

Her discussion about the role of external pressure seems to be related to organizational independence/accountability. The Bank enjoys greater independence due to its small circle of entities to which it is accountable, which is unlike the situation of other UN agencies, which must answer to all member countries. This analysis suggests that the Bank should be only somewhat susceptible to and affected by external pressure, such as that exerted by project affected populations or NGOs. Yet, Kardam credits the rising international environmental movement of the 1980s and 1990s with pressuring the Bank through the US Congress.

A new issue is more likely to be incorporated if it is not far outside the organization's existing framework, procedures, and goals. Within the context of the World Bank, the main *practical* aim of the organization is

“[i]ncreased profitability as a financial institution and increased economic growth for developing countries (with reliance on the market mechanism),[which] put[s] constraints on the consideration of non quantifiable issues that do not directly promote “efficiency” and that cannot be transformed into cost-benefit ratios.”³⁴

Staff would be less receptive, then, to considerations that detract from realization of these goals, since they would “slow down the project approval process and increase complexity of and uncertainty in the staff's work.”³⁵ Forced displacement and indigenous peoples' rights do not fit readily into the goal outlined above, and for many years did not receive significant attention in Bank-assisted projects. This state of affairs, then, requires the exertion of internal advocates.

³⁴ Ibid., p. 1777.

³⁵ Ibid., p. 1778.

“Policy entrepreneurs,” whose function is to identify an issue, disseminate information about it, and lobby for it among relevant staff, are critical actors in facilitating the incorporation of issues that do not fit well into an organization’s mission. It is the “skillful mobilization of fact” by advocates of a policy area that serves to promote an issue. Sociologists and anthropologists, located in the Regional Environmental Divisions (REDs), fulfilled this function by forming the Sociology Group, which provided a forum for the discussion of social and environmental impact issues. Through its luncheons, informal talks, seminars, and other fora, this group undertook a process of educating operations Bank staff about these issues, leading, according to Kardam, to a process of self-criticism and evaluation.

The learning that Kardam claims happened led to innovation in the form of: new Vice-Presidency for Sustainable Development with a Social Policy and Resettlement Division; new policy guidelines; more social scientists located in regional operations; increased use of such staff for resettlement missions, and; increased interest by non-social scientists in socio-cultural issues. It is worth noting that these changes occurred after many years of NGO pressure. These successes are deemed by Kardam to be partial, however, limited by inconsistent application in relevant projects and the need to disburse money quickly. Moreover,

[t]hese issues do not fit easily into the Bank’s goals and procedures, yet lessons of failures in performance no doubt encouraged learning in an organization of professionals who are imbued with a professional ethos to produce quality work. Self-criticism and self-evaluation of what went wrong has led to the need for new policies based on new knowledge . . .

The response they could foster from their organization was some change of the organization itself. Impressive as this may be, the change has been limited, due to the contextual factors and internal counter-resistance as

well: limited sensitivity of the Bank to external pressure, resistance stemming from the prevalence of economic paradigms and biases or obsolete procedures. Yet, without the conscious efforts of some staff members, it is very questionable that even the results already achieved could have been attained.³⁶

2.3 The Critique and Modifications of Kardam's Argument

This section will offer a critique of Kardam's argument as well as modification of her hypothesis, both of which are relevant to this dissertation.

It is certainly true that the World Bank is technically accountable to the countries that provide its capital subscription. In this sense, it is accurate to argue that there are fewer audiences to whom the Bank is accountable when compared to other UN agencies. However, there is another way to view the question of accountability that allows for an understanding of how groups challenge Bank actions. Capital subscription is provided by the taxpayers of donor (also known as Part I) countries, and is decided by US Congress and European parliamentarians, who owe their decisionmaking status to their countries' electorates. Therefore, the range of actors to which the Bank is accountable is broader than Kardam suggests, and can be expanded to include citizens of donor countries. This is precisely the type of logic that has helped inform international advocacy efforts aimed at challenging Bank policy, procedures, and projects. An example of this is the three-year period that surrounds the replenishment of the Bank's concessional loan program - International Development Association (IDA). NGOs have experienced success in lobbying congressional appropriations committees (US Representative Barney Frank, the Massachusetts Democrat, played a decisive role during the debates around the IDA - 10

³⁶ Kardam, op. cit., p. 1785.

replenishment in 1993) to either withhold and/or decrease funding unless reforms were adopted and implemented by the Bank. IDA - 10 funding, for example, was released for only a two-year period until an information policy and Inspection Panel were created.

With regard to the nature of external pressure on a given issue, Kardam makes reference to the international human rights, development, and indigenous peoples' movements, and their influence on the US Congress. These groups are credited with increasing awareness of social and environmental impact issues and with the application of more rigorous policies. Still, there is little systematic analysis of the mechanisms or the organizational levels at which such pressure is salient. One is left to wonder for example, whether external scrutiny merely provides a more favorable context for internal reformers whose work still would have achieved success in its absence, or whether or not there are certain cases in which it is more relevant than others. Kardam suggests anecdotally that reformers took NGO critiques into account when drafting policy guidelines, but unless systematic analysis of such cases is undertaken, it is difficult to know when, how, and in what ways external pressure is important, even if the burden for promoting changes³⁷ rests with internal advocates, which Kardam claims is the case. Moreover, policy adoption is not the same as policy compliance, though the former is obviously a prerequisite for the latter. The legitimacy of claims that internal learning has occurred is not fully tested until there is evidence of compliance. Uneven, partial compliance implies that certain units and/or individuals are playing key roles, but it is difficult to generalize this to the whole institution.

³⁷ Many changes had not yet been implemented by the time Kardam's study period ended.

As for the fit between new functions and existing organizational goals and procedures, it is clear that new functions require new modes of thought and action, even if there is little disjuncture between existing and new functions. The examples used by Kardam, involuntary resettlement and indigenous peoples' rights, do not fit easily into the Bank's organizational mission. It could be argued that the former issue area is less antithetical to the Bank's interests, than the latter. The Bank's resettlement policy is its oldest social impact policy. In the words of one Bank staff, it involves "social engineering" in a relatively contained and bounded process of relocating project-affected people, and rehabilitating them by restoring their income to pre-relocation levels, or higher. There is, to be sure, some amount of distributional politics that occurs relating to issues such as land acquisition and location. Despite these areas of bargaining, the policy *assumes* development, accepting it and seeking to mitigate, as opposed to preventing it.

The argument can be advanced, and is supported by several Bank staff, that the stakes involved in the application of the indigenous peoples directive are higher than those involving the resettlement policy.³⁸ Unlike the resettlement policy, fundamental, more politically charged issues such as who and what constitutes the identity of a nation are involved in the OD on indigenous peoples. Who is indigenous? Who has just claims to a given territory? In many developing countries, indigenous peoples occupy lands rich in natural resources, such as minerals and ores, that are claimed by national governments for state-building and development imperatives. Moreover, as one Bank social scientist observed, indigenous peoples' issues involve complex legal questions that must

disentangle land tenure and customary law problems. Finally, there is the question of human rights, which rarely, until recently, has ever appeared in Bank documents or discussions. Given the difference in the issues involved in these two ODs, the expectation is that there should be greater compliance and less controversy over the resettlement than the indigenous peoples' policy. That the level of recalcitrance that exists around the resettlement issue does is a powerful indicator of internal Bank attitudes overall.

The central part of Kardam's argument rests on the claim that the other three variables (degree of organizational independence, external pressure, and compatibility between new function and institutional mission) set the context and are necessary but insufficient to produce innovation. It is the role of internal advocates that is critical and decisive. Some learning among technical staff, based on self-criticism, did occur. Project managers called upon social scientists for assistance; non social scientists participate in increasing numbers in seminars and workshops sponsored by the Sociology Group, and; awareness of socio-cultural issues in projects is greater than in the past. These are signs of learning, despite limitations. "[L]essons of failures in performance no doubt encouraged learning in an organization of professionals who are imbued with a professional ethos to produce quality work."³⁹ Such criticism and reflection led to the development and adoption of new policies.

³⁸ Originally designed to apply to large infrastructure projects that affected indigenous peoples, the OD never had a "no project scenario" in cases in which negative impacts would be irreversible. The OMS, the precursor to the current policy, did contain such a provision.

³⁹ Kardam, *op. cit.* p. 1784.

While useful, Kardam's analysis does not offer an account of policy *compliance*, which may help address how "counter-mobilization" and "internal resistance" are overcome. There are not sharp criteria to evaluate or disaggregate the advocacy dynamics or the manner in which such pressures give the upper hand to internal pro-reform factions. The fact that internal advocates are necessary for the process of policy reform to move forward implies that internal *opponents* must be carefully challenged, co-opted, and, in some way, defeated. In the absence of a strategy that addresses these deeply entrenched interests, "internal resistance" and "counter-mobilization" will likely continue to reverse reform gains. This follows logically from the previous discussion about policy reform as an adaptive response that does not address underlying procedures and goals. The same interests that defend the organizational status quo likely will be the same ones that resist not merely policy adoption *but also compliance*. What is required is yet another coalition of forces to provide the political support and favorable environment for *enactment* of policy. There is a multi-step process involved: policy proposal, policy adoption, policy compliance within the Bank, and policy implementation by the nation-state at the project site. The existence of one does not guarantee the execution of the others. Rather, the four should be seen as the products of continual contestation, with the development of coalitions that shift the balance of power within the organization in favor of reform. Although she acknowledges the role of the international environmental movement in scrutinizing and protesting against the Bank's activities around these sociological issues, Kardam's approach does not specify how external pressure is brought to bear on an institution, or why such pressure is effective at some points and not others.

Both policy innovation and policy compliance are the creations and objects of profoundly *political* dynamics. In other words, “. . . policies [are] not only outputs of but important inputs into the political process . . . “⁴⁰ They are, alternatively, independent and dependent variables, both causing and resulting in political dynamics. The existence of a policy can generate and foster the organization of interests both in favor of and against the policy and compliance, with the resulting distribution of political benefits and resources, as well as the costs and benefits associated with alternative political strategies . . . “⁴¹ The mere existence of a policy *may* provide leverage over the organization for both outsiders and insiders who may otherwise be marginalized within the greater organization.

A more systematic analysis might organize types of changes not into levels of learning, but rather, into the outcomes of political conflicts between actors with different interests and ideologies. For example, persuading non-social scientists to attend Sociology Group meetings might entail less conflict than convincing project staff to allow social scientists more of a leadership role on projects. The translation of sociological research into policy guidelines would be a more significant achievement, while the application of such policies in Bank projects would probably involve the most conflict, since at stake are issues involved in project design, preparation, internal compliance and project site implementation.

I would modify Kardam’s hypothesis. External pressure is more relevant than she allows. Such pressure is a *critical* variable in explaining why the Bank takes action. If it

⁴⁰ Paul Pierson, *op. cit.*, p. 595.

⁴¹ *Ibid.*, p. 596.

is assumed that reformers' attitudes about seeking the incorporation of sociological issues into project considerations are consistent, then the question remains: why does the Bank follow its policies in some cases and not in others, all things being equal? It is the presence of external pressure that makes the difference. The Bank has become more sensitive to external scrutiny as a result of the continuation of transnational NGO campaigns. It is the pressure of these groups that has, in certain cases, overcome internal obstinacy in certain projects. The actual universe of cases in which internal-external pressure leads to the compliance with these reform policies is relatively small, arguing for the power of the status quo, even in the presence of staff who learn.

But this is still not a hypothesis that sufficiently captures the full range of dynamics at play. How can other cases be explained? What criteria should be used? The issues of case selection and hypothesis development and explanation will be covered in the next chapter.

CHAPTER THREE
EXPLAINING POLICY COMPLIANCE:
RESEARCH DESIGN, CASES, AND HYPOTHESES

I. Introduction

The main focus of this dissertation is to generate and test hypotheses to explain the conditions under which the World Bank's social impact policies are complied with by staff. While the literature that informs this study contains useful information on this subject, it does not offer an approach that develops and systematically tests theories of policy compliance. To accomplish this task, this study develops case studies and tests them against a series of hypotheses. This chapter presents the research design, methodology, selection of cases, and relevant hypotheses. Moreover, the role of each chapter in the overall argument is explained.

II. Research Design

2.1 The Dependent Variable

The dependent variable in this study is "compliance," which refers to actions by World Bank officials to follow the guidelines of the institution's operational directives on involuntary resettlement (OD 4.30) and indigenous people (4.20).

2.2 The Role of Theory and Methodology

This dissertation is a combination of theory generation and theory testing, and employs both inductive and deductive methods to generate and test theoretical propositions. While some of the hypotheses derive from basic assumptions, the primary method used to develop the framework is inductive. There is a relatively small universe of cases in which the Bank follows its social impact guidelines. These are used to generate hypotheses about institutional behavior. These outcomes (dependent variable -

Bank social impact policy compliance) are not the norm. Rather, the evidence suggests that they are deviations from the general way that the Bank operates and require explanation.

By undertaking a close empirical analysis of these cases, I seek to tease out, isolate, and compare characteristics that are present in cases of Bank reform. The evidence used in this analysis includes: Bank documents, correspondence, and memoranda, NGO documents, and extensive interviews with both Bank staff and NGO activists involved in the relevant cases. Interviews with Bank staff are especially important in this study, as these comparisons require entering into the Bank's internal politics and debates to identify and analyze the factors leading to decisions made about the projects.

2.3 The Argument

This dissertation argues that a pre-condition for compliance with the Bank's operational directives is the project-related participation of staff (internal advocates - generally environmental and non-economist social scientists)¹ who have laid the foundation for compliance by calling attention to and lobbying for the inclusion of social impact issues such as treatment of resettlers and indigenous populations. Without their presence, professional expertise, and awareness-raising activities, the likelihood that either operational directive will be complied with is low. However, these factors are not always a guarantee of compliance. They more often, rather, collectively constitute a necessary but insufficient condition. To increase the likelihood of policy compliance,

what is required is a political commitment among Bank actors with *decisionmaking authority* - usually project managers and those higher up in the Bank's organization (division chiefs, directors, and Management)- to induce compliance. When political will at such levels is present and focused on meeting Bank obligations, those with day to day project responsibilities will be pressured to comply with the policy, seeking out assistance from those with relevant expertise - Bank social and environmental scientists. Simply stated, policy compliance is more likely to occur when there is awareness of the need to apply the guidelines, and there exists the political will do so, however the latter is created.

The following diagram is a visual statement of how the process works.

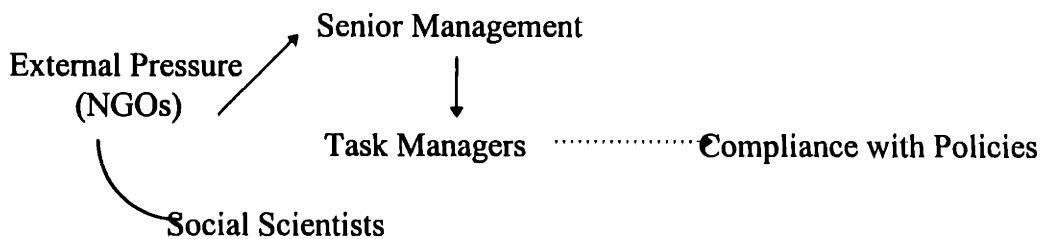


FIGURE 2.1

Higher-level political commitment to compliance may be both internally and externally generated, though this study finds that NGO pressure often creates it. Moreover, NGO campaigns may be effective at creating an atmosphere of fear and heightened sensitivity that endure beyond the life of the specific project that launches the critique. For the resettlement policy, the intense focus has meant that there is a high level of internal alert that has translated into stricter compliance, while in the case of the indigenous peoples policy, less internal focus on and political commitment to the issue has meant that compliance levels have been comparatively lower.

¹ Throughout this dissertation, the term social scientist will be used to refer to non-economist social

III. Assumptions

This dissertation is premised on several assumptions. First, I assume that compliance with these ODs will be difficult in the Bank's culture. Historically, World Bank social impact policies such as OD 4.30 and OD 4.20 have not been accorded the same status as other areas involved in loan preparation and project development. Numerous internal reports point to the existence of project (task) manager biases against such policies. An illustration of this is the value accorded to the development and maintenance of large loan portfolios. The Bank exists because it is able to market its services - offering loans and development expertise - to countries that borrow money from it. The main focus is project development - irrigation canals, sewage treatment centers, road paving - and less the *social dimensions* of development or project outcomes.

Second, while not a part of the model presented throughout the study, I assume that while the capacity and commitment of government implementing agencies contribute to implementation *on the ground* and do affect the Bank, the Bank is still a powerful actor with the capacity to exert its will - especially on weaker countries that seek its loans. The argument has often been made that "the Bank needs its borrowers as much as the borrowers need the Bank." Obviously without clients the Bank would cease to exist. However, the Bank is a powerful actor in the borrower-Bank dyad with respect to: 1. its capacity to leverage co-financing for borrowers; 2. the degree to which borrowers change their behavior when the Bank suspends disbursements for policy non-compliance, and; 3. the extent to which the Bank sets the tone for how development is defined and carried out within the donor community. For example, the Bank was the first

scientists, and also environmental scientists, such as those who are ecologists and biodiversity specialists.

international aid agency to develop and adopt guidelines governing forced displacement and tribal peoples, which influenced other donors to follow suit.²

Third, I assume that reformers may have difficulty in obtaining project information related to the policies - there is an asymmetry of information. Pro-reform elements in the Bank operate at a disadvantage. Day-to-day Bank operations fall under the jurisdiction of task managers, who are located in various Country Departments, which is where direct power over loans is located and where most project-related decisions are made. Because of the relatively high degree of autonomy and independence given to operations units, much information relating to policy compliance questions tends to remain outside the purview of Management, Senior Management, the Bank's Board, and sometimes social scientist staff, who may be deliberately excluded. There is a disincentive to disclosing issues and problems that may be perceived to reflect poorly on Bank operations staff.³ This structure is reinforced at the highest levels of the operational units, the effect of which is to prevent the dissemination of information that could lead to changes in the way projects are executed - including policy compliance questions.

²Though not an aid agency, the International Labor Organization (ILO) adopted standards earlier, starting in 1921, with efforts to protect indigenous groups. I am grateful to Clifford Bob for pointing this out to me. In 1953, it published Indigenous Peoples: Living and Working conditions of Aboriginal Populations in Independent Countries (International Labor Organization, Geneva: 1953). The ILO had adopted more than 100 conventions relating to the protection of indigenous groups by the early 1950s. In 1957, it adopted Indigenous and Tribal Populations Convention (No. 107) along with its Recommendation No. 104, which was revised in 1989 as The Indigenous and Tribal Peoples Convention (No. 169), which posits that these groups "will survive whereas Convention No. 107 assumed that they would eventually be integrated." See Lee Swepston and Manuela Tomei, "The International Labour Organization and Convention 169: A. The ILO and Indigenous and Tribal Peoples," pp. 56 - 64, in Lydia van de Fliert, editor. Indigenous Peoples and International Organisations (Nottingham: Spokesman, Bertrand Russell House, 1994).

³ For example, one internal Bank report on urban resettlement observed that TMs are "unwilling to volunteer unsolicited data on their projects to the Technical Department."

Finally, I assume that individual staff are important in lobbying for and complying with the Bank's social impact policies. Although the organizational structure and ethos tend to militate against compliance, key individuals can and do make a difference. There are three categories of such staff: social/environmental scientists, task managers who have been trained in an interdisciplinary way that takes into account the social dimensions of development; and task managers who have been sensitized to these issues through critique. There may be overlap between and among these categories, but these are the basic ones.

In the presence of factors militating against compliance, efforts to encourage it involve several steps: awareness of the policies and their requirements among task managers; the investment of high-level managers in promoting compliance; and the availability of support and resources to assist task managers in complying with and enforcing the policy. Creating the political will to induce compliance may occur through internal efforts and also through NGO critique.

IV. Chapters as Building Blocks and Selection of Cases

This section provides: 1. an explanation of the role of each chapter in the overall argument, and; 2. an overview of the cases chosen for analysis in this study. Because the focus is on compliance with Bank policies, the *type* of project is not important. The criteria are that the same policy be analyzed across all cases.

4.1 The Role of Each Chapter

The argument of the dissertation is constructed in three parts that support the conceptual framework outlined in the first two chapters. The first set of building blocks are the policy case studies on Operational Directive 4.30 (involuntary resettlement policy)

and Operational Directive 4.20 (indigenous peoples policy). By using Bank policies as the starting point, it is possible to weigh the range of factors that lead to efforts to improve compliance, whether internal, external or both. It is important to stress that Bank efforts to induce compliance may or may not influence actual implementation. The focus of this study is on Bank behavior. In terms of internal dynamics, empirically-based case studies allow for process tracing, an identification of the actors involved (ranging from task managers to country directors to management), the reasons for actions taken, and the role of individual leadership, which is critical. In other words, these case studies (six for each of the two policies - three cases with protest and three without) explain when and why the organizational incentive structure changes in a way that favors compliance. Cases involving NGO protest provide insights into why, when, and how external factors become internalized. Comparing the cases to one another helps identify both relevant similarities and differences that will ultimately contribute to theory building. This overall approach allows for a broader understanding of the range of dynamics, interests, shifting internal coalitions, and openings that affect Bank behavior, more so than focusing on either only protest or internally-generated initiative.

The second set of building blocks involves the chapter on the Inspection Panel, which allows for an analysis of *the direct impact* of both internal and external factors in determining the extent of Bank compliance. The cases in the chapter allow for the testing of hypotheses relating to the effect of external scrutiny on internal incentive structures, which speaks directly to the institutional political economy approach developed in Chapter Two. Moreover, the chapter shows how internal pressures (the Panel is an internal mechanism) lead to the creation of political commitment among upper-level

Management, which in turn leads to pressures on project managers to take actions to bring problematic projects into greater compliance with social impact policies.

Another perspective on these issues is provided by Chapter Five on the Resettlement Review, which explores the *indirect* impact of external critique on internal processes. It was the Narmada-related Morse Commission that created the internal crisis that empowered reformers in the Environment Department to propose an internal review, which encouraged Senior Management to support the idea and pressure operations staff to participate in the Review. Charged with the responsibility of executing the Review, Senior Management strengthened reformers institutionally vis-à-vis the operations units, thereby changing and raising the status of the resettlement policy and the norms associated with it. In other words, the creation of political commitment to compliance among higher-level management reduced the power of anti-reform elements and allowed reformers to advance the social impact policy agenda.

The overall effect of these individual building blocks is to provide different perspectives on the determinants and causal processes, both internal and external, of changes in institutional behavior, political dynamics, and incentive structures. The Inspection Panel and Resettlement Review chapters do in a more textured way what the individual policy-oriented chapters do - test hypotheses about internal and external pathways to compliance.

4.2 Resettlement Policy

Two sets of cases are used to document instances of Bank reform, which taken together, account for most of the variation observed across all cases analyzed. They are:

1. projects in which NGO lobbying and critique contributed to greater compliance, and;
- 2.

projects in which NGO lobbying and critique are absent, yet some policy compliance occurs. For the first set, compliance includes, but is not limited to: the creation and filing of resettlement plans; baseline surveys; consistent field-based supervision; and the development of incomes-generating schemes. Cases of Bank reform associated with NGO critique include:

- The Bank-funded Itaparica Resettlement Project (1986), which responded to resettlement problems associated with Brazil's handling of the dam that displaced 40,000 people. The *Polosindical*, the local grassroots group representing affected people, in conjunction with Oxfam-UK and the Washington, DC.-based EDF, spearheaded a campaign to guarantee compensation for affected people. This case is particularly relevant as it is the first stand-alone resettlement operation financed by the Bank, setting an important precedent for Bank lending.
- The 1985 Bank loan to Indonesia for \$156 million to finance the Kedung Ombo hydroelectric dam that displaced approximately 23,380 people, hundreds of whom refused to move, even as the reservoir began to fill. Several international NGOs brought attention to the human rights violations taking place in the project, in addition to the poorly-executed resettlement operation, about which some Bank staff had raised concerns years before the problems became public. Protest led to Bank action on these issues in the late 1980s. The gains made through mobilization were relatively small in scope.

- The ongoing Lesotho Highlands Water Project (1986), for which the Bank provided IDA credits. It involves the construction of hydroelectric dams to supply electricity to South Africa. Internal efforts to address resettlement and rehabilitation problems occurred before NGOs became involved. EDF, in conjunction with a local NGO - the Lesotho Highlands Church Action Group - led the effort to pressure the Bank to carry out its resettlement plan. Extensive consultations are occurring between NGOs and the current project manager, who responds personally to all letters.

There is variation within the cases that should help shed light on institutional dynamics. In one case (Itaparica) Bank staff took the initiative to address resettlement problems. In another instance, project managers deliberately censored internal reformers' dissent (Kedung Ombo), while in the last case (Lesotho) external pressure has given rise to a situation in which the project manager consults regularly with interested NGOs. Empirical analysis of these cases should help identify what changed within the Bank, why, and what impact protest had. Finally, there is a good amount of information and data available on these cases, in addition to interviews conducted with people directly involved in these campaigns.

To explain variation in Bank response, it is necessary to include another set of cases: those in which there was no major NGO-led campaign, but in which reform action occurred. Two observations should be made here. The Bankwide Resettlement Review (BRR) documented pervasive policy non-compliance across *all* operational regions, though the degree of policy violation varied significantly, with South Asia accounting for

most problems discovered. The intense internal work already accomplished in addition to continuing external scrutiny create the expectation that there will be more instances of greater policy compliance occurring without NGO critique after the Review than before it. While efforts have been made to find cases of compliance before the Review, it has not been possible to do so. Clearly, identification of projects that received internal attention before the Review would be “purer” examples of internally-generated compliance than those occurring either during or after the Review, which occurred in a context of massive NGO mobilization. The cases without NGO influence are:

- Funded with \$325 million, the Upper Krishna II Resettlement project (1989) is designed to resettle those affected by the Narayanpur dam. Internally-initiated action has been taken in this project. In fact, the country director of the India country department is personally involved in the efforts to comply with and implement the resettlement policy. Discussion about resettlement problems among non-resettlement officials began before the Bankwide Resettlement Review, but concrete steps to correct them occurred within the context of the Narmada crisis and subsequent BRR.
- The Madagascar Antananarivo Plain Project, funded by the Bank in 1990, is designed to control flooding in the project area, and involves the forced displacement of nearly 10,000 families. This case did not gain the attention of international NGOs, but is receiving regular and thorough attention by a Bank resettlement specialist who has regularly supervised the project. The BRR first identified problems in the project, though adequate actions were not taken until

recently, due to a particularly recalcitrant task manager who was overtly hostile to addressing resettlement.

- The Gilgel Gibe Hydroelectric Project is the Bank's largest resettlement operation for the Africa region, and will relocate about 12,000 people. From both interviews and internal Bank documents, the project appears to have complied with the Bank's involuntary resettlement directive. This case, whose preparation began well after the Resettlement Review, is a good illustration of the changes that have occurred within the Bank. The regional vice-president made the decision to slow down the project's processing in order to make certain that resettlement received adequate attention. It is not possible to understand such an occurrence without taking into account the role of previous cycles of NGO protest.

4.3 Other Relevant Cases

There are several other relevant cases, including perhaps the most famous one - the 1985 Bank loan to fund India for the construction of the Narmada dam - that merit some attention. The remaining \$170 million out of a \$450 million loan was canceled after a massive campaign involving tens of thousands of project-affected people, Indian and international NGOs, and protesters in the Bank's donor countries, in addition to an unprecedented independent project review commissioned by the Bank Senior Management. This case has been extensively covered elsewhere and will not be treated in great detail here, though it will be drawn upon frequently to enhance the analysis. It is

impossible to understand the intense internal and external concern with forced displacement without referencing Narmada.

Two major reform actions resulting from the Narmada controversy -the BRR (1993) and the Inspection Panel (1994) -will be explored subsequently as separate chapters. The Review differs from other internal reviews in that it surveyed the Bank's *entire* portfolio of projects involving forced displacement, and was also the first major *internal* review of any reform policy so far. A special task force was created to extract, compile, analyze, and present data on Bank activities and to measure compliance with the policy. The scale, depth, and breadth of the Review were unprecedented and show clearly the internal dynamics of the Bank, and, to some extent, their interface with public pressure. The Review was a watershed event that provides a window into the internal dynamics between operations and policy staff and helps explain the changing levels of compliance with the forced displacement directive observed in recent years. The IP case study provides an opportunity to disentangle the internal debates and politics around policy compliance, as the role of the Panel is to evaluate Bank compliance with its ODs. In the same way that the internal Bank RR task force provided the institution with credible information on resettlement OD performance, the Panel serves as an internal organ that also provides the Bank with an independent assessment of policy performance.

4.4 Indigenous Peoples Policy

The case selection involving this policy will be subjected to an analysis that is similar to that of the resettlement policy. Compliance with the indigenous peoples policy involves: the development of an Indigenous Peoples Development Plan (IPDP); consultation with affected groups; socioeconomic surveys, and the provision of culturally

appropriate services, among others. Cases involving NGO critique will be compared to cases in which Bank actors applied the policy in the absence of NGO pressure. Following are the cases, beginning with those involving NGO action:

- The Rondonia Natural Resource Management Project (Planaflores - 1993) is a \$167 million Bank loan to the Brazilian government that is designed to correct the ecological and social problems associated with the Polonoroeste project. Specifically, it is an economic and agro-ecological zoning plan for the state of Rondonia. This plan is supposed to provide the framework for proposed conservation and development projects.
- In 1986 the Bank loaned the Brazilian government's national power company, Eletrobras, \$500 million for power sector rehabilitation (Power Sector I Loan). Opposition to the loan, part of which contributed to the completion of Balbina and Tucuruí dams, generated NGO opposition, which continued as the Bank prepared a second \$500 million loan (Power Sector II Loan) to support the power sector in 1988. The loan's subprojects included construction of several high dams located in the Brazilian Amazon. The dams, had they been constructed, would have flooded thousands of square kilometers of tropical rainforest, and displaced numerous indigenous peoples from their reserves. The loan never went to the Bank's Board for consideration. It is not possible to understand the institution's decision without taking into account the ways in which intense international pressure sharpened the loan's problems that did not pertain to environmental or social issues. These two loans are presented as a

single case, since the NGO campaign around the second built on the previous one.

- The \$25 million 1998 Bank loan to the Government of Ecuador for the Indigenous Peoples and Afro-Ecuadorian Peoples Development Project emerged from the protest that occurred in Ecuador in response to government-initiated structural adjustment plans. The government approached the Bank to assist in preparing and supporting a project to benefit Ecuador's powerful and well-organized indigenous peoples' movement. A government opening, however, did not guarantee that Bank actors would support a project that is unquestionably one of the most progressive and participatory under the policy. Internal reformers still had to develop an effective *political strategy* to overcome opposition to the project from certain operations staff.

All the cases in this section are drawn from the Latin American region, which is not surprising given the effective organization and political mobilization among the region's indigenous groups. The other case that is not addressed in this dissertation but is significant is the Bank-assisted Indonesian Transmigration Programs.⁴ Between 1976 and 1986 the Bank loaned the Government of Indonesia \$500 million to transmigrate people from the overcrowded inner islands, such as Java, Bali, Lombok, and Madura, to the less crowded outer islands, such as Sumatra, Kalimantan, Irian Jaya, and Sulawesi. These islands have large numbers of people, who by the Bank's definition, are indigenous.

⁴ For more information on the project from the Bank's perspective, see World Bank, Indonesia: The Transmigration Program in Perspective, (Washington, DC: World Bank, 1988). For a more critical perspective, see The Ecologist: Banking on Disaster. Indonesia's Transmigration Programme, Volume 16, Number 2/3, 1986, special issue.

Conflicts between transmigrants and indigenous peoples became common, deforestation of rain forests accelerated, and many human rights abuses occurred.⁵ International NGO protest contributed to the withdrawal of Bank involvement in Transmigration in 1986.

These are the comparative cases of internal efforts to enforce compliance with OD 4.20 in the absence of NGO influence.

- Second Integrated Child Development Services (1993) in India, for which the Bank provided the two state governments involved with an IDA credit for \$194 million, is a supplementary feeding program for poor children living in isolated communities in Bihar and Madhya Pradesh. The objective is to improve the health and nutrition status of pre-school children through: 1. reducing the incidence of low birth weight; 2. reducing moderate malnutrition among children between the ages of 6 and 36 months, and; 3. reducing severe malnutrition among the same age group. The project is attempting to target low caste and tribal children, which is difficult in South Asia because tribal people tend to be co-residential as opposed to spatially segregated. Despite internal efforts to comply with the policy, implementation of the project has fallen short of fulfilling the objectives of the indigenous peoples directive.

⁵ See various Indonesia Reports - Supplements, Indonesia Issues, Indonesia Mirror, which Indonesia Publications, based in Lanham-Seabrook, Maryland, compiled into a 1988 briefing book entitled Transmigration, the Environment, and Indigenous Peoples - I.

- **Third Community Health Project in Indonesia (1993)** is a health services development project that is taking place in five provinces. The project will eventually train 1000 village midwives in Irian Jaya, where maternal mortality is in excess of 95- deaths per 100,000 live births. The project selects bright, mid-level girls from the communities, gives them a residential training course, a set of birthing equipment, and returns them to their villages, with their small salary provided by the government. The goal is for male villagers to become more willing to pay for the girls' services as they witness their spouses' survival of childbirth. In time, these midwives will become access points for primary health care.
- **The \$39 million Colombia Natural Resource Management Program (1994)**, located in Colombia's Choco region, combines environmental monitoring in the indigenous and black communities with supporting forestry management. What is particularly novel about the project is that it provides for collective titling of Embera and black lands. It is staff from ENV that persuaded the Colombian government to include blacks in the project. Moreover, when the task manager, who at the time was an environmental scientist, realized that an aim of the program was to increase logging, he dropped that component from the project.

V. Methodological Challenges

There are several methodological challenges that merit some attention, some of which have already been identified by scholars studying the Bank.⁶ Three are outlined by Jonathan Fox, two of which have particular relevance for this study:

Impact on projects: How does one determine the “relative weight” of a particular set of external pressures, from public interest advocacy groups, as distinct from other factors? The broader the level of change, the more difficult it is to trace external impact. . . .

Impact on policies: Policies clearly have changed, but to what extent are they reflected in the actual projects?⁷

The research design of this project addresses the second dilemma by examining the range of factors involved through detailed case studies of projects falling into the categories outlined in the previous section. Through extensive interviews with Bank staff and access to project files, it should be possible to disentangle the various factors and their “relative weights”. The third dilemma is addressed by the questions proposed in this dissertation: isolating cases of compliance and comparing them to cases of non-compliance and identifying relevant differences.

Another issue concerns the availability and sensitivity of Bank documents. I have been given access to sensitive materials on Bank cases, though it is not possible to obtain all relevant documents. For all cases, confidential interviews with Bank staff who have thorough knowledge of the projects in question are providing additional and pertinent information. Moreover, there is the question of citation of sources. Because some of these documents are confidential and sensitive, direct quotes are not always possible.

⁶ See Chapter 13, “Conclusions,” in Jonathan Fox and L. David Brown, editors. The Struggle for Accountability, op. cit.

⁷ Jonathan Fox, op. cit. , p. 7.

The people who allowed me access to the materials could face negative repercussions if such documents were quoted and traced to them. Therefore, I am required to take steps to conceal sources and identities that may cause difficulties for staff who have been gracious enough to give me access to their time and files.

Finally, this study does not purport to be systematic in terms of undertaking a large-N evaluation. However, as has been documented extensively in comparative methodology articles and book chapters, a great deal of useful and generalizable information can be gleaned from the comparative case study method, especially since the goal is to generate hypotheses from the observations yielded.

VI. Hypotheses Guiding Study

6.1 Contextual Hypotheses

There are a number of hypotheses that speak to issues that are important, though not central to the arguments presented in this dissertation. They relate to the question of knowledge and learning, and their presentation here is to provide a comprehensive context for Bank behavior, and are deduced from some of the issues raised in Chapter One. They are primarily speculative in nature, and will not be systematically tested, though they will be tested in some cases..

Hypothesis 1. Awareness and knowledge of the social impact policies by Bank staff must exist for compliance to occur, either among project managers, or social scientists.

The theory of this study asserts that without awareness of the policies, compliance will not occur. This is not a minor issue, especially given the enormous number of requirements that task managers must fulfill. Some are not aware of the requirements of certain policies. There are different, and sometimes overlapping paths by which

awareness among project managers occur. First, there is the process of internal learning that takes place within the Bank. There is also the role of outside pressure brought to bear by research and advocacy-oriented NGOs based in northern countries, which serves to reinforce, legitimate, and expand the reach and effectiveness of the work already accomplished by internal advocates.

6.2 Internal Learning

Internal learning efforts to disseminate information about social impact issues occur through the Bank's Economic Development Institute (EDI), which periodically holds training sessions on different aspects of development, including social and environmental impact questions. Moreover, there are various seminars and lectures given by experts in the social science field to interested Banks staff⁸.

6.3 External Pressure

External pressure relates to the work by NGOs such as EDF, IRN, NRDC, and the Sierra Club, among others. These actors not only critique the Bank, but also disseminate information about its policies, which, though presented in a critical light, can serve to raise internal awareness of policy demands.

6.4 Factors Affecting Internal Learning and External Pressure

The role of Bank staff in laying the groundwork necessary to build the case for policy compliance is critical. This is not merely a question of presenting the issues involved, but rather, one that involves political acumen and strategy. The ability to

⁸ See Kardam, *op.cit.* for a detailed discussion of the efforts of internal advocates of policy reform to educate other staff.

persuade relevant staff without threatening or alienating them is an important role. The generalized statement embedded in this observation yields the following hypothesis:

Hypothesis 1A: The greater the internal staff's ability to make pro-compliance arguments that appeal to staff, the greater the likelihood that the issue will be recognized as legitimate.

Factors that affect staff's ability to be effective at lobbying include: the collection, organization, and dissemination of empirical facts relating to the policy; and political savvy at securing key allies in important organizational positions.

6.5 The role of data

The Bank is a knowledge-based organization that is imbued with a professional ethos. The majority of its staff hold advanced degrees, usually from their fields' most respected institutions of higher learning. Numerous interviews and Bank documents highlight the role of high-quality data in changing attitudes and approaches to development issues. In order for any learning to occur, an issue must be viewed as legitimate by actors responsible for project management.

6.6 Political Strategy

Strategic relationships with senior staff are important to the success of learning initiatives. Messages are disseminated to staff by more powerful actors about what is valued and what is a priority. Securing the support of such a patron can provide credibility for an issue.

6.7 The Creation of Political Commitment to Induce Compliance

This section details the hypotheses that will be tested in the case studies chapters.

However internal advocates of social impact policies accomplish raising awareness, there is no guarantee that compliance will follow. Such actions, though

critical, serve to create the preconditions necessary for increased and sustained compliance.⁹ No compliance will be possible without the availability of staff to apply the policy. Rather, when staff with decisionmaking authority become focused on an issue, and apply their political commitment to it, sufficient pressure is generated so that the institutional incentive structure shifts in ways that empowers reformers so that compliance will be more likely to occur. A major crisis is particularly useful, creating a common frame and focus that resonates widely.¹⁰ A generalized statement of this is:

Prime Hypothesis A: The greater the focus on and political commitment to a social impact policy among staff with decisionmaking authority, the more likely it is that compliance will occur.

This hypothesis predicts that unless there is a clear, demonstrated commitment to a social policy issue among those with authority, then compliance will be less likely. Greater commitment by actors with institution-wide authority shifts the balance of forces that tends to favor the status quo in favor of pro-reform elements. The next logical question is: how is that political commitment created? There are two sometimes overlapping

⁹ It should be stressed here that the argument advanced is not that compliance in the absence of NGO pressure does not happen, but that sustained attention provided by such pressure will help to increase the likelihood of compliance. Empirical evidence supports this claim. For example, in the period immediately following the adoption and reviews of the Bank's social impact policies, greater levels of compliance were documented than during subsequent periods. The reason is that awareness of the policies was greatest because of the work done to secure adoption of the guidelines. Similarly, review periods are a concentrated time during which the focus is on the policies and their implementation. In the absence of periods of heightened awareness, the expectation is that policy compliance will decline, which is what is observed empirically - with the exceptional case of the Bankwide Resettlement Review, which will be explained later.

¹⁰ Part of the argument of this dissertation is that the resettlement-related debacle of the Bank-assisted Narmada dam performed this function for the resettlement issue. There is no analogous "disaster" that is found for the indigenous peoples policy. Although tribals were displaced by Narmada, campaign organizers centered their lobbying initiatives on the plight of the "oustees" whose numbers, when aggregated, were greater than those of the tribals affected by the project. The sheer magnitude of forced displacement - over 100,000 people, created a powerful movement, the cause of which was embraced globally, forcing the Bank to take unprecedented action. There is no analogue for OD 4.2.

paths to this: the first is through pressure created by Bank Management, and the second is through externaliy-generated pressure.

A generalized statement of the former situation is:

Hypothesis A1: Internally-generated political commitment has led Bank actors with decisionmaking authority to press for compliance with social impact policies.

Upper-level Bank Management may identify a particular area as an institutional priority, and instruct project staff to prioritize it. The latter, and more likely configuration gives rise to the following hypothesis:

Prime Hypothesis B. Consistent pressure brought to bear by NGOs on Bank is likely to lead to increased policy compliance.

Applying pressure includes: meeting with and writing to Executive Directors, Bank staff, Management, the President, and especially nation-state donors to the Bank, among others. The creation of a common, constant, and consistent critique around a particular issue can heighten the awareness of relevant audiences both inside and outside the Bank, the result of which is to increase the pressure on those with the authority to correct the Bank's image by addressing the problem - that is, by complying with the policy.

It is also possible to hypothesize specifically about what pressure and attention *do* in a general sense.

Hypothesis B1a. Sustained pressure and attention by NGOs creates a climate of fear and concern that the Bank's reputation will be tarnished.

Hypothesis B1b. Sustained pressure and attention by NGOs can raise concerns among donors, which threatens the Bank, economically as well as politically.

Hypothesis B1c. Sustained pressure and attention by NGOs challenges the Bank to follow its own guidelines. For some Bank actors, compliance is damage control.

Hypothesis B1d. The more NGOs publicize Bank policy violations the more likely concerned publics will lobby Bank management and donors for information and remedial action.

Most institutions are concerned about their reputations, which if damaged, may lead to loss of business, credibility, funding, and clients. Powerful media images of vulnerable populations suffering as a result of Bank negligence can frame the question of policy compliance in moral absolutes, creating a mobilized population that demands answers and action. Letters to Bank personnel that usually result from such publicity serve to raise Bank concerns about its public image, and efforts to prove such critiques wrong, by presenting its own version of project-related activities and taking remedial action. Moreover, and perhaps more importantly is the favorable political opportunity structure that is created when IDA funding can be influenced by NGOs. The Bank requires regular replenishments from its capital subscribers in order to function. Efforts to tie continued donor funding (especially from the US, which owns the largest share of the Bank), or to reduce funding to the Bank provide powerful incentives for reform. These types of pressure and attention create an interruption in the institution's operations, allowing for a favorable political opportunity structure that creates and expands political and institutional space for social impact policy advocates inside the Bank to step in and help staff to comply with the policies.

6.8 Hypotheses Concerning the Internal Impact of NGO Attention and Pressure

It is also possible to hypothesize more specifically about how NGO pressure is received, processed, and internalized by relevant Bank insiders.

Hypothesis B2. The greater the level of NGO pressure the more the Board and Senior Management will question staff about compliance.

Frequently, institutional violations of norms and other forms of misbehavior go unchecked because those with the authority and capacity to induce corrective action remain ignorant of and blind to such actions.¹¹ Information supplied by outside groups to Bank actors can help focus attention and concern among an organization's upper levels. Such information may already exist within the institution, but remain unknown to senior managers, or may be new.¹² When the information is disclosed, the desire to "get the story straight" may lead to the questioning of "guilty" staff.

Hypothesis B2a. The greater the concern among upper level Bank Management and the Board about policy non-compliance, the more they are likely to pressure project managers to take corrective action.

Since Senior Management and the Board (who are not allowed to see most project-related documents) are not always aware of problems in projects, the information provided by outside sources can play an important role internally. Moreover, the provision of information when the cause of inaction is less innocent than mere ignorance, the pressure to comply with institutional norms and rules increases. Upper echelons within the institution become concerned, either because of the desire to protect the Bank's reputation and/or because of a genuine concern that policy non-compliance is causing unnecessary human suffering¹³. They may intervene, pressuring project staff to apply

¹¹ Of course there are less benign reasons why institutions fail to address policy violations, which will be covered in the case studies chapters.

¹² There are both cases in which Bank staff warned of impending disasters in Bank-assisted projects, but were censored and otherwise ignored, as well as those in which NGOs brought problems to the attention of the Bank.

¹³ The Bank maintains a list of projects that it expects NGOs to question the President about during public speaking engagements.

Bank policy, even if it is an ex-post application that occurs during the implementation phase.

Hypothesis B3. The more pressured project managers are, the more likely they will be to solicit and accept assistance from Bank social scientists leading to greater compliance.

Even with the internal educational efforts undertaken, social scientists tend to have more knowledge of social impact issues and greater expertise in incorporating them at project levels. When project managers are induced to bring projects into greater compliance with Bank policy, they are likely to request assistance from social scientists who have expertise in the policy arena. The result will be improved compliance levels.

VII. Hypotheses for Specific Types of Cases

This section divides the hypotheses according to the types of cases involved.

7.1 Cases with both NGO Protest and Internal Support

Hypothesis: NGO pressure strengthens the position of internal reformers, who independently lacked sufficient power to induce compliance. Greater compliance occurs.

This subset of cases is the easiest to hypothesize about and explain. Public scrutiny creates pressure at all levels within the Bank, from the Board to the project staff. NGO critique serves to 1. create or exacerbate internal divisions and raise demands for action; 2. strengthen the position of social scientists who generally have already made the argument that non-compliance will create additional problems, but who are unable to affect project managers who ignore and/or suppress their work; 3. lead to inquiries by the Board into staff behavior, which serves to 4. generate fear and the need among staff to both attempt to hide non-compliance and eventually to take remedial steps.

7.2 Cases without NGO Protest but with Internal Support

Hypothesis/Causal Pathway: There are three types of TMs who are most likely to independently comply with Bank social impact policies. They include: 1. TMs who are usually trained in an interdisciplinary fashion that does not devalue social or environmental science (biodiversity, ecology) science as a relevant project input. They may even be social scientists. These TMs are usually newer to the Bank. 2. TMs who not adverse to the participation of social scientists in advising how to comply with the ODs. 3. Sympathetic TMs who receive independent field-based information about policy non-compliance and its usually negative consequences.

Generally speaking, compliance in the presence of internal support, but without NGO protest may involve more than one of these factors. Observations of Bank behavior with respect to its ODs in recent years reveals several trends. Newer TMs tend to be more receptive to the role of social science analysis in project development and implementation and have begun to gain promotions in the Bank's bureaucracy, thereby increasing their power, and the receptivity of the CD's to social policy issues. Moreover, some TMs, as a result of fear of criticism relating to how they handle projects involving forced displacement and indigenous populations, actively seek the expertise of social scientists to ensure policy compliance. In some cases, social scientists are becoming TMs, which until a few years ago, was practically unheard of within the organizational bureaucracy of the Bank. Even in the absence of protest, the legacy and institutional memory of external scrutiny, can be palpable, particularly in cases involving OD 4.30. This is largely the result of the Resettlement Review, which heightened awareness and fear of non-compliance and its potential *internal* consequences.

However, the expectation is that the numbers of cases in which Bank policies (especially OD 4.20) are complied with in the absence of protest is low.

7.3 Cases Without Either Internal Advocates or NGO Pressure

Finally, there are the cases in which internal advocates are absent.

Hypothesis: Projects in which both internal advocates and NGOs are absent are likely to result in non-compliance.

7.4 Cases With NGO Pressure, but Without Internal Advocates

Hypothesis: Projects in which external pressure is present, but internal advocates are absent, are likely result in non-compliance.

External pressure, while serving to increase institutional awareness, may be insufficient to result in policy compliance in the absence of internal advocates. This point may be self-evident, but is still worth making. It is staff, whether project managers or social policy personnel, who are charged with the task of developing projects and addressing social impact issues. Unless there is someone with authority over the project who is disposed to meet the guidelines, then compliance will not occur. Empirical evidence supports this claim. In the early to mid-1980s before the environmental movement became sophisticated and mature, levels of compliance were abysmally low, at least in part because there was widespread ignorance of the policies, and/or active resistance to them. Contemporary evidence reveals a similar pattern. Awareness of the guidelines may be much higher, but unreceptive task managers may and do sometimes attempt to block policy application and not allow reformer input.

VIII. Conclusion

The above hypotheses have outlined the steps involved in explaining compliance, in addition to how internal and external factors interact with one another. One major implication is that the value of internal advocacy efforts is contingent and may be short term. The work of internal advocates must be supported by those with institution-wide

authority, whose attention, support, and commitment must be secured in order to sustain gains made in individual projects and reviews and to translate them into greater levels of *institutional* accountability.

CHAPTER FOUR
INVOLUNTARY RESETTLEMENT: POLICY AND PRACTICE

I. Introduction

In 1980, the Board of Directors of the World Bank voted to adopt guidelines to govern Bank-funded projects involving forced displacement. The Operations Manual Statement (OMS) was revised and strengthened in 1986 and again in 1990, when it became Operational Directive (OD) 4.30.¹ With the widely-publicized disasters associated with older Bank-supported resettlement operations such as the Sobradinho² and Kedung Ombo³ dams, the issue of forced evictions and the Bank's role in them has become the focus of organizing for both NGO-led campaigns and Bank efforts at improving both project outcomes and public perception of its actions. The nearly twenty-year period during which the guidelines have been in effect have witnessed substantial changes in the Bank's handling of its resettlement operations.

¹ In February 1980, Operational Manual Statement 2.33 is the first policy statement, Operations Policy Note 10.08, issued in October 1986 is the second, and June 1990's Operational Directive 4.30, is the current policy guideline. This chapter does not address the reformatting of the OD in depth.

² Also known by the name, Paulo Afonso IV Hydropower Project (PAIV), the project

consisted of . . . the Sobradinho dam and reservoir, the Paulo Afonso IV underground power station, transmission facilities and associated substations and project-related equipment and training. More concretely, the components of the project were:

(a) a 3.4 km long dam at Sobradinho including a 64 meter long concrete spillway and earth-fill embankments and lateral earth dikes on either side of the main structure, together with a navigation canal and locks on the right bank, at an estimated total cost of US\$ 217.3 million. (World Bank Approaches to the Environment in Brazil: A Review of Selected Projects, Volume IV: The Middle and Lower San Francisco Valley, April 3, 1992, p. 24.)

³ On May 16, 1985, the World Bank approved a loan of US\$ 156 million for the government of Indonesia to assist in the construction of the Kedung Ombo Multipurpose Dam and Irrigation Project. In addition to a 61m high clay core rockfill dam at Kedung Ombo, the project also included transmission and power generation facilities, constructing/upgrading drainage and irrigation canals, and the provision of technical

The argument of this chapter is that the Bank's experience with its forced displacement policy is primarily a story about: 1. internal reformers whose successful campaign of persuasion and education led the Bank to adopt the policy in 1980, which in itself is a significant achievement; 2. reformers' role in efforts to induce Bank compliance, and; 3. external NGO critique and its threat, which have been and continue to be a critical factor in improved Bank compliance with its OD.

In terms of protest's impact, a few observations are in order. First, for the purposes of compliance it is necessary to identify the point along the project cycle during which protest began.⁴ The assumption is that protest's impact on compliance levels will be higher if NGOs influence the project earlier on in the project cycle. Second, the OD must be disaggregated in order to determine along which dimensions, if any, protest is influential, since it is possible to affect particular aspects of a policy, and not all. These dimensions will be identified for each case. Finally, as Jonathan Fox and L. David Brown point out, protest surrounding a particular project may influence subsequent projects in the same country, or on Bank policies, and not necessarily the actual project.⁵

Compliance levels tend to increase during periods in which actors with decisionmaking authority apply political commitment to the policy's enforcement. These periods often are defined by internal reviews and NGO campaigns - the two "pathways to compliance" identified in Chapter One. As numerous Bank resettlement operations

assistance. 5,390 families were to be forcibly displaced and resettled. (Project Completion Report - PCR - Indonesia: Kedung Ombo Multipurpose Dam and Irrigation Project, World Bank, July 21, 1995, p. ii.)

⁴ The project cycle consists of several distinct yet overlapping stages: project identification, project appraisal, negotiations with the borrower, and project implementation.

indicate, the existence of a policy in and of itself does not necessarily guarantee compliance. Rather, it serves as a lever for accountability that is wielded to greater or lesser effect by both internal reformers and external critics.

The chapter is organized in the following way: first, it will provide a presentation and discussion of the main features of the policy;⁵ second, it will offer an account of cases in which NGO scrutiny increased Bank policy compliance levels; third, it will analyze instances of compliance that occur in the absence of NGO protest; fourth it will discuss

⁵ See Jonathan Fox and L. David Brown, "Conclusions: Assessing the Impact of NGO Advocacy Campaigns on World Bank Projects and Policies," in Jonathan Fox and L. David Brown, editors. The Struggle for Accountability: The World Bank, NGOs and Grassroots Movements op. cit., p. 21.

⁶ The purpose of this section is neither to rehearse the extensive literature that exists on forced displacement nor to provide a comprehensive account of the evolution of the Bank's policy. Rather, it is to lay out the main elements of the policy and to draw attention to those issues that bear on compliance. For extensive treatment of the Bank's policy history in terms of its evolution and associated debates, see Kardam, op. cit., and Dan Gibson, op. cit., especially Chapter 4. For some of the literature on forced displacement generally, see Enakshi Ganguly Thukral, editor, Big Dams, Displaced People: Rivers of Sorrow, Rivers of Change (New Delhi: Sage Publications); Michael M. Cernea, editor, Putting People First: Sociological Variables in Rural Development, (Oxford: Oxford University Press, 1991); Walter Fernandes and Enakshi Ganguly Thukral, editors., Development, Displacement, and Rehabilitation (New Delhi: Indian Social Institute, 1989); and Michael M. Cernea and Scott E. Guggenheim, editors. Anthropological Approaches to Involuntary Resettlement: Policy, Practice, and Theory (Boulder, Colorado: Westview Press, 1991). There is also a fairly large literature that examines the politics of displacement and the organizing efforts undertaken by project-affected populations. See, for example Zander Navarro, "Democracy, Citizenship and Representation: Rural Social Movements in Southern Brazil, 1978-1990," Paper presented at the 47th International Congress of Americanists, July 1991, New Orleans, Louisiana; Leinad Ayer de O. Santos and Lucia M. M. de Andrade, editors. Hydroelectric Dams on Brazil's Xingu River and Indigenous Peoples (Cambridge: Cultural Survival, 1990); Aurelio Vianna, Etnia e Território: Os Poloneses de Carlos Gomes e a Luta Contra as Barragens (Rio de Janeiro: CEDI, 1992); Carlos B. Vainer and Frederico Guilherme B. De Araujo. Grandes Projetos Hidrelétricos e Desenvolvimento Regional (Rio de Janeiro: CEDI, 1992); and Anthony Oliver-Smith. "Involuntary Resettlement, Resistance and Political Empowerment," Journal of Refugee Studies, 4(2) 1991; Augustinus Rumansara. "Indonesia: The Struggle of the People of Kedung Ombo," in Jonathan Fox and L. David Brown, editors. The Struggle for Accountability: op. cit., p. 4; Rodger A. Payne and Brett O'Bannon, "Environmental TSMOs and the Narmada River Dam: Rethinking Complex Interdependence," January 1994. Paper prepared for Workshop on Transnational Social Movement Organizations, Notre Dame University, April, 1994; Anthony Hall, "From Victims to Victors: NGOs and the Politics of Empowerment at Itaparica," in D. Hulme & M. Edwards (Eds.) Making a Difference: NGOs and Development in a Changing World, (London: Earthscan, 1992), pp. 148-158; Anthony Hall, "Grassroots Action for Resettlement Planning: Brazil and Beyond," World Development, Volume 22(12), 1994, pp. 1793 - 1809; Maria Lia Correa de Araujo, Na Margem do Lago: Um Estudo Sobre O Sindicalismo Rural, (Recife, Pernambuco, Brazil: Fundacao Joaquim Nabuco, 1990)

the difference in outcomes and the explanatory factors; finally, it will discuss the findings within the context of the theoretical propositions that guide this study. The two primary hypotheses that guide this chapter are: *compliance in the presence of NGO protest occurs because protest changes the institutional incentive structure in ways that favor compliance and provide leverage for pro-reform elements (usually social scientist analysts), who are supported by upper-level Bank managers, and; compliance in the absence of NGO protest occurs because the institutional memory left by external criticism creates space for resettlement specialists to exert a greater influence over task managers in projects.* The institution remains in a state of high alert with respect to resettlement.

II. Operational Directive 4.30

The Bank is the first multilateral aid agency to adopt guidelines to govern its forced displacement operations. The policy itself is the result of lessons drawn from previous resettlement operations as well as social science research - specifically from the fields of anthropology and sociology. The current policy has two related yet distinct parts- the first is that those affected by Bank-assisted projects are entitled to be resettled, and the second, that incomes restoration schemes must be provided in order to improve resettlers' standard of living.⁷ The policy also applies to anyone who suffers project-related personal or asset loss, whether or not they must be relocated. Implicit in the

⁷ The term "affected people" is defined on page 34 of the November 1995, "Regional Remedial Action Planning for Involuntary Resettlement in World Bank Supported Projects: A Report on One Year of Follow-Up to Resettlement and Development, The Report of the Bankwide Resettlement Review," known hereafter as "RRAP," 1995, as: "all those whose incomes are seriously affected by land takings for projects, whether or not such affected people actually lost their houses and are required to relocate physically."

Bank's approach to the guidelines is a view that differs from those who assert that the lives of those resettled will be worse after relocation.⁸ The Bank's approach, at least theoretically, is to treat involuntary displacement as an opportunity for development. The extent to which this happens in practice is an open question. Despite the concerns expressed in the policy about improving the material condition of resettled populations, the policy is still one that seeks to mitigate the effects of development, and does not challenge the legitimacy of the development enterprise itself. Following are the main elements of the policy.

- Involuntary displacement should be avoided or minimized whenever feasible, because of its disruptive and impoverishing effects.
- Where displacement is unavoidable, the objective of Bank policy is to assist displaced persons in their efforts to improve, or at least restore, former living standards and earning capacity. The means to achieve this objective consist of the preparation and execution by the Borrower of resettlement plans as development programs. These resettlement plans are integral parts of project design.
- Displaced persons should be: (i) compensated for their losses at replacement cost, (ii) given opportunities to share in project benefits, and (iii) assisted in the transfer and in the transition period at the relocation site.
- Moving people in groups can cushion disruption. Minimizing the distance between departure and relocation sites can facilitate the resettlers' adaptation to the new socio-cultural and natural environments. The tradeoffs between distance and economic opportunities must be balanced carefully.
- Resettlers' and hosts' participation in planning resettlement should be promoted. The existing social and cultural institutions of resettlers and their host should be relied upon in conducting the transfer and re-establishment process.

⁸ Resettlement and Development, op. cit. p. iv.

- New communities of resettlers should be designed as viable settlement systems equipped with infrastructure and services, able to integrate in the regional socio-economic context.
- Host communities that receive resettlers should be assisted to overcome possible adverse social and environmental effects from increased population density.
- Indigenous people, ethnic minorities, pastoralists, and other groups that may have informal customary rights to the land or other resources taken for the project, must be provided with adequate land, infrastructure, and other compensation. The absence of legal title to land should not be grounds for denying such groups compensation and rehabilitation.⁹

To summarize these points, when forced displacement can not be avoided, it should be carried out in a context of consultation with both affected and host communities, and should relocate the affected population as close to their previous residencies as possible in order to minimize socio-cultural and economic dislocations. Resettlers are to be offered either cash or provided with comparable or improved housing. New income generating schemes must be made available to assist the relocated population in living standard restoration and improvement. In addition, service and infrastructure provisions should be made for both the resettler and host populations.

The Bank's policy requires that resettlement plans based on timetables for task execution, a detailed budget that supports each task and indicates the financing source, and clearly defined roles for implementation of the plan, all be developed before Bank appraisal and approval of a project.¹⁰ Moreover, all Bank projects involving resettlement

⁹ Ibid., p. v.

¹⁰ Michael Cernea, "African Population Resettlement in a Global Context," in Cynthia C. Cook, ed. Involuntary Resettlement in Africa: Selected Papers from a Conference on Environment and Settlement Issues in Africa, (World Bank: Washington, DC), p. 24. Since the Resettlement Review, the Bank has softened its opposition to providing financial support to resettlement operations. Formerly, the Bank

are required to include resettlement timetables that are linked to construction of civil works and baseline surveys of those displaced.¹¹ The substance of the resettlement plan, which must be adaptable to local conditions and circumstances, is the “development package,” which refers to the income restoration portion of the policy, as well as the reconstitution of the social base of the relocated community.¹² Identifying compliance levels for the resettlement portion of the policy is relatively easy since the benchmarks are concrete and readily observable. Measuring and assessing the effectiveness of the rehabilitation portion - whether or not resettlers’ pre-relocation living standards are restored or improved - requires a longer timeline.¹³ Clearly, the project cycle does not end after the Bank has approved a loan. The implementation phase is key and is the responsibility of the borrower. This portion of the process, however, is not the focus of this dissertation, but rather the extent to which the Bank has taken the initiative to influence project design and implementation in ways that have contributed to or detracted from resettlement policy compliance.

III. Cases of Compliance - with NGO Protest

Three Bank-assisted resettlement operations are analyzed in the following section: Itaparica dam, Kedung Ombo dam, and Lesotho Highlands Water Project. The objective is not to provide a detailed account of all aspects of NGO-Bank interactions with respect

refused to directly fund resettlement components, which raised the question of the seriousness with which the institution treated resettlement. In recent years, the Bank funded the Xiaolandi dam in China in two parts, with the resettlement operation appraised, designed, and funded by the Bank as a separate project from the actual dam. Bank staff are divided on the issue of separating such projects into civil works and resettlement components.

¹¹ Resettlement and Development, op. cit., p. 129.

¹² *Ibid.*, p. 25.

to the cases, but rather, to determine why, how, and to what extent external critique became a factor in determining Bank efforts to improve institutional compliance with the resettlement OD. In the case of Itaparica, which is the institution's first stand-alone resettlement operation, Bank reformers took advantage of an opportunity to influence the project by loaning the Brazilian government funds for the rural resettlement portion. In the case of Kedung Ombo dam, operations staff suppressed Bank social scientist analysts who attempted to address resettlement problems before they became public. NGO pressure, which eventually became international in scope, played a critical role in Bank actions to pay attention to the needs of dam-affected people who refused to move from the reservoir area. The campaign, however, did not have a major impact on resettlement, probably because external critique occurred late in the project's implementation, and because Indonesia's authoritarian political context made securing relevant information when it could be most helpful a difficult process. Bank social scientists worked actively to address resettlement in the Lesotho project well before NGO critique began, though problems remain.

3.1 *Itaparica*

3.11 *The Project*

¹³ Some scholars with expertise in the area of analyzing the resettlement phenomenon argue that an entire generation (20-25 years) must pass before the success or failure of rehabilitation efforts can be determined.

The Companhia Hidro Eletrico do Sao Francisco (CHESF) financed the Itaparica dam, which is located in the middle Sao Francisco valley in the northeast of Brazil.¹⁴ In addition to the dam, the project includes three other components:

- (i) construction of irrigation infrastructure and the provision of agricultural support services;
- (ii) installation of rural infrastructure and services including housing, water supply systems, roads, electrical energy, health, education and other social services; and
- (iii) the provision of urban infrastructure including housing, public buildings and road construction, electrical, water supply and sanitation systems.¹⁵

In short, the Bank loan was designed to rehabilitate the population to be resettled - that is, to recover and improve living standards for the three thousand urban and five thousand rural families.¹⁶

Construction on the 2,500MW plant that displaced 8,300 families (about 50,000 people, including 190 Tuxa Indian families who lived on a 108-hectare island, Ilha de Viuva, in the middle of the Sao Francisco River) began at the end of 1979, and ended with the closing of the sluice gates in February 1988 in a process that was characterized by budget-related delays.¹⁷ The resettlement project was supposed to be carried out in

¹⁴ CHESF is a subsidiary of Eletrobras, the national power holding company. The company came into existence by Federal Decree 8031 on October 3, 1945. It is the country's first state subsidiary power company and the first one to construct a hydroelectric dam, Paulo Afonso I. The northeast of Brazil, which tends to be dry, is the area that falls under the jurisdiction of CHESF. For more information, see the company's annual reports.

¹⁵ World Bank Approaches to the Environment in Brazil: A Review of Selected Projects - Volume IV - The Middle and Lower San Francisco Valley, (Washington, DC: World Bank Operations Evaluation Department, April 30, 1992), p. 49.

¹⁶World Bank Office Memorandum , written by Teresa Serra- "Brazil: Itaparica Project Supervision and Resettlement Review Mission Back-to-Office Report," p. 4, known hereafter as BTO.

¹⁷ Ibid., p. 2.

three stages: urban and rural relocation, to be completed by December 1987; the construction of irrigation infrastructure during 1988, and, finally; the “rural production and socioeconomic consolidation stage” lasting from January 1989 until December 1993.¹⁸ As of this writing, about two-thirds of the irrigation plots have yet to be completed, which is the main motivation behind the Polosindical’s recent claim filed with the Inspection Panel.¹⁹

3.12 *World Bank Staff - Itaparica and Opportunity*

The World Bank’s involvement in the project began during its preparation of the \$500 million Power Sector I Loan (PS I)²⁰ to the Brazilian government.²¹ The loan was to provide support for Eletrobras Plan 2010, which outlined the goal of constructing 136 dams within a twenty year period, 79 of which were to be located in the Amazon basin, entailing the forced displacement of over 90,000 and affecting Amerindian groups.²² By

¹⁸ *Ibid.*, p. 49.

¹⁹ For an analysis of the changes experienced by the affected population, see R. Parry Scott, “Dams, Forced Resettlement and the Transformation of Peasant Economy in the Sao Francisco Valley, Brazil,” unpublished paper, n.d..

²⁰ Loan number 2720 - BR. The loan, designed to “rehabilitate” the sector, also involved: reducing the investment program to minimum acceptable levels; following appropriate investment priorities; balancing the composition of the program among generation, transmission and distribution; increasing substantially the sector’s internal cash generation, mainly through tariff increases; increasing, through Government contributions, the sector’s equity capital; and promoting energy conservation. (See The World Bank, Staff Appraisal Report: Brazil Electric Power Sector Loan, May 27, 1986, p. 1.)

²¹ The loan was provided to the Brazilian government over the objections of numerous NGOs, in addition to concerns raised by some Executive Directors. During the 1980s, Brazil suffered through triple-digit inflation. A Bank staff informed me that part of the logic in loaning such a large sum of money that was released in two tranches was because the country was experiencing balance of payments problems. In this sense, the loan resembled an *adjustment* loan. Some social policy staff supported the loan because it was an opportunity to “get into the whole sector.”

²² See Bruce Rich, *Mortgaging the Earth*, op. cit., p. 136. See also Ministerio das Minas e Energia, Entrais Eletricas Brasileiras S.A. - Eletrobras, Plano 2010 Relatorio Geral: Plano Nacional de Energia Eletrica 1987/2010, which outlines the plan in detail

early 1986, Bank missions carried out in preparation for the Loan reported that serious problems existed at Itaparica, including: lack of a detailed resettlement plan, slow land acquisition, and delayed preparation for rural displacement.²³ Moreover, the results of the Bank-financed Sobradinho disaster were becoming increasingly apparent, and staff expressed concern about not repeating those mistakes. The preparation of the PS I loan presented an opportunity to address the resettlement difficulties at Itaparica; to demonstrate the Bank's concern for project-affected populations; and to prove it had learned the hard lessons of past project debacles. Moreover, environmental staff welcomed the Loan because it provided them with the potential to influence the entire sector, since environment staff in the Technical Departments were unable to *select* environmentally sound projects.²⁴ Disbursement of the first tranche of the loan was linked to the preparation and presentation of a resettlement plan, the implementation of which was supported by the Bank through a separate loan.²⁵ The release of the second tranche was conditioned on the evidence of progress in executing the plan.²⁶ With enough of the conditions of the sector loan met by the Brazilian government, the Bank went ahead and prepared the Itaparica resettlement project.

Approved in November 1987, the \$132 million Itaparica Resettlement and Irrigation Project is the first stand-alone resettlement project to be funded by the Bank. A second, supplemental loan for \$100 million was approved in February 1990 in

²³ BTO, p. 3.

²⁴ Interview with Bank staff, September, 1995.

²⁵ Loan 2883 - BR.

²⁶ World Bank Approaches, op. cit., p. 47.

recognition of the fact that the loan costs had been under-estimated.²⁷ The internal debates that occurred around approving the second loan reveal the Bank's concern with both financial and public image considerations. Part of the logic of approving the loan was that not doing so would lead to further delays given the financial constraints that the power sector and Brazilian Government confronted during that time. Moreover, failure to approve the supplementary loan would jeopardize the economic rehabilitation of rural resettlers. Finally, if the project failed, "outside observers would question the Bank's commitment both to the project and to its own resettlement policy . . ."²⁸

The Bank's policy staff played a critical role in the Itaparica resettlement project, as they took the initiative to press both the Brazilian government *and the Bank* to properly resettle the affected population.²⁹ When the Bank's Board met to consider the first loan, it acknowledged the staff's "extraordinary" work in participating in the preparation of the project.³⁰ Despite mounting criticisms of the Bank resulting from the MDB campaign, staff were in no way obligated to intervene, but did so because of a commitment and desire to comply with the Bank's resettlement OD. The skillful *political entrepreneurship* of internal reformers occurred in a context that did not favor Bank participation in Itaparica. A number of internal actors did not share the social scientists' views on supporting such a project. Interviews and documents reveal the

²⁷ Loan 2883 -1 - BR.

²⁸ World Bank Approaches, op. cit., p. 52. In addition, the President's Report for the supplementary loan expressed concerns that lagging construction of irrigation infrastructure worsened the resettlers' economic situation, while in those plots already constructed (*agrovilas*), social conflict between resettlers and CHESF had come close to physical confrontation.

²⁹ Interview with Bank staff, October 1995.

³⁰ World Bank Approaches, op. cit., p. 53.

presence of several cleavages. Power sector personnel saw the development of a potentially bad precedent that would restrict the maneuvering room for Brazil's power development program. Others advocated for cash compensation and resettling support but not the land-for-land option. Some agricultural staff supported resettlement and rehabilitation as the default option in the absence of another viable alternative, and resettlement staff who lobbied for relocation and rehabilitation with the land-for-land near the lake option, gained the upper hand.³¹ What made consensus on approach to Itaparica problematic was the high cost of the rehabilitation component, due to the unfavorable lands on which the irrigation schemes were to be built, as well as the apparent narrowing of available options. Their "victory" can not be understood without taking into account the role of external lobbying that occurred in support of the affected population - specifically the *terra por terra na margen do lago* campaign.³²

Had the Bank entered the project earlier on, it is possible that it would have declined to fund it at all. Or, it might have had more political space to develop options acceptable to Bank staff and Polosindical, such as better land. Its choices, however, already were constrained by the lack of political will to present alternatives to a faulty resettlement and rehabilitation plan. Bank staff supported (albeit not wholeheartedly) the decision made by CHESF to shelve plans to provide cash compensation only, and to construct sprinkler-irrigated lots to support the rural families that chose to remain near

³¹ Internal Bank document, 1997.

³² This Portuguese phrase, around which lobbying efforts centered, means, "land for land on the margin of the lake."

their former land.³³ These are built on land that is not conducive to rainfed agriculture.³⁴ Powerful local organizing and growing international support of the Polosindical imposed additional constraints, which will be discussed below. Past negative outcomes in Bank-funded projects in addition to late entry into the project created a difficult political and technical context for Bank efforts to resolve resettlement and rehabilitation at Itaparica and must be taken into account when assessing the institution's performance. While legitimate criticisms of the Bank in the Itaparica case can be made,³⁵ including the outcomes for the 190 Tuxa families,³⁶ it is to the credit of social impact policy staff that they challenged both the Bank and the Brazilian government in order to advocate for the displaced population. The fact that the Bank imposed its will on Brazil, effectively forcing it to undertake and borrow money for resettlement in order to secure the PS I loan also challenges Bank arguments that it must acquiesce to the demands and preferences of large borrowers, and also provides support for this dissertation's argument that *the Bank can use its power to withhold or provide lending in order to induce some measure of borrower compliance with Bank social impact policy standards.*

Shortcomings in project outcomes notwithstanding, the institution's approach to Itaparica is a striking contrast to its previous poorer performance at Sobradinho.³⁷ This

³³ Internal Bank document - 1997. The urban component was less involved and entailed the relocation of the four towns to a location close to the lake.

³⁴ The land in the plots is poor - sandy soil and drylands.

³⁵ See Bruce Rich, *Mortgaging the Earth*, op. cit., pp. 157-160.

³⁶ The Tuxa were resettled into two separate projects in different locations, leading to the breakdown in social and cultural ties. See Bruce Rice, *ibid.*, p. 159

³⁷ It is difficult to find cases of non-compliance that share all the same traits as cases of compliance. Still, the example of Sobradinho is instructive, as it shares numerous traits in common with instances of partial compliance such as: similar scale, same borrower, initial Bank response occurring pre-1987 Bank

contrast is worth some attention, and is illustrative of the value of both external protest and internal reformers. Moreover, it shows the relevance of domestic political contexts in shaping project outcomes. As early as the appraisal of Sobradinho, Bank personnel had expressed concerns over CHESF's handling of both environmental and resettlement aspects of the project. In particular,

there was much disquiet about the emergency nature of resettlement proposals, about CHESF's decision (without consulting the local population) to divide displacees between the lakeside agrovilas and the colonization scheme at Bom Jesus da Lapa and about the failure to adopt a longer-term, more sustainable development strategy for the rural population of small. [sic] farmers and fishermen. Such was the groundswell of concern that Bank President McNamara . . . made a commitment to personally review resettlement plans at Sobradinho and visited the region himself to inspect the situation in late 1974, ³⁸

As the internal report from which this statement is drawn continues, such concerns did not lead to improvements in either the Bank's or CHESF's handling of resettlement at Sobradinho. In fact, the Bank undermined its own capacity to address borrower behavior by not including contractual authority to stop construction for CHESF's failure to honor loan covenants and provisions regarding resettlement.

What is particularly illustrative for the purposes of the arguments advanced in this dissertation is the fact that the role played by Bank environmental/resettlement specialists was very small.

More specifically, judging on the basis of the contents of the project files, the role of the Bank's Environmental Advisor was rather passive. Although he was apparently informed about key decisions related to the

organization, and the presence of NGO protest. What is different is the domestic political context, which during Sobradinho was just beginning to open in 1974. In other words, there are enough common traits present that a relatively strong test of propositions put forth in this dissertation are possible,

³⁸ World Bank Approaches, op. cit., p. 31.

operation as they were being taken within the Bank, his own intervention appears to have been very limited and strictly of an advisory character.³⁹

While there are numerous factors that explain the outcome of Sobradinho, it is clear that key variables include the relative lack of internal advocacy and external NGO critique, as well as the authoritarian context in which most of the relevant events occurred. Both external protest and active internal advocacy operated at Itaparica. An additional ten years of resettlement knowledge and experience accumulated amid the Bank reorganization that placed numerous social scientists in key operations units and helps to explain the radically different outcome at Itaparica. Internal Bank reformers made a *critical* difference. While current knowledge reveals the Itaparica appraisal work to not be of very high caliber, it was considered high quality for that period. The Bank undertook actions, which for that era, were highly irregular. It placed a social scientist - an anthropologist - in charge of the project in the early 1990s. This task manager suspended loan disbursements to CHESF more than once to discipline borrower non-compliance.

3.13 *External Protest*

Shortly after dam construction began, the *Polo Sindical do Submedio Sao Francisco* (Polo), a group of thirteen rural labor unions, organized in order to pressure CHESF to release project-related information in order to better understand its impacts. It was not until Polo led a mass invasion of CHESF's Petrolandia offices that it secured the release of project documents. Polo expanded its lists of demands to include adequate compensation, land titles for all farmers in the project area, relocation to sites near the

³⁹ Ibid., p. 31.

dam's lake, agricultural support, and social infrastructure.⁴⁰ The confrontations between CHESF and Polo continued for the next several years, through several mass work site invasions and the circulation of a newsletter chronicling events at Itaparica, all without any discernible change in CHESF's posture - that of not meeting Polo's demands. CHESF had taken the step of forming a special working group to investigate the problems at Itaparica, but it did not translate into concrete action, as a more authoritarian management team took over CHESF and developed its own resettlement plan without discussing it with Polo.⁴¹

On the international front, Oxfam-United Kingdom first championed Polo's struggle by providing assistance to the area's Catholic church, which in turn supported the initial organizing efforts of Polo. Oxfam assisted Polo in other ways as well. In addition to providing financial resources, it forged links with the Washington, DC-based EDF, and became involved with its efforts to lobby the US Congress.⁴² The Oxfam-led NGO campaign sought to influence the Bank through a mass letter-writing campaign that supported the plight and demands of Polo in October 1986. Finally, Oxfam-UK lobbied the British Bank Executive Director, who discussed Itaparica with upper level Bank management, which had the effect of increasing the internal pressure for corrective action to be taken.⁴³

⁴⁰ Anthony Hall, op. cit., p. 151.

⁴¹ Ibid., p. 152.

⁴² Ibid., p. 154.

⁴³ Ibid., p. 154. Other Executive Directors, operations staff for Brazil, and policy staff were also lobbied. See Anthony Hall, "Grassroots Action for Resettlement Planning," World Development, Volume 22(12), pp. 1793-1809.

The campaign bore fruit, as CHESF signed an accord with Polo on December 6, 1986, which provided for the following: a reliable timeline for land acquisition, provision of irrigation and housing, indexation of compensation payments to adjust for inflation, the removal of limits placed on participating in new projects, the provision of plots that were larger than those originally planned, and finally, the disbursement of monthly support payments for settler families awaiting resettlement pending the initial harvest.⁴⁴ NGO pressure did not stop following the signing of the accord, but continued. After the Bank became more involved in late 1986 and early 1987, letters arrived for the project's task manager, commending her efforts to resolve problems at the project site. The fact that the Bank was under pressure at the same time as a result of its handling of the Polonoroeste project only served to make it more sensitive to criticism from outside groups.

The timeline for construction of irrigation schemes has been extended as a result of: budgetary constraints faced by both Eletrobras and the Brazilian government in a context of hyper-inflation and rising fiscal deficit; unanticipated rises in construction costs, and; a re-prioritization of construction of the Xingo dam.⁴⁵ These problems have generated sustained protest that has continued through the present, leading to another cycle of NGO protest related to the filing of an Inspection Panel request by Polo to inspect allegations of Bank policy violation. The Board refused to authorize an

⁴⁴ Anthony Hall, *ibid.*, p. 1797.

⁴⁵ BTO, *op. cit.*, p. 9.

investigation. In addition, the affected population has invaded CHESF's worksite, demanding that the company "meet its commitments to the affected population."⁴⁶

3.14 *Protest, Policy, and Practice*

One of the more striking issues raised by the Itaparica case is the limits of protest action and the question of the strict compliance with the Bank's resettlement policy. The Bank, despite entering the project late, can be said to have complied with the main features of the resettlement OD. Project files and interviews both raise the issue of the constraints imposed on both the project-affected rural population and the Bank. Both CHESF and the Bank were limited by the demands made by the population for *terra por terra na margen do lago*. The goal of land near the lake, articulated by Polo and advanced by NGOs, was reached and acted upon by the Bank with its support of irrigation schemes, but may not have been the best alternative, though it represents compliance with the OD. The lands proved poor, unable to properly support agriculture.⁴⁷

In the end, it appears that both the rural population and the Bank were constrained by demands for strict policy compliance.

Emphasizing restoration and improvement of incomes and living conditions, aspects which had been poorly handled in the case of Sobradinho and were then being fought for by the *Polo*, *the Bank's policy and the technical assistance provided during project preparation especially influenced the conception and design standards used for irrigation schemes.*⁴⁸ [Emphasis added.]

⁴⁶ March 13, 1998, Press Release, International Rivers Network, "Dam-affected Confront Dam Builders on International Day of Action," p. 1. The press release is available through the Internet: aleta@irn.org.

⁴⁷ It is not the purpose of this section to provide an account of the implementation of the irrigation schemes. Very briefly, the process has been characterized by massive budget overruns, slow acquisition of land and development of *agrovilas*, and other issues. For more information, see, Serra, *op. cit.*,

⁴⁸ Serra, *op. cit.*, p. 17.

Perhaps if CHESF had not been so authoritarian in its dealings with Polo, the union might have been able to negotiate in a more flexible way, which in turn might have increased political space for Bank actors who wanted to find positive solutions for the affected population. Similarly, if the Bank had been more flexible, it could have performed better than it did.⁴⁹ Undoubtedly the Bank's entrance into the resettlement component after the dam project had begun, is also a contributing factor. For all the problems in implementation, it must be said that the Bank, at least through the IP claim, exhibited a commitment to pressuring CHESF to attend to the needs of the affected population, and to taking their demands into account. What is especially noteworthy is the fact that 70% of the 10,000 affected families had been landless until the resettlement project, but received land as a result.⁵⁰

A second theme that emerges from the Itaparica experience concerns the Bank's perception of its *leverage*. This is an issue that is present in the Bank's rationale for its involvement in projects seen by the public as being controversial. The Bank counters such claims by asserting that its presence in a project serves to improve it, and to mitigate negative environmental and social consequences. Evidence of such logic can be found in the Itaparica case, as well, ranging from the social scientists who initially lobbied for Bank involvement in 1986 to later reports that raise concern over the Bank's diminishing financial leverage in 1993, with the ending of disbursements. The BTO report claims that

[p]roject completion will depend essentially on the *Polo's* capability to sustain political pressure, and on CHESF's and ELETROBRAS' commitment to the project. This depends not only on their perception of

⁴⁹ October 1997 interview with Bank staff.

⁵⁰ BTO, op. cit., p. 46.

their obligations towards the relocated population, but also on their evaluation of the strategic importance that the project's satisfactory conclusion may have for future power sector expansion, in the Sao Francisco Valley and elsewhere in Brazil.⁵¹

Many NGOs have been critical of Bank arguments that its participation in such projects provides leverage that is necessary to induce better incorporation of social issues. In the case of Itaparica, however, the evidence suggests a more complicated situation, in which both the Bank and its critics' claims have merit. It is clear that had it not been for the pressure applied to CHESF *by the Bank*, the outcomes for resettlers would have been even worse than they have been, in the sense that *there may not have been any compensation or land provided for the affected rural population*. Given the impoverishment experienced by those forcibly evicted, some of whom have been displaced more than once by infrastructure projects without compensation, the fact that the majority of those displaced by Itaparica were landless, and gained land through the Bank's resettlement program is certainly a positive development.

Judging the resettlement operation ex-post indicates problems in the quality of the Bank's work, though for that period, and especially when compared to the debacle at Sobradinho, it is a relatively "good" project, *in terms of the meeting of benchmarks of compliance by the Bank*. The perspective from the point of view of the affected populations is negative in terms of difficulties encountered with soils at the *agrovilas*, the recent outbreak of violence and deterioration in social conditions due in part to problems associated with social services provision, though "positive" in the sense that the landless gained land and some regular financial support, however inadequate. The Bank's actions

⁵¹ Ibid., p. 13.

might have been more effectual had it become involved in the project earlier on. Still, whatever gains were made at Itaparica would not have been possible in the absence of both external protest, and internal advocates of reform.

3.2 *Kedung Ombo*

3.2.1 *The Background*

In 1985, the Bank approved a \$156 million loan to the Government of Indonesia to fund the construction of the Kedung Ombo Multipurpose Dam and Irrigation Project. Located on the Serang River, the purpose of the project is to control floods, generate power, improve municipal water supplies, and provide irrigation in order to increase cropping yields, intensities, and production of rice and other crops.⁵² The irrigation component has been relatively successful, unlike the resettlement project, which generated intense public scrutiny and dissent within the Bank. The dam was originally conceived of as part of the Government's broader program to transmigrate people from the overpopulated central islands to the more sparsely inhabited outer islands, where land is more plentiful, though not necessarily conducive to agriculture. Based on misleading information the Indonesian government expected that 90% of the 5,390 families (23,380 people) from the Kedung Ombo area would willingly transmigrate, though by the time the dam was near completion in 1989, few of the displaced people had actually relocated.⁵³ As of the writing of the project completion report (PCR) in 1995, 1,161 households had transmigrated, 3,131 families relocated to adjacent villages, another 669

⁵² See Augustinus Rumansara "Indonesia: The Struggle of the People of Kedung Ombo," in Jonathan Fox and L. David Brown, eds., *op. cit.*, p. 2., and "Memorandum to the Executive Directors and the President: Project Completion Report on Indonesia - Kedung Ombo Multipurpose Dam and Irrigation Project," June 19, 1995.

families resettled on the project-developed sites, and 307 families still lived in the Greenbelt, which is land attained by the Government of Indonesia right next to the reservoir, which should not be cultivated.⁵⁴ It is the treatment of the Greenbelt inhabitants that created the international protest which gained momentum in 1989, which resulted in this population gaining the right to stay in the area.

In terms of the question of extent and quality of Bank compliance with its OD on resettlement, the Kedung Ombo case is one of the instances in which NGO pressure did **not** significantly contribute to Bank fulfillment of guidelines. As Fox and Brown note, “[t]he local protests and international scrutiny did manage to save villagers from forcible relocation to distant lands, but this project campaign is not considered [in the volume] to be a case of “significant mitigation” because most ended up economically worse off than before.”⁵⁵ The Kedung Ombo campaign is included in this dissertation for the purposes of illustrating variation within cases involving NGO protest. What stands out is: the importance of the *timing* of protest, which occurred very late in the project implementation phase; the suppression of internal reformers, and; 3. the role played by NGO protest in strengthening them. Despite the relatively low impact of NGO protest on any of the dimensions of resettlement policy compliance, the Kedung Ombo campaign for “compensation of displaced villagers contributed to broader concern with noncompliance with the Bank’s resettlement policy more generally, as well as encouraging bilateral donors, such as the Japanese, to carry out their projects more

⁵³ PCR - Kedung Ombo, op. cit., p. iii.

⁵⁴ Ibid., p. iii.

scrupulously.”⁵⁶ Moreover, it provided some protection for those who had not yet relocated.

3.22 Inside the Bank - Suppression of Reformers

Project documents credit the Bank with satisfactory performance in the project, “with the exception of resettlement.” This was particularly the case during project appraisal and early supervision.⁵⁷ The staff appraisal report (SAR), was, apparently, vague with respect to the issue of resettlement, which, given the scale of the operation, is striking. As is frequently the case with Bank-assisted projects, internal staff - social scientists - issued early warnings that forced displacement needed addressing, before external scrutiny manifested itself. A sociologist in the Central Agriculture Department voiced concerns as early as 1984, and was dismissed by project managers. At issue were the “lack of an overall organizational framework, financial commitments for local resettlement, and clear connections between the resettlement program and general transmigration programs.”⁵⁸ The resettlement policy includes requirements for these areas. In addition to internal actors who warned task managers of these issues, Indonesian NGOs informed the Bank of resettlement-related problems as early as 1987, two years before the filling of the reservoir. “Legal Aid Society of Yogyakarta also

⁵⁵ Fox and L. David Brown, op. cit., “Conclusions: Assessing the Impact of NGO Advocacy Campaigns on World Bank Projects and Policies, p. 19.

⁵⁶ Ibid., p. 21.

⁵⁷ PCR-Kedung Ombo, op. cit., p. 8.

⁵⁸ Ibid., p. 8.

reported several instances of intimidation and pressure being used to convince families to accept the compensation. No actions were taken.”⁵⁹

All these areas of concern, for which there existed ample opportunity to address, became concrete problems during the implementation phase. The PCR report states that “[p]roject supervision missions did not visit the resettlement sites,” until 1989, and other sources indicate that a social scientist who requested permission to return to Kedung Ombo was refused because of his defense of the affected population’s refusal to move from the Greenbelt.⁶⁰ What emerges from this brief narrative are three themes that seem to characterize numerous Bank operations: first, the presence and availability of internally-generated information and analysis that provide task managers with an early an understanding of potential resettlement problems in a project, and; second, resistance on the part of project managers to dealing with the conclusions and implications of such information; third, the suppression of both the message and the messenger, and; finally, a refusal to take steps to prevent the problems from worsening. The availability of accurate information from internal staff and Indonesian NGOs was insufficient to move the Bank to act.

What did generate a response was the *internationalization* of the struggle.⁶¹ Within this context, the Bank altered its posture and after 1989, “. . . paid substantially more attention to resettlement and a number of supervision missions included specialized

⁵⁹ Ibid., p. 57.

⁶⁰ October 1997 interview with Bank staff.

⁶¹ See Arief Budiman, “The Case of the Kedung Ombo Dam Indonesia: Toward Globalisation of Civil Societies,” in Mathur, Hari Mohan, editor. Development, Displacement and Resettlement: Focus on Asian Experiences, (New Delhi, India: Vikas Publishing House Pvt. Ltd., 1995), pp. 122-138.

staff to look at these aspects.”⁶² With Bank assistance and pressure, the Government took remedial action, the focus of which were the families living in the Greenbelt area, who benefited from steps that included:

- a) continued promotion of transmigration, with increased support for transmigrants; b) development of reservoir fisheries, social forestry, and greenbelt development for communities remaining near the reservoir area; and c) establishment of three new villages on forest Department lands released by the government.⁶³

Bank reports indirectly attribute some of the implementation problems encountered to failures in Bank supervision.

Follow-up Bank specialist missions worked with the government and local NGOs to prepare corrective action for the remaining resettlers. Implementation of this plan has produced a significantly better outcome, but the cost of not supervising resettlement in the early years was high for all involved parties.⁶⁴

3.23 *The International Campaign*

The roots of the transnational NGO campaign can be found within Indonesia, where the protest originally developed. That any such advocacy occurred is noteworthy, given the authoritarian nature of the regime. Civil society in Indonesia, however, is active with respect to development questions. The goal of local efforts was to attain fair compensation for property lost as a result of the dam, and not to stop the dam.⁶⁵ In the late 1980s, land in the region was selling for about 3,000 rupiah (\$1.50) per square meter, which is what the Government of Indonesia in Jakarta had originally committed to

⁶² PCR - Kedung Ombo, op. cit., p. 9.

⁶³ Ibid., p. 58.

⁶⁴ Resettlement and Development, op. cit., p. 157, Box 6.1. “Does resettlement supervision matter?”

⁶⁵ Augustinus Rumansara, op. cit., p. 4.

providing to resettlers.⁶⁶ After an unsuccessful attempt to secure better terms for relocation through the Provincial court in Central Java, several families appealed to the Supreme Court in 1994, which awarded them Rp. 50,000 per square meter, a decision that the government overturned.⁶⁷ In the end, compensation rates fell to Rp. 250 - 300 and motivated resettlers to approach local NGOs to assist them in securing a fairer rate. Numerous efforts that had a legal focus were carried out by the affected population to secure more favorable compensation terms, but the strategy was limited.

In 1987 the campaign become internationalized as local groups directly contacted the Bank to report dam-related events, the effects of which were significant.

Concerns over the resettlement activities were brought to the Bank's attention by Indonesian NGOs as early as 1987, two years before reservoir impoundment, in a carefully assembled chronology prepared by the Legal Aid Society (LBH) of Yogyakarta. LBH also reported several instances of intimidation and pressure being used to convince families to accept the compensation. No actions were taken. This failure to act marked a turning point in the project. Receiving no response from GOI or the Bank, which had been provided with copies of the LBH report, NGOs began an international campaign to draw attention to the deteriorating resettlement situation in Kedung Ombo.⁶⁸

In addition to these steps, Inside Indonesia, an Australian magazine, published an article on the plight of those affected by the dam, which served to attract the attention of NGOs such as Probe International in Canada and Tapol in Great Britain, in addition to the International NGO Forum on Indonesia (INGI).⁶⁹ The Legal Aid Society raised the issue

⁶⁶ Ibid., p. 4.

⁶⁷ Ibid., p. 4.

⁶⁸ PCR - Kedung Ombo, p. 57.

⁶⁹ Rumansara, op. cit., p. 11. The INGI, established in 1985, is designed to address concerns relating to human rights and development in Indonesia, and to monitor the actions of the Inter-Governmental Group

of Kedung Ombo with INGI in 1988, which in turn, met with the Dutch development minister, who then brought Kedung Ombo to the attention of the Bank and other donors at the IGGI meeting held in June 1988.⁷⁰ As the momentum built, more NGOs became involved, including Canada's Probe International, the EDF, Great Britain's Tapol, and others, all of which pressured the Bank and its representatives in donor countries to take corrective action. The campaign focused on defending those who refused to transmigrate from the Greenbelt area, as well as the issue of compensation for those who did relocate. Despite assurances that the dam would not open until residents moved from the reservoir area, the Government of Indonesia starting operating the dam in 1989.⁷¹

Empirical accounts of the Kedung Ombo campaign confirm the findings of this dissertation. International NGOs played a related yet analytically distinct role as compared to local and national Indonesian NGOs. They gathered, organized, and disseminated information on the project to relevant audiences, when such data was previously either unavailable or difficult to obtain.⁷² Their strategic location in donor countries provided them with additional leverage, since the countries they represent tend to have powerful environmental lobbies and EDs that are viewed as sympathetic to environmental and social impact issues.

on Indonesia (IGGI), a group of aid donors -including the Asian Development Bank, the World Bank, and fourteen countries - designed to coordinate assistance to Indonesia.

⁷⁰ Rumansara, *op. cit.*, p. 11.

⁷¹ Resettlement and Development, *op. cit.*, p. 157, Box 6.1 "Does resettlement supervision matter?"

⁷² The issues relating to securing project-related information at Kedung Ombo had a spillover effect beyond the scope of the project, and contributed to the discussions that led to the creation of the Bank's information disclosure policy in 1994.

Momentum within the international campaign and pressure on the Bank had increased so much that by 1989, the Bank dispatched staff to Kedung Ombo, and sent the results to the Indonesian Bank mission. Not surprisingly, the conclusions of the reports confirmed and validated the claims that local and international NGOs, and Bank staff had been making, and called for increased grassroots participation in the relocation planning process, fair compensation, and increased Bank supervision.⁷³ While the Bank maintained the position that the Indonesian Government was responsible for addressing the issues around compensation and resettlement, it is clear that the campaign, and its influence on the Bank, led to some improvements. In addition to having the issue brought to the attention to the country's president by the Bank, the Indonesian government has become qualitatively less authoritarian in its approach to those affected by Kedung Ombo. Eventually, 3,100 families resettled to neighboring areas with the assistance of the cash compensation they accepted, while an additional 690 families moved to government-developed sites. Those remaining in the Greenbelt will be *encouraged* but not forced to move. These changes can not be understood without taking into account the role of the international NGO protest.

3.24 *Insiders and Outsiders*

What is particularly striking is the marginalization of internal Bank staff, generally social scientists, who identified shortcomings and violations of the resettlement OD early on which could have been addressed had the Bank's project managers not suppressed them. Project managers chose to silence reformers and deny them the

⁷³ Rumansara, *op. cit.* pp. 16 - 17.

opportunity to independently verify the reports of both Indonesian and international NGOs. The softliners - the social scientists - did not become more effective and acquire political space for maneuver until external protest emerged. NGO effectiveness at pressuring the Bank for remedial action was no doubt undermined by the lateness with which they entered the fray, which in turn was conditioned by the relatively closed political context in which local protesters operated. The evidence from this case as well as the trajectory of other cases suggests that had the campaign begun sooner, the Bank's OD might have been more fully complied with earlier, and the implementation might have occurred in a way that benefited the affected population more than it did - or at least led to less harm.

3.3 Lesotho Highlands Water Project

3.31 Project Background⁷⁴

The Lesotho Highlands Water Project will proceed in five phases, the first of which involves the construction of two dams (the Katse and Muela dams), 82 km of tunnels, a hydropower station, and the building or improvement of over 400 km of roads, with 20,000 people directly affected; while the second (Phase IB) and subsequent phases include four more dams joined by pumping stations and tunnels.⁷⁵ The project is designed to export water to South Africa in order to provide power to industry in the Johannesburg/Pretoria region, and also to supply 72 MW of hydropower for Lesotho. In

⁷⁴ For information on the project within the context of Lesotho and its relationship with South Africa, see "Lesotho Highlands Water Project - Induced Displacement: Context, Impacts, Rehabilitation Strategies, Implementation Experience and Future Option," by Malefane Maema and Norman Reynolds, paper presented at conference on Development Induced Displacement and Impoverishment (DIDI), University of Oxford, UK, January 3-7, 1995.

⁷⁵ *Ibid.*, p.1.

1988, the World Bank provided the Government of Lesotho with an \$8 million IDA credit to assist in the project design for the project, which is to be implemented by the Lesotho Highlands Development Authority (LHDA).

In 1991, the Bank loaned Lesotho an additional \$110 million loan through the IRBD for Phase IA, which carried with it an additional 10% mark-up on the existing interest rate as a guarantee fee.⁷⁶ The IRBD loan requires explanation given the weak macroeconomic profile of Lesotho. As the EDF “Urgent Action Appeal” states, “[a]ccording to the Staff Appraisal Report, Lesotho lacks the creditworthiness to qualify for IBRD loans. Lesotho is only the nominal recipient of the loan as the financial risk analysis of the SAR only deals with the risks of a South African default. South Africa is responsible for servicing the debt and its repayment.”⁷⁷

3.32 *NGO and Bank Interpretations*

Controversy has arisen over the implementation of resettlement and rehabilitation aspects of the Katse dam, which is the main component of Phase 1A. NGO and Bank assertions about the quality of resettlement and rehabilitation conflict, with advocacy groups charging Bank negligence and Bank staff countering that “the Bank brought NGOs up to speed on Lesotho.” NGOs that have advocated for the affected population admit that “the Bank tried to take the [resettlement] policy seriously,” especially through the incorporation of the policy’s requirements in the treaty signed by South Africa and

⁷⁶ August 25, 1995 “Appeal for Urgent Action: The Lesotho Highlands Water Project: Changing the Face of the Earth,” written by Korinna Horta, economist at the Environmental Defense Fund, p. 4.

⁷⁷ *Ibid.*, p. 4.

Lesotho, as well as the convening of an international panel of experts.⁷⁸ The panel, which included resettlement experts such as Thayer Scudder, filed reports based on fieldwork that evaluated and monitored the social and environmental aspects of the projects.

“According to a senior World Bank environmental analyst, NGO concern “created space” for greater Bank and government attention to mitigation measures,” and Bank resettlement officials admit that their own work in Lesotho benefited from information provided by local NGOs. Moreover, Bank social scientists interacted directly with local NGOs in order to provide them with additional leverage vis-à-vis the development authority.⁷⁹

3.33 Internal Analysis and Action

Some of the claims made by NGOs about the project - especially during its early years - are confirmed by analysis of the project files, which indicate the very problems that eventually became a source of tension between the Bank and external groups, despite concerted efforts on the part of Bank social scientists. The problems with LHWP began early on, which is an important explanatory variable in understanding the implementation problems that eventually arose. For example, sound resettlement planning must be based on accurate data on the numbers of people to be relocated. The work conducted by the Task Force for the Resettlement Review identified discrepancies in the data sheet for the project, which have implications for resettlement execution. The efforts carried out by Bank reformers who worked on the project indicate that they undertook real initiatives to

⁷⁸ February 27, 1998 interview with NGO activist.

⁷⁹ Fox and Brown, “Conclusions,” op. cit., p. 19.

correct problems in the project, the first step of which involved identifying them. This process benefited immensely from the Resettlement Review.

The sheet for Lesotho Highlands Water says that 145 families, with 725 people, will be (or have been) displaced, a number somewhat short of the 172 households mentioned in the SAR. More worrisome is that the sheet does not ask for, nor did the respondent mention, that 8500 people in 3610 households would suffer some loss of land.⁸⁰

This is one of the cases highlighted by the Task Force analyst as “a case where there was a discrepancy, [and in which] the data-sheets underplay the numbers or the problems that are involved.”⁸¹ These problems generated a Bank supervision mission during the Resettlement Review that “engendered action by a high-level inter-ministerial committee for coming to grips with these problems.”⁸²

Several months later, a report on Bank resettlement performance in Africa region commented that

. . . while the compensation program of the Lesotho Highlands Water Project is being executed in a timely and generally satisfactory way, the rural development program aimed at rehabilitation of the affected people has experienced delays. Previous supervisions have recommended prompt action by government, which the resettlement review mission has been able to verify.⁸³

No environmental impact assessment had been carried out until after the project commenced, though this did not represent non-compliance with the Bank’s environmental assessment policy (OD 4.01), which had not yet been adopted.⁸⁴ Rather,

⁸⁰February 21, 1993, Bank memorandum, p. 2. .

⁸¹ Ibid., p. 1.

⁸² May 12, 1993, “Bankwide Review of the Resettlement Portfolio - Fifth Progress Report,” p. 3.

⁸³ June 17, 1993 Bank memorandum, p. 5.

⁸⁴ Ibid., p. 1.

an environmental action plan was developed in 1990 and included a rural development scheme (acknowledged to be of excellent quality) targeting nearly 20,000 project-affected Highlands people for restoration of incomes.⁸⁵

Compensation for lost resources of the affected populations was focused on providing grain and fodder for 15 years to households that lost agricultural land; land exchange for land loss in some cases; and an overall rural development program that would create income generation activities to replace lost agricultural incomes. . . [T]his excellent plan has not been implemented in an efficient or timely matter [sic].⁸⁶

The rural development plan was the key mitigation measure to assist the thousands of people who lost land and assets because of the project. An April 1994 supervision mission report, also found fault with the plan's implementation, including the delays in the provision of and selective denial of compensation in some cases.⁸⁷ After detailing delays and improper execution of relocation, the report references Resettlement and Development:

“ . . . the Bank should not finance any new project involving resettlement for a borrowing agency that is not living up to its exiting commitments for resettlement in an ongoing project”. If this report is accepted, it has serious implications for Bank participation in Phase 1B. AF6 has communicated to LHDA that IBRD involvement in Phase 1B is contingent on bringing the social aspects of Phase 1A up to date. [Emphasis in the original.]⁸⁸

In other words, more than a year after the early Bank report that acknowledged the delays in social mitigation measures, the situation remained largely the same. There is no

⁸⁵ April 6, 1994, World Bank, “Lesotho: Highlands Water Project 1A Supervision and 1B Preparation Mission Back to Office Report,” pp.- 2.

⁸⁶ Ibid., p. 1.

⁸⁷ Ibid., p. 2.

⁸⁸ Ibid., p. 3.

evidence to suggest that suspension of loan disbursements occurred to discipline non-compliance on the part of the borrower.

The consequences of the delays were serious enough to prompt a Bank social scientist to remind other Bank staff of the resettlement policy's demands:

Given the attention that the Bank has received in the past few years regarding the failure to enforce the social policies of some Bank financed projects, we must be positive that Bank social and environmental policies are being implemented with the same zeal as the engineering requirements. The resettlement policy is crystal clear in regards to involuntary resettlement in that people must be better off after the project than they were before. This policy statement does not tolerate even equal before and after conditions; **the people's lot must be improved** and the Bank critics are quick to point out projects in which this high ideal has not been maintained.⁸⁹ [Emphasis in the original.]

By the end of the year, Bank supervision missions documented substantial progress in terms of both provision of compensation and the processing of claims for land loss.⁹⁰

Still, relocation of people from the Katse reservoir area had not been completed, and the rural development plan, though still problematic, had reported some improvements.⁹¹

In late December 1994, however, an internal Bank report called attention to continued problems in the project's resettlement and incomes restoration, which, if not adequately addressed, could jeopardize further Bank involvement in the remaining project components.

The Bank may withdraw from financing Phase 1B if implementation of compensation, relocation and income rehabilitation processes during Phase 1A is not improved. So far, implementation of the mitigation plans designed to deal with the adverse aspects of Phase 1A, has been very slow. It may be important to take a decision on a future evaluation of Phase 1A

⁸⁹ April 6, 1994, "Lesotho: Highlands Water Project 1A," op. cit., p. 9.

⁹⁰ December 7, 1994, "Lesotho: Lesotho Highlands Water Project, Back to Office Report, p. 3.

⁹¹ Ibid., pp. 4-5.

mitigation package in order to understand to what extent this first package has proved valuable for the first phase. . . *It would be unwise to embark on a second phase of the project while there are still problems in the first phase that remain unresolved.*⁹² [Emphasis added.]

In mid -August 1995, LHCAG sent Bank President Wolfensohn a letter concerning the filling of the dam, and the unfinished resettlement of the population in and near the reservoir area.⁹³ The NGO urged the Bank to not close the dam's sluice gates until the remaining people were resettled and incomes restoration schemes put in place, which the Bank declined to do. The November 1995 internal Bank report on actions taken to correct outstanding resettlement issues reported that

[b]oth resettlement and RDP [rural development plan] implementation fell seriously behind schedule early in the project, because of counterpart funding availability, a cumbersome bi-national management structure, the complexity of the RDP, and weak capacity in local government. Nonetheless, in CY94 implementation improved as project authorities, their technical advisers, the project's international environmental panel and Bank supervision missions came to agreements on revised strategies, remedial activities, and procedures for handling complaint cases. The Bank's support of further phases of the overall scheme (and in particular phase 1B, now being planned) is dependent upon satisfactory demonstration that affected people in Phase 1A will not be impoverished by project interventions.⁹⁴

The dam's reservoir has been filled and efforts to attend to the needs of those who still require assistance are ongoing. What this occurrence raises are issues that are apparent in numerous Bank projects. What are the limits of Bank responsibility? The project developer, LHDA, managed to remain on schedule in terms of the project's engineering components, but allowed the resettlement and rehabilitation components to lag behind.

⁹² December 7, 1994, "Lesotho," op. cit., p. 13.

⁹³ "Letter," op. cit., p. 1.

⁹⁴ "RRAP," 1995, op. cit., p. 13.

Bank intervention, with the added presence of NGO critiques, seemed instrumental in terms of pressing for better implementation of the social and environmental components of the project. The IB portion of the project will be considered by the Bank's Board in April 1998 and there is no evidence to indicate that the problems that existed and currently persist with Phase IA affected the Bank's decision to prepare the next portion of the project. If past Board behavior is in any indication, then there is no reason to believe that the Board will decline to fund Phase IB.

3.34 *NGO Involvement*

In the late 1980s, in anticipation of potential environmental and resettlement problems, the Bank established an Independent Panel of Environmental and Social Experts to monitor project development, the impact of which, according to LHCAG, has been small.⁹⁵ At least part of the explanation for project-related problems concerns the disposition of the early task manager. As a consultant for the project states,

the TM before [name deleted] did not appear to be particularly interested in the third goal of the LHWP treaty – to bring on the project in a way that was economically, institutionally, and environmentally sustainable for project affected people. Or for that matter in the Independent Panel of Environmental and Social Experts (POE.) Indeed [the Panel] never even met the Bank's first Task Manager.⁹⁶

The issues in which the former task manager expressed little interest constituted the very priorities identified in OD 4.30. The Panel and internal Bank social scientists had been taking action to correct resettlement for some time *before NGOs became involved* in pressing the Bank to comply more fully with its OD on resettlement. In the late 1980s

⁹⁵ August 16, 1995, Letter from Highlands Church Action Group to President Wolfensohn, known hereafter as "Letter," p.2.

and early 1990s, the project received little attention from international NGOs, but did from the Panel, which advocated for “ensuring that Treaty and Bank guidelines [were] implemented. [Specifically, the Panel] emphasized to LDHA the importance of dealing with local NGOs, and helped the main local NGO (the Highland Church Action Group - HCAG) get international funding from OXFAM.”⁹⁷

Insiders and other non-NGO parties with an interest in encouraging Bank compliance were well-intentioned but experienced somewhat limited gains, perhaps in part because of the recalcitrance of the early project manager who did not share the same emphasis of goals. In other words, internal critique and dissent had existed before the NGO campaign, but it could be argued that it was not until NGOs - specifically IRN and EDF - became active around the Lesotho project that substantive improvements occurred. This occurred around the same time that a new project manager assumed responsibility for LHWP and “brought an incredible interest in all aspects of the project.”⁹⁸ The new task manager has brought a relatively high level of transparency to the project and has engaged NGOs both in the US and in Lesotho. Bank actors also acknowledge the value of NGO involvement in terms of “sharpen[ing] [their] sense of urgency.”⁹⁹ Of course, as tends to be the case in remedial steps that are taken *after* implementation is underway, it is difficult to assess compliance.

Locally, the LHCAG representative body of affected people, and internationally, EDF and IRN, have been vocal critics of the project, with the resettlement issue a central

⁹⁶ December 9, 1997, author’s personal correspondence.

⁹⁷ Ibid.

⁹⁸ Ibid.

organizing point. Legitimate questions have been raised by observers about 1. the hostility with which NGOs approached the Bank and 2. the extent to which the NGOs have used LHCAG for their own agendas. With regard to the first issue, activities around the project had been ongoing for several years before NGOs became involved, including efforts to address non-compliance. These efforts did not always easily translate into improved compliance, but did have an impact. A consultant to the project raised the second issue, and finds some support based on the author's participation in a 1995 public forum that focused on Lesotho and featured both US-NGO and LHCAG representatives. The LHCAG representative seemed deferential to the representatives from one US NGO in particular, who 1. dominated the discussion of the project's impact on the local Highlands people; 2. interrupted the LHCAG representative on the few occasions that he spoke, and 3. when not interrupting the Lesothan, appeared to guide his comments. While concrete conclusions should not be drawn from this one case, it does suggest that there may be 1. power issues within northern and southern NGO advocacy coalitions; and 2. real questions about the extent to which northern NGOs represent the interests of southern NGOs and project-affected populations, even in instances in which northern action has been a key determinant of increased Bank policy compliance.¹⁰⁰

In the midst of the highly public NGO campaign, Bank operations and policy staff have worked, albeit sometimes in a sometimes adversarial way, with NGOs to improve the implementation of the project. The Lesotho case raises the issue that arises in numerous cases: what are and what should be the limits of Bank influence on the

⁹⁹ Fox and Brown, "Conclusions," *op. cit.*, p. 19

borrower? While this is a critical question, it also indirectly calls attention to the important preventive role the Bank can play when it sanctions borrower non-compliance immediately. Generally, problems that appear during the implementation phase have their genesis early on - within negotiations between the Bank and borrower, and within the Bank itself. By 1993, construction on the project had begun. At that time, Bank files revealed problems in the design of the resettlement and rehabilitation component. In other words, when the Bank does not comply with its own directives, it is difficult to address non-compliance during implementation. More research and analysis are required to disentangle these issues, but there would be immense value in doing so, from the vantage point of both those whose lives are adversely affected by development initiatives, and those within the Bank who are concerned with institutional performance.

IV. Cases of Compliance in the Absence of NGO Pressure

This section analyzes three cases in which NGO protest did not play a role in Bank efforts to induce compliance with the Bank's resettlement directive. To make a strong argument that such efforts occurred without external influence, it would be necessary to present cases that peaked *before* the Bankwide Resettlement Review and *before* the peak of the Narmada debacles. While it is likely that such cases exist, gaining access to such information has proved difficult. The Bank-assisted Mbali dam in Central African Republic fits the criteria, but it was not possible to secure the relevant documentation.

4.1 *Upper Krishna II - The Project*

¹⁰⁰ The Fox and Brown volume, op. cit., address internal coalition dynamics in greater depth.

The Upper Krishna Irrigation II Project (UKIIP) is a continuation of the larger Bank-supported Upper Krishna Project (UKP), which originated in the early 1960s and was implemented with IDA/Bank support. UKIIP, which exists in part to complete the resettlement begun under the earlier project, has several objectives: 1. to irrigate agricultural land in drought-prone areas in northern Karnataka, India; 2. to contribute to decreasing malaria; 3. to improve Karnataka managerial and technical skills in irrigation project design, management, and construction, and finally; 4. to relocate and rehabilitation the project-affected population.¹⁰¹ Two dams are part of the project - the Narayanpur (already completed) and Almatti dams, both located on the Krishna River. The Almatti dam is to be raised to its spillway level under the UKII project, which entails additional resettlement and rehabilitation.¹⁰² Moreover, UKII will finish incomes restorations activities for those affected by the Narayanpur dam.¹⁰³

The Bank did not become involved in UKPII until after completion of the Narayanpur dam in 1982. Bank support for UKP occurred under two loans - the Karnataka Irrigation Project (KIP), approved on April 4, 1978 for \$126 million; and the Upper Krishna Irrigation II Project (UKII), approved in May 1989, and financed by a

¹⁰¹ April 22, 1994. India Department, South Asia Region. Resettlement and Rehabilitation in India: A Status update of Projects Involving Involuntary Resettlement Volume II: Project-Specific Notes, p. 92.

¹⁰² The entire UKP projects is estimated to affect over 400,000 people.

¹⁰³ The original budget for the resettlement and relocation component was calculated at 11% of total project costs and was as follows:

Compensation and land purchases	US\$ 52.3 million
Civil works	US\$ 32.4 million
Income-generating schemes	US\$ 7.7 million
Transitional costs	US\$ 8.1 million
Recurrent costs	US\$ 0.4 million

\$165 million loan and a \$160 million credit.¹⁰⁴ Neither the filling of the Narayanpur reservoir nor the relocation of the oustees was complete when the credit closed on March 31, 1986.¹⁰⁵ The resettlement component continued (applying to 21,000 people) under the Upper Krishna Irrigation II Project loan, which closed on June 30, 1997, and supports housing grants, income-generating schemes, socioeconomic surveys, civic amenities in resettlement centers, and access roads, but not grants for land purchases or compensation for land acquisition.¹⁰⁶ The project is the largest Bank-assisted resettlement operation ever and is scheduled to forcibly evict over 220,000 people.¹⁰⁷

FIGURE 4.1

Project-Affected Persons (PAPs)¹⁰⁸

Total number of Project-Affected Persons (PAPs)		Total number of Project-Affected Persons (PAPs)		Total number of Project-Affected Persons (PAPs)	
Families	Persons	Families	Persons	Families	Persons
24,707	148,242	12,049	72,294	36,756	220,536

Apart from the massive scale of forced displacement (it is the Bank's largest resettlement operation ever), two other features of the case are noteworthy - the initiative taken by Bank actors to correct it, and the relative lack of NGO attention. With respect to explaining the second issue, a Bank resettlement specialist speculated that the project,

See Resettlement and Rehabilitation in India, op. cit. p. 93.

¹⁰⁴ The KIP project is Credit 788-IN and the UK II project is Credit 2010-IN and Loan 3050-IN.

¹⁰⁵ Some oustees who relocated did so after the reservoir began to fill and under police coercion. At least part of the resistance to relocation was because of lack of economic opportunity in the new sites. The new villages were equipped with infrastructure but lost farming land was not replaced, which led the oustees to return to the drawdown area of the reservoir to continue farming when the reservoir was not full.

¹⁰⁶ Resettlement and Rehabilitation in India, op. cit., p. 94.

¹⁰⁷ See Chapter Five's table of India CD projects.

whose task manager was the same one for Narmada,¹⁰⁹ was overshadowed by the Narmada controversy, which emerged from highly mobilized, local, Indian-led organizing initiatives. “Medha Paktar was a better organizer.”¹¹⁰ In addition, wealthier farmers’ land was flooded and they had the means in addition to the incentive to organize more effectively. In terms of the first issue, it is important to understand Bank action within the overall context of both India CD’s relationship to resettlement and the Bank’s overall resettlement portfolio.

Despite the internal concern articulated about the project in the period before the Resettlement Review, concrete action did not occur until the height of the Morse Commission’s Narmada investigation and the attendant NGO campaign - in 1992:

Bank non-resettlement officials are critical of R&R for quite some time, but by 1991 they are very critical. By 1992 they are going ballistic, describing it as “grossly inadequate” or using other terms that professional courtesy prevents me from repeating, and this is in official documentation. By mid-1992 they are threatening to suspend the project in seven days if Bank dictates are not made immediately. By mid-1992 R&R was not functioning for any practical purposes. There is no real staff, orders are passed but no actions taken; the whole thing is a charade. In one year period they resettled a grand total of 40 families, and it gets worse.¹¹¹

In other words, Bank action to correct resettlement and rehabilitation problems in UKII benefited from the Morse Commission’s investigation of Narmada. Undoubtedly, attention to UKII at that time can be viewed as a pre-emptive move designed to prevent another public scandal that, given the massive scale of displacement, could have

¹⁰⁸ This table is taken from *Resettlement and Rehabilitation in India*, op. cit. p. 92.

¹⁰⁹ This TM also handled Gujarat Medium, Maharashtra Composite II, Andhra Pradesh II, all large-scale displacement operations.

¹¹⁰ October 1997 interview with Bank staff.

¹¹¹ July 1997 personal correspondence.

overshadowed that of Narmada. External pressure was an indirect factor in terms of explaining Bank behavior.

As is the case with other SA2 projects, UKII underwent intense supervision and as a result, improved during and after the Review. In fact, from 1992 -1997, the project was supervised almost every three months, which is a level of scrutiny experienced by few, if any, other Bank operations. Moreover, the new CD director made a resettlement specialist the task manager for UKII, which would have been unimaginable in the years prior to NGO campaigns. These are not small or insignificant changes by any means, but are real accomplishments. They are relative, however, since the project is still in need of corrections. Given where the Bank began, however, these changes are major and must be acknowledged.

The India Country Department's handling of UKII has changed drastically since the Narmada era. Moreover, the response of Government of Karnataka to Bank suspensions illustrates that Bank instruments designed to induce policy compliance can be effective. A Bank report states succinctly that "[t]he problem was that the performance of the GOK was clearly inadequate, but until 1992 the Bank was unwilling to take the steps necessary to remedy poor GOK performance." The previous statement was that the Bank's performance was unsatisfactory until 1992 but improved dramatically afterward. This is a clear confirmation that when the Bank exerts its political will it is relationship to its borrower, borrower behavior and Bank performance tend to improve.¹¹²

¹¹² An internal Bank report directly acknowledges that Bank pressure on borrowers with respect to resettlement does make a difference.

After letters in March and September 1992 threatening to suspend loan disbursements because of resettlement and rehabilitation problems, the Bank suspended funds in November 1992.¹¹³

Reinstatement of project disbursement was to follow a two-step procedure: (a) disbursements for the resettlement and canal components could begin once an initial set of benchmarks was met, expanding entitlements and linking resettlement with civil works timetables; and (b) disbursements for the project as a whole could resume once a second set of benchmarks was met, including purchase of replacement agricultural land and starting income generating programs. In all, the Bank set ten monitorable benchmarks that had to be met before the full suspension would be lifted.¹¹⁴

The suspension was partially lifted by the Bank in February 1993 when the Government of Karnataka reached some of the Bank's benchmarks, which led the Bank to fully lift suspension in February 1994, after the government had complied fully and shown demonstrable progress.¹¹⁵ It had appointed a high-level committee specifically to fulfill Bank requirements for continuation of loan disbursements, which included: functioning of the project's resettlement wing, informing oustees of their rights, and providing funds to the resettlement component.¹¹⁶ The Bank maintained its standards and did not lift the suspension until all benchmarks were reached, which illustrates the positive impact that Bank action can have on borrower behavior.

The loan was suspended again in 1995 because of poor performance and inadequate linkage of resettlement and rehabilitation implementation with Almatti dam

¹¹³ May 1996 personal correspondence.

¹¹⁴ Resettlement and Development, op. cit., Box 6.2, p. 158.

¹¹⁵ May 1996 personal correspondence.

¹¹⁶ Resettlement and Development, op. cit., Box 6.2, p.158.

construction.¹¹⁷ Unfortunately for the project-affected population, the Government of Karnataka did not remain in compliance with its agreements with the Bank, and raised the spillway on the Almatti dam, which necessitates the forced eviction of an additional 50,000 people, of whom 20,000 moved under emergency conditions. In response to this, the Bank closed the project on June 30, 1997, but continues to engage the government in order to finish the resettlement operation. The Bank's assessment of lessons learned is consistent with the findings of this dissertation, and are worth quoting at length:

Prompt action by Bank management sent the borrower a clear signal that resettlement performance counted as much as performance on other project components. Decisive action by the Bank and transparent benchmarks actually improved dialogue with the government. In addition, the creative use of legal remedies - the partial suspension - allowed the borrower to make up for time lost on resettlement, so that when disbursements resumed, the resettlement and engineering timetables were again synchronized. Finally, insisting on full compliance with the Bank's benchmarks, rather than hoping for incremental improvements, led to major improvements in the Borrower's approach to the entire resettlement program.¹¹⁸

Although recent Bank documents reveal a high level of concern about "risk to the Bank's reputation," a basic commitment to addressing outstanding resettlement and rehabilitation issues is also evident. The desired strategy for Bank engagement with Government of Karnataka is to minimize the risk to the Bank and to maximize the likelihood of a positive outcome for the affected population. The institution's concern about its reputation is understandable given the criticism the Bank has received as a result of its non-compliance with OD 4.30. Finally, the ongoing difficulties in the case

¹¹⁷ May 1996 personal correspondence.

¹¹⁸ Resettlement and Development, Box 6.2, p. 158.

highlight a theme that runs through much Bank discourse- that its involvement improves conditions for project-affected populations better than non-involvement.

This is a claim that should not be readily dismissed, as some NGO critics tend to do. Rather, it should be evaluated by examining the documentary record. In addition to concern over public criticism, which is present in internal Bank discourse, there is a real belief among staff, (however much critics assert such sentiments are misguided), that the Bank fulfill its obligations to affected groups by continuing its involvement, which in some cases has become the rationale for loans. Itaparica and even Polonoeste are such cases. While the former is acknowledged by some to have benefited from Bank involvement despite numerous difficulties, the latter has been roundly critiqued - and rightfully so - as a debacle, although Bank staff who lobbied for participation in the project asserted that Bank leverage would ameliorate the more deleterious effects of rapid development. Similarly, the case of UKII evoked a similar logic - that Bank involvement in supporting the completion of resettlement and economic rehabilitation would not worsen the condition of those resettled, but would help achieve better outcomes. Since Bank assistance to the Karnataka government for the project already exposes it to great risk, arguments supporting the completion of resettlement weigh in more favorably than those calling for the Bank to pull out, especially given Karnataka's campaign to keep local NGOs informed about both the project and the Bank's culpability. In other words, Bank support for resettling waves of oustees affected by several UK projects, is a rational, political calculation that outweighs the potential reputational effects of not financing such an operation.

4.11 SA2 in Context

SA2's handling of resettlement operations has changed drastically and for the better. Since the Review, the India Country Department has changed directors. The new director is described by Bank staff as less defensive than the previous one, and has lobbied for greater accountability and transparency. He himself goes on field supervision missions to evaluate resettlement operations. Starting with the period of the Review, the CD has taken strong steps to increase policy compliance.¹¹⁹ For example, because of the Government of Karnataka's violation of Bank agreements (the Karnataka Power Corporation did not release land for relocation for 544 families in need of resettlement) in the Karnataka Power I and II Projects, the Bank actually canceled the project in October of 1993 following the suspension of disbursements on April 8, 1993. Out of \$260.4 million, only \$69.6 million had been disbursed over a five year period. The Bank required the National Thermal Power Corporation to retrofit Farakka Thermal, a closed project. It took similar action in Coal India, requiring that the closed Jharia Coal and Dudichual Coal be retrofitted. Moreover, the Bank made future water sector lending in Subarnarekha contingent on satisfactory completion of resettlement and rehabilitation in the closed project, which affected 63,000 people in the eastern states of Bihar and Orissa.¹²⁰ However valuable these steps may be, they do not eliminate the fact that they were made necessary by inadequate attention to resettlement when the projects were ongoing. Still, these actions have undoubtedly made a positive difference for project-affected people, and will continue to do so as long as .

¹¹⁹ This section is based on personal correspondence with Bank staff in 1996.

4.2 Madagascar Antananarivo Plain Project

At the time of the Resettlement Review, the 1990 Madagascar Antananarivo Plain Project was the largest resettlement operation in the Africa region. Antananarivo, Madagascar's capital city, spread from the hillside to the floodplain below.¹²¹ Periodically, area residents die and lose property as floods overflow the existing drainage canals.¹²² Difficulties in the flood control project designed to upgrade the drainage system began early on, with discrepancies and miscalculations in the numbers of people to be resettled. The Staff Appraisal Report (SAR) reported that 461 families required resettlement, while the January 1990 negotiations placed the number at "about 1300" families.¹²³ An agreed resettlement plan did not exist at appraisal, which led to "ad hoc and unsatisfactory implementation in the field."¹²⁴ By the time of the Africa region's February 1993 report to the Task Force of the Resettlement Review, the number of people to be forcibly displaced had increased to 10,400.¹²⁵

An early review mission (February 1993) found no resettlement plan for the 3,000 to be resettled. At close examination, it appeared that the population estimate covered only some of the project's many civil works, because at appraisal the Borrower had supplied incomplete information. The total number of affected people was re-assessed to be about 200-300% larger.

Just before the February mission, 300 people relocated, taking cash compensation. The government agencies involved could provide no further information about how and

¹²⁰ See April 29, 1993 "India - Resettlement and Rehabilitation Portfolio Review," p. 5.

¹²¹ RRAP, 1995, op. cit., p. 13.

¹²² Ibid., p. 13.

¹²³ February 21, 1993 Bank memorandum, p. 2.

¹²⁴ RRAP, 1995, op. cit., p. 13.

where these people resettled. Moreover, the resettlement site constructed for displaced families became all but inaccessible because of the co-financing project agency's decision.¹²⁶ The "resettlement review mission was able to recommend improvements in the management of compensation and relocation. The mission also requested the Government to prepare an improved plan for the next stages of the resettlement process, based at least partly on proposals made by a local NGO."¹²⁷ Because of the additional families "discovered," the plan had to be revised.

Unfortunately, the difficulties in the project are not merely the result of borrower behavior, *but are related to Bank negligence and non-compliance with its OD*. From the outset, Bank documentation on the project was poor (for example, there was no baseline data), as the early task managers did not make it a priority. Forced displacement was not viewed as an issue - the project's canal was, however, and has since become the site of illegal squatters' housing.¹²⁸ Because of the Resettlement Review, resettlement specialists in the Africa region became empowered to decisive steps to improve resettlement.

The mission worked closely with the government and three local NGOs to reassess the situation and to initiate the preparation of an adequate resettlement plan. To follow up on the mission's signals, the Bank's Division Chief for this project made a field visit. She also initiated contacts with the Bank's cofinancing partner, asking cooperation in solving outstanding relocation issues. The Bank also commissioned a local non-governmental research organization to immediately carry out a "tracer study" of the first groups displaced, assess the impact on their

¹²⁵ February 1993, "Africa Region Resettlement Review - Highlights of Main Activities in FY 1993," p. 8

¹²⁶ Resettlement and Development, op. cit., Box 7.3, p.175.

¹²⁷ "Africa Highlights," op. cit., p. 6.

¹²⁸ October 1997 interview with Bank resettlement specialist.

livelihood, and their need for re-establishment assistance. The study was completed in six weeks, and generated important findings.

The Bank sent two additional supervision missions in 1993 to monitor resettlement developments.¹²⁹

Shortcomings resulting from Bank inattention reveal certain attitudes toward resettlement as an enterprise. An early task manager “thought he was doing good job. Resettlement wasn’t for professionals. If you had good sense and a social commitment it could be done.”¹³⁰ Given the poor state of resettlement in Tana Plain, it is clear that more resources other than the ones cited were necessary. When social scientists attempted to address some of the issues, they were “rebuffed” by TMs, some of whom “just pushed people out” of the project area.¹³¹ In 1994, a resettlement specialist approached the TM, attempting to ascertain the condition of resettlement, and received a hostile response.¹³² Despite being featured in Resettlement and Development as a project undergoing corrective actions, serious problems remained, and not all information was made available - such as the numbers of squatters involved.¹³³

The current resettlement specialist’s salary is paid by a foreign government, and seems to less constrained by the Bank’s organizational and incentive structures. In June 1997 he suspended loan disbursements for two months because 132 families were not provided with viable options. Not surprisingly, the government protested, but the

¹²⁹ Resettlement and Development, op. cit., p. 175.

¹³⁰ October 1997 interview with Bank resettlement specialist.

¹³¹ October 1997 interview with Bank resettlement specialist.

¹³² Apparently, the TM “threw papers at” the resettlement specialist in response to her queries.

¹³³ October 1997 interview with Bank resettlement specialist.

resettlement specialist was supported by the new task manager, who has been receptive to addressing lingering issues.¹³⁴ Generally speaking, Country Department directors and task managers initiate suspension of loan disbursements - not resettlement specialists. That such a step was taken for the sake of 132 families is an indication of real change in terms of addressing resettlement. Such action is even more noteworthy since it is occurring in the absence of protest, even though the project is one of the largest resettlement operation in the region. In addition to his participation in supervision missions, he has asked to hire a consultant in order to ascertain the fate of those who have relocated. Moreover, the resettlement specialist lobbied to allow a woman who lived beside the canals to be permitted to remain there. The task manager supported initiatives taken to meet the affected population's needs.

Though the retrofitting process will likely continue for some time, this case is an important example of: the changes occurring in operations' approach to resettlement; of the types of collaborative interactions that are possible and desirable between task managers and social scientists who function as resettlement specialists, and; of the extent to which the Bank is able to exercise influence over its borrowers.

4.3 The Gilgel Gibe Hydroelectric Project in Ethiopia

The Bank-supported Gilgel Gibe project, which will displace about 12,000 people, (and for which planning and funding began after the Resettlement Review), and offers an opportunity to assess the degree to which changes brought about through protest and the Resettlement Review have been internalized. Moreover, this particular case is

¹³⁴ Ibid.

instructive because it shows a regional vice-president advocating for slowing the project down in order to adequately address resettlement issues. It is unlikely that this would have happened several years ago. This story provides some confirmation of a guiding hypothesis of this dissertation, *that upper level Management can play a key role in redefining institutional priorities and incentives in a way that favors the incorporation of the social dimensions of development, such as involuntary resettlement.* Senior Management has instructed regional management and all relevant staff that complying with OD 4.20 is a requirement. One Bank staff interviewed for this study commented that the message sent is: “do it [resettlement] or heads will roll.”¹³⁵

During a regional meeting in which Bank staff discussed the project’s resettlement component, two social scientist analysts expressed the view that “the [resettlement] plan was still highly undernourished.” The task manager, who is an engineer, “argued for going ahead anyway, since a [government] team was coming to negotiate a project the following week and they might negotiate this project as well.” The task manager argued that during meetings with the government’s team, they could “plug in some additional data while they were here.”¹³⁶ It is possible to detect in the task manager’s perspective a desire to gain quick approval for a project without adequately addressing social impact issues. It is this approach (which tends to be associated with OD non-compliance) that both external NGO critics and internal Bank reformers have challenged.

¹³⁵ March 3, 1998 interview with Bank staff.

¹³⁶ March 13, 1998, personal correspondence between Bank staff and the author.

The regional vice-president instructed the Sector Manager, under whom the task manager works, to secure a resolution to the resettlement-related disagreement. If the project team did not develop an acceptable resettlement action plan (RAP), then “they should certainly NOT go ahead with the project negotiation.”¹³⁷ The Sector Manager invited a regional resettlement specialist to the next meeting about the project, which occurred the following afternoon. The division chief of the technical department argued that the project “needed more work than could be done in DC.” The task manager objected and asserted that sufficient work *could* be done in order to adequately address resettlement, while the resettlement specialist supported the division chief’s perspective. The Sector Manager met again with the regional vice-president and “they agreed that the plan needed to be done right.”¹³⁸ In other words, the highest-ranking operations staff (the Sector Manager and regional vice-president) empowered the resettlement specialists - both of whom are social scientist analysts - in relation to the project’s task manager, leading to greater institutional and political space for greater efforts to properly execute resettlement.

V. Conclusion

Both sets of cases offer lessons and insights that support the hypotheses presented. The analysis of NGO-influenced cases offers several conclusions. 1. The Itaparica case is in some ways atypical, because it is the first stand-alone resettlement operation supported by the Bank. Protest provided internal reformers with *their first opportunity* to gain leverage in a resettlement operation. Despite the way the situation has deteriorated

¹³⁷ Ibid.

over the years, it is critical to acknowledge the key role played by Bank reformers who attempted to comply not merely with the letter but also the spirit of the OD. Ironically, the NGO-supported grassroots demands for land near the dam's reservoir, while well-intentioned, may have served to complicate efforts to rehabilitate the affected population. Greater flexibility on all sides might have facilitated a more viable, long-term solution for rural resettlers than the course pursued. 2. In the Kedung Ombo case, recalcitrant Bank staff systematically marginalized and ignored social scientist staff's warnings that OD non-compliance would create problems both for resettlers and the Bank. A late NGO campaign translated into little influence and leverage until near the end of project implementation. 3. Phase 1A of the Lesotho project received attention from resettlement specialists during the Resettlement Review, when they uncovered problems in resettlement design, which they took actions to correct. Undoubtedly, the RR provided these actors with leverage over the early TM, who apparently was less than receptive to the social and environmental aspects of the project. NGO protest occurred relatively late in the project's history. Subsequent NGO actions, which seemed to call for actions already in progress, no doubt drew attention to Lesotho and provided some space for LHCAG in Lesotho to engage the implementing agency, though the extent to which the LHCAG acted independently of northern NGOs is open to question.

These cases indicate that to be most effective, NGOs must begin their campaigns as early in the project cycle as possible. Once implementation begins, their leverage decreases, and the capacity of Bank reformers to correct resettlement problems is

¹³⁸ Ibid.

constrained. “. . . it has not proven easy to retrofit solutions, both because baseline data and the monitoring of resettlement were not carefully controlled and because the sheer passage of time has introduced circumstances that blur any attempt to reconstruct the situation of the resettlers.”¹³⁹ The Bank has the greatest leverage over a borrower before a loan is completely disbursed. This analysis does not release the Bank from its obligation to attend to those negatively affected due to Bank non-compliance and exert its influence to discipline non-compliance by the borrower. Rather, the purpose is make clear the obstacles to correcting problems in a sub-optimal situation. Such scenarios further reinforce the importance of policy compliance in the planning stage, inclusion of requirements in the *loan agreements* signed by the borrower, the willingness to use instruments to influence borrower behavior, and consistent and regular Bank supervision missions throughout the life of the project.

The subset of cases in which internal reformers took action to induce institutional compliance are also revealing. While empirical evidence to support this claim is lacking, there is sufficient information available from the experience of the Resettlement Review and numerous interviews with Bank staff to indicate that there are *very, very few* cases of internally-generated compliance with the forced displacement policy *pre-Review*. The Review reported non-compliance along every dimension of the policy in the majority of the cases analyzed. This does not mean that there are not individual projects in which compliance occurred, but given available information and the Bank’s culture at the time, the likelihood is low. The fact that most cases within this subset received internal

¹³⁹ “RRAP,” op. cit., p. 18.

attention *within the context of the RR, which itself is partly attributable to the externally-drive Narmada crisis* confirms this study's hypothesis about 1. the role of external pressure in focusing institutional attention on resettlement, and; 2. the translation of that institutional commitment on the part of senior-level managers into an empowering of social scientist analysts. Moreover, there is sufficient evidence that suggests that the commitment to resettlement policy compliance remains high, which should translate into the types of projects represented by the third case presented in this subsection, as well as the statement made by a division manager, and recorded in the next chapter, that illustrates this changed balance of forces between project managers and resettlement specialists: "Look, I disagree with the policy but you guys in social and the environment, you are now the new Popes, the new policemen, new rabbis or muslims or whatever, and what you say goes, so we have to do it . . ." ¹⁴⁰ In other words, *the creation and exertion of political will on the part of the highest levels of the World Bank are sufficient to shift the institution's incentive and organizational structure in such a way that compliance with a social impact policy is increased.*

¹⁴⁰ March 13, 1998, personal correspondence with Bank staff.

CHAPTER FIVE
THE BANKWIDE RESETTLEMENT REVIEW:
THE INTERNAL DYNAMICS OF POLICY COMPLIANCE

I. Introduction

The 1993 - 1994 Bankwide Review of Projects Involving Involuntary Resettlement (BRR) is a watershed event in the history of the World Bank, representing not only the first portfolio-wide review of resettlement but of any social and environmental impact policy thus far.¹ The fact that the Review occurred, given the level of resistance toward the resettlement policy evident in the operational apparatus of the Bank until that time is noteworthy, and illustrates both the direct influence of internal pro-compliance forces, as well as the favorable context provided by the Narmada controversy.² This episode in the Bank's experience with its social impact policies presents an opportunity to explore the questions raised in this dissertation on an intra-institutional level: What does the experience of the BRR reveal about institutional behavior, and on a narrower level, about what is required for guidelines to be followed? The evidence suggests that policy advocates play not merely a substantive, technical role in terms of the OD, but also a political role in terms of securing support for and neutralizing resistance toward policy compliance. Of the hypotheses presented in

¹ The Bank did carry out an internal review in 1986, but it did not have the level of attention, political and financial resources, or the scope that the 1993 Review did. Partial reviews of other policies, such as the indigenous peoples policy, also have been carried out.

² For an extensive treatment of the factors that led to the Review, and the role of internal reformers in executing the Review, see Jonathan Fox, "When Does Reform Policy Influence Practice? Lessons from the Bankwide Resettlement Review," in Jonathan A. Fox and L. David Brown, editors. The Struggle for Accountability: The World Bank, NGOs and Grassroots Movements, (Cambridge: MIT Press, 1998). Specifically, Fox focuses on and answers two questions: What made the Bankwide Review possible? and What explains the partial progress toward institutional reform shown by greater policy compliance after 1992? The enabling environment created by the Narmada campaign, "strategic staff initiative, culminating

Chapter Three, this chapter focuses on testing three, which are interrelated: 1. *Internally-generated political commitment has led Bank actors with decisionmaking authority to press for compliance with social impact policies.* 2. *When upper level Bank management defines policy non-compliance as a problem,³ it is likely to pressure project managers to take corrective action.* 3. *The more pressured project managers are, the more likely they will be to solicit and accept assistance from Bank social scientists, leading to greater compliance.* In other words, social scientists are indirectly empowered with respect to project managers.

The main argument of the chapter is that the Bank's Resettlement Review is a story about bureaucratic insurgency executed by social scientist staff, with strong support from Senior Management, who were committed to the policy, the norms embodied in it, and efforts to improve both Bank performance and project outcomes. The political commodity that drives both entrenched interests and reformers is information - what is or is not happening in Bank-assisted projects, and is the terrain over which struggles in the Review occurred. Because they are operating in a context in which they are supported by upper-level actors with decisionmaking authority, reformers gain access to critical information, which shifts the balance of power away from status quo elements. This reconfiguration is salient in terms of positively affecting compliance with the policy. With respect to the norms associated with the policy, the results show improved attitudes among many project staff. Some staff still resist both the policy and its norms, but there

years of internal education, research and debate to increase policy compliance . . . “ along with “high-level management support for the review process” made the Review possible. (p. 2.)

is no questions that significant gains occurred practically and at the level of many task managers' disposition toward the policy.

This chapter proceeds in the following way: first, it will provide a description of the institutional context of the Review, which highlights the role that individuals can play; second, it will present the main findings of the Final Report of the BRR in order to provide a broad context for the micro-level analysis of intra-Bank politics and Regional patterns of policy compliance and non-compliance; third, it will detail the background and organization of the BRR; fourth, it will lay out its short-term objectives and longer term goals; fifth, it will discuss relevant organizational aspects of and dynamics within the Bank; sixth, it will provide an analysis of the Review in the South Asia, Africa, Europe/Central Asia- Middle East/North Africa, Latin American and Caribbean, and East Asia and Pacific regions; and finally, it will relate the empirical aspects of the Review to the conceptual and theoretical issues raised in the study.

II. Institutional Structure and Individual Initiative

It is difficult to understand the BRR and the institution's relationship to its forced displacement policy without taking into context what Michael Cernea, a senior Bank sociologist, termed a "threefold institutional rearrangement."⁴ Cernea, who headed the Task Force that executed the Review, cites three reasons to explain the improvements observed in the Bank's resettlement portfolio during the early 1990s:

1. Cernea, along with Scott Guggenheim, another Bank resettlement specialist, rewrote Operation Manual Statement 2.33 on forced

³ Generally speaking, non-compliance becomes a "problem" when it is associated with fear of loss of capital replenishments and tarnishing of public image. It is also difficult for internal reasons, such as loan processing and/or implementation delays.

⁴ March 8, 1997 personal correspondence between Michael Cernea and Jonathan Fox, p. 2.

displacement, which, in 1990, became Operational Directive 4.30. “This policy rewrite mattered a lot.”

2. In 1991, Bank management requested that Cernea move from the Agriculture Department to “a much more central position - as Senior Adviser in the Front Office of the Central Environment Department (ENV), with a broader mandate: senior adviser to both the Vice President [ESD] and the Director for Environment. From this new position, [he] was able to pursue more effectively the application of (particularly) the resettlement and indigenous people social policies.”

3. In 1992, at the initiative of Cernea and others, with the support of the Vice-President, Environmentally Sustainable Development (ESDVP), Bank management created “for the first time” a Social Policy and Resettlement Division in ENV. “This new capacity enabled [Cernea], to exercise a much stronger influence Bankwide on social development issues in general and on resettlement in particular.⁵

Individual actors expanded the boundaries of what was possible through their initiative.

In other words, the profile of resettlement became more prominent because of institutional changes in the form of a division devoted to the issue located in a department(ENV) with a broad mandate, in conjunction with individual leadership (Cernea and others) supported by actors with political capital (the ESDVP).

III. From Narmada to the Entire Portfolio

3.1 The Morse Commission and the Narmada Debacle

In 1992 the Morse Independent Commission, selected by the Bank’s Board, completed its work, and issued its report⁶, which documented consistent and flagrant violations of Bank operational directives in the Narmada dam. The critique was harsh, and advised the Bank to “step back” from the project. The work of the Commission itself

⁵ Ibid., pp. 1 - 2.

⁶ See Bradford Morse and Thomas Berger, Sardar Sarovar: The Report of the Independent Review (Ottawa: Resource Futures International, 1992).

has no precedent in Bank history, as the group had the power, authority, and independence from the operational units of the Bank to execute the investigation and develop conclusions and recommendations, which it based on both project files and fieldwork. The results raised broad and disturbing questions about the Bank's performance in the area of forced displacement. The highly-publicized scandal over Narmada, which will forcibly evict over 100,000 people (known in India as "oustees"), and the fear within the Bank that other projects with similar violations of OD 4.30 existed, led Management to support a broader review proposed by the Bank's senior resettlement specialist.⁷

3.2 Management Fear is Justified by the Facts

Senior Management had reason to fear the existence of "other Narmadas," given the broad findings of the Review. These indicated⁸:

Bank failure to adequately document the number of projects involving displacement, with the percentage of projects involving displacement increasing by nearly 50% (p. 87.)

A 47% increase in the number of people to be resettled by new projects between the time of appraisal and the time of the review (p. 88.)

the absence of any documented successful cases of economic rehabilitation, which was difficult to document due to the dearth of baseline data (pp. 110-113.)

poor and/or non-existent resettlement planning and appraisal (pp. 137-138.)

low frequency of supervision missions - "only 56 percent of FY86-93 missions to projects with resettlement actually reported on resettlement progress, and less than 25 percent used resettlement specialists." (p. 153.)

⁷Jonathan Fox, *op.cit.*, p. 6.

⁸ These summaries are taken from Resettlement and Development, *op. cit.*

Many of these issues were similar to the ones highlighted in the Morse Commission Report. In hindsight, given the Narmada debacle and the improvements in the portfolio resulting from the Review, Management's support of the initiative was a wise, pre-emptive decision that had a tremendous impact in terms of improving Bank-wide compliance with the OD.

3.3 The Bank in a Global Context

The findings generated by each individual Region, in addition to data submitted by Operations Evaluation Department (OED), Agriculture (AGR), the Bank's Legal Department (LEG), and other sectors, such as Transportation, Water, and Urban Sector (TWU), formed the basis of Resettlement and Development: The Bankwide Review of Projects Involving Involuntary Resettlement 1986-1993. Though many critics commented with surprise on the extent to which the final report acknowledged poor Bank performance, the unvarnished, critical reports that comprise the Regional Reviews are even less sanitized and more revealing. The Executive Summary, which sought to minimize the Bank's association with forced displacement, points out that the Bank's participation in such operations, though important, is relatively small. "Bank-funded projects account, conservatively, for some 3 percent of resettlement caused by dam construction worldwide and for about 1 percent of the displacements caused by urban and transportation projects in the developing world."⁹ While the actual percentage may be small, this number does not capture the influence of the Bank as a guarantor of other co-financing for borrowers, or as a trendsetter in the development field. In other words,

Bank influence is disproportionate to its statistical representation in resettlement operations, which further underscores the importance of its performance, adherence to social impact policies, impact on borrowers, other aid agencies, and even the private sector.

3.4 *Patterns of Non-Compliance*¹⁰

In terms of the portfolio, the report found 146 ongoing projects with resettlement components affecting almost two million people, and concentrated in East and South Asia.¹¹ Moreover, the TWU sector had the highest number of resettlement components, though they tend to be on a smaller scale than those in agriculture and hydropower.¹² In terms of Bank performance, although the Review documented improved compliance after the policy was issued in 1990, there were still major shortcomings in Bank procedures.

For example,

- * between FY86 and FY 93, baseline surveys were used in 43 percent of projects although their use increased to 72 percent in projects approved in FY 92-93, and 100 percent in FY 1994;

- * during the Review period, an average of only 55 percent of Bank-funded projects appraised full resettlement plans;

- * less than 30 percent of the resettlement plans made income restoration a major aim.¹³

- * the total number of people to be resettled is 47% higher (an additional 625,000) than the estimate made during appraisal¹⁴

⁹ Resettlement and Development, op. cit., p. 1.

¹⁰ Jonathan Fox, op. cit., includes a similar section in his chapter, pp. 8-14.

¹¹ Resettlement and Development, op. cit., p. 89.

¹² *Ibid.*, p. 8.

¹³ *Ibid.*, pp. 12-13.

A few dramatic examples of this last statistic are two thermal projects in the India Country Department portfolio - Singrauli II and Farakka II, each of which displaced about 50,000 people, and neither of which addressed resettlement at the time of appraisal.¹⁵ Problems with Singrauli continue through the present, and the Inspection Panel recommended it for an investigation, though the Board authorized only a limited, desk-based one.¹⁶

Supervision is a particular area in which Bank performance fell short, which, as Jonathan Fox points out, is the Bank's "most powerful tool for assessing project implementation progress, including resettlement performance."¹⁷ Between FY 86 and FY 93, just 56 percent of "missions to projects with resettlement actually reported on resettlement progress, and less than 25 percent used resettlement specialists." During that time, "130 missions which supervised 15 projects resettling 105,000 people, made no reference to resettlement." "Neither the Bank as a whole nor most country departments have had sufficient specialist resources to provide adequate supervision."¹⁸ When supervision has occurred, consultants are often hired, which can have the effect of undermining in-house capacity. While the use of resettlement specialists is an improvement over no supervision at all, the relative lack of involvement of task managers in supervision activities may miss opportunities for education of non-social scientist

¹⁴ Ibid., p. 88.

¹⁵ Ibid., p. 92.

¹⁶ See Chapter 6.

¹⁷ Jonathan Fox, op. cit., pp. 12 - 13.

¹⁸ Resettlement and Development, op. cit., pp. 153-154.

analysts. The possible message communicated is that supervision of resettlement components is not a priority for the Bank.

3.5 *The Affected Populations*

The stakes involved in Bank performance are high, and have dramatic implications for those forcibly evicted. In instances of rural displacement, the affected population tends to be poor and vulnerable. The Bank report explains the desirability of rural locales for such projects as attributable to the fact that they are areas “where land and political costs are lowest.” In urban areas, resettlers are artisans, vendors, and small business people, and also urban squatters.¹⁹ Finally, women tend to be more negatively affected by forced displacement because compensation payments usually go to men and because relocation often means that women are moved from their sources of income.²⁰

The Review examined active projects and therefore was unlikely to be able to document income improvement. An analysis of closed projects would be necessary to document changes in income among resettled populations.

Declining income among affected populations is significant, reaching in some cases as much as 40 percent among populations that were poor even before displacement. Contraction or non-replacement of income-generating assets reduces the resettlers’ ability to recover in a sustainable manner. Unsatisfactory performance in reestablishing resettlers at an equal or better level of living still persists on a wide and unacceptable scale.²¹

¹⁹ Ibid., p. 94.

²⁰ Ibid., p. 94. For issues involving women and development more generally, see Kathleen Staudt, editor, Women, International Development and Politics: The Bureaucratic Mire, (Philadelphia: Temple University Press, 1997).

²¹ Ibid., p. 110.

Income restoration is a centerpiece of the policy and “the ultimate test of consistency between resettlement operations and policy.”²² The general decline in incomes experienced by slight majority of those resettled in Bank-assisted projects (prior to 1995) is especially problematic given the fact that “[p]overty reduction is the benchmark against which [the Bank’s] performance as a development institution must be judged.”²³ In comparison with past Bank projects that operated without the policy, those implemented after the policy was issued generally performed better and created improved conditions for those resettled. In other words, when Bank policy *is* applied, the outcomes are better, than when it *is not* applied.

The task of restoring incomes was further complicated by the lack of systematic monitoring data, a problem that has plagued all Regions.

The OED analyzed resettlement outcomes, and reported that “A striking finding is how few of the projects for which OED reports (49 reports) are available have information on incomes of the displaced populations, even though over forty percent were approved after the 1980 guidelines and about one quarter at least a year after the guidelines were published.”²⁴

3.6 *Assessment*

Several features of the Bank’s report are noteworthy. First, the 1990 policy, which is more demanding than the previous one, did seem to have some affect on Bank behavior, especially in the period after its issuance, which suggests that increased compliance levels will be observed right after a policy is issued, or when an internal

²² Ibid., p. 109.

²³ Former Bank president, Lewis T. Preston, made this statement, and it appears on the first page of Resettlement and Development’s fourth chapter: “Performance: Restoring Incomes and Livelihood, p. 109.

²⁴ Ibid., p. 111, Box 4.1. Learning about income restoration.

review is initiated, and may be followed by policy slippage, if internal commitment and attention wane. The published Report provides no substantive explanation for policy violations, beyond the existence of the development “gap,” which is the expectation that there will be lag time between a new policy initiative and organizational response. This statement is applied to *borrower* behavior in the Report: “. . . the Bank’s effort to promote an improved policy for resettlement in borrowing countries is ultimately even more consequential than the assistance provided by the Bank to individual resettlement components.”²⁵ The same logic is implicitly attributed to *Bank performance* as evidenced by the reports of greater Bank compliance after the policy’s issuance.

The fact that the final report was released with such information at all is noteworthy, and indicates a marked change in the balance of forces within the Bank. Placing the accomplishments of the Task Force within the context of the overall institutional culture makes the process stand out as a singular achievement in the history of the Bank. The process of bureaucratic insurgency in which social scientists engaged was carefully executed and resulted in substantive gains for the Bank in terms of improvements in the resettlement portfolio. The decision to release the results of the Review, however sanitized they might be, is commendable and represents a quantum leap forward in efforts to increase institutional accountability and transparency.

IV. The Organization of the Bankwide Resettlement Review

4.1 The Resettlement Review Task Force and Steering Committee

²⁵ Ibid. p. 97.

Part of Management's response to its Board about the Morse report detailed the nature and scope of the Review:

The Environment Department [ENV] has been requested to carry out, in cooperation with all regions, a Bankwide analysis of all ongoing projects entailing resettlement, regarding quality and consistency of project implementation by the borrower of the Loan and Credit agreements and Bank guidelines. A report, updating the 1986 review, to determine the extent to which post-1986 appraisal work and implementation assistance on R&R conforms to the Bank's operational directives, will be submitted to the management, and subsequently to the Board within about 12 months."²⁶

Once the decision had been made to launch the Review, the next steps involved forming a task force (TF), based in the Center's ENV, and securing the financial resources to execute the work of the Review. To carry out the task, ENV drafted an approach paper, with regional staff participating, and regional management commenting on the proposal.²⁷ The composition of the Task Force itself included broad participation.

All regions have designated the regional Environmental Division as their focal point for this review, to link with all regional CDs and with ENV. In addition the Africa region has decided to create a working group on resettlement including representatives from relevant CDs. A special resettlement task force is being created in ENV, led by the senior sociology adviser [Michael Cernea], to coordinate the BR, link with the regions, and prepare the report to management and the Board.²⁸

The Task Force met frequently with regional resettlement working groups, provided feedback for drafts of Regional Resettlement Reports, and periodically briefed vice-presidents on the work.²⁹ The Task Force invited Task Managers to participate directly in

²⁶ Sec. M92-849, June 23, 1992.

²⁷ Initiating Memorandum, December 28, 1992, p. 1.

²⁸ Ibid., p. 3.

²⁹ March, 1994, Bank Memorandum.

order to encourage The Review was executed under the overall guidance and direction of the steering committee, which was comprised of the social policy adviser in ENV, Technical Department (TD) directors, and the ENV Director. The committee regularly tracked the process, evaluated results, and served as a clearing house for concerns and information. In addition, it reviewed and decided upon the Basic Terms of Reference (BTOR) for both the supervision review missions and the regional reports.

4.2 Financial Resources And Political Commitment

Once the structure of the Task Force had been established, it was necessary to ensure both sufficient resources and administrative commitment to execute the Review. The financial and staff resources came from both the existing budgets of the Center's ENV and the Regions, as well as through special requests made to Management. Although there appear to have been difficulties at the outset of the Review relating both to resources and commitment, it is the latter that seems to have required extra measures to address. By the end of the year, it had become clear that senior Management needed to provide the Regions with both resources *and* a message from the highest levels of the Bank that stressed the importance of the Review, since the lack of material resources was asserted by some as partially responsible for the few steps that had been taken, when more appears to have been expected. As Cernea stated "Even after Narmada, many thought it would blow over, and put the Review on the back burner - we realized the Task Force couldn't operate [because] the Regions were not taking it seriously."³⁰ Senior management wasted little time communicating to the regions the high priority placed on

³⁰ Jonathan Fox, *op. cit.*, p. 7.

the review. That message came from one of the managing directors, who is responsible for day to day Bank oversight and guidance.³¹ The general point made by Senior Management's direct intervention and application of pressure on the Regions served to signal the operations units that upper levels within the Bank demanded that the Review be taken seriously, and that the Regions were under intense *internal* scrutiny by audiences that could not be ignored

4.3 *Organization of the Review Process*

The Review process was organized in different stages with the Regional Environmental Divisions (REDs) in conjunction with the Country Departments (CDs), providing specific information to ENV to develop the final Report. The TASK FORCE required the submission of project data-sheets documenting resettlement components for each Region by December 15, 1992, and by January 15, 1993, an initial synthesis of issues and findings after the first cycle of supervision missions. These reports formed the basis of a progress report submitted to Management, which would then provide guidance for the next part of the process. By May 15, 1993, regional reviews based on the spring supervision missions would be written, the contents of which would be developed into the final report prepared by ENV for presentation to Management. In addition, Operations Evaluation Department (OED) and the Legal Department (LEG) wrote and submitted reports.

V. The Review's Goals and Objectives

³¹ Various memoranda from Senior Management to the Regions display frustration about the lack of cooperation and progress on the Review. The attention given by Senior Management to the issue provided the initiative with critical support and authority.

The Review had two sets of goals: the explicit ones, which involved improving the Bank's performance in the area of forced displacement, and; the *political* ones, understood informally. From the perspective of improving compliance with OD 4.30, the primary purpose was to

ensure the consistency of resettlement implementation with Bank policies and guidelines and with loan/credit agreements. It should provide consolidated information to management on the status of the Bank's resettlement portfolio, identify recurrent implementation issues, and make recommendations for further strengthening Bank work in this area. This exercise should: (a) provide operational support to resettlement operations in projects, through in-depth analysis carried out by the CDs with assistance from ENV and the regional Environment Divisions; (b) initiate improvements in appropriate remedial actions; (c) help develop long-term institutional capacity, both in the borrowing countries and in the Bank, for addressing resettlement in a sound manner.³²

At the outset of the Review, it was understood that to be successful, the TASK FORCE had to present its findings to the Regions in a convincing way. This required solid, empirically grounded facts, as opposed to critiques based on philosophical or political positions. It is here that Kardam's concept "the skillful mobilization of fact" has relevance. The Bank prides itself on its professionalism and on the immense intellectual capital and expertise that its staff possesses. Emotional appeals tend not to find sympathetic audiences in the Bank, whereas careful research that is based on technical, quantifiable information, is better received. In addition, the *presentation* of such findings is key. Marshaling information to employ as a weapon against obstinate staff is likely to be less fruitful than using research findings to illustrate how Bank performance and project quality can be improved. The burden is placed on the institution and less on the

individual, the goal of which is to decrease staff defensiveness. The distinction is not unimportant, but is critical to understanding the types of political strategies and approaches that are likely to contribute not only to policy compliance, but perhaps to changed institutional attitudes. Another reason that extracting accurate information was so important was because management would use it to make determinations about resource allocation. Numbers of staff to work on resettlement, support for supervision missions, and other issues critical to the proper execution of resettlement operations have budgetary implications. In other words, the BRR also served as a kind of needs assessment.

The Review was designed not only to address the quality of resettlement and issues of compliance with OD 4.30 in Bank-assisted projects, but also the disposition of the operational wings of the Bank toward the social dimensions of development. This was the unstated, long-term, political goal of the Review. A major desired outcome was for those responsible for project design and implementation to integrate social impact considerations involved in forced displacement into the Bank's activities - in a systematic, as opposed to an *ad hoc* manner - and not to privilege the imperative to quickly process loans for projects over the lives of people affected by Bank projects. This is not merely a bureaucratic or procedural issue, but also a philosophical and political one, the evidence of which are the deeply entrenched institutional and political interests that are associated with the policy. If consistently applied, Bank directives on social and environmental impact could potentially give what is tantamount to veto power

³² November, 1992. Internal Bank memorandum. See also p. 2 in Resettlement and Development, op.cit.

to Regional Environmental Divisions and ENV over certain projects, thereby challenging the manner in which the Bank conducts its business, as well as the balance of forces that favors operations units over those charged with the social and environmental dimensions of development. Were such social impact policies to be strictly complied with, it is conceivable that less money would be disbursed, borrowers would be held to higher standards, and projects would be subject to greater scrutiny, all with potentially great consequences. Not surprisingly, some social policy staff viewed the Bankwide Review as an opportunity to challenge the power imbalance that exists between operations and policy staff - two frequently competing spheres of activity and logic.

VI. Organizational Considerations in the Bankwide Review

The issues involved in the Review are best situated within a broader understanding of the relationship between the operations and policy structures in the Bank. The Bank is currently undergoing a reorganization. Therefore, the following discussion is based on the structure of the Bank as it existed during the period of the Review. Most project-related decision-making occurs within the operational apparatus of the Bank - principally the Country Departments- with day to day project-related responsibilities located under the jurisdiction of task managers. Within the Bank, policy staff with the potential to influence projects are located in both the Center and the Regions. In the Center is the ENV, operating under the Vice President-Environmentally Sustainable Development (ESDVP), and responsible for

support[ing] Regionally managed operations in Agriculture and Natural Resources, the Environment, and Transportation, Water and Urban Development. In addition to operational support and advice, ESD develops, disseminates, and monitors the effectiveness of policies in these

areas, and identifies and disseminates best practices within and beyond the Bank . . . ³³

In the Regions are the Regional Environmental Divisions, which are located in the Technical Departments. These actors conduct environmental impact assessment (EIA); carry out resettlement supervision missions, and provide regular support to the Country Departments on environmental and social impact policy issues.

The Regional Environmental Divisions, which are part of the Regions, are best situated to influence Country Department behavior, though the extent to which this happens in practice remains an open question. At the very least, the Regional Environmental Divisions are in a more propitious situation than the Center's ENV, which can participate in Country Department activities only under certain conditions, at least with respect to involuntary resettlement. For example, social scientists from the ENV can go on mission to assess the state of resettlement in Bank projects only at the request of the Country Departments. While the potential power of the Regional Environmental Divisions is greater than that of ENV, it is dependent in part on the needs assessment of the Country Departments. Their financial resources are determined by Country Departments, which hire social scientist analysts either internally or externally. When expertise around resettlement issues is necessary, Country Departments can hire outside consultants as opposed to utilizing experts either within their regions or in the Center.³⁴ These organizational realities carry political weight and can color the perspective of different actors with respect to the issue of resettlement.

³³ June 1995. *World Bank Organizational Directory*, p. 52.

Within the context of the Review, a principal objective was to extract information about resettlement from the Country Departments, with the Regional Environmental Divisions playing a leading role. Actors within the Center were furthest away from the information most needed, both organizationally and politically. The Regional Environmental Divisions then, can be seen as attempting to strengthen the hand of ENV by providing it with information that the latter department would otherwise not be in a position to secure. Social scientists in the ENV and the Technical Departments "allied" themselves with one another in order to gain leverage over the Country Departments. Even with support from the upper levels of Bank Management, this alliance struggled to gather the necessary data from the Country Departments on resettlement. In a few instances, powerful actors within the Country Departments and also at the regional management level pressured those within the Regional Environmental Divisions who drafted the regional resettlement reviews to present a more flattering picture of the state of resettlement than what really existed. For example, actors within one of the regional Technical Department wrote a candid assessment of a Country Department's projects involving forced displacement for the Regional Review. However, Regional management did not allow the report to be released to the Task Force, and pressured the author to change text in a way that removed statements that reflected negatively on the Bank's performance. Incidents of this kind occurred periodically during the Review - the actual details varied, but the *dynamics and processes* remained largely the same, with

³⁴ The use of consultants can be seen from two different perspectives. Consultants could be independent of institutional pressures, giving them an unbiased perspective on Bank behavior. Their frequent use may, however, undermine capacity building within the Bank.

pressures and counter-pressures brought to bear on what and how information was provided to the Task Force.³⁵

VII. The Regions

This section focuses on the politics of the Review in three regions - South Asia, Africa, and Middle East/North Africa. The primary emphasis is on the South Asia Region because of its high concentration of projects involving resettlement components. To make the argument non-compliance had been pervasive, evidence is provided from other Regions. The objective is to document and analyze the levels of policy compliance and attitudes of the Regions toward the Operational Directive and its application.

7.1 South Asia

While the review of Bank-assisted projects involving forced displacement generated conflict in all areas under its purview, the documentary record indicates that the most intense struggles over the nature of forced displacement, meanings assigned to recognition of resettlers and their compensation, and resettlement-related information and its presentation, occurred in its South Asia portfolio. It should be emphasized that the analysis offered here is not one that argues for a conspiracy among actors within the India Country Department to explain the dynamics that occurred. At least part of the difficulty experienced by the Task Force in dealing with the Region lies in the “denial, defensiveness, and confusion” within the India Country Department with respect to “the

³⁵ Section VII details a few of these occurrences, including attempts by an advisor in the South Asia Region to change negative references to India CD projects to make them more positive. Also, the Africa Regional Report was written in a way that seemed to be at variance with the actual facts related to resettlement. The analysis in the Regional Report was challenged by a Task Force member. Another such incident relates to the preparation of the Final Report, during which time staff sought to change negative references to their region, although they were based on empirical fact and analysis.

true numbers and status of [its] projects.”³⁶ These responses led to interactions with the Task Force that were sometimes difficult. Some Bank reformers had long viewed some of India’s resettlement components as particularly problematic but did not have the necessary power to systematically address the issue. The Review challenged prevailing operating patterns and sought to shift the balance of power away from the exclusive domain of the Country Department toward technical/environment personnel with expertise in the area. The politics of information extraction seemed to be more contentious in South Asia than in other Regions though conflict was present elsewhere.

How did the Center’s Bank-wide Resettlement Review Task Force manage to gain leverage over the India Country Department -securing information about resettlement, critiquing the portfolio, making suggestions, and providing oversight and follow-up for improving resettlement quality-given the prevailing pattern of relations between operations and non-operations staff working on India? What conflicts erupted between the Task Force and the Country Department and how were they resolved? This section sets out to explore the internal dynamics of the Review as it relates to the South Asia region, with particular attention devoted to India Country Department. Moreover, the conflictual bargaining process that occurred over the inclusion and exclusion of “negative” findings in the Final Report will be analyzed. The politics were sometimes contentious, with debates over characterizations of the quality of resettlement, accuracy of data related to the numbers of people displaced, and cooperation (or non-cooperation)

³⁶ April 1, 1998, personal correspondence between Bank staff and author.

between and among various actors involved in the process of extracting, reporting, and organizing information.

7.11 *The Importance Of India*

The concern with South Asia in general, and India in particular, is highlighted by Bank Senior Management's request that a special, separate report be written on India's resettlement portfolio, in addition to the Bank-wide publication. Bank directors *needed* detailed information about India, which reflected their concern that other "Narmadas" could be found in the portfolio and "explode" with similar deleterious political consequences for the Bank. The work that resulted in Resettlement and Rehabilitation in India: A Status Update of Projects Involving Involuntary Resettlement, Volumes 1 and 2, was supervised by the upper level staff in the India Department, with support on the evaluation questionnaire provided by the Asia Technical and Environment Divisions.³⁷ This occurrence in itself was significant. As one Bank resettlement specialist commented, "The fact that the India Department was so ignorant of its own resettlement portfolio prior to [its] resettlement review is a tremendous finding itself."³⁸ The differences between the findings and presentations in this report, and the Bankwide report's section on India are a striking example of the types of divisions between India Country Department and the resettlement Task Force. These will be discussed in a later section.

³⁷ Resettlement and Rehabilitation in India: A Status Update of Projects Involving Involuntary Resettlement, Volume I: The Review. (India Department, South Asia Region, April 22, 1994), p. i.

³⁸ April 1, 1998 personal correspondence between Bank staff and the author.

At the time of the BRR, projects in the Asia region accounted for the majority of those under examination. According to the final published report, Resettlement and Development,

. . . [because] the bulk of resettlement is concentrated in a handful of projects in India, China, Indonesia, and Brazil; eleven large projects situated in these countries account for half - 1.1 million - of all the people being resettled. Projects in the South Asia and East Asia regions account for 80 percent of the population to be resettled. Latin America's share in the resettlement project portfolio is 9 percent and Africa's is 23 percent. The number of countries with multiple resettlement operations is expanding: growing economies in Pakistan, Bangladesh, Vietnam, and Indonesia expect significant increases in the number of Bank-supported projects with resettlement.³⁹

Exploring the data using different units of analysis yields figures that are equally striking, testifying to the significance of India within the larger South Asia portfolio. Of the people affected by Bank-assisted projects in Asia, 90% are located in India and China, with India accounting for 64%. Although the figures for the pipeline through fiscal year 1997 show a significant decline in terms of India's share of forced evictions, the percentage is still substantial, with an estimated 41% of population to be displaced located in India.⁴⁰

Further evidence of concern within the Bank about India can be found in the Operations Evaluation Department review, Early Experience with Involuntary Resettlement: Overview, commissioned as part of the broad review of the Bank's

³⁹ Resettlement and Development, op. cit. p. 7.

⁴⁰ *Ibid.*, p. 88.

resettlement portfolio.⁴¹ “Bank guidelines were seldom applied in India . . . [T]his is the country with the largest number of resettlement projects, which alone would warrant special attention. In India, the overall record is poor to the extent of being unacceptable.”⁴² This pattern led to the targeting of India Country Department’s projects to receive the majority of all specialist supervision missions for the review. An internal Bank document credits the Narmada debacle as being pivotal to this concentration of resources: “Sixty percent of all specialist supervision missions were in connection with ten projects in the India Country Department portfolio, the major reason being the attention the country attracted in the wake of the Narmada Sardar Sarovar Project controversy.”⁴³ What is particularly striking is that there was reasonably widespread internal awareness and agreement among staff about the poor quality of South Asia’s projects. However, these actors lacked the sufficient political clout to address the problem until the Review, when the support and political will of the highest levels of Bank Senior Management provided them with the access to information, power, and leverage to do so.

⁴¹ This review, published on June 30, 1993, conducted impact evaluations of four older Bank-funded projects: Ghana: Kpong Hydroelectric; India: Karnataka Irrigation I and Maharashtra Irrigation II; and Thailand: Khao Laem Hydroelectric. Projects were selected based on:

[h]istorical trends, which showed that the majority of people displaced were in projects financing agriculture and energy development (these trends are expected to continue in the future). Second, the ongoing lending program, which shows a concentration of projects with involuntary resettlement in the Asia (40 percent in East Asia, 24 percent in South Asia and Africa (20 percent) regions. Third, some successful projects, in order to draw lessons for the future. (p. i.)

⁴² Ibid., p. v.

7.12 *The Politics Of Information Location*

One of the principle tensions evident in the review process revolved around the production and utilization of data. Who was producing what information and how might it reflect on the subjects of that information? This question was seen from different perspectives by various actors who staked out political positions that were played out in the conflicts between the Task Force, Country Departments, and Technical Departments. For those operating in the Center, the goal was to extract the “truth” about the state of the Bank’s resettlement portfolio, the information of which was located in the Regions, and more specifically the Country Departments. For those in the Regions whose departments were under heavy scrutiny, a major goal was to appear competent and responsible in the estimation of both Bank and non-Bank audiences. To accomplish this, some particularly recalcitrant elements attempted to suppress potentially embarrassing data. The stakes for the South Asia Region were higher than for other regions because of the level of controversy surrounding headlines-grabbing India projects such as Karnataka, Narmada, and Singrauli.

During the Review period, conflict existed not only between the Center and the South Asia Region, but also within the Region, between operations and environmental/social impact personnel. Within South Asia, the fault line appears to have been located between the Human Resources and Social Development Division (ASTHR), which addressed resettlement issues, and India Country Department. The Technical Department, located within the Regional Environmental Division, had two roles - one

⁴³ July 16, 1993, “Annex V - Resettlement Supervision (Revised Version)”, p. 3.

which involved requesting from India Country Department completed data sheets - and the other of drafting the regional report. As the following sections will show, the Technical Department also experienced difficulties working with the Country Department.

A discussion of how information was processed by various actors presupposes that it was available at all. A consistent theme that emerges from the documents concerns the difficulty and time spent in actually securing any information from South Asia - especially India. A Task Force member commented that India Country Department had a “fortress mentality” with respect to the release of data on its resettlement activities.⁴⁴ A progress report to the Board dated February 12, 1993, indicates that the SAS region had not submitted its data sheet,⁴⁵ and that it had already missed the deadline.⁴⁶ It was the only region that still had not provided the Task Force with the requested information. Late submission of project data is not necessarily indicative of an unwillingness to cooperate. However, the files reveal that throughout the duration of the review period, the Task Force consistently experienced numerous difficulties extracting information from the South Asia Region - especially India Country Department (SA2).

A Task Force member pointed out three types of inconsistencies that required that the data sheets from SA2 be revised and resubmitted: those involving confusion over: responses that did not seem credible given the data available; whether or not information requested was available or not, and; inconsistencies between the data profiles and the

⁴⁴Staff interview, October 1995.

⁴⁵Data sheets include information on all projects involving resettlement.

⁴⁶ World Bank Memorandum, undated.

cover summary tables.⁴⁷ The most charitable analysis of these data problems is that SA2's work was careless. At the very least, the files reveal the need for improved data collection and analysis. By October, neither Asia regional report had been submitted, prompting correspondence between the central Task Force and the ASTHR that indicates the concern with the Region's lack of cooperation and the potential impact, especially in light of the intense level of public interest in the Review, and the particular attention that would be focused on Asia.

Responding to queries from representatives of the India Country Department about the overall process, Task Force members addressed the information issue, again - this time in a more serious tone. The particular concern was with the data submitted to the Task Force - especially data from SA2, in which India is located. Data provided was inaccurate and failed to include relevant information about project timetables, current status, resettlement plans, and timetables.⁴⁸ Toward the end of the year, both the Region and the Center voiced concerns about the existence, accuracy, and quality of South Asia's data, with various Task Force members raising the issue with ASTHR in an attempt to reach closure on information issues. It is difficult to state definitively what the causes of the data problems were.

Whatever the source, this dynamic continued throughout the duration of the Review. Once the data was secured, a new cycle of conflict ensued, involving the presentation of information. Numerous internal Bank documents refer in one form or another to the need to be "factual yet balanced", which depending on the party concerned

⁴⁷ No date -internal correspondence.

could refer to the desire to see negative findings suppressed, or at least minimized. There are three critical points at which the tension between the Center's Task Force and the South Asia/India review committee members became particularly acute. The first occurred when regional highlights were submitted in June of 1993. The second concerns the completion of the India Review, and the third revolves around the conflictual bargaining process that ensued over what information was included and deleted from the final Bankwide Report published in May of 1994. Analysis of the overall process of information gathering and reporting from the outset of the review through publication of the final report reveals a pattern in which more and more "truthful", accurate, and potentially unflattering information is uncovered, appearing in its crude and unvarnished form in the regional reviews, which constituted the primary inputs into the Final Report. For the final product, however, a process of sanitization occurred, which involved negotiations between the Region and Center over the amount and type of "damaging" information that would be released for public scrutiny. This explains the disjuncture between what is found in the regional reviews, and what appears in the final publication. This is a pattern that is not peculiar to the Review, but is generally how the Bank operates in terms of the public release of information.

7.13 *Asia "Highlights"*

Although the South Asia Region submitted its own report, the preliminary results of work done there, as well as in the East Asia and Pacific Region, were reported jointly to the task force in June of 1993. Two Regional Committees, with representatives from

⁴⁸ November 1993 internal correspondence.

both regions, the Country Departments, and the technical staff and officials from ASTHR, worked together to collect information and circulate reports.⁴⁹ The “Highlights” provides a brief overview of the major findings of resettlement-related work. Apart from calling attention to the positive steps taken to improve resettlement and rehabilitation (R&R), the report mentions the issues confronting the Region in a very uninformative manner.⁵⁰ The report was not well-received by some members of the central Task Force, who expressed concern about the lack of analytic, substantive content. The correspondence on this subject goes on to list in detail the issues that the “Highlights” paper did not even address - most which were fundamental: level of supervision pre- and during the review period; financial resources available for resettlement; assessment of incomes restoration schemes, and proposed work plans.⁵¹

7.14 Spinning the Results in the India Country Department

These conflicts continued unabated through the submission of the November Asia Regional Resettlement Review. The general concern expressed by SA2 in particular was the “image” of India presented in the report. India dominates the portfolio although it is not the only country in the South Asia Region. The correspondence files reveal attempts to sanitize references to India that reflected poorly on the department’s handling of its resettlement portfolio. The overall effect of the requests, had they been carried out, could have led to a misrepresentation and general distortion of the actual resettlement situation

⁴⁹ June, 1993. Bank memorandum.

⁵⁰ Some of the main findings listed include: problems with enforcing borrower compliance in the absence of country-generated guidelines for resettlement; the need for adequate funding and coordination, and implementation capacity to properly execute resettlement; and the need for the Bank to aggressively pursue remedial action when confronted with implementation problems.

in Asia. Without these “negative” references, which seem to merely document what happened, it is difficult to gain a clear sense of the types of challenges encountered, or of approaches attempted that did not work, or of areas to target to improve compliance with Bank policy. The efforts to sanitize negative findings is apparent from a comparison of the preliminary version of the draft of Review of Resettlement in the Asia Region⁵² with the Asia Regional “Highlights” paper. The Review clearly contains more detail, and analysis, and substantive conclusions along the lines of what was sought by the Task Force. The goal and effect of the request to present a more “balanced” picture of India, while serving to protect the Country Department’s image, could easily have the effect of undermining what the Review set of to do - to accurately document the state of resettlement *in order to correct outstanding problems*.

Numerous internal reformers in the Bank recognize(d) the potentially dangerous consequences of sanitization, noting a common dynamic across cases. The facts of the resettlement operation are usually not disputed. What is contested, however, are the *interpretation and meaning* of the facts, which, wielded by actors with an interest in self-protection, tend to undermine the development of a clear analysis of a project’s true condition. This process of information sanitization does not belong exclusively to the domain of India Country Department, but can be found elsewhere, as is apparent from the case studies in this study’s resettlement policy chapter. While serving the immediate interests of those whose work is exposed to scrutiny, the longer-term institutional interests are ultimately undermined, especially in instances in which NGO protest is

⁵¹ June, 1993 Bank memorandum.

present. The Resettlement Review effectively challenged this cycle, and over time, changed the incentive structure that favored sanitization to one that privileged a more forthright approach. This could not have happened had these committed social scientists not secured the support of senior management.

7.15 The India Report Vs. The Regional Report

Perhaps the most striking instance of conflict-laden bargaining over information occurred around the publication of India's separate resettlement portfolio review, scheduled for submission to the Board at the same time as the Task Force's review. Two particular instances of tension are noteworthy - the radically different tone of that report as compared to the regional report, and the protectiveness with which India appears to have treated its country portfolio review.

Generally, the Indian Country Department-generated report does not give a sense of the gravity of resettlement or of departmental responsibility in explaining the poor quality of projects. Rather, the key findings of the Report are that

resettlement is more expensive, challenging, and time-consuming than previously acknowledged;

that resettlement and rehabilitation plans developed and implemented after the Bank policy was strengthened and revised in 1990 performed better than those before 1990;

and that since 1990, Bank staff "has imposed more stringent requirements in the area of resettlement" leading to significant improvements in performance.⁵³

⁵² January 15, 1993. Draft, "Review of Resettlement in the Asia Region".

⁵³ Resettlement and Rehabilitation in India, op. cit., p. ii.

Without contextualizing these areas of progress, it is difficult to gain a sense of the extent to which improvements cited are meaningful, or to understand the reasons for poor Bank resettlement performance in projects generally acknowledged to be problematic. The Report does cite shortcomings in Bank performance but tends generally to associate them with the pre-1990 period (and with the borrower), prior to the issuing of Operational Directive 4.20, and to make a point of citing dramatic improvements post-1990.

Moreover, it is extremely difficult to reconcile the assessment of India Country Department resettlement presented in the separate report with that of the Regional report. The former offers a much more optimistic and flattering portrayal than the latter report.

The major point of contention relates to the issue of population displacement data provided (or not) by India Country Department to both ASTHR and the Task Force. The Review was scheduled to go to the Board in late April of 1994. In early April, India Country Department submitted new data for several projects to the Task Force, the ramifications of which were quite serious. The Task Force had been calculating data with figures obtained from Asia Technical Department that were four months old. It was not until after the Report had been completed that the Task Force was sent new numbers. The difference in numbers of people added was 90,000, a significant change, and required that new tables, calculations, charts, and revisions be conducted. Two reports with different data, given the public scrutiny of Bank activities, as well as the special interest generated by a Bank-executed review, would have cast doubt over the entire process, and called into question the credibility and seriousness of the Review's data, findings, and conclusions.

Below is a table that compares various calculations derived from different sources, as well as their dates.

PEOPLE DISPLACED IN INDIA PORTFOLIO (COMPARISON OF DIFFERENT SOURCES)					
<u>Sector/FY</u>	<u>Project</u>	<u>SAR-appraisal</u>	<u>SA2 6/9/93</u>	<u>ARR 12/93</u>	<u>SA2 4/1/94</u>
AGR/84	Gujarat	90,000	128,000	128,000	140,352
	Medium II				
AGR/85	Narmada	67,340	100,000	100,000	127,446
AGR/86	Andra Pradesh	63,370	125,000	125,000	150,000
	Irrigation II				
AGR/86	MCIP III	18,500	126,800	180,500	168,000
	Irrigation				
AGR/89	Upper Krishna II	195,975	200,000	200,000	220,536
AGR/90	Punjab	825	825	825	3,198
	Irrigation				
IEN/83	Upper Indravati	20,000	26,500	26,500	16,078
IEN/84	Dudhichua Coal	1,000	310	310	1,415
IEN/84	Farakka II Thermal	0	53,500	53,500	53,500
IEN/85	Chandrapul Thermal	0	2,500	3,800	4,566
IEN/85	Jharia Coking Coal	0	3,600	3,600	3,502
IEN/87	Coal Mining Gevra	11,800	24,000	24,000	13,863
	Soepur				
IEN/87	Karnataka Power I & II	2,000	4,000	4,000	4,000
IEN/87	Talcher Thermal	9,600	5,200	5,200	14,106
IEN/88	UP Power (Srinagar)	325		360	
IEN/89	Maharashtra		1,600	2,600	2,202
IEN/89	Nathpa Jhakri Hydro	345	400	400	1,709
IEN/93	NTPC Power	930		896	1,658

IEN/93	Generation Renewable Resources	430	430	430	612
TWU/90	Hyderabad Water and Sanitation	35,140	51,000	51,000	42,126
TWU/92	Second National Highways	3,575	2,550	2,550	4,000
TOTAL		521,240	856,3000	913,556	972,998

TABLE 5.1

7.16 Table Analysis

The first column of numbers is taken from Staff Appraisal Reports, which, as the Wapenhans Report points out, frequently function as marketing tools developed by project managers that are the Board's primary source of information when voting on whether or not to approve a project.⁵⁴ The second column are numbers aggregated by the India Country Department early on in the Review process; the third column, numbers aggregated by the BRR mid-term; and the fourth, the numbers resubmitted by SA2 on the eve of Report submission. The possible explanations for the wide variation in numbers vary, one of which is provided in the final report.

Project preparation often uses outdated secondary sources or indirect counting methods such as aerial photographs rather than data generated through up-to-date site-specific social surveys.

⁵⁴ Specifically, the Wapenhans report states that

[t]he Task Force found that the credibility of the Bank's appraisal process is under pressure. Many Bank staff perceive appraisals as marketing devices for securing loan approval (and achieving personal recognition). Funding agencies perceive an "approval culture" in which appraisal becomes advocacy. And whereas Borrowers use (and would like again) to see appraisal as a disinterested, reliable assessment leading to a "Seal of Good Housekeeping" (a critical, yet constructive, professional assessment of a project or reform proposal), that is not always the case today. (p. 14.)

Inadequate policies may be revised during project implementation to increase the eligibility of affected people not covered under the initial, inadequate policy framework.

Project components are often undefined until they are underway and resettlement is one of many factors considered during detailed design.

Long overall project life spans or implementation delays often associated with land acquisition problems lead to existing families growing and increasing the number of affected people.⁵⁵

Another set includes the following: 1. the numerical increases represent natural demographic changes - that is, the population grew; 2. Bank staff and India government undercounting; and 3. invasion of resettlement areas by people seeking to gain compensation.⁵⁶ The first explanation can be discarded because the increase is too high to result from natural demographic changes, while explanation three does not seem viable given India's poor compensation packages for resettlers. There is insufficient incentive for people to invade, since their socioeconomic status will probably not improve. The second explanation is a theory posited by numerous Bank critics in addition to a Bank resettlement specialist who posited that an accurate count would make many resettlement components, and therefore, entire projects, economically unviable, thereby creating an incentive for project staff to undercount project-affected people.⁵⁷ There is one final explanation offered by a Bank resettlement specialist who was involved in the Review process.

⁵⁵ Resettlement and Development, op. cit., p. 131

⁵⁶ See Jonathan Fox, op. cit., p. 19.

⁵⁷ Ibid., p. 19. Fox explains that the rising numbers are also partially attributable to the incorporation of abandoned oustees from older projects into newer projects, and also to the various units of analysis used in resettlement planning. For example, average family size is used by project authorities unwilling to count actual numbers of people. Because of this methodology, the final numbers still represent an undercount.

. . . [T]hose big number changes in the final India count were largely due to the India Department finally agreeing to count families as six people rather than five. Five had been the default multiplier in the absence of any better data, but we presented them with some demographic data showing families in those areas had six people per family, and they changed their data accordingly.⁵⁸

This account conflicts with that offered by another social scientist analyst close to the Review. Surprisingly, the Task Force managed to incorporate the new data before the Review went to the Board, even though an initial draft of the final Report had been printed.

While generally revealing, what is particularly noteworthy is the fact that the Asia Technical Department was also excluded from access to the new information.⁵⁹ This lends support to the contention often voiced by Bank insiders that the fault line for conflict over questions of social impact is between the Country Departments, strictly responsible for operations, and any division, department, or unit that addresses social policy issues. The discrepancy between the numbers provided to the Technical Department by India Country Department and the final numbers released just before submission of the Final Report is a strong example. These dynamics were further reinforced by the fact that the Task Force apparently did not have access to the India review, although it regularly provided the India department with drafts of the Bankwide review, soliciting comments, corrections, and suggestions. In fact, neither the ENV nor the resettlement team had seen any version of the first volume of the India Resettlement Report before it was given to the Board, and the second volume was not distributed to the

⁵⁸ April 1, 1998 personal correspondence between Bank staff and author.

⁵⁹ May, 1994 Bank memorandum.

Task Force until after it had completed the Bankwide Review (an early version) and given it to Senior Management.⁶⁰

Certain actors in the ENV initially viewed participation in the review process as an opportunity to repair old and build new relationships of cooperation with the India department. The experience of the Review, however, did not translate into the types of collegial, collaborative interactions that some members of the Task Force sought, and seemed to confirm the insularity of the India Department with respect to resettlement issues.⁶¹

7.17 The Final Report and Spin Control

The final Report developed amid fierce bargaining over what should be included in the text. Internal documents consistently show Task Force members in the position of “fighting” for certain information to be included, viewing themselves as defenders of an important effort undertaken to guide the Bank and assist it in improving the quality of its projects involving resettlement. These reformers believed that dilution of the lessons learned would be detrimental to the Bank, once again exposing it to endless cycles of non-compliance, protest, scrutiny, and internal damage control. The institution would never move from a defensive posture or make progress in its handling of resettlement should the findings be suppressed or sanitized. In short, Task Force members fought for the integrity of the Report to be maintained.

The wave of reactions from the operational apparatus of the Bank to the Report continued through the deadline. As the date approached for the Report to be printed,

⁶⁰ Ibid.

comments, objections, reservation, and even praise flooded the Task Force through telephone calls, meetings, and discreet email messages, while certain staff lobbied for the inclusion and/or admission of information that would reflect either positively or negatively on their work.

7.18 The Impact of the Resettlement Review on India

It is unquestionable that the Task Force achieved several important goals, despite the difficulties that characterized the process. It amassed data on resettlement that previously did not exist or was otherwise unavailable. Information was extracted from resistant staff, leading to resettlement supervision missions, the retrofitting of problematic projects, and an increase in the awareness of and sensitivity to the exigencies of the policy. The work accomplished by the Review probably has prevented or at least substantially reduced within many projects some of the problems that characterized the Narmada dam. Recent interviews conducted with Bank staff confirm the longer-term value of work done in the Review in terms of greater openness in South Asia Region, increased awareness among task managers, the greater use of resettlement specialists, and the active involvement of upper level Country Department staff in addressing portfolio problems. While there is still room for improvement, it is important to acknowledge the positive impact of the Review, even if these changes have not taken root in every project all of the time.

While the dynamics within the South Asia Region, and in India specifically may be extreme, they do exist elsewhere, though to a much lesser extent. Projects in the other

⁶¹ May, 1994 Bank correspondence.

regions do not have the scale of forced evictions or the same level of external scrutiny associated with them as projects in Asia.

VIII. Resettlement Review In Other Regions

8.1 *Africa Regional Resettlement Review*

The Africa Region reviewed 25 projects, with fewer than 5,000 people per project, or about 120,000, representing 15 countries, and dominated by the infrastructure sector (primarily urban projects).⁶² The politics and conflicts in the Africa Country Departments occurred on a much smaller, less hostile scale than those found in the India portfolio. The internal documents reveal the following issues: 1. discrepancies between the number of people to be displaced in the earlier 1992 Review conducted by the Region and the data sheets submitted by the Region to the Task Force; 2. inconsistencies between various regional documents on problems encountered with resettlement; and 3. debates about the degree of oversight required in projects with resettlement components. This section will explore these issues in greater detail.

8.11 *Resettlement Assessment - Calculations And Supervision*

A major issue addressed by the Review concerns the *quality* of Africa's resettlement portfolio, particularly its data, which appears to have been problematic. Although the data-sheets submitted appear to be consistent with those appearing in the Region's 1992 Review, in the overwhelming majority of cases where discrepancies did exist, the submitted sheets minimized both the problems and the numbers of people

⁶² November 15, 1993. "Africa Region Resettlement Review, pp. 1 - 2.

affected.⁶³ It is difficult to map the data because they are neither consistent nor complete. Indeed, this is a principal concern that appears consistently in the internal memoranda. Specifically, the types of discrepancies that exist include: multiple sources that indicate different numbers of families to be displaced; data sheets submitted to the Task Force for some projects that do not indicate outstanding issues in ongoing disputes involving compensation, while original socio-economic surveys indicate otherwise; and lack of clarity concerning the status of resettlement plans.⁶⁴

The inconsistencies with numerical calculations seem to be a theme throughout most of the Regional reviews. In the case of Africa,

. . . the numbers fluctuate from one report to another, because of inconsistent definitions of what needs to be reported as well as because of actual changes in project affected populations that take place over time. Further confusion results when numbers of households are counted rather than numbers of people . . .

Task Managers are not clear about the Bank's definition of project affected people. Generally, reports from the field indicate only the number of people or households that will be physically displaced from their homes by the project. There is little understanding that the policy principles apply to anyone who loses assets or otherwise pays a personal cost in connection with the project, whether or not they are required to move . . .⁶⁵

Calculations then, appear to be rather subjective. Neither the Regional Report, nor the comments made by the Center's Task Force provide any suggestions on how to address this question. The resettlement portfolio can appear better or worse, depending on which methodology is employed. Eventually a plan was enacted to develop more uniform evaluation criteria.

⁶³ February, 1993 Bank memorandum.

⁶⁴ Ibid.

It is because of the difficulties in properly assessing resettlement that supervision missions became a critical Review component. It is in this area that the dynamics between task managers and policy personnel can be vividly seen. That is, task managers tended to guard their territory from incursions by those outside the Country Departments, highlighting the tensions between those focused mainly on project preparation and implementation, and those whose primary concerns are environmental/social policy questions. "The reluctance to involve resettlement specialists is influenced by the inadequacy of resources *as much as it is by a sense of fear of exposing resettlement to the scrutiny of "outsiders."* . . . *The resettlement specialists are seen as "outsiders" who wants [sic] to "create problems" and to "hold up" projects.*"⁶⁶ [Emphasis added.]

The last statement concisely describes what is at the heart of the Resettlement Review - closing the schisms between project staff and social scientists for the sake of improving Bank resettlement performance. The supervision component is crucial to this effort, especially given the fact that internal Bank documents report that Africa Region's performance in this area is unacceptable,

. . . ha[ving] the poorest record of resettlement supervision. Although resettlement was mentioned sometimes in supervision documents of 61 percent of the projects, such references in general are infrequent, inconsistent and scanty . . . The main reasons for this poor supervision record are (a) large proportion of INU projects, which in general are less commonly supervised, in the regional portfolio, and (b) absence of any general focus on resettlement problems or controversial projects in the region. *There is no reason to believe that the resettlement performance in AFR region is any better than, say, SAS region.* Given the technical and institutional weaknesses of many countries in AFR region, it would

⁶⁵ June 1993, "Africa Region Resettlement Review: FY 93 Highlights," p. 1, p. 3.

⁶⁶ July 16, 1993. "Annex V - Resettlement Supervision - Revised version," p. 3, p. 4.

be more accurate to say that resettlement issues has [sic] not been closely examined by the Bank and hence not known of.⁶⁷
[Emphasis added.]

The indictment of AFR region's portfolio is strong, given what is known about resettlement in South Asia.⁶⁸ Interestingly, by the time the Region submitted its draft final report in mid-November, it had changed significantly its view of the value of resettlement supervision missions, acknowledging its oversight function: "We are learning from these specialist supervisions that projects which appear satisfactory to task managers, because resettlement has not become an obstacle to project implementation, may nevertheless raise important issues concerning the effects of resettlement on the displaced people. The review strongly supports the value of specialist supervision . . ."⁶⁹

The comment also reveals the orientation of some task managers about resettlement - that it is problematic not necessarily because of its impact on affected populations, *but because of its potential interference with project completion*. One of the primary goals of the Bankwide Review is to raise the level of attention given to resettlement issues *beyond project imperatives*, thereby transforming the attitudes of operations personnel about the subject. There are various actors within the Bank who recognize that what is required is a basic reorientation of Bank culture.

The general perceptions and views held by Task Managers clearly indicates that there exists a wide gap between the Bank's institutional concern on resettlement and what its operational wings believe and consider practical. The resettlement ideals

⁶⁷ July 16, 1993., "Annex V - Resettlement Supervision -Revised version," p. 8.

⁶⁸ One resettlement specialist suggested that it is probable that a major reason to explain the relatively low public awareness of problematic resettlement in Africa is due to the lack of the kind of well-coordinated and sustained grassroots campaigns that exist in India.

⁶⁹ November, 1993 Bank memorandum

expressed in OD 4.30 are not only considered as unrealistic but are also seen often as in conflict with the primary concerns of the operational wings. It is not possible to bridge this gap through “sensitization” of the operational staff, but requires more fundamental changes in the way projects are prepared, appraised and managed . . .⁷⁰

8.12 *OD 4.30, Africa, and Performance Assessment*

Analysis of the “Africa Region Resettlement Review: FY 93 Highlights” reveals the same patterns found in India’s Review: a tendency to downplay shortcomings in the Region’s performance, and to minimize those acknowledged to exist. In response to Africa’s draft Review, the Task Force signaled these issues, questioning the Region’s conclusion that the majority of the portfolio was free of problems in the absence of supporting data, such as monitoring arrangements and baseline surveys.⁷¹

This account is especially curious, since it is the Africa Region that conducted its own Resettlement Review in 1992, raising the very same portfolio performance issues, though without “laundering” its non-compliance with Bank policy. Executed by the Region’s Technical Department, that report documents many problems with resettlement, many of which are associated with poor planning. The likelihood that these deficiencies were resolved by the time of the BRR is unlikely, given the text of the draft Review, and the results of supervision work in the Region.⁷² The view expressed in the Report about compliance with OD 4.30 seems to be dismissive, referring to the policy’s requirements as legalistic and claiming that efforts by task managers with the support of the Technical Department have been sufficient enough to produce acceptable outcomes. Moreover,

⁷⁰ Ibid.

⁷¹ June, 1993 Bank memorandum.

there is the suggestion that the BRR did not lead to major improvements in Africa Region's resettlement performance, but rather duplicated its efforts, which is an assertion belied by the findings and improvements made by the Review's supervision missions to projects in Africa.⁷³ It is possible that the Country Departments involved brought pressure to bear on the Technical Department to present a more favorable picture of resettlement than what actually existed, which is what occurred in other regions.

The Task Force's comments on the Regional Report are quite critical of the claims made in it. The relatively positive picture of resettlement presented in the Report is systematically challenged by the Task Force, which cites evidence that directly contradicts most of the favorable statements made. The Region's response to the Task Force's comments is quite different from its original position that the Center's efforts had "duplicated" AFR's work. Also absent is the defensiveness with which AFR responded to the suggestion that resettlement supervision missions were necessary. Moreover, a more favorable opinion of the value of supervision missions is expressed in response to the Task Force's comments.⁷⁴ Simply stated, the AFR official could not maintain positions that seemed to downplay the value of the RR when confronted by a politically astute Task Force armed with powerful evidence that contradicted most of the substantive claims made in the Report.

8.13 *The Review's Impact on Africa Region*

⁷² Ibid.

⁷³ June, 1993 Bank memorandum.

⁷⁴ Ibid.

Judging from AFR's response to the Review, it seems that there was a positive impact. That is, problem projects were identified, specialist supervision missions occurred, a remedial plan was developed and partially implemented, and a more accurate gauge of the numbers of project-affected people was obtained. Perhaps most importantly, the need to supply task managers with personnel with expertise in the area of involuntary displacement became apparent, and was acted on through the missions. While this is a positive development, the use of resettlement specialist consultants raises yet another question - that of *building Bank capacity through the hiring of and allocation of resources for staff to provide guidance and oversight for forced displacement components*.

Moreover, this story reveals the critical role played by the Task Force in pressuring the Region for honesty and full disclosure. Had it not been for the commitment of the Task Force and its attention to inconsistencies and discrepancies in what was reported, it is highly unlikely that such results would have been achieved. Recent follow-up interviews with social scientists in the Region support the conclusion that the Review had an positive impact, especially in terms of increasing the role, influence, and authority of resettlement specialists.

8.2 *Europe-Central Asia/Middle East-North Africa*

The issues and politics of resettlement in the Europe-Central Asia (ECA)/Middle East-North Africa (MENA) occurred on a small scale, in part because of the relatively low number of projects in the active portfolio - nine, and with a relatively small number

of families affected⁷⁵ - varying between 49 to 2,800 households.⁷⁶ Infrastructure projects, including dams, dominate the ECA Region, while urban slum upgrading and community-wide relocation characterize the MENA Region.⁷⁷ The most positive experiences were with urban upgrading projects, which “actually improved living standards of beneficiaries even when some were relocated, “ and, with less firm empirical evidence for support, “there is little indication of a deterioration of living standards of families displaced by energy and infrastructure projects.”⁷⁸ The Regional Review revealed **no negative impact** of Bank projects of affected populations; experience with **urban upgrading projects** has been particularly **positive, minimizing dislocation and maximizing community participation**⁷⁹ [Emphasis in the original.] Still, generic problems cut across both regions, such as insufficient Bank assistance to improve Borrower capacity and inadequate financial and economic analyses of forced displacement.⁸⁰

Several aspects of OD 4.30 were problematic in the ECA/MENA portfolio, as evidenced by the Region’s failures in monitoring and evaluation, resettlement plans, and calculation of resettlement costs. The Regional Review also emphasized the fact that a particular expertise is required to address the aforementioned areas of noncompliance. That is, a comprehensive “application of social science inputs” is necessary, which is highlighted by the attention given to the issue of supervision specialists - that is, their

⁷⁵ May, 1993 Bank memorandum.

⁷⁶ Ibid., p. iv.

⁷⁷ January, 1994 Bank memorandum

⁷⁸ Ibid., p. ii.

⁷⁹ “ECA/MNA Regional Resettlement Review, Executive Summary,” p. i.

⁸⁰ Ibid., p. v.

underuse. Part of this is attributable to the dearth of specialists in the Regions, which, according to the Report has led to:

. . . task managers us[ing] their own discretion in defining the need for specialist input and mobilizing it through short-term consultancies. Unfortunately, without adequate specialist collegial support and oversight, task managers tended to ignore or treat lightly the recommendations of social science consultants. The relatively minuscule [sic] levels of specialist support thus obtained reflects the low priority task managers have traditionally accorded social issues . . .⁸¹

This state of affairs reflects the very situation that the Review sought to address. These shortcomings seem to have been at least partially addressed by the ongoing Bankwide Review effort, with problem projects becoming the focus of remedial action plans, most of which had already been undertaken by January of 1994. Although the Region made good progress on some of these issues, the Report acknowledges the need for continued pressure to maintain gains achieved as a result of the Review.

The ECA/MNA Regional Review confirms findings of the Bankwide Resettlement Review, which points out that even if task managers obtain consultant expertise, they do not have the capacity to follow up on recommendations of consultants. Without in-house staff expertise available to them, task managers will continue to have difficulty with compliance; and without Regional oversight, this lack of compliance will go unnoticed.⁸²

8.21 *ECA/MNA and the Review*

Analysis of the ECA/MNA Region reveals patterns that are similar to those found in both Africa and South Asia. There were too few resettlement supervision missions, insufficient oversight of task managers' work, and in-house capacity was undermined by

⁸¹ Ibid., p. v.

⁸² Ibid.

the retention of consultants. On the positive side, and what also distinguished the Region from Africa and South Asia is that there appeared to be less investment in laundering or otherwise withholding data (relating to both projects and project-affected people) perceived to be damaging to the Region. Nor does there appear to have been resistance to or resentment of resettlement supervision missions sent out to improve the quality of the portfolio.

The Review had a positive impact on the Region. For example, the Bank reappraised the Kayraktepe Hydropower Project in Turkey so that it was brought into compliance with OD 4.30. The region assisted in the development of a participatory processes for Yemenis relocated by government-led reprivatization of lands. Moreover, the Review noted that issues not directly connected to resettlement benefited from the process and began to receive greater attention.

8.3 Latin America and the Caribbean

8.31 The Portfolio

The LAC reviewed 14 projects for the Review, of which nine had ongoing resettlement (resettling about 170,850 people), and of which five had closed before or during the period under review.⁸³ Projects analyzed during the Review include: Yacyreta II and Itaparica, both of which are addressed elsewhere in this dissertation; four urban sector projects in Brazil that together will displace 67,555 people; a small water supply project in St. Lucia that will evict 200 people; the Mexico Hydroelectric project, displacing 3,800, and finally; an industrial sector project in Jamaica that displaced 1000

⁸³ March 1994, "LAC Regional Report on Resettlement for the Bankwide Resettlement Review," p. 3.

people.⁸⁴ The sectors represented in the portfolio illustrate the shift in resettlement from irrigation and agriculture (large dams) to the urban sector, which is consistent with the rest of the Bank's resettlement portfolio.

8.32 *Findings of the Review*

As in other regions, older projects performed worse than newer projects, as evidenced by the lack of resettlement plans, inaccurate estimates of the numbers of affected people (which is related to insufficient social impact analysis), and implementation difficulties that characterized them.⁸⁵ For example, appraisal documents for the 1981 Colombia Guavio Hydroelectric project estimated that 250 people would be affected, but during implementation, the Bank learned that more than 5,500 people lived and worked in the proposed reservoir area.⁸⁶ Hydroelectric projects prepared after the 1987 Bank organization performed substantially better and had baseline social assessment studies on file.⁸⁷ The review did not document similar improvements in terms of carrying out baseline social assessments for urban projects, despite their large scale displacements. The review states that . . . “[i]n contrast, urban sector projects are plagued by inaccurate estimates of population affected, unavailability of land thought to be available for resettlement, flawed resettlement policies which miss significant subgroups of affected people, and complex and shifting institutional arrangements for implementation.”⁸⁸

⁸⁴ Ibid. Table 1.

⁸⁵ Ibid., p. 4.

⁸⁶ Ibid., p. 4.

⁸⁷ Ibid., p. 4. These projects include: Yacyreta II (FY 93), Mexico Hydroelectric (FY 89), and Itaparica Resettlement and Irrigation project (FY 88). The fact that improvements occurred did not prevent recurring problems in these high-profile dam.

⁸⁸ Ibid., p. 6.

No doubt some of these problems could have been identified and addressed early on in the project preparation stage. However, “. . . resettlement specialists were brought in only at the appraisal stage, when it was too late to adequately correct preparation deficiencies.”⁸⁹ Curiously, resettlement specialists assisted in project preparation in the energy projects. Task Managers asserted that “resources were not sufficient to use professional expertise [in urban projects] except briefly at appraisal. It is not clear how Task Managers of energy sector projects uniformly succeed in finding resources to employ resettlement experts in project preparation, yet Task Managers in the urban sector generally fail.”⁹⁰ One could speculate that the presence of NGO critique of Bank-assisted dam operations might serve as an incentive to use social scientists in those projects. Urban projects, despite having large displacements, have not come under the same external scrutiny so there is, perhaps, less incentive to use resettlement specialists.

The review also reported *positive* findings, particularly in terms of efforts to avoid or minimize resettlement. The (FY89) Chile Urban Streets Project, the (FY91) Venezuela Low Income Barrios Project, the (FY90) Brazil Northeast Irrigation I Project, and the (FY89) Brazil Sao Paulo Water Supply Project all anticipated resettlement, but were redesigned to avoid it altogether. The Brazil Sao Paulo project stands out because a “special supervision mission to reformulate it included a resettlement specialist who together with the Task Manager and borrower counterparts *agreed to eliminate from the project two minor reservoirs which could have caused resettlement of Guarani*

⁸⁹Ibid., p. 5.

⁹⁰ Ibid., p. 5.

*indigenous people by flooding much of their hunting and gathering territories.*⁹¹ This is a major accomplishment that clearly shows what initiative on the part of Bank actors is able to accomplish. Moreover, LATEN work led to the reduction and elimination of resettlement in three projects in LAC's resettlement pipeline. In these two sets of cases, resettlement specialists played a pivotal role.

In most of the projects noted above where resettlement was avoided or significantly minimized, the presence of additional specialist staff resources in LAC due to the Bankwide Resettlement Review made it possible to respond to Task Manager requests for support efficiently and resulted in less resettlement than otherwise would have been the case.⁹²

The Review also identified and strengthened the weak institutional capacity within the LAC region. At the outset of the Review, the technical department (LATEN) had only one resettlement specialist, and the Country Departments "had no suitable qualified and experienced staff assigned to work on resettlement."⁹³ LATEN hired two additional resettlement specialists, which greatly improved the level of attention given to projects. Missions supervised seven of the nine projects under review and developed action plans to improve project quality and/or address existing problems.⁹⁴

The review clearly led to greater compliance with the OD, although older projects such as Itaparica and Yacyreta II remained problematic. Projects such as these serve as powerful indicators of the costs of not addressing non-compliance *early on* when it is easier to correct poor resettlement.

⁹¹ Ibid., p. 13.

⁹² Ibid., p. 14.

⁹³ Ibid., p. 33.

⁹⁴ Ibid., p. 15.

8.4 East Asia and Pacific Region

This region accounted for 39.7% of projects active in FY93 that contained resettlement components, displacing 588,000 people, and constituting 30% of all projects reviewed.⁹⁵ China accounted for the overwhelming majority of those displaced, with 483,000 people.⁹⁶ Indonesia followed China, with five projects scheduled to displace 62,380 people, followed by Korea and Thailand.⁹⁷ This section will focus on China and Indonesia because of both the size of their resettlement portfolios and because they are two of the Bank's most important clients in terms of money borrowed.

8.41 China

The Review found that the low number of resettlement plans on file for projects in China (four out of 22 projects approved between 1984 and 1991 and for six out of 12 projects since FY90) did not mean that the *borrower* was in a state of non-compliance with the Bank's directive.⁹⁸ Rather,

[f]or transport, industry, and all urban projects, Chinese national and provincial laws and regulations now substantially meet the requirements of both the Bank's operational directive on resettlement and the OECD resettlement guidelines. Taken together the applicable laws and regulations for such projects call for full protection of resettlers and provide administrative and compensation mechanisms to facilitate successful resettlement.⁹⁹

⁹⁵ Resettlement and Development, op. cit., p. 89,

⁹⁶ *Ibid.*, p. 88.

⁹⁷ December 1993, "East Asia Region Report on Resettlement for the Bank-wide Resettlement Review," p. 7.

⁹⁸ *Ibid.*, p. 11.

⁹⁹ Report No. 11641-CHA: China: Involuntary Resettlement, June 8, 1993, p. vi, quoted in "East Asia Region Report," op. cit., p. 11.

In other words, Bank resettlement policy non-compliance did not translate into borrower non-compliance because the country followed its own comprehensive regulations, which address resettlement as a *development initiative*.¹⁰⁰

The regional report claimed that the Review's greatest impact was evident in projects in the pipeline: "resettlement is receiving concerted attention from decision makers in the Region. Acting on lessons learned, efforts are being made to avoid or minimize resettlement. When resettlement can not be avoided, improving or restoring the standards of living of the affected people is being addressed in a systematic manner in resettlement plans."¹⁰¹

The report generally does not discuss Bank shortcomings in complying with the OD in the same manner as other regions. Rather, it identifies the "Department's resettlement strategy," which focuses on: using technical assistance, institutional development, and country policy dialogue to enhance the functioning of administrative, legal, and institutional framework; raising Bank staff awareness and expanding capacity to monitor and supervise resettlement projects; addressing the budgeting and costing process; targeting special groups and issues, and standardizing resettlement planning and implementation quality through improving associated techniques.¹⁰² One is left to wonder whether this strategy was articulated in *response* to Bank shortcomings in these areas.

¹⁰⁰ One Bank staff familiar with resettlement in China commented that in his view, China had the most "compassionate" approach to resettlement of any country which carried out resettlement operations.¹⁰⁰ Numerous Bank staff share this perspective.¹⁰⁰ This perspective does not reconcile easily with China's authoritarian system in which few independent advocacy groups are allowed to function.

¹⁰¹ Ibid., p. 1.

8.42 Indonesia

The five Bank-assisted resettlement projects in Indonesia will eventually displace 62,000 people, with physical and/or economic impacts on numerous more. In addition to Kedung Ombo dam, which is treated in this study's resettlement chapter, the Jabotabek Urban Project (JUDP-I) will displace 28,000 people and affect twice as many more, and the Regional Cities Urban Transport Project (RCUT) will displace 4,000 people and affect an additional 16,000.¹⁰³

It is difficult to gain a sense of the quality of Bank performance in Indonesia from the regional report. The focus of the report is mostly on issues that fall under the domain and responsibility of the Indonesian government *and not the Bank*. The section that explicitly addresses Bank policy compliance reports that only one out of five active projects had a resettlement plan at loan approval; that two of those projects had been supervised prior to the review, and; that four of the five had been supervised during the Review.¹⁰⁴ Beyond these pieces of information on Bank performance, there is virtually no reference to changes over time since the 1990 policy revision in terms of levels of supervision, adequacy of baseline data, rehabilitation of resettlers, presence of budgets, or extent of resettlement planning. In other words, the Region did not follow the guidelines agreed by the Task Force. With such a presentation, it is extremely difficult to ascertain the actual *condition* of the Bank's Indonesia (EA3) resettlement portfolio. Internal correspondence suggests an explanation for the uninformative nature of the report

¹⁰² China: *Involuntary Resettlement*, June 8, 1993, p. vi, quoted in "East Asia Region Report," op. cit., p. 19.

¹⁰³ Ibid., p. 20.

presented - that pressures existed to suppress and sanitize findings that would reflect poorly on the region's resettlement performance.

8.5 *Summary*

It is clear that the Bankwide Resettlement Review attained its practical goal - that of documenting the state of resettlement, undertaking remedial actions to correct projects that were out of compliance with the OD, and prescribing a plan of action to guide projects in the pipeline. In terms of the political aim of the review, it is clear that entrenched interests in certain regions resisted change until there was absolutely no other alternative available. With the continued support of Senior Management, however, the aim seems to have been met in the *longer term*.

IX. The Public Release of and Response to the Review

Not surprisingly, an intense debate ensued within the Bank about whether and how to publicly present the report against the backdrop of NGO lobbying for both participation in the Review process and publication of the results. Staff who argued that not releasing the report would be worse and would give the public the impression that the Bank had something to hide won out over those who favored suppression. With an agreement reached to release the Report, the Executive Summary became the center of debate and was, after various meetings and internal struggle, weakened (an optimistic tone was set that reflected more favorably on Bank performance, emphasized the small percentage of Bank-assisted resettlement, and called attention to portfolio improvements),

¹⁰⁴ Ibid., p. 20.

though the major findings were kept.¹⁰⁵ Bank managers reasoned that the tone of the Executive Summary was most important since NGOs would seize on the problems encountered rather than 1. the massive effort of carrying out the Review; 2. the improvements made in numerous projects; and 3. the internal impact of the Review in terms of changed operational behavior.

Reactions to the Report were mixed. Bank Executive Directors, government development officials, parliamentarians, some NGOs, and academics applauded the Review and supported its conclusions, while a chorus of NGOs deplored the Bank's systematic policy non-compliance,¹⁰⁶ and called for the fulfillment of demands that appeared in a letter written to the Secretary of the US Treasury, Lloyd Bentsen. Included in the letter's requests were proposals that

the US Government [] demand that the World Bank step back and refrain from future lending for projects which might entail involuntary resettlement until:

- 1) The World Bank comprehensively addresses problems and provides mitigation and restitution in the 146 ongoing projects involving resettlement;
- 2) Borrower governments institute legal and policy frameworks which will ensure restoration of income to resettlers and adherence to Bank policy; and
- 3) Concrete mechanisms and incentives are created inside the World Bank to ensure full Bank staff compliance with the policy on involuntary resettlement, including the first tenet of the policy which is to avoid or minimize resettlement.¹⁰⁷

¹⁰⁵ Fox, *op. cit.*, pp. 20 - 21.

¹⁰⁶ See Alex Wilks and Nicholas Hildyard, "Evicted! The World Bank and Forced Resettlement," The Ecologist, Volume 24, Number 6, November/December 1994, pp. 225-229.

¹⁰⁷ April 22, 1994, sign-on letter from US NGOs (including Bank Information Center, Sierra Club, Development Gap, Greenpeace-US, Friends of the Earth, International Rivers Network, Environmental

Moreover, the letter draws a connection between the funding of Bank projects involving resettlement with US financial contributions to IDA, and goes on to suggest that “[t]he use of US funds for such purposes could very well become a major issue during IDA-11 negotiations and subsequent Congressional deliberations unless substantive changes can be instigated and demonstrated as effective in resettlement practices by the time negotiations begin in 1995.”¹⁰⁸ [Italics in the original.] Efforts to tie Bank compliance with IDA replenishments continue through the present.

While the response of NGO critics of the Bank is predictable, it seems to place pro-compliance forces in the same category as status quo and anti-compliance elements in the Bank, when in point of fact it is highly unlikely that the Review would have occurred had it not been for the initiative of policy Bank social scientist analysts concerned with the social dimensions of development. There are substantive differences in the Bank between actors concerned with reform and those whose main concern is loan disbursement and project preparation. As Fox points out, however, “[t]hough dealing with NGO critics provokes ideological and professional dissonance, insider reformists are well aware that advocacy groups create an enabling environment that adds to their leverage . . . [E]xternal critics and insider reformists agree that public transparency can be a major force for institutional accountability.”¹⁰⁹

X. The Bankwide Resettlement Review

Defense Fund, National Wildlife Federation, Natural Resources Defense Council, and Center for International Environmental Law) to US Secretary of the Treasury, p. 2.

¹⁰⁸ Ibid., p. 1.

¹⁰⁹ Fox, op. cit., p. 24.

A cross-regional analysis of the Review reveal a number of similarities. The findings indicate that all Regions were plagued by inadequate, inconsistent data; a low priority placed on resettlement supervision missions; and a generally weak commitment to complying with the OD. The Task Force played a critical role in the generation, organization, and analysis of useful data, and in developing and assisting in the implementation of recommendations designed to improve the overall quality of the Bank's resettlement portfolio. Remedial actions originating in the Review include:

- (i) reassessing the magnitude of resettlement; (ii) adjusting timetables for resettlement; (iii) increasing the participation of affected people; (iv) finding better relocation solutions or ways to reduce displacement; (v) providing additional financial resources; and (vi) supporting Borrowers' efforts to expand organizational capacity.¹¹⁰

In confirmation of the hypotheses presented in Chapter Three, *the gains made by these reform actors would not have been possible had Senior Management not applied its political will, thereby strengthening these social scientist reformers in relation to project managers - in other words, changing the incentive structure from one favoring the status quo to one favoring disclosure and increased compliance.*

To maintain attention to resettlement and monitor compliance levels with the OD, "regional units prepare annual reports on projects with resettlement in their portfolio, as part of the Annual Review of Portfolio Performance (AARP). These reports . . . cover the management of the resettlement project portfolio along measurable indicators . . ."¹¹¹

While such reporting is important, the historical experience of how social impact issues

¹¹⁰ Resettlement and Development, op. cit., p. 16.

¹¹¹ Ibid., p. 20

are addressed in the World Bank clearly indicates that sustained commitment from both staff *and Management* are necessary to maintain the advances made during the Review.

[The expectation is] that the demand for reform is interpreted and the reactions it arouses will be influenced by the correlation between the content of the reform and the institutional identity of the organization. If a reform is to succeed although it clashes with the organizational identity, its advocates will have to command a concentration of power far outweighing any resources and alliances that can be mobilized by those they intend to reform. This presupposes in turn a commitment on the part of the leaders of the organization and a willingness to devote considerable time and interest to the reform project. Usually, however, the leaders are already extremely busy and can afford very little time or attention for reform activities. Other pressing commitments may all too easily distract their attention from the implementation of the reform, which may come to a halt even if the reform itself does not meet with much resistance.¹¹²

In other words, no matter how valuable the follow-up plans may be on paper, their *realization in practice* will depend on the continued availability of reform-minded staff, and a strong commitment by Management to maintain and advance the improvement in quality of the Bank's resettlement portfolio. There is some evidence to suggest that this commitment is beginning to wane, and that internal reformers are losing leverage in their efforts to increase Bank compliance with the resettlement directive.¹¹³ For example, basic information, the organization and securing of which represented substantial shifts in how the issue was addressed, is less available than it was during the peak of the Review period. The resettlement database has not been maintained, which means that an accurate count and scale of Bank resettlement operations is unavailable. Moreover, staff concerned with the follow-up of problem projects were directed to not challenge the

¹¹² Brunsson and Olsen, The Reforming Organization, p. 6.

¹¹³ The following observations on this issue are based on an informal conversation with a Bank staff concerned about slippage in this area. (February 25, 1998.)

ratings given to such projects by their task managers, which tended to be more favorable than seemed realistic. The explanation provided is that task managers did not want to be continually criticized for *older* projects that did not reflect the dramatic changes and improvements in their portfolios.¹¹⁴ A fear on the part of those seeking to repress actor focused on resettlement was that the pro-reform initiatives to correct resettlement had reached their limit and that it would be unwise to lobby further as other elements within the Bank could be alienated.

What might offset any possible slippage is the recent policy conversion process during which upper level Bank actors sent staff the message that resettlement is to be taken seriously, or there would be repercussions. With that type of commitment, there is a good chance that the overall gains made by reformers will be maintained.

One additional cautionary, or qualifying note should be made. The fact that staff compliance with the directive increased should not be taken to mean that project managers' *attitudes* about the policy or its norms have become more positive. According to one social scientist, the true "test" of staff commitment to the policy will be the extent to which task managers go out of their way to development investment plan to improve incomes.¹¹⁵ This is a critical issue, and likely the most challenging of tasks, given the fact that Resettlement and Development reported that there is not one instance in which groups resettled in Bank-assisted projects regained their previous living standard.

Interviews with task managers and staff social scientists in different regions all indicate that resettlement is still viewed negatively by many project managers, and the

¹¹⁴ March 3, 1998 interview with Bank staff.

extent of the Review's impact among task managers in terms of their familiarity with the Report, is quite low. One task manager even stated, "I doubt that there are even ten task managers who have read the Report."¹¹⁶ A similar sentiment was expressed by social scientist staff located in the regional technical departments. There is a fairly high degree of mistrust, fear, and even loathing that exist among some project managers toward resettlement, although overall, there has been greater compliance with the policy. The same task manager who made the comment about the low level of readership of the Report among other project managers also stated, "We need to decriminalize resettlement."¹¹⁷ Another resettlement specialist recounted a conversation with a division manager who said, "Look, I disagree with the policy but you guys in social and the environment, you are now the new Popes, the new policemen, new rabbis or muslims or whatever, and what you say goes, so we have to do it . . ."¹¹⁸ These responses raise the question of whether or not there may be unintended consequences of *forcibly* inducing greater compliance. For example, one Bank observer of task managers' responses to addressing resettlement developed a "theory" to explain a new trend. Borrowers and task managers either avoid resettlement projects completely, or drop resettlement components during project preparation. These portions are probably funded by other agencies or locally.

The other way in which TMs are able to avoid dealing with resettlement is through the use of resettlement specialists. While the use of social scientists in such

¹¹⁵ October 1, 1997 interview with Bank staff.

¹¹⁶ October 1997, interview with Bank staff.

¹¹⁷ Ibid.

cases represents an *improvement* in terms of greater compliance with the policy, there may be potential drawbacks to this, as well. Resettlement is delegated to a specialist because of fear of public attack and criticism, so there is no need or incentive for the TM to visit the project site. One *possible* outcome is that the lessons of resettlement are not internalized by the project manager.¹¹⁹

The findings of this analysis confirm several hypotheses presented in Chapter Three. External protest resulting from the Narmada debacle created an internal atmosphere of crisis among the highest levels of the Bank, which led the institution to focus on resettlement. The internal crisis led Senior Management to empower reform-minded staff to obtain information from recalcitrant project managers, and take corrective action, which is what the Review did. Political commitment and a range of resources were brought to bear on addressing the problem. When internal actors with decisionmaking authority become aware of a problem and experience the consequences of not addressing it, there is an incentive for them to act, which in the case of the Bankwide Resettlement Review, led to increased compliance with the Bank's policy on involuntary resettlement.

¹¹⁸ March 13, 1998, personal correspondence with Bank staff.

¹¹⁹ October 1997, interview with Bank staff.

CHAPTER SIX
THE WORLD BANK, INDIGENOUS PEOPLES,
AND THE POLITICS OF ETHNODEVELOPMENT

I. Introduction

In 1981, after two years of social scientist staff-initiated efforts to educate Bank operations staff about the relevance of and need for a policy that would govern projects (especially infrastructure projects) affecting indigenous populations, the Bank accepted as its first policy, Operational Manual Statement (OMS) 2.34.¹ A major impetus for the policy came from the indigenous peoples-led resistance to the Chico dams in the Philippines, which were canceled. A word on the Chico dams is in order, since the project-related controversy heightened Bank sensitivity to the fact that it did not have a policy on indigenous peoples, and created the realization that one was necessary.² The Bank initially supported the feasibility study of Chico II, an irrigation project on the Chico River, but withdrew because of Kalinga and Bontoc-led armed opposition. The Bank's OED evaluated the institution's performance in the following way:

Although the project area was not part of, but adjacent to, tribal lands, implementation of the Chico River project resulted in a tribal problem that was seized upon and blown out of proportion by activist groups and politicians, both inside and outside the Philippines. Although the problem did not preclude project execution, *it raised the question of the Bank policy regarding tribal people in Bank-financed projects, and Bank reaction when its policy - or lack of - is strongly criticized, as was the case in the Chico River project . . .*

¹ For a more thorough discussion of the evolution of the policy and the internal politics around its changing status, see Andrew Gray, "Development Policy - Development Protest: The World Bank, Indigenous Peoples and NGOs," in Fox and Brown, eds. op. cit., Chapter Eight. It should be pointed out that the Board never actually approved OMS 2.34.

² For a detailed account of the Chico dams resistance movement, see Charles Drucker, "Dam the Chico: Hydropower Development and Tribal Resistance," in John H. Bodley, editor, Tribal Peoples and Development Issues: A Global Overview (Mountain View: Mayfield Publishing Company, 1988), pp. 151 - 165. The article is reprinted from The Ecologist, (15) 4 (1985), pp. 145 - 57.

Bank reaction to the wave of protest was essentially defensive. All letters were answered, explaining that the Bank was not involved in the Chico complex development plan, which was essentially a government initiative, except for the construction of the Chico River irrigation Stage I project located outside the tribal area and the feasibility study of Stage II. *In fact the Bank had no clear policy regarding tribal people at that time, and was unable to respond to its critics on [sic] a constructive way.* [Emphasis added.]

From the experience of Chico, the Bank became more aware of the need “to have a clear policy regarding sensitive issues like tribal people and damages to the environment.”³

The Bank revised the manual statement and reissued it in September 1991 as Operational Directive 4.20 (OD 4.20).

Although there is controversy associated with the Bank’s forced displacement policy, the requirements and underlying logic are fairly clear and do not challenge the premises of the development enterprise. This is less true for the issues raised by the indigenous peoples policy, which are more controversial. Part of the argument of this chapter is that the indigenous peoples policy has received less internal and external attention than the resettlement policy because of the following factors: 1. although NGOs working on Narmada emphasized that many of those to be displaced were tribals, the Bank responded by focusing more attention on resettlement issues than on indigenous people, leading to increased awareness-raising activities, commitment to and resources for resettlement work; 2. the issues associated with the policy are particularly challenging because they raise complex, controversial, and not easily resolved questions

³ World Bank, Operations Evaluation Department. Project Performance Audit Report: Philippines Magat River Multipurpose Projects Stages I, II, and III and Chico River Irrigation Project Stage I, June 30, 1989, pp. 16 - 17.

concerning a nation's identity, the possibilities and limits of *ethnodevelopment*, property, and human rights, which the Bank has only recently begun to explicitly address.

The other part of the argument relates to several sub-hypotheses outlined in Chapter Three. The conceptual and operational confusion raised by the issues of indigenous people and development have translated into a relatively low level of awareness of and engagement with the policy, which helps explain the comparatively low priority accorded to it by task managers. It also helps explain why the policy conversion process that taken almost four years to complete, with no clear date of completion in sight. In terms of practical outcomes, the lack of internal focus and the contributing factors have translated into very low compliance levels with the directive, both in the terms of the policy itself and as compared to the resettlement policy.⁴ NGOs have not advocated for Bank compliance with the directive with the same degree of focus that they have for the resettlement policy, which means that the "burden" on internal reformers is greater, though these actors have benefited somewhat, arguably, from the spillover effects of protest against resettlement policy non-compliance.

This chapter proceeds in the following way: first, it provides an overview and discussion of the evolution of the Bank's Operational Directive on indigenous peoples and highlights changes in the definitions and parameters of the policy; second, it discusses the Bank and the politics of ethnodevelopment; third, it presents and analyzes cases of improved policy compliance in which NGO protest is present; fourth, it

⁴ For example, in 1997 the Bank's Environmental Unit of the Technical Department for the Latin American and Caribbean Region (LAC) carried out an internal implementation review, which found unsatisfactory

conducts the same analysis for cases of compliance that occur without NGO protest; fifth, it reviews the results of internal regional reviews of the policy, and; finally, it will discuss the findings within the context of the theoretical propositions that guide this study.

II. From OMS 2.34 to OD 4.20

2.1 The Context

It is estimated that there are over 250 million indigenous or tribal peoples in the world.⁵ Their lands, which generally contain important natural resources such as rivers, oil, minerals, and timber, have been exploited for development projects, leading to adverse impacts on these vulnerable populations.⁶ In numerous instances, encroachments onto native lands have resulted in resistance movements, beginning in the 1960s in North America, the Nordic countries and Australia, spreading in the 1970s to the Arctic and the Americas, and continuing in the 1980s in the Pacific and Asia, and in the 1990s, to Russia and Africa.⁷ The plight of indigenous peoples also has been assisted by international networks⁸ and United Nations-sponsored conferences such as the 1977 United Nations International Non-Governmental Organization Conference on Discrimination Against

compliance levels. A similar review occurred in the East Asia and the Pacific and South Asia regions, which also indicated high levels of non-compliance. These reviews will be discussed in this chapter.

⁵ Julian Burger, The Gaia Atlas of First Peoples, (New York: Anchor Books, 1990), p. 18., cited in Shelton H. Davis, *op. cit.*, p. 2.

⁶ See for example, Michael C. Howard, The Impact of the International Mining Industry on Native Peoples (Sydney: Transnational Corporation Research Project, University of Sydney, 1988), and; John H. Bodley, Victims of Progress (Menlo Park: Benjamin/Cummings, 1982).

⁷ Andrew Gray, *op. cit.*, pp. 2-3.

⁸ For in-depth analysis of transnational issue networks in general, see Margaret E. Keck and Kathryn Sikkink, Activists Beyond Borders: Advocacy Networks in International Politics (Ithaca: Cornell University Press, 1997).

Indigenous Populations in the Americas, among others.⁹ Moreover, despite enforcement problems, there is the existence of international legal instruments that protect certain “customary norms,” providing indigenous groups with some leverage, the most important of which is International Labor Organization Convention 169, which lists a range of indigenous rights, among other legal instruments that are more regional in scope.¹⁰

In terms of the Bank’s adoption of the policy, specific Bank-assisted projects were particularly influential. In addition to the armed indigenous peoples-led conflict that prevented any work on the Chico project from occurring,¹¹ other development schemes in the Brazilian Amazon informed social analysts’ concerns about indigenous peoples and the need for an institutional policy.¹² Bank social scientists drafted the first guidelines amid a series of discussions with concerned NGOs, academics, representatives of Cultural Survival, and Survival International.¹³

Confusion over what constituted the actual policy existed, as different versions were issued in 1981 (“Economic Development and Tribal People: Human Ecologic

⁹ For an account of the international indigenous movement that focuses on Latin America, see Donna Lee Van Cott, “Indigenous Peoples and Democracy: Issues for Policymakers,” in Donna Lee Van Cott, editor, Indigenous Peoples and Democracy in Latin America, (New York: St. Martin’s Press, 1994), pp. 1-27, and; Alison Brysk, Brysk, Alison, “From Above and Below: Social Movements, the International System, and Human Rights in Argentina,” Comparative Political Studies, Volume 26(3), October 1993, pp. 259 - 285.

¹⁰ *Ibid.*, p. 14.

¹¹ See Walden Bello, D. Kinley, and E. Elinson, Development Debacle: The World Bank in the Philippines, (San Francisco: Institute for Food and Development Policy, Philippine Solidarity Network, 1982), p. 57, cited in Andrew Gray, *op. cit.*, pp. 2-3.

¹² For an account of Amazonian development initiatives, see Anthony Hall Developing Amazonia: Deforestation and Social Conflict in Brazil’s Carajas Programme, (Manchester: Manchester University Press, 1989). See also Maria Guadalupe Moog Rodrigues, Environmental Protection Issue Networks and the Prospects for Sustainable Development, *op. cit.*

Considerations”), February 1982 (“Tribal People in Bank-financed Projects,” classified as Operations Manual Statement 2.34), and May 1982 (Tribal Peoples and Economic Development: Human Ecologic Considerations).¹⁴ The February 1982 policy was eventually identified as official Bank policy, although the 1981 published document contains stronger pro-indigenous peoples language, as evidenced by the following statement:

Similarly, the Bank will not support projects on tribal lands, or that will affect tribal lands, unless the tribal society is in agreement with the objectives of the project, as they affect the tribe, and unless it is assured that the borrower has the capability of implementing effective measures to safeguard tribal populations and their lands against any harmful side effects resulting from the project.¹⁵

This policy statement provided what is tantamount to veto power of development projects, the implications of which are significant in terms of what it implies about both indigenous rights in relation to nation states in which the groups are located, and Bank activities and advice to its borrowers. In other words, it is a statement that accepts indigenous groups’ claims to self-determination and recognizes their authority as decisive, superseding that of the nation-state. No doubt, internal Bank recognition of this fact led to the retraction of the May 1982 document as the official policy, and the identification of the February 1982 statement as the designated guideline.

¹³ Andrew Gray, op. cit., p. 5. See also, Nuket Kardam, “Development Approaches and the Role of Policy Advocacy: The Case of the World Bank,” World Development, 21(11), p. 1780.

¹⁴ Ibid., pp. 5 - 6.

¹⁵ World Bank 1982b, “Tribal Peoples and Economic Development,” p. 3.

2.2 OMS 2.34¹⁶

In 1982, the Bank issued Operation Manual Statement (OMS) 2.34, which outlined the policy governing operations affecting so-called “tribal people.” The defining feature of this policy was that measures should be taken to ameliorate any associated negative costs associated with the acculturation of indigenous groups. The controversial projects just mentioned provided the empirical data that supported the policy’s claim “that, unless special measures are adopted, tribal people are more likely to be harmed than helped by development projects that are intended for beneficiaries other than themselves. Therefore, whenever tribal peoples may be affected, the design of projects should include measures or components necessary to safeguard their interests, and, whenever feasible, to enhance their well-being.”¹⁷

The early Bank policy, however, did not preclude the use of indigenous lands for infrastructure projects, which dismisses the claims to self-determination and territorial rights advanced by many such groups that the earlier 1982 policy statement affirmed:

As a general policy, the Bank will not assist development projects that knowingly involve encroachment on traditional territories being used or occupied by tribal people, unless adequate safeguards are provided. In those cases where environmental and/or social changes promoted through development projects may create undesired effects for tribal people, the project should be designed so as to prevent or mitigate such effects.¹⁸

¹⁶ This section draws heavily on Shelton H. Davis’ “The World Bank and Indigenous Peoples,” a paper prepared for a panel discussion on Indigenous Peoples and Ethnic Minorities at the Denver Initiative Conference on Human Rights, University of Denver Law School, Denver Colorado, April 16-17, 1993. Davis is an anthropologist in the World Bank’s Environment Department.

¹⁷ World Bank, “Tribal Peoples in Bank-Financed Projects,” OMS 2.34, February 1982, paragraph 4.

¹⁸ *Ibid.*, paragraph 5.

2.3. Defining the Terms and Range of Applicability

At about the same time that the policy was first issued, the Bank released the results of an internal study of the effects of economic development on indigenous areas and cultures that found a continuum of types of indigenous societies that ranged from uncontacted groups to those fully integrated into the broader political and economic systems, with another continuum of societies located between the two extremes, ranging from “semi-isolated tribal groups” to those not “fully integrated” but in “permanent contact” with national societies.¹⁹ The analysis that supported the category of those not fully integrated, or rather, partially acculturated, came from government agencies of indigenous affairs in Latin America that claimed that full integration of indigenous people into national society was inevitable, and that policy should be directed toward easing that integration by protecting these groups, both of which are positions found in the International Labor Organization Convention Number 107, which some Latin American nations ratified in the 1970s.²⁰

This viewpoint was expressed in the May 1982 (check) policy. “Such a policy of self-determination emphasized the choice of tribal groups to their own way of life and seeks, therefore, to minimize the imposition of different social or economic systems until such time as the tribal society is sufficiently robust and resilient to tolerate the effects for change.”²¹ Critics assert that the policy is incoherent, supporting self-determination at the same time that it assumes the eventual transformation of indigenous groups into

¹⁹ Shelton H. Davis, *op. cit.*, p. 5.

²⁰ *Ibid.*, p. 6. For further information on the ILO, see.

minorities who are assimilated into national polities.²² Bank practice over the years supports the view that what the policy has meant in practice is that groups should be provided with protections that serve to mitigate the effects of development, as opposed to protecting the groups *as they are, and where they are.*²³

The early Bank policy²⁴ classified indigenous/tribal peoples as groups with “stable, low-energy, sustained-yield economic systems” who possessed the following traits:

- (a) geographically isolated or semi-isolated;
- (b) unacculturated or only partially acculturated into the societal norms of the dominant society;
- (c) nonmonetized, or only partially monetized; production largely for subsistence, and independent of the national economic system;
- (d) ethnically distinct from the national society;
- (e) nonliterate and without a written language;
- (f) linguistically distinct from the wider society;
- (g) identifying closely with one particular territory;

²¹ World Bank, *op. cit.*, p. 27, cited in Andrew Gray, p. 7.

²² Gray cites John H. Bodley’s four main assumptions of the early policy: indigenous groups renounce claims to economic, cultural, and political sovereignty; careful development planning can reduce the negative impact of projects; the Bank did not support local structures of culture or authority; and that the only two possibilities open to indigenous groups are extinction and integration. See Gray, *op. cit.*, pp. 7 - 8. See also John H. Bodley, “The World Bank Tribal Policy: Criticisms and Recommendations,” in John H. Bodley, editor, *Tribal People and Development Issues: A Global Overview*, (Mountain View: Mayfield Publishing Company), pp. 406-412

²³ John H. Bodley also criticizes three other assumptions of the early policy: 1. development will help indigenous people; 2. they have a choice in development issues; 3. they must be transformed into ethnic minorities. See Bodley, *op. cit.*, p. 407.

²⁴ This section is a paraphrased version of Shelton Davis, *op. cit.*, pp. 7 - 8.

- (h) having an economic lifestyle largely depended on the specific natural environment;
- (i) possessing indigenous leadership, but little or no national representation, and few, if any, political rights as individuals or collectively, partly because they do not participate in the political process; and,
- (j) having loose tenure over their traditional lands, which for the most part is not accepted by the dominant society nor accommodated by its courts; and, having weak enforcement capabilities against encroachers, even when tribal areas have been delineated.²⁵

The policy set out ways in which the particular issues involved with such vulnerable groups could be addressed in the project cycle. During project identification, tribals should be identified, located, and their degree of acculturation, assessed.²⁶ Before or during project preparation, means of assisting governmental agencies responsible for tribal groups, site trips, health provisions and territory demarcation, and pre-feasibility anthropological studies should be executed.²⁷ At the third stage - project appraisal - project managers were required evaluate the program developed for the project-affected tribal group(s), the implementing capacity of the responsible government agency, and whatever legislation would be necessary.²⁸ At the project implementation phase, Bank specialists would assess the quality of the project, refining the indigenous-related component as needed, with the understanding that a longer term monitoring period might be necessary.²⁹

²⁵ World Bank OMS 2.34, paragraph 2, cited in Davis, *op. cit.*, p. 8.

²⁶ *Ibid.*, paragraph 10.

²⁷ *Ibid.*, paragraph 21

²⁸ *Ibid.*, paragraph 12.

²⁹ *Ibid.*, paragraph 113.

To be certain, the mere existence of such policies marked a significant change in the Bank's approach to such groups, despite the fact that OMS 2.34 was a mitigating policy designed to facilitate development, rather than one that provided indigenous groups with a right to veto projects that encroached on their lands. The reality is that the types of issues raised by the policy for both the Bank and its borrowers made retention of the more forceful passages in the earlier policy untenable.

2.4 The Five-Year Review of OMS 2.34

In 1986, the Office of Environmental and Scientific Affairs executed a five-year review of OMS 2.34 to evaluate the Bank's experience with the policy. Based on a survey of 33 Bank-assisted projects that were approved and implemented between 1982 and 1986, the review generated several findings that affected subsequent policy development:³⁰ 1. Bank staff misunderstood the definition of indigenous people and assumed it referred to isolated, unassimilated groups such as rainforest groups in the Americas and not heterogeneous, larger groups such as India's and Southeast Asia's "tribal" groups. The consequences of this misunderstanding, however understandable, were grave and contributed to project conflicts and delays because particular cultural traits of affected groups not receive adequate attention. 2. Implementing agencies in developing countries were found to be understaffed, weak, and poorly funded, in addition to frequently having contentious relations with NGOs as opposed to collaborative ones. To address borrower-related problems, the review recommended that the Bank foster indigenous participation in project planning and execution, improve implementing

³⁰ I am summarizing and paraphrasing Shelton's section on the review's findings, found on pp. 13-19.

agencies' capacity, and consult more with NGOs about projects with impacts on indigenous populations. 3. Only 2 out of 15 projects assessed included health and social services, indigenous participation, land protection and demarcation, and mechanisms for the safeguarding of cultural identity. 4. The 13 out of the 15 programs that contained provisions for social services did not involve affected groups in planning and implementation, nor did they take into account group desires or cultural needs.

These compliance problems occurred in the context of few Bank staff able to properly execute the policy. It was not until the 1987 reorganization that the Bank hired additional social scientists, nearly doubling their numbers. Moreover, the Legal Department was ill-prepared "for the myriad and complex issues relating to domestic indigenist and agrarian law regimes which so affected the situation and prospects of tribal and indigenous people, as well as other traditional ethnic groups."³¹ The results of the policy review confirm the hypothesis (presented in Chapter Three) that there must exist internal advocates (usually social scientists), as well as awareness and knowledge of the social impact policies by Bank staff to increase the likelihood of compliance. The review cited inadequate numbers of qualified staff and unknowledgeable staff as obstacles to compliance.

It is clear that the introduction of the policy, however flawed its fulfillment by Bank staff, was an important milestone in the Bank's experience with projects involving indigenous peoples. Moreover, embedded in the policies are norms and standards that did not exist within the Bank in any way that mattered for the institution's behavior. The

³¹ Shelton Davis, *op. cit.*, p. 18.

lessons that resulted from the review formed the basis for the revised policy that the Bank adopted in 1991.

III. Operational Directive 4.20

3.1 The Context

The Bank issued the 1991 revised policy, Operational Directive 4.20 within the context of: the lessons culled from the five-year review; the 1987 Bank reorganization that resulted in the creation of the Center's Environment Department and the hiring of social analysts; an increasingly vocal international lobby that seized on the Bank's poor performance in the 1982 Polonoeste loan and the 1985 Narmada loan, both of which affected indigenous populations; and a Legal Department that became increasingly involved in efforts to address Bank performance in its social impact policies.³² In addition to improving the policy, the Bank proposed that identification of threats to these groups' natural and environmental resources should occur under the Bank's environmental assessments, which became requirements for all Bank projects with environmental impacts since 1989.³³

3.2 The New and Improved Policy -The Theory

In comparison to the 1982 OMS, the new OD differs in terms of both emphases and criteria. The policy begins with definitions: "The terms "indigenous peoples," "indigenous ethnic minorities," "tribal groups," and "scheduled tribes" describe social

³² Shelton Davis, *op. cit.*, p. 18.

³³ Shelton Davis, *op. cit.*, p. 23. See also Operational Directive 4.01 ("Environmental Assessment," 1991. See also the Bank's involuntary resettlement directive, which highlights components affecting indigenous populations. Finally, the Bank's Operational Policy 4.36 on the Forestry Sector addresses "forest dwellers," some of whom are indigenous groups.

groups with a social and cultural identity distinct from the dominant society that makes them vulnerable to being disadvantaged in the development process.”³⁴ The policy goes on to acknowledge that definitions of such groups varies by countries’ legislation, constitutions, and statutes, which leads to the conclusion that “. . . no single definition can capture their diversity.”³⁵

Within specific physical spaces, indigenous peoples will exhibit the following traits to a greater or lesser extent:

- (a) a close attachment to ancestral territories and to the natural resources in these areas;
- (b) self-identification and identification by others as members of a distinct cultural group;
- (c) an indigenous language, often different from the national language;
- (d) presence of customary social and political institutions; and
- (e) primarily subsistence-oriented production.

The next line in the directive is that “task managers (TMs) must exercise judgment in determining the populations to which this directive applies and should make use of specialized anthropological and sociological experts throughout the project cycle.”³⁶

Given the institutional incentive structure under which TMs operate in addition to the conceptual complexities of the policy, there is little reason to expect TMs to identify groups to which to apply the policy. This observation is speculative but is supported by anecdotal evidence.

³⁴ World Bank, “Operational Directive 4.20 - Indigenous Peoples,” September 1991, paragraph 3.

³⁵ Ibid., paragraphs 4 and 5.

The revised 1991 policy reaffirms a more restrictive view of indigenous rights, through a cost-benefit analysis of the two main approaches to dealing with indigenous peoples and development. Not encroaching on indigenous people lands confers protection, with the associated “costs are the benefits foregone from development programs, while acculturation means cultural loss, but “improved social and economic opportunities.”³⁷ The Bank’s approach to these issues is guided by the notion of “informed participation of the indigenous peoples themselves.” This is key, especially in a context in which indigenous groups are not allowed veto power over projects.

Thus, identifying local preferences through direct consultation, incorporation of indigenous knowledge into project approaches, and appropriate early use of experienced specialists are core activities for any project that affects indigenous peoples and their rights to natural and economic resources.

In practical terms, it is not clear to what extent the Bank’s and integrationist model³⁸ differ little from one another in that the policy is directed toward mitigating negative project impact on indigenous populations, as opposed to *avoiding altogether* projects on indigenous peoples’ territories. In cases where negative impacts on these vulnerable groups are inevitable, the Bank requires that “suitable plans” be “developed by the

³⁶ Ibid., paragraph 5.

³⁷ Ibid., paragraph 7.

³⁸ The view of the various models expressed by David Price, an anthropologist with extensive experience with indigenous groups in Brazil, its indigenous affairs bureau, (FUNAI) and the World Bank, is that

the integration policy is based on the belief that Indians are culturally inferior to members of Western society; . . . Anybody who knows anything about Indians realizes that both integration and isolation are impractical, and both are immoral. Once a group of Indians has come into contact, there is no way to isolate them, and there is no way to make them become part of Brazilian society. And morally, nobody but the Indians themselves has the right to decide what aspects of Western society they should accept

borrower and reviewed by the Bank” in order to confer some measure of protection on indigenous groups.³⁹

The revised policy does represent a different *conceptualization* of indigenous peoples. “Rather than focusing solely on attempting to mitigate the adverse impacts of its projects on relatively small and isolated tribal groups, it has broadened the definition of the subject population to include a much more diverse assemblage of peoples and to seek ways in which these peoples might both participate in and benefit from the development process itself.” Despite the fact that broadening the range of groups to which the policy is applicable has positive features, it does not escape the challenges that arise when indigenous groups become more integrated into national society. When this process occurs, they become more difficult to address as a group, thereby reinforcing the problems raised by the definition issue.⁴⁰ In these instances, task managers have challenged the applicability of the OD: “Why should I treat them specially? They live in the same areas and speak the same language as everyone else.” The practical result in terms of attitudes toward the policy is that some task managers view it as an obstacle to project completion in addition to an instrument that provides NGOs with ammunition to use against them and the Bank.⁴¹

Under OD 4.20, the Bank carries out work related to indigenous peoples through technical assistance for borrowers, country sector and economic work that documents

and what they should reject. David Price, Before the Bulldozer: The Nambiquara Indians and the World Bank, (Cabin John: Seven Locks Press, 1989), p. 151.

³⁹ Ibid., paragraph 9.

⁴⁰ October 2, 1997 interview with Bank staff.

trends in relevant government institutions and policies,⁴² and finally, through investment project provisions or components, which must be accompanied by an indigenous peoples development plan (IPDP) that is based on sound baseline socio-cultural and geographical data, and takes into accounts issues of indigenous participation, capacity building, local project management, local patterns of religious beliefs, land tenure, social organization, and culture.⁴³

IV. The World Bank and Ethnodevelopment

4.1 Policy Awareness and Narmada

Bank staff confirmed that the policy had until recently received substantially less attention than the resettlement policy. One staff social scientist cited the Narmada loan, which focused both external and internal attention on forced displacement. Despite the fact that the Morse Commission report did address Bank performance with respect to OD

⁴¹ Ibid.

⁴² For example, the Bank published the results of a study in January 1995 entitled, "Indigenous People and Poverty in Latin America: An Empirical Analysis." The study, which used data from Bolivia, Guatemala, Mexico, and Peru, found four sets of findings:

When designing social and economic development programs to raise people's incomes and standards of living, it is not enough to design them for particular countries. The programs also need to be designed for specific groups.

If programs are targeted at indigenous people, large numbers of poor people can be reached.

programs to help indigenous people have to be designed differently, not the last because indigenous people speak different languages and have a different culture.

The goal of development programs should be to help preserve indigenous peoples' cultures, not to suppress them, through policies designed with the participation of indigenous people. (p. 2.)

the study was released publicly and can be found on the World Bank's website on the World Wide Web.

⁴³ OD 4.20, op. cit., paragraphs 10 - 13.

4.20,⁴⁴ the issue “was not picked up [internally] because of the kinds of questions it raises about property. Resettlement should be doable and the indigenous peoples policy should be, too, but it is too controversial and difficult.”⁴⁵ Moreover, NGOs have, arguably, focused comparatively less on the Bank’s relationship to indigenous people, and more on resettlement, which generally lends itself to aggregating larger numbers of affected people, which may translate into greater political leverage. In summary, internal actors avoided and minimized the issue and NGOs seized upon resettlement. The issue of indigenous peoples in Bank-assisted projects did not have an organized internal lobby the way the resettlement issue did.⁴⁶

4.2 The Conceptual Issues - Divisions Within the Bank

One way to illustrate the difficulties that arise with the indigenous peoples policy is to compare it to the resettlement policy, which addresses a social engineering problem, the resolution of which takes into account state involvement in land acquisition and theories of justice as they relate to compensation. The indigenous peoples policy raises conceptual and practical issues that are more controversial and problematic, such as diversity and models of development that must take into account identity as a significant, and possibly, decisive and divisive variable. The Bank, in the words of an anthropologist, “is not used to addressing diversity whereas engineers have been dealing

⁴⁴ According to Sardar Sarovar: Report of the Independent Review, (hereafter Review) (Ottawa: Resource Futures International, 1992), “[v]irtually all of those already relocated [in the Sardar Sarovar Projects] are tribal people living in Gujarat, some 4,000 families numbering about 20,000 persons.” (pp. 6 - 7.) In addition, the Review estimated that “over 50% of the potentially affected population is tribal.” (p. 63.)

⁴⁵ October 1, 1997 interview with Bank staff..

⁴⁶ Considerable internal change occurred around addressing indigenous peoples issues in Asia.

with resettlement,” which is in many senses, “easier.”⁴⁷ At stake are questions about the very meaning of national identity, and minority group integration or resistance to state-led development, which by definition, is about change. The Bank’s directive, designed to provide protection to indigenous groups, does not easily accommodate these complex, and sometimes intractable empirical realities. “There’s the intellectual aim of dictating policies for groups of people. We are not capable of saying this is the way in which social change ought to take place. We as social scientists in the Bank are not in a position to say that. But people driving the projects say yes we will.”⁴⁸ The policy has become the site of political contestation by the Bank, its borrowers, affected indigenous groups, and to a lesser extent, NGO advocacy groups.

Within the Bank, there are two sets of divisions that are relevant to understanding the issues raised by the OD: between task managers and social analysts, and between policy-oriented social scientists (usually based in the regions and in the Center) and social scientists who work within the operational apparatus. A region-based social scientist commented that “[for] the economist who conceptualizes development as integers, the act of targeting a population because of its vulnerability is antithetical to [their approach.]”⁴⁹ An anthropologist who works in operations characterized the difference between policy- and operations-focused social scientists as follows: There are “people who believe in being cops for the institution, which has some validity and the hey, let’s mainstream it

⁴⁷ Ibid.

⁴⁸ March 4, 1998 interview with Bank staff.

⁴⁹ March 3, 1998 interview with Bank staff.

crowd.⁵⁰ A social scientist with extensive experience with resettlement expressed puzzlement over the value in writing a chapter on the Bank's indigenous peoples policy, and stated that the policy was not "operationalizable." Another social analyst who had worked extensively in both policy and operations units disagreed with the previous staff and provided a different perspective on the difficulties arising with Bank performance in the area of indigenous peoples:

I'm not sure which part of the indigenous people's policy your resettlement person found so difficult to implement. Since all the policy says is that (i) people should participate in major decisions; (ii) benefits should make sense in cultural terms and have a viable delivery mechanism; and (iii) adverse impacts should be mitigated, it seems pretty silly to think that these are pie-in-the sky objectives. Part of the problem is that a lot of Bank people love to get hung up on complex but unimportant definitional issues, like endless wrangling over just who fits the policy. . . .⁵¹

These quotes from Bank staff are revealing because they 1. identify the politically-charged divisions that exist between task managers and social scientist analysts and between types of social scientist analysts; 2. illustrate the degree to which institutional position shapes the perspective of various Bank staff; 3. provide some insight into how projects in which OD 4.20 is applicable are shaped, and; 4. clearly show the profoundly political nature of, and lack of consensus around these issues.

4.3 *The Politics of Identification*

The general conceptual confusion evident within the Bank is also expressed practically in terms of how the policy is operationalized. What is at stake is not merely

⁵⁰ March 3, 1998 interview with Bank staff.

⁵¹ October 13, 1997 personal correspondence between Bank staff and the author.

who is classified as indigenous, *but also who will be the beneficiary of the policy in terms of special services and resources such as protection of land*, which is a critical and sensitive issue for states eager to retain full use of such areas for national development and integration schemes.⁵² A major point of contention involves identifying those for whom the policy is relevant, which within the Bank takes on regionally distinct definitions.

The indigenous people's policy was conceived as a forerunner of a general social assessment.⁵³ Each region would then say how to apply it in terms that made sense. In East Asia isolated and vulnerable meets more common sense criteria than does a term like "indigenous people," since everyone in Asia is indigenous and there is no pre and post Colombia contact period like there is in Latin America. By contrast, nearly all Latin [sic] countries have specific legal and constitutional clauses about indigenous people. Unfortunately, our social scientists never got around to drafting these, and so, while the domain of the policy has been clear in LAC, it's much less so in the other regions.⁵⁴

A social analyst working in LAC (an anthropologist) expressed doubt about some of the very issues the previous social scientist asserted to be clear in the LAC region. For the LAC social scientist, "the domain of the policy," required clarification: "How do you identify indigenous people? What is informed participation? What are culturally appropriate services? When do you need an indigenous people's development plan -

⁵² States have been forced to respond to indigenous peoples' movements demands for protection of lands and natural resources. Some have managed to both grant concessions *and* retain control through the granting of limited property rights. For example, states will grant groups rights to: top soil, but not for subsoil resources; land, but restrict use of the land's natural resources, and; land, but not water tenure. See William L. Partridge and Jorge E. Uquillas with Kathryn Johns, "Including the Excluded: Ethnodevelopment in Latin America," paper presented at the Annual World Bank Conference on Development in Latin America and the Caribbean, Bogota, Colombia, June 30 - July 2, 1996, pp. 8 - 9.

⁵³ "Social Assessment (SA) provides a framework for incorporating participation and social analysis into the design and deliver of Bank operations." See Environment Department Dissemination Notes, "Social Assessment Structured Learning Preliminary Findings," 37(September 1995), p. 1.

⁵⁴ October 13, 1997, personal correspondence between Bank social scientist and author.

when there's a negative impact? What are the most basic things that we'll comply with?"⁵⁵

One of the most well-known examples that illustrates the problem of identifying indigenous groups, as well as the implications of such determinations is the case of tribals in the Narmada dam. The Morse Review's comments on this subject are worth quoting at length, since they provide concrete illustration at the project level of the issues discussed as well as the stakes involved in competing definitions of who and what constitutes *indigenouness*:

Whether or not these people are truly tribal in terms of World Bank definitions is of great significance to the Bank, the people, and the three Indian states . . . Both the 1982 and 1991 policy directives emphasize the importance of detailed research into the social, economic, and cultural implications of projects that impinge on tribal peoples' lives and lands. *If the people of the Narmada valley are not merely "backward Hindus" - then the Bank and governments are burdened with a greater responsibility.* It is no wonder that the status of the peoples of the Narmada valley has been the subject of many arguments . . .

Officers at the Bank told us that the [Bank's 1987] mission's interpretation of "tribal" was narrow, and inclined to attribute overriding significance to the possession of "modern" items. They interpreted the wearing of a factory-made shirt or the presence of images of Hindu gods in home, for example, as an indication that a person or a family was "detrIALIZED."⁵⁶ [Emphasis added.]

The 1987 Bank mission to which the above statement refers, minimized the numbers of tribal peoples affected by the project, and addressed these groups as "forest-dwelling oustees," without ever using the term "tribal" to describe the population, which therefore substantially reduced the number of people who would fall under the benefits and

⁵⁵ October 1, 1997 interview with Bank staff.

safeguards outlined in the Bank's policy.⁵⁷ This was the Bank's and Indian governments' interpretation, despite the fact that the Narmada Action Committee, an NGO umbrella group that worked on the campaign, stressed the indigenous character of the population to be resettled, and even minimized the large portion of non-tribal resettlers.⁵⁸ Had the numbers of tribal peoples been greater, the political and ideological costs to both the Bank and especially the borrower would have increased.

What, for example, does the term mean for regions such as Asia and Africa, where it is argued that everyone is indigenous? In the case of Asia, efforts to include relevant groups during the discussions around revising the policy led some within the Bank's Asia region to lobby for the use of the term "vulnerable ethnic minorities" and not "indigenous." Some argued that the implications of adopting the term for the East Asia region, however, would mean that the Bank would have no lending program because most groups are vulnerable.⁵⁹ The case of Indonesia is instructive in this regard. A Bank staff familiar with the country presented the relevant issues in the following way:

- (i) officially all Indonesians are indigenous. This is because the opposite here of "indigenous" isn't mestizo, but "Chinese" . . . ;
- (ii) It's a really big country [that] has no[] legal category of indigenous . . .
- (iii) Ethnic mobility is high.

⁵⁶Review op. cit., p. 63.

⁵⁷ Ibid., p. 64.

⁵⁸ I am grateful to Jonathan Fox for helping me to better distinguish between the NGO campaign's goals and the Bank's reaction to it.

⁵⁹ March 4, 1998 interview with Bank staff.

How you apply the OD in such a case is not obvious. Of course, the OD itself says use whatever commonsense suggests, but this has gotten interpreted as a mandatory use of a term destined primarily for Latin America . . . ⁶⁰

Problems of identification of such groups also exist in the African context, where it is difficult to define who is indigenous and whether and how the Bank's policy applies. Many sub-Saharan Africans hold membership in more than one tribe or ethnic group and live in national settings in which there does not necessarily exist a clear, majority group. These realities are complicated by inaccurate data about a nation's ethnic composition. The 1987 internal Bank review of OMS 2.34 suggested that forest-dwellers in equatorial Africa and pastoralists could fall under the purview of the policy, but recommended that additional analysis of the specific dimensions of African ethnicity be undertaken.

Potentially at stake is the question of a nation-state's sovereignty, since strict compliance with the Bank's policy could in some cases imply granting leverage to indigenous peoples over their state governments.⁶¹ Given these realities, it is not surprising that countries such as Brazil viewed relations with its indigenous populations

⁶⁰ March 6, 1998, personal email correspondence between Bank staff and the author.

⁶¹ An indigenous groups' autonomy and a nation's sovereignty can collide, as they are in the United States over the issue of casinos located on native peoples' reserves and issues of taxation. See Timothy Egan, "Backlash Growing as Indians Make a Stand for Sovereignty," New York Times, March 9, 1998, p. A1. The article explores the limits of Indians' demands for sovereignty vis-à-vis the larger political context.

"When they were viewed simply as the first Americans who lost everything to the country that formed in their midst, Indians were on the defensive but it was considered politically unnecessary to attack them. But with new money from casino gambling, and a maturing of tribal power, Indians are no longer everybody's favorite underdog." (p. A16.)

as questions of national security, especially during authoritarian rule.⁶² As an anthropologist working in LAC pointed out, the Bank is in some ways constrained by national governments' policies on indigenous issues, and is "trying to promote a cause - ethnodevelopment- by using the projects."⁶³ In other words, the Bank is attempting to impose on its borrowers an objective that neither they nor certain indigenous groups, may desire. "Instead of looking at positive ways to include indigenous people, we are trying to tackle the issue via small projects, which is a problem."⁶⁴ Or, there may be competing views on the development enterprise as it relates to these populations. There is more at stake when acting in the realm of indigenous politics and in the view of some, the Bank's policy may be "using the wrong policy" and is not the "the right vehicle."⁶⁵

4.4 Operationalizing OD 4.20

The complexity and general lack of clarity that arise with respect to the Bank's policy as well as to the general question of ethnodevelopment are also apparent in the

⁶² See for example Bruce Albert, "Indian Lands, Environmental Policy and Military Geopolitics in the Development of the Brazilian Amazon: The Case of the Yanomami," *Development and Change*, Volume 23 (1992), pp. 35 - 70. The article

examines the realignments of the developmentalist discourse and strategy of the Brazilian military for the Amazon during the civilian government of the "New Republic" (1985-1990). It focuses on a case study, i.e. the official expropriation of the lands of the Yanomami Indians in the states of Roraima and Amazonas along the Brazil/Venezuela border. The analysis brings to light how, during this period, the military aimed at neutralizing both the pressure of environmental NGOs on Brazil's international creditors and the emergent democratization of decisions on land use in Amazonia. It shows how such attempts involved manipulating environmental legislation and ecological rhetoric in order to perpetuate military hegemony over the development of Amazonia to the benefit of mining interests. Finally, the paper traces the roots of these manoeuvres to a geopolitical and economical model for Amazonian integration still inspired by the national security doctrine drawn up in the 1950s and 1960s by the Escola Superior de Guerra. (Albert, p. 35.)

⁶³ October 2, 1997 interview with Bank staff.

⁶⁴ Ibid.

views of task managers responsible for following the guidelines. Task managers are described by some social analysts as having a vague understanding of how to follow the policy. The types of questions asked and statements made by task managers include: “How do I convince the government that it must develop an IDP for two hundred fifty-five families in X? We don’t know what an IPDP is. We know that indigenous people have to participate, but what does fleshing that out operationally mean?” The Bank staff who provided this analysis is of the opinion that “TMs are little aware of the OD because the Bank doesn’t have good maps”⁶⁶ How to fulfill the policy in urban contexts in which indigenous peoples speak the dominant language and live in close proximity to non-indigenous people is a difficult issue for both task managers and social scientists.

These ambiguities and varying levels of understanding and commitment among project staff illustrate the issues raised in this dissertation’s first chapter in terms of the relationship between the policy and the Bank’s primary mission, which is one of lending money for development, and less one of human ecology or ethnodevelopment.

Compatibility questions also arise in the relationships *between* social impact policies, which will be discussed in the next section.

4.5 *Area of Conflict -- The Indigenous Peoples Policy and the Resettlement Policy*

The Bank’s resettlement and indigenous peoples policies were not written to accommodate the demands of one another, and in recent years the apparent

⁶⁵ Ibid.

⁶⁶ Ibid.

incompatibility has created tensions.⁶⁷ What happens when both policies are operative at the same time? Is it *possible* to comply with both at the same time or does one assume greater priority than the other? It is possible that NGO focus on resettlement has led Bank actors to privilege that policy over the indigenous peoples directive, in some cases undermining policy-mandated efforts to protect indigenous groups. As a result, the interests of indigenous peoples may suffer. The indigenous peoples directive mandates that “[p]articular attention should be given to the rights of indigenous people to use and develop the land they occupy, to be protected against illegal intruders, and to have access to natural resources . . . vital to their subsistence and reproduction.”⁶⁸ In other words, the use of indigenous lands by non-indigenous groups should be eliminated, or at least minimized. The forced displacement policy highlights the importance of putting in place “. . . appropriate measures [that] are carefully planned and carried out.”⁶⁹

A small subset of Bank-funded projects that attempt to directly benefit indigenous people involve land identification, delimiting, and demarcation, are treated by the resettlement policy as projects requiring mitigating measures. Such projects involve the difficult issue of addressing non-indigenous invaders of indigenous peoples territories scheduled for delimiting, demarcation, and regularization. The possible relocation of such populations has led to the activation on the part of some Bank staff of the resettlement policy, even though it was not designed to address non-infrastructure projects

⁶⁷ This section draws from an internal Bank memorandum (November 3, 1997) on the conflicts between the two policies. For a discussion of the intersection between the two policies in Asia, see Dan Gibson, *op. cit.*, pp. 182-191, and pp. 230-251, which addresses the Bank’s Transmigration Program in Irian Jaya.

⁶⁸ OD 4.20, paragraph 14a.

⁶⁹ OD 4.30, paragraph 2.

such as those involving protection of indigenous lands. In this instance, those who experience the negative impacts are non-Indian users or residents of indigenous lands, who, under the policy, will be required to vacate the land and whose activities will be stopped or limited.⁷⁰ Little guidance is provided by the resettlement policy in terms of disaggregating the “adversely affected people” category in terms of type and extent of ownership, socioeconomic status, activities in the affected area, or the length of tenure in the area.⁷¹

The direct result of applying the Resettlement OD to Indigenous Peoples Development Plan is that the non-Indian inhabitants or users of indigenous lands, the majority of whom are considered “intruders” in most countries, indiscriminately become transformed into a uniform category of displaced people who merit full resettlement plans and benefits.⁷²

There are several problems with such a scenario from the vantage point of both providing protection to indigenous groups and of addressing questions of compensation. First, it is *possible* that strict application of the resettlement policy could encourage invasions of non-indigenous people into areas identified for protection as a means of benefiting from forthcoming compensation benefits. Such a scenario presupposes that the promise of future benefits will improve invaders’ socioeconomic status beyond their current status. Second, the demands of the resettlement policy in indigenous peoples projects raises opposition from borrowers who may decide that such projects are too costly (because of the need to develop resettlement plans, consult with relevant groups, and provide incomes-generating schemes) and therefore use it as a justification for:

⁷⁰ November 3, 1997, internal Bank memorandum, p. 1.

⁷¹ *Ibid.*, p. 1.

delaying or canceling indigenous peoples development projects, and; removing from projects the most vulnerable and at-risk indigenous areas characterized by high conflict with non-Indians.⁷³

This scenario is problematic even in the presence of both Bank and government commitment to the protection of indigenous lands. Finally, from the perspective of borrowers and groups concerned with issues of inequality, applying the resettlement policy may provide benefits to non-Indians such as “large ranchers who are illegally grazing their cattle on indigenous lands, landless small farmers whose invasion of an indigenous area was organized and supported by a neighboring landowner intent on trying to stop the demarcation of the indigenous area, or illegal mining camps.”⁷⁴ In other words, the beneficiaries of an inflexible insistence on applying the forced displacement policy *may be*, in some instances, the very groups associated with poor treatment of vulnerable indigenous peoples.

Two cases provide material for further consideration of these complexities. The first is the Narmada case, and the second involves two indigenous reserves that originally had been part of the Pilot Program to Conserve the Brazilian Rain Forest.⁷⁵ While it is

⁷² Ibid., p. 1.

⁷³ Ibid., p. 2.

⁷⁴ Ibid., p.2.

⁷⁵ See the World Bank publication Pilot Program to Conserve the Brazilian Rain Forest. The Program, whose trust fund and coordination are administered by the Bank, is presented as

a unique, collaborative effort involving the Brazilian government, the Brazilian people, the international community, and the World Bank aimed at reducing the rate of deforestation in Brazil's Amazon and Atlantic rain forests. The program's goal is to optimize the environmental benefits offered by the rain forests in a way that is consistent with the development goals of Brazil and its people. This means a “sustainable

not possible to draw firm conclusions about the potential areas of conflict between the two policies based on these cases, they are useful for at least concretely identifying the range of critical issues involved in potential policy conflicts. The Morse Commission report noted that Bank acknowledgment of the presence of tribals in the Narmada project area did not even exist when the loan was signed, though both policies existed. “. . . [T]he 1985 credit and loan agreements between the Bank, India, and the three riparian states are silent on the subject of tribals. They contain no mention of the existence of tribal people within the Projects’ area. Requirements laid down for resettlement and rehabilitation make no reference to special measures for tribals.”⁷⁶ The Morse Commission’s field-based analysis grasped the importance of both defining affected groups and determining their status under the forced displacement policy. “Whether or not these people are truly tribal in terms of World Bank definitions is of great significance to the Bank, the people, and the three Indian states. Bank policy on involuntary resettlement makes special provision for tribal people.”⁷⁷ “The mission’s official conclusions - that there are few tribal villages and that the principal criterion is

development” approach - meeting the needs of current generations without compromising the needs of future generations.” (p. 1.)

One major feature of the program involves the Indigenous Lands Project, approved in July 1995, which seeks:

to improve the conservation of natural resources in indigenous areas and increase the well-being of indigenous people by contributing to (a) the legalization of indigenous lands in the Amazon, and (b) the protection of indigenous populations and areas. The project will fund activities to complete the legalization of Amazonian indigenous lands to include an estimated 42 areas to be identified and delimited and about 81 areas to be demarcated and registered. The project also supports indigenous area protection activities, targeted studies, and training courses in indigenous issues. (p. 10.)

⁷⁶ Review, op. cit., pp. 64 - 65.

⁷⁷ Review, p. 63.

forest-based economies rather than tribal people's distinctive cultures- imply that the resettlement and rehabilitation needs of these people are less complex than might otherwise be the case."⁷⁸

The resistance to identifying oustees as tribals and referring to them instead as forest dwellers whose livelihoods depend on that resource transformed the interpretation of the resettlement directive. "Once the issue is narrowed to whether or not the forest is an adequate basis for the *economic* lives of the people *the implementation of [resettlement] policy does not have to deal with the problems that come with resettling cultures.*"⁷⁹ [Emphasis added.] The tactics used to reduce the number of tribals affected by the project do not nullify the relevance of part of OMS 2.34, which unequivocally states that

As a general policy, the Bank will not assist development projects that knowingly encroach on traditional territories being used or occupied by tribal people, unless adequate safeguards are provided . . . The project should be designed so as to prevent or mitigate such effects. The Bank will assist projects *only* when satisfied that the Borrower or relevant government agency supports and can implement measures that will effectively safeguard the integrity and well-being of the tribal people.⁸⁰ [Emphasis in the original.]

Judging from the internal project files and from the findings of the Morse Commission report, the design of Narmada dam did not comply with the Bank's guidelines on indigenous peoples, with serious consequences for resettlement. "Continuing confusion about who they [tribals in the Narmada area] are, and persistent

⁷⁸ Review, p. 64.

⁷⁹ Review, op. cit., p. 65.

⁸⁰ OMS 2.34, February 1982, p. 1, cited in Review, op. cit., p. 72.

denials that they represent a distinctive part of the cultures of the submergence area, raises a large question mark over the very possibility of their being successfully resettled and rehabilitated.”⁸¹ Had the demands of not only the resettlement policy but the indigenous peoples directive been observed at the outset, sufficient grounds would have existed to decline funding the project. Rather, it consistently sought ways to circumvent the indigenous peoples policy because the costs to both the Bank and the Indian governments would have been high, both politically and ideologically.

The second case study of the resettlement-indigenous peoples intersection involves the Pilot Program in Brazil.⁸² In the course of identifying, delimiting, demarcating, and registering indigenous lands, Bank social analysts concerned with the fate of these vulnerable groups found themselves confronted by Bank actors whose concern was the application of the resettlement directive.⁸³ To address the removal of non-Indians, they were placed in two categories - “good faith” and “bad faith,” the former defined as those who entered the territory before it was identified for titling, and the latter, who invaded afterwards, or poached illegally.⁸⁴ FUNAI, the Brazilian indigenous affairs bureau, provides compensation for “good faith” invaders only, which within the context of Decree 1775, which allowed for administrative contestation for those evicted

⁸¹ *Review*, op. cit., p. 79.

⁸² Under the Program, Brazil's Amerindian population do not receive titles to the areas they occupy. Rather, the program reconfirms indigenous groups' rights to the land, for which they are granted usufruct privileges in perpetuity.

⁸³ March 3, 1998 interview with Bank staff.

⁸⁴ March 3, 1998 interview with Bank staff.

from indigenous areas, is problematic.⁸⁵ While some within the Bank pressed for strict application of the involuntary resettlement policy, others argued that doing so would generate negative consequences for certain indigenous areas. Those who pressed for strict application of the forced displacement directive overruled those who argued for flexibility, the result of which is that two large indigenous areas - Cachoeira Seca and Reposa Serra do Sol - have been removed from the Pilot Program, due to the Brazilian government's resistance to the Bank's insistence on strictly following the resettlement guidelines.⁸⁶ *The outcome is that these areas have no protection whatsoever from invaders, poachers, and outright physical violence.* An opportunity to provide desperately needed protection to vulnerable groups no longer exists "due to the blanket application of the policy. It [OD 4.30] was never intended to be strictly applied to indigenous areas."⁸⁷

In this case, there is a curious shifting of positions *among* internal reformers - there are those who are the custodians of social impact policies and seek strict compliance, and those who seek flexible policy application that allows for positive outcomes in cases such the one described. In promoting one policy over the other, the result is greater harm for the very groups that the project seeks to assist. It is impossible to understand how an outcome such as the case of the two reserves could occur without taking into account the political context in which NGOs have raised the costs to the Bank of resettlement policy non-compliance. Those concerned with policy backsliding might

⁸⁵ March 3, 1998 interview with Bank staff.

⁸⁶ March 3, 1998 interview with Bank staff.

argue that flexibility in one case could send recalcitrant Bank staff the message that compliance with the policy is not a priority, which is a real possibility and cause for vigilance. However, for those concerned with the *norms* embodied in both social impact directives, it is difficult to argue in favor of strict application of the involuntary resettlement policy when the consequences will be the exposure of indigenous groups to invasions, poaching, and degradation of their lands. In the cases of Reposa Serra do Sol and Cachoeira Seca, “harm” has been done in the name of “doing good.” It is not possible to base firm conclusions on this case without probing further into the internal Bank politics and interests that informed the conflict. The case does, however, raise important questions and issues about potential areas of conflict between the two social impact directives.

V. Operational Directive 4.20 and External Scrutiny

This section will discuss and analyze three Bank-assisted projects in which external NGO critique contributed to greater compliance levels with OD 4.20. The cases include: the 1986 and 1988 loans to the Brazilian power sector which are analyzed together, the 1992 Brazilian Planaflo project, and the 1998 Indigenous and Afro-Ecuadorian Peoples Development Project. It is not coincidental that the overwhelming majority of cases in which greater compliance with OD 4.20 is observed are clustered in the Bank’s LAC region. There are several reasons for this: 1. the region has relatively well-defined indigenous groups and well-organized and active indigenous peoples’ organizations that operate in relatively open political contexts; 2. countries in East and

⁸⁷ March 3, 1998 interview with Bank staff.

Southeast Asia with large numbers of indigenous peoples such as Indonesia, Thailand, Laos, and China provide little political space for independent advocacy of any kind, especially among minority groups, which certain of these states generally do not acknowledge to exist, and; 3. NGO networks are, arguably, better developed in the region, than they are elsewhere.⁸⁸

5.1 *Brazil Power Sector II Loan*

5.11 *The Context - Hydroelectricity and the Amazon*

Brazil continued to be a focus of NGOs throughout the decade of the 1980s, as movements arising in response to dam-related eviction called attention to development-related ecological and soci-cultural loss. The World Bank figured prominently in NGO campaigns as a result of its funding of dams such as Sobradinho, Tucuruí, Balbina.⁸⁹ The latter two dams received especially critical attention as a result of their location in the Amazon, their negative impact on rural producers, indigenous groups and deforestation, and the rise in water-borne illnesses such as malaria. As the MDB campaign developed during the mid- to late-1980s, however, it seized upon the opportunity to lobby the Bank in order to *prevent* the Bank's Board from approving two loans, totaling \$1 billion, to the Brazilian power sector for hydroelectric development. The loan that is the subject of this section is the proposed 1988 Power Sector II loan to Brazil, which must be analyzed within the broader context of the previous 1986 loan to the power sector.

⁸⁸ See Brysk, Alison. "Acting Globally: Indian Rights and International Politics in Latin America," in, Donna Lee Van Cott, editor. Indigenous Peoples and Democracy in Latin America (New York: St. Martin's Press, 1994), pp. 29-51.

⁸⁹ For an account of the Balbina controversy, see Barbara Cummings, Dam the Rivers, Damn the People: Development and Resistance in Amazonian Brazil, (London: Earthscan, 1990), pp. 44-62.

5.12 *Goals of the 1986 Loan*

In 1986, the Executive Directors of the Bank approved the \$500 million Brazilian Power Sector I Loan. In keeping with the government's commitment to advancing structural adjustment within the public sector, the loan served as a “. . . substantial contribution toward reducing the public deficit on a permanent basis by strengthening the financial condition of the power sector.” Based on Brazil's macroeconomic profile during the period, as well as calculations based on the country's energy requirements, the rehabilitation of the power sector

was based on a sectoral plan consisting of a four-year investment program and financial plan prepared over the past two years by the Government and Eletrobras with technical support from Bank staff. The investment program was based on realistic demand projections, and the planned investments would reach only the minimum amounts required to maintain acceptable service reliability levels. Investments in generation were mainly directed toward completing ongoing construction, while investments in transmission and distribution were concentrated in the expansion of existing networks in order to enable the system to utilize the energy to be generated by projects nearing completion.⁹⁰

In short, the loan helped to complete construction on dams such as the Balbina dam, widely recognized as an environmental and social disaster.⁹¹ As outlined in Chapter Four, one of the conditions for securing the loan was the commitment on the part of the Brazilian government to resettle the rural population affected by Itaparica. Moreover, the Bank required the Brazilian government to: 1. submit a yearly, revised rehabilitation plan; 2. not contract to undertake projects costing more than \$200 million until

⁹⁰ July 9, 1986, “Summary of Discussions at the Meeting of the Executive Directors of the Bank and IDA, and the Board of Directors of IFC, June 19, 1986, p. 8, known hereafter as “Board Discussion.”

⁹¹ See Movimento de Apoio a Resistencia Waimiri-Atroari (MAREWA), Balbina Catastrofe e Destruicao na Amazonia, (MAREWA: Manaus, Para, Brazil: 1987).

convincing technical, financial, and economic justifications could be shown for them, and; 3. implement institutional changes necessary in the sector, such as possible privatization.⁹²

5.13 *NGO Opposition*

In a letter dated June 14, 1986, NGOs such as EDF, Environmental Policy Institute, Natural Resources Defense Council, International Work Group on Indigenous Affairs, Survival International, Cultural Survival, National Wildlife Federation, and several others, expressed opposition to the PS I Loan through letters to then-Bank President AW Clausen. Their critique focused on three issues: 1. the weak environmental provisions of the loan; 2. inadequate pricing reform provisions, and; 3. the use of the loan for completion of socially and environmentally harmful dam projects.

In terms of environmental issues, NGOs argued that

[those] provisions of the loan are fatally flawed in that they call for no specific actions -- only for the establishment of an environmental coordinating committee for Eletrobras and for the preparation of plans to strengthen or establish environmental units in the regional electric companies of Eletrobras. . . . [F]ollowing disbursement of the second tranche on December 31st the Bank will have no leverage left in the loan to monitor and ensure implementation of the plans. The weakness and inadequacy of these environmental provisions are especially underscored by the past deficiencies of Eletrobras in implementing resettlement and environmental management components of recently completed projects such as the Sobradinho and Machadinho dams.⁹³

With respect to pricing reform, the NGO letter expressed concern that “government subsidies currently set electric power prices at a level approximately 33% below the long

⁹² “Board Discussion,” op. cit., p. 8.

⁹³ June 14, 1986, NGO letter to Bank President AW Clausen, p. 3.

term marginal cost of the huge investment to be sunk into this sector. Moreover, government subsidization is even greater for large industrial users than for smaller, private consumers.” “ . . . [T]he Bank is pouring still more funds, with little effective control or oversight, into one of the Brazilian economy’s largest and most inefficient sectors . . . ”⁹⁴ Finally, NGOs took exception to the use of the loan money for completion of projects acknowledged by even defenders to be associated with ecological and socio-cultural damage - especially for Amerindian groups affected by the Tucuruí and Balbina dams.

5.14 The Meeting of the Executive Directors on the Power Sector I Loan and US Dissent

On June 19, 1986, the Board met to discuss the PS I loan. Hugh W. Foster, US alternative executive director, opposed approval of the loan, advancing three major concerns: pricing reform in the Brazilian power sector; issues with co-financing, and; environmental problems. With respect to pricing reform, Foster pointed out that Brazil had promised before to undertake needed pricing reforms to increase tariff levels in order to “achieve a rate of remuneration of 10 percent in 1981. The rate was not achieved. In October 1981, a new agreement was reached for increasing real tariffs. It was scrapped too.”

In November 1983, another agreement was reached to increase the rate of remuneration by 1 percentage point a year until 10% was reached in 1989. That agreement has been scrapped as well. We are now asked to accept this year’s agreement whereby the 10% target is to be reached in 1990 . . . [n]ot only is the target date again pushed back, but no tariff increase is required before the loan is fully disbursed. if this record teaches me

⁹⁴ Ibid., p1, p. 2.

anything, Mr. Chairman, it is that if I ever need a good negotiator, I'd better hire a Brazilian.⁹⁵

In addition to the reluctance of the Brazilian government to implement tariff reforms, the provisions made for co-financing of the loan were problematic. The government's solution to the lack of commercial bank co-financing that was unavailable at the time of the Board vote involved "increased reliance on an already strained central government budget that [left] the size and timing of the whole investment financing program unclear."⁹⁶

Perhaps the strongest and most extensive criticism on the part of the US alternate Executive Director related to the resettlement and environmental aspects of the loan, many of which reflected NGOs' critique, which they directed at the US Senate, US House of Representatives, and the US Treasury, which instructed the US ED to oppose the loan.⁹⁷ The ED's statement is worth quoting at length:

. . . [t]his loan is extremely inconsistent with the desirable and established Bank policies on environment and resettlement.

. . . The only basis on which the Bank should have anything to do with the financing of this investment is if closure were delayed by at least the two to four years that would be required to carry out a proper resettlement of [the Itaparica resettlers].

. . . One would hope at least that planning for the Indian protection aspects of projects in [Rondonia] would have benefited from the Bank's tribal

⁹⁵ June 19, 1986, Statement by Hugh W. Foster, US Alternate Executive Director to the Board of Executive Directors. "Brazil: Electric Power Sector Loan," p. 2.

⁹⁶ *Ibid.*, p. 3.

⁹⁷ See letter from Senator Robert W. Kasten, Jr., to James A. Baker, Secretary of the Treasury, June 17, 1986; letter from Secretary Baker to Robert W. Kasten, July 3, 1986, and; letter from David R. Obey, Chairman, Appropriations Subcommittee on Foreign Operations, US Senate, to James A. Baker, Secretary of the Treasury, June 17, 1986. These letters are all available as part of an Information Packet on the Brazilian Power Sector Loan, available through EDF, Washington, DC.

people's policy and from the unfortunate experience in the POLONOROESTE Project.

We find instead a proposal which includes financing of the Gi-Parana Dam in Rondonia where there has been virtually no planning to address the needs of the Amerindian population or the need for protection of the environment in the immediate area of the dam. Furthermore, the dam will flood a portion of an Indian reserve which previous Bank financing helped establish. This is pure folly.

. . . [The loan] includes expenditures to mitigate the effects of the infamous Tucuruí Dam, which the Bank considered, then declined to finance originally because of the adverse environmental consequences. . . .

However, the plans do not include any revisions to assist the Indians that were displaced by the dam and have now been cast out to fend for themselves, even though one of the direct consequences of dam construction has been the spread of fatal diseases in the Indian population.

To add another folly: the investment program includes financing for . . . "the notorious Balbina Dam." Here, we shall finance a dam that will flood 1,600 square kilometers of tropical forest -- nearly the same area as Tucuruí -- in order to generate a small fraction of the power that Tucuruí will provide . . .

To try to excuse this series of totally unacceptable investments, the proposal includes a Master Plan for environmental assessment for future investments in the power sector. This is a useful step, but how much confidence can we have that it will be carried out conscientiously when the same institutions will be implementing a series of environmental disasters at the very same time?

The time to begin insisting on environmentally sound projects in the Brazilian power sector is now. This project should be rejected in order to thoroughly reassess the investment program and to eliminate those investments that are consistent neither with a sound approach to environmental management *nor with established Bank policies.* [Emphasis added.]⁹⁸

⁹⁸ Ibid., pp. 3 - 4.

Supporters of the loan countered with the argument that the Bank had the opportunity to influence the power sector through the loan, especially since one of its conditions was that the Brazilian government submit and implement an Environmental Master Plan for the power sector, “which establishe[d] criteria and goals for improving the environmental and social impact assessment and mitigation capacity of Eletrobras and the Brazilian regional power companies.”⁹⁹ The Bank required agreement to the development of such a plan for loan approval, which the Brazilian government gave. These assurances, in addition to those offered to undertake extensive pricing reform, secured the approval of the Board for the loan. The opposition of Foster, however, is significant, and was the first time that a Board member voted against a loan for environmental reasons.¹⁰⁰ NGOs continued their efforts to pressure the Bank to not disburse the second tranche of the loan, or to provide further funds to the Brazilian power sector until it resolved outstanding environmental and resettlement problems.¹⁰¹ The Bank went ahead and disbursed the remainder of the PS I loan, and began work on the PS II loan.

5.15 Power Sector II Loan to Brazil - The Project

⁹⁹ January 11, 1988, Memorandum, “Environmental and Social Concerns Related to the World Bank Brazil Power Sector II Loan,” Steve Schwartzman, anthropologist, Environmental Defense Fund, Washington DC, p. 1. While Bank involvement in the 1986 PS I loan was critical in pressuring the Brazilian government to resettle the population at Itaparica, its involvement does not always lead to greater safeguards for project-affected populations. It is only when the institution follows through on its policies that a positive difference is made.

¹⁰⁰ See Robert Wade, “Greening the Bank: The Struggle over the Environment, 1970-1995,” in Devesh Kapur, John P. Lewis, and Richard Webb, editors, op. cit., p. 670.

¹⁰¹ December 10, 1986, letter from Environmental Defense Fund to Barber B. Conable, President, World Bank, p. 2.

Environmental and indigenous groups accumulated evidence that Brazil's power companies failed to comply with the requirements set out in the Environmental Master Plan while preparation for the Power Sector II loan for \$500 million was underway. For example, the infamous Balbina dam became the object of further criticism because of the problems with resettlement of the indigenous populations, which did not receive compensation.

Two proposed dams (Kararao and Babaquara) located in the Amazon basin, and the construction of which would have been supported by the PS II loan, became the focus of NGO pressure.¹⁰² Located on the Xingu river in Para, the two dams (known collectively as the Altamira Complex) would have become the largest man-made lake in the world, flooding between 4,735 and 7,365 square kilometers of uninventoried primary tropical forest, and generating about 17,000 MW of power.¹⁰³ The scale of human impact would have included nine indigenous areas, the town of Altamira (part of which would have been flooded), and the region.

5.16 *The Critique*

In addition to the irreversible consequences associated with flooding primary tropical forest and affecting indigenous groups living in the area, environmental NGOs¹⁰⁴ argued that alternatives had not been considered and that the environmental and social

¹⁰² The projects were in the feasibility stage in early 1988, though informed observers, such as the leading and respected Brazilian newspaper, *Folha de Sao Paulo*, cited statements by the president of Eletronorte that the dams would be built. Moreover, "[s]ome Eletronorte sources show Kararao scheduled to start operation in 1998, and Babaquara to start operation in 2001." Schwartzman memorandum, p. 4.

¹⁰³ *Ibid.*, p. 4.

aspects of the project had not been adequately considered. For example, planning for the project proceeded without either the legally mandated environmental impact evaluation or the state environmental agency-issued authorization. NGOs such as EDF also called attention to the issue of energy generation and transmission:

If it is to go to the southern industrial centers, as Eletronorte claims, transmission costs will be high, and as the *Folha* points out, the transmission and maintenance problems familiar from Itaipu will be multiplied. If the energy is to go to aluminum and other high-energy consuming mineral refining works in the Carajas region, many citizens suspect that the public will continue to pay, through public debt service and residential energy bills, for highly subsidized energy prices to industry, as has been the case for the energy generated by Tucuruí.¹⁰⁵

Ultimately, EDF, which presented its concerns to Bank staff in March 1988, called for: the postponement of a Board decision on the loan until the Bank sent a mission to the Altamira area and ascertained the outcome of the investigation of FUNAI; and provision of low or no-interest loans to the power sector for social and environmental institution building.¹⁰⁶ In addition, German church groups and NGOs pressured the Bank and submitted faxes and letters raising critical questions about the loan.

Prominent scientists such as Daryl Posey, the ethnobotanist, became involved, facilitating meetings between the Kayapo indigenous group and the several Bank EDs. In addition, Kayapo staged a massive demonstration at Altamira in late 1988 that drew thousands of other affected indigenous peoples, journalists, environmental, and

¹⁰⁴ Opposition to the Amazon basin dams grew and quickly became international in scope. European and North Atlantic NGOs, indigenous rights organizations, the Brazilian Anthropological Association, and the singer, Sting, all criticized the project.

¹⁰⁵ *Ibid.*, p. 4.

¹⁰⁶ *Ibid.*, p. 8. During early 1988, FUNAI was under investigations for misappropriation of funds and other charges.

indigenous rights NGOs. These demonstrations were effective in terms of creating a unified opposition movement to the loan, with indigenous rights and environmental groups making common cause. The Kayapo, who skilfully mobilized their identity and developed a sophisticated media strategy to gain support for their struggle, used the meetings effectively, and provided international media with dramatic photographs and images of indigenous peoples dressed in their warrior attire and publicly defending their identity, human rights, and land rights.

5.17 Internal Bank Dynamics - Before External Opposition

As in nearly all cases presented in this study, critiques made by pressure groups were not new, but already existed within the Bank. Internally, certain actors viewed the loans to the power sector as an opportunity to assist Brazil in addressing macroeconomic instability. The “success” of PS I encouraged support for the second loan, despite the fact that Brazil was developing a nuclear sector program with high-profile, problematic projects such as Angra dos Reis.¹⁰⁷ Internal Bank critics did not share the positive view of operations staff, and argued that the loan did not accomplish the goals of correcting outstanding resettlement problems from past projects and lobbied against the second loan. Ultimately, however, the regional vice-president of the Latin America and Caribbean overruled the objections of pro-reformers, arguing that Brazil’s balance of payments problems made the loan necessary.¹⁰⁸ The loan moved to Board approval. However, the

¹⁰⁷ October 1995 interview with Bank staff.

¹⁰⁸ October 1995 interview with Bank staff.

intense external scrutiny led the Board to request and hold several seminars on the loan, with Bank staff and NGOs making presentations about it.¹⁰⁹

The external pressure no doubt crystallized and amplified the internal dissent to the loan, which, in addition to the social and environmental issues, also included a critique of the Brazilian power sector's nuclear program, particularly the Angra dos Reis II project.¹¹⁰

In late 1988 the Power Sector II loan was removed from Board consideration. The official reason given for the decision was that Brazil was unable to implement pricing reforms and would not remove the Angra dos Reis project from the proposal. This explanation, however, is somewhat unsatisfying. The problems with pricing reform and tariff structure had been apparent for years, even *before* the Power Sector I loan was approved, but this did not prevent staff from pushing the loan to the Board for approval, nor did it lead to a Board veto of the loan. The nuclear issue was, according to several Bank sources, a critical issue in terms of the Bank's final decision to not vote on the loan. However, it is not possible to understand the Bank's actions without taking into account the impact of external protest. What is important for the overall argument of this dissertation is the fact that external protest intensified and heightened the relevance and power of internal critiques, which previously had been dismissed.

5.18 *The Compliance Question*

¹⁰⁹ October 1995 interview with Bank staff.

¹¹⁰ Fires and financing issues related to sunk costs made the project problematic, in addition to the fact the Bank generally refuses to fund any projects involving nuclear power. The Angra dos Reis project would have received support from the PS II loan. The Brazilian government refused to remove the project from the loan proposal.

What does the case of the PS II loan reveal about the dynamics of social impact policy compliance? During the height of the conflict, both the resettlement and indigenous peoples directives existed, though the environmental assessment policy was in the development stage. Based on the content of the directives during that period, it could be argued that the Bank should not have even considered the loan. The fact that it did not is ultimately, an example of institutional compliance. The role that external protest played however, indicates that the fundamental incompatibility between Bank policies and the projects that would be supported by the loan was insufficient on its own to defeat internal support for it. While it is impossible to determine whether or not the Bank would have declined to fund the loan had external protest not been so strong, it is possible to draw insights from previous patterns of behavior that are suggestive of an answer, however tentative. *The Bank's Board has never rejected a project presented to it for approval.* If such a track record is in any way a reliable predictor of behavior, then it is possible and perhaps probable that the Bank would have supported the loan, had the Board been asked to vote on it. The argument can be advanced that NGOs' protest was clearly a factor in the Bank's decision to not vote on the loan, either because of the actual critique made on social and environmental impact grounds, or *because their protest heightened the profile of other problematic aspects of the loan*, such as pricing reform and inclusion of nuclear power projects. In other words, it is possible that the loan was suspended because of the indirect impact of NGO pressure.

5.2 *Planafloro*¹¹¹

Because the Rondonia Natural Resources Management Project was designed in part to ameliorate environmental and social impact problems that resulted from the Bank's involvement in Polonoroeste, it immediately became the object of external scrutiny, input, and critique, as groups in Brazil and abroad sought to ensure greater accountability by the Bank as well as the Brazilian government. Signed by the government of Brazil and the World Bank on March 17, 1992, with disbursements begun in January 1993, the aim of the project involved the development of an environmentally-sensitive zoning plan to rationalize and regulate development activities in the state of Rondonia. *Planafloro* was

based on the introduction of agro-ecological/socio-economic zoning, which distinguishes areas capable of sustainable development from those: (a) which are without known, long-term agricultural potential; or (b) which have special ecological or social significance and, therefore, need to be protected.¹¹²

In other words, agriculture should occur only where the soils support that activity, and should otherwise be limited in order to protect the forests, while also protecting those dependent on the natural habitat for their livelihood, such as rubber tappers and indigenous groups. The objectives involved include: forest management, protection of

¹¹¹ The following narrative draws heavily from Margaret Keck, "Planafloro in Rondonia: The Limits of Leverage," in Jonathan Fox and L. David Brown, editors, *The Struggle for Accountability*, op. cit. For an additional analysis of the rubber tappers' movement, see Melone, Michelle A. "The Struggle of the *Seringueiros*: Environmental Action in the Amazon," in Friedmann, John and Haripriya Rangan, Editors, *In Defense of Livelihood: Comparative Studies on Environmental Action*, (West Hartford: Kumarian Press, 1993), pp. 106-126.

¹¹² Country Department I, Latin America and the Caribbean Region, World Bank. "Brazil Rondonia Natural Resources Management Project (Loan 3444-BR) Report on the Status of Implementation," December 15, 1995, p. 2. This report will be known hereafter as "Rondonia Implementation Report."

ecological reserves and indigenous territories, oversight of timber extraction, and the strengthening of social infrastructure in the area, with a particular concern for the well-being and productivity of small agricultural producers.¹¹³ Moreover, economic development resulting from these activities is hoped to increase incomes and alleviate poverty in order to retain the population and to “reduce incentives for continued expansion of the cultivated area through deforestation.”¹¹⁴

The Bank, which publicly acknowledged that Polonoroeste was a socially and environmentally disastrous project, sought to promote Planaflo as evidence that the Bank was an institution that learned from its mistakes.¹¹⁵ Supporting the assertion was the fact that Planaflo’s design differed significantly from Polonoroeste’s in that whereas the latter’s focus was on providing structure and order to development in Rondonia in order to influence events there, Planaflo’s design “is to restrict further agricultural development.” Bank staff also argued that in the absence of Planaflo, conditions in Rondonia would worsen, which is ironically, a justification advanced by the Bank for its participation in Polonoroeste.¹¹⁶ Moreover, Planaflo has been promoted by the Bank as a project that takes seriously the issues of partnership and participation. “The design of PLANAFLO recognizes that partnership with, and participation by, the private sector, NGOs and beneficiaries promotes accountability and responsiveness, and

¹¹³ Keck, *op. cit.*, p. 3

¹¹⁴ “Rondonia Implementation,” *op. cit.*, p. 2.

¹¹⁵ For an in-depth treatment of the Polonoroeste case, see Maria Guadalupe Moog Rodrigues, “The World Bank’s Impact on the Environment: The Precedent Setting Case of Polonoroeste,” masters thesis, MIT Department of Political Science, June 1991. Moog Rodrigues examines the impact of external pressure on the Bank’s internal politics.

greatly enhances the chances of success.”¹¹⁷ Many of the Bank’s claims are challenged by the documentary record.

The argument advanced in this section is that Bank compliance with its social impact policies was low, and the extent to which compliance did occur depended in large measure on the lobbying of NGOs. Beyond the specifics of the actual project, what NGOs in Brazil sought in the Planaflo case was participation in the shape and implementation of the project. While the Forum, which emerged as the main interlocutor with the Bank, did not gain all the project-related objectives, or even, as Keck points out, a decisive role in implementation, it did gain an important voice in the process, which actors in Rondonia did not have before. While the primary policy focus is on the Bank’s fulfillment of the requirements of OD 4.20, it is necessary to place the issue in the broader context of the NGO campaign.

*5.21 The Early Campaign to Influence the Bank*¹¹⁸

In 1989 when the project was to be presented to the Board, North Atlantic environmental NGOs argued that local groups that would be affected by Planaflo had not been sufficiently consulted, which, in conjunction with Brazilian doubts about the plan’s financial aspects, led to the removal of the project from the docket.¹¹⁹ The external

¹¹⁶ Keck, *op. cit.*, p. 19.

¹¹⁷ *Ibid.*, p. 2.

¹¹⁸ For a case study of the environmental protection issue network (EPIN) that sought to influence the Planaflo project, see chapter 6, “Planaflo: The Institutionalization of Environmental Mobilization,” pp. 84 - 103, in Maria Guadalupe Moog Rodrigues, “Environmental Protection Issue Networks and the Prospects for Sustainable Development,” doctoral dissertation, Boston University Department of Political Science, 1996.

¹¹⁹ Keck, *op. cit.*, p. 8.

pressure brought to bear on the Bank was facilitated by foreign NGOs, which discovered that Rondonian actors knew little about Planaflo, leading to efforts to educate and organize relevant groups, including rubber tappers, who, under the charismatic leadership of Chico Mendes in Acre, and the rural branch of the CUT, became the focus of international attention, lending support to the struggle taking place in Rondonia.¹²⁰ The weakness of Rondonia-based organizing efforts is illustrated by the fact that when the 1990 Planaflo meetings occurred, the rubber tappers still had not formed a statewide organization to represent their interests, nor were the majority of Brazilian NGOs monitoring Planaflo based within Rondonia.¹²¹ By November 1991, some of these collective action problems had been mitigated sufficiently to allow the establishment of the Rondonian NGO Forum, which was designed to provide local groups with more input into development decisionmaking in the state.

The creation of the Forum was an important event in the Planaflo campaign, as it became the primary interlocutor between the Bank and grassroots groups, as well as between relevant Brazilian governmental agencies and grassroots groups. The ultimate goal of the Forum was to improve implementation of Planaflo.

. . . [r]ecognizing that their ability to influence policy in the state depended on their ability to influence the World Bank, for which there had to be a project, local groups withdrew their opposition to the Planaflo, which returned to the Bank's agenda. Pressured by the Bank to involve local organizations in Planaflo project planning, the state government agreed to set up a deliberative council on which NGOs and movements would

¹²⁰ Ibid., p. 9.

¹²¹ See Keck, *op. cit.*, pp. 9 - 13 for an in-depth account of the various NGO actives connected with Planaflo.

have parity of seats with representatives from the state government organs charged with carrying out the project.¹²²

The mere existence of the council, however, was insufficient to guarantee that the views of the Forum and local populations would be taken into account in terms of actual project impact. As a result, the campaign pursued a court strategy to halt the land settlements until they were brought into line with project agreements that contained stipulations about zoning and establishment of settlements in areas reserved for extractivism.¹²³

On June 15, 1994, three days before a Brazilian federal court ruling expressed agreement with its analysis of Planafloro's implementation, the Forum sent a letter to the Bank's president and Board seeking suspension of the project. In August, 1994, a Bank mission went to Rondonia and brokered a new agreement between the state and the Forum, with the government committing to provide more project information, and the Forum agreeing to withdraw its suspension request.¹²⁴ Not surprisingly, the Rondonia project authorities did not honor their agreement and non-compliance with state, federal, and Bank policies continued, setting the stage for the Forum to approach the Inspection Panel with a request.

5.22 Information Politics

The Forum and its US NGO allies used information gathered through research on project implementation to influence the Bank to provide more monitoring and oversight. Rainforest Action, Environmental Defense Fund and International Rivers Network wrote

¹²² Ibid., p. 14.

¹²³ Ibid., p. 15.

¹²⁴ Ibid., p. 16.

to then Bank president, Lewis Preston, on August 9, 1994, following up on the previous Forum letter. The acting vice-president of the LAC region responded to these NGOs on August 25, 1994 with a letter detailing the agreements its mission brokered between the State Government of Rondonia and the Forum, the core of which “were . . . a series of time-bound actions designed to improve project implementation by fostering effective beneficiary participation and transparency as the basis for better project management and coordination of state policies.”¹²⁵

Specifically, the Bank applied its influence to pressing the Brazilian land zoning, titling, and allocation authority, INCRA (National Institute for Colonization and Land Reform), to comply with agro-ecological zoning laws related to settlement in project areas. At issue was the fact that thousands of families had already settled in the area before the zoning law passed and sustainability could be determined. The Bank pressed for and obtained an agreement between the Forum and the State Government for the latter to press INCRA to adhere “to the zoning law, and to carry out detailed studies in priority areas of [certain zones] which already had settlers established prior to the zoning law.”¹²⁶

5.23 Planaflo, the World Bank, and Operational Directive 4.20

The Bank’s Staff Appraisal Report for Planaflo outlines the elements of the indigenous component:

- a) the demarcation of five indigenous reserves with a total area of 500,000 hectares; b) renewal of sections of the boundaries of another twelve

¹²⁵ August 25, 1994, letter from Yoshiaki Abe, Acting Vice President, Latin America and the Caribbean Region, World Bank, to Steve Schwartzman, Bruce Rich, and Owen Lammers, representing Environmental Defense Fund, Rainforest Action, and International Rivers Network, respectively.

¹²⁶ *Ibid.*, p. 2.

reserves; c) identification of isolated indigenous groups and the possible demarcation of fourteen more indigenous areas; d) improvements in health programs serving indigenous populations, including use of mobile health teams . . . ; e) improvements of the Forest Police; and f) creation of a joint FUNAI-Government of Rondonia team to improve monitoring of problems in indigenous communities.

The Brazilian Government's obligations under the Planaflores loan to affected indigenous groups include:

a) registration with the "Property Department of the Union" . . . of the Pacaas Novos, Roosevelt, Tubarco Latundj and Uru-eu-wau-wau Amerindian reserves, as well as registration of these reserves with local land registries in Rondonia, and b) the transfer, assignment or allocation, by December 31, 1992, of health staff necessary for the efficient carrying out of health care of the Indigenous Population . . . ¹²⁷

At a more general level, important aspects of the project relating to indigenous groups are not listed in the loan agreements, though the OD requires this. Project elements that are part of these legal documents are binding for the borrower. Their non-inclusion is difficult to understand as a mere oversight, given the Polonoeste debacle and the NGO attention to Planaflores. Bank non-compliance with the OD revealed itself in an indigenous peoples' development plan not elaborated as required by the OD, and became apparent in the omission in the original project specifications of elements central to such a plan, such as: linguistic and cultural preservation, social services infrastructure, and economic alternatives.¹²⁸ Moreover, it is not clear that the Bank fulfilled the directive in terms of guaranteeing direct consultation with affected indigenous groups in a way that

¹²⁷ See June 21, 1995, "Planaflores/Inspection Panel - 3 of 3," written by Friends of the Earth Amazonia and posted on the IGC news conference rainfor.worldbank, section VI: "Support to Indigenous Communities." The posting is part of the claim filed with the Inspection Panel.

¹²⁸ *Ibid.*, Section 6.2, Paragraph 1.

ensured their “informed participation.”¹²⁹ One Bank staff stated that participation of indigenous groups is uneven and more work with such groups is needed.¹³⁰ Finally, there is a potential resource allocation issue in that the indigenous peoples sub-component of the Planafloro project was US \$3.9 million, which is a mere 1.7% of the total project budget - certainly insufficient to either address local indigenous groups’ demands for economic and health projects, or to finance a health component or demarcation.¹³¹

Plans for the development and funding of sub-components for indigenous community projects in economic alternatives and education were also problematic. In the case of the former, either government technicians developed projects without community participation, or projects that were analyzed emerged from villages affected by the commercialization of timber, with negative consequences for other communities.¹³² In violation of the agreement signed between the Forum and the State of Rondonia, projects involving economic alternatives bypassed the indigenous sectoral planning commission and went directly to the Bank to be analyzed, although funds did not accompany this stage of the process.¹³³

In addition, in the first year of project implementation, the government failed to demarcate several high priority reserves (Rio Mequens, Karipuna, Rio Guapori, Sagarana, and Massaco), and to promptly hire staff to implement the indigenous health

¹²⁹ Ibid., Section 6.2, Paragraph 1..

¹³⁰ October 1997 interview with Bank staff.

¹³¹ “Planafloro/Inspection Panel,” op. cit., Section 6.2, Paragraph 3.

¹³² Ibid., Section 6.2, Paragraph 5.

¹³³ Ibid., Section 6.2, Paragraph 5.

component.¹³⁴ In August 1995, for example, “provision of only intermittent health services and many cases of malaria (35 in one month) were reported in one indigenous peoples reserve visited by the Panel. Others interviewed reported that statewide infant mortality due to malaria is unacceptably high.”¹³⁵ In 1995, three disease-related death among the Uru-eu-wau-wau occurred.¹³⁶ Moreover, the state failed to address land tenure difficulties with the Uru-eu-wau-wau community. While the responsibility for demarcation of territories and resolution of land tenure issues is a governmental responsibility, the Bank and the state signed agreements designed to protect indigenous areas in keeping with OD 4.20. The Inspection Panel, in its response to Bank Management’s request for additional information to substantiate allegations of harm made in the claim filed by Friends of the Earth-Amazonia and the Forum, highlighted the plight of the Uru-eu-wau-wau:

. . . the total area [of Uru-eu-wau-wau land] cleared based on 1992 satellite data was 27.22 square kilometers and this area increased to 153.93 square kilometers by 1995, according to the analysis performed by Institute for the Study of Earth, Oceans and Space of the University of New Hampshire. Therefore, the deforestation that took place in the Uru-eu-wau-wau Reserve between 1992-95 was a 126.71 square kilometers, equivalent to 12,671 hectares.¹³⁷

Finally, illegal logging in indigenous areas has escalated into confrontation. [Amerindians] face constant threats to their lives by loggers or the armed groups they hire to protect their illegal deforestation operations. since many reserves were not legally declared or physically demarcated, the

¹³⁴ Ibid., Section 8, a - d.

¹³⁵ Inspection Panel, “Brazil: Rondonia Natural Resources management Project (Loan 3444-BR) Report on Additional Review,” December 8, 1995, p. 12.

¹³⁶ “Planaflo/Inspection Request,” op. cit., Section 8, Paragraph 6.4.

¹³⁷ December 12, 1995, “Inspection Panel: Request for Inspection - Brazil: Rondonia Natural Resources Management Project (Loan 3444-BR) Report on Additional Review,” p. 10.

Forest Police have been, at best, reluctant to intervene: . . . indigenous people must deal with such threats themselves.

Another example, relating to isolated tribes is provided in the Aide-Memoire of the October, 1995 Bank's mission to Rondonia. A contact group for isolated indigenous people, along with some members of the isolated groups, were chased away by armed loggers.¹³⁸

Despite these serious threats to indigenous groups, the Panel filed its Additional Review in December 1995, concluding that the structure of the indigenous peoples' component "appears to have complied with much of Operational Manual Statement ("OMS") 2.34 except for the central problem that no forum was created for direct participation of Amerindians in the project planning, design and implementation."¹³⁹ The conclusion seems to place responsibility on the borrower, and not on the Bank. A more comprehensive analysis of the Bank's handling of the Amerindian component of the project benefits from looking at it in the context of the lessons learned from Polonoeste. OED's study of that project had relevance for Planaflo:

Management failed to take adequately into account the well known coordination problems among key agencies in Rondonia (FUNAI, ITERON, INCRA and SEDAM), despite OED's explicit warning that no single agency was able to carry the institutional burden of programming to the Amerindian populations.¹⁴⁰

By all accounts, the Brazilian agencies named did not improve or increase their capacity substantially during the implementation of Planaflo. Bank supervision and monitoring

¹³⁸ Ibid., p. 12.

¹³⁹ It is unclear why the Panel used OMS 2.34 as the standard by which to evaluate compliance, when the Planaflo loan was signed after OD 4.20 became effective.

take on increased importance in such a context, as they have direct bearing on the extent and quality of implementation of the Amerindian component. Despite the Panel's conclusion that the Bank was mostly in compliance with the indigenous peoples directive, it acknowledges that "[d]espite design failures Management should have identified implementation problems and moved expeditiously to solve them - through adequate supervision and monitoring. Failure to enforce loan obligations in violation of policies and procedures has undoubtedly contributed to the above-noted material damage."¹⁴¹

5.24 *The Results of External Pressure*

One feature of the Planaflo case that stands out addresses on the hypotheses presented in Chapter 2 - that internal learning leads to institutional change in the form of greater compliance. Exploring Planaflo in the context of the Bank's experience with Polonoeste allows this hypothesis to be tested. Confirmation that internal learning occurred would be illustrated by application of lessons internalized from Polonoeste into the Bank's handling of Planaflo. Since the Brazilian agencies' approach to development in Rondonia did not seem to change appreciably between Polonoeste and Planaflo, it seems logical to expect the Bank to adopt a different posture toward the latter project in terms of its handling of the Amerindian subcomponent, monitoring and supervision,¹⁴² and enforcement of borrower compliance with Bank loan agreements and

¹⁴⁰ Ibid., p. 17.

¹⁴¹ Ibid., p. 19.

¹⁴² It is worth pointing out that the original design for project monitoring involved the Independent Evaluation Committee, composed of the borrower, NGOs and the Bank. This group submitted only a draft of a report that it was supposed to submit annually. This draft was submitted six months late, and no other report has been submitted since. Project monitoring and evaluation was contracted to a consulting firm.

covenants. The Brazilian government complied with Bank requirements in Polonoroeste after the Bank suspended loan disbursements in 1985 for environmental reasons. The documentary record, however, does *not* provide confirmation of the internal learning hypothesis, but tends to confirm the hypothesis that accords a decisive role to the influence of external pressure accompanied by internal lobbying:

History repeats itself in Rondonia's treatment of the indigenous people. In the POLONOROESTE program, major problems were addressed only after major external protests and the completion of the mid-term review in early 1985. Some progress was made on the Amerindian component of POLONOROESTE *after* the Bank finally suspended disbursements in March 1985 - the first time ever on environmental and social grounds. Funding was resumed in August 1985 after federal authorities moved to protect several vulnerable Amerindian areas and agreement was reached on an agenda for redirecting the program.

OED recommended early use of this remedy to ensure compliance in any future project of this type in Rondonia. *The records examined by the Panel show that suspension of disbursements was never considered for PLANAFLORO until after the Request for Inspection was filed with the Panel.*¹⁴³ [Emphasis added.]

As in many of the cases documented in this study, although external pressure tends to improve the extent and quality of Bank compliance with its ODs, the level still remains partial. NGO protest was a factor in increasing the Bank's compliance with OD 4.20 along the following dimensions: some progress in the demarcation of indigenous reserves, and; the development of health posts to service indigenous groups. Perhaps the most noteworthy accomplishments of NGO pressure was the establishment as state law of the Rondonia Zoning Plan.¹⁴⁴ NGO critique has had little influence on critical project

¹⁴³ Ibid., p. 20.

¹⁴⁴ Moog Rodrigues, 1996, op. cit., p. 101.

elements such as in improving juridically flawed rulings that provide for extractive reserves and conservation units, and training field personnel to carry out surveillance missions.¹⁴⁵

The NGO strategy pursued in the Planafloro campaign occurred at four levels: 1. addressing government agencies in Brazil to honor loan agreements; 2. challenging these agencies through the Brazilian court system; 3. pressuring the Bank through letters to and meetings with Executive Directors and Bank staff; 4. filing a claim with the Inspection Panel (see Chapter Seven). Strategies three and four were both an end in themselves as well as means to an end, in terms of pressuring the Brazilian government. This is no way undervalues the impact of external scrutiny, but rather, identifies the limits of its effectiveness given the institutional context of the Bank. It also suggests that NGO pressure is in some ways correlated to borrower capacity for project implementation. In the Planafloro case, Bank and field-based reports consistently highlight the lack of capacity by Rondonian agencies to execute the project. This raises the question of Bank response to NGO protest. It is clear that Planafloro developed to respond to the failures of Polonoroeste, which gained attention in the presence of NGO critique. Is it the case that the pressure to address past failures resulted in a reactive response in the form of Planafloro, the theory of which elicited support, but the implementation of which *was virtually doomed from the outset because of the lack of institutional capacity in Rondonia*? If there is any validity to the question, what other alternatives did the Bank have?

¹⁴⁵ Ibid., p. 101.

5.25 Indigenous and Afro-Ecuadorian Peoples Development Project - the Context

The Bank's Board approved the \$25 million Indigenous and Afro-Ecuadorian Peoples Development Project in late January 1998. The project's development objectives are to:

Improve the quality of life of poor rural indigenous and afro-ecuadorian communities by providing improved access to land resources and financing for investment subprojects, which are planned and in most cases implemented by local membership organizations and communities in accordance with existing cultural values, vision of development and capacity for self-management.¹⁴⁶

It is not possible to understand the development and approval of a project with the high degree of popular participation and input without taking into account the two cycles of indigenous peoples-led protest that occurred in Ecuador between 1990 and 1994, especially the latter one.¹⁴⁷ These two uprisings took place in direct response to President Sixto Duran Ballen's structural adjustment initiatives, which sought to continue and expand the reforms of the 1980s. The more recent effort

called for greater reliance on markets and private enterprise and for less reliance on the "entrepreneurial role of the state." The government pledged to embark on a rigorous process to privatize public enterprises, cut the size and functions of state agencies, reform financial system, open markets, reduce tariffs and abolish nearly all non-tariff barriers to imports and exports.¹⁴⁸

¹⁴⁶ World Bank, Project Appraisal Document on a Proposed Loan in the Amount of a US\$25.0 Million to the Republic of Ecuador for an Indigenous and Afro-Ecuadorian Peoples Development Project, (Environmentally and Social Sustainable Development Sector Management Unit, Colombia, Ecuador and Venezuela Country Management Unit, Latin America and the Caribbean Region, December 15, 1997), p. 2.

¹⁴⁷ This section draws heavily from Kay Treakle, "Ecuador: Structural Adjustment and Indigenous and Environmental Resistance," in Jonathan Fox and L. David Brown, editors, op. cit., chapter 13. In addition, I would like to thank Kay Treakle for taking the time to discuss this case with me personally.

¹⁴⁸ Ibid., p. 6.

The Inter-American Development Bank (IDB) and the World Bank provided critical support for the structural reforms, which were to materialize through a Bank-assisted technical assistance loan for public enterprise reform, part of which would have supported privatizing the state's oil company, and an IDB -supported agriculture sector reform loan, which would have privatized water rights and increased the amount of agricultural lands in private hands.¹⁴⁹ Possible loan-related impacts on indigenous groups included: increasing oil development in the Amazon, where many such communities live, the worsening of land conflicts in rural agricultural regions, and impoverishment due to the privileging of agro-business over small producers, many of which are indigenous peoples.

Though two loans generated substantial indigenous peoples' and NGO mobilization,¹⁵⁰ the 1998 project is best understood within the context of the 1994 Law of Agricultural Development, which aimed to

. . . liberalize the land market by making public, collectively owned land - - much of it held by usufruct rights rather than title by indigenous communities - - available to private owners. It would have effectively broken up the traditional land management system of the indigenous communities, and reversed the existing agrarian reform program to redistribute land to landless peasants.¹⁵¹

It was within this context that indigenous groups, led by the Confederation of Indigenous Nationalities of Ecuador (CONAIE), (which represents about 70% of

¹⁴⁹ Ibid., p. 7.

¹⁵⁰ NGOs such as BIC, which was contacted by groups in Ecuador, made inquiries at the IDB and the World Bank about the loans, and organized meetings between the Bank's officials and grassroots and NGOs groups based in Ecuador. BIC in particular, played a critical role in linking southern groups with MDBs.

¹⁵¹ Ibid., p. 22.

Ecuador's indigenous population and 40% of the country's overall population)¹⁵² declared the law unconstitutional and for two weeks, beginning on June 14, 1994, protested publicly against the law. Their non-violent protest became known as the Mobilization for Life. In early July, after government building occupations, highway blockades, and violent clashes between protesters and government forces, the Duran Ballen government negotiated with CONAIE, agribusiness leaders, and the Catholic Church to revise the law, leading to the reinstatement of several protections that favored indigenous groups.¹⁵³

In spring, 1995 Felipe Duchicela, the (now former) Secretary of Indigenous and Ethnic Affairs, and Washington, DC-based MDBs met to discuss support for a government-initiated indigenous peoples' development program.¹⁵⁴

Since then, the Bank has been working to develop a plan for "Integrated Development for Indigenous and Black People", in response to demands expressed by indigenous peoples to strengthen their organizations, to deal with land issues, and to provide training. The initial "plan" is being developed using a consultative approach with indigenous organizations, NGOs and government agencies. In fact CONAIE, which had the previous year been referred to as "communistic" and accused by Bank staff of trying to overthrow the government, has been asked by the Bank to participate in designing the proposal. In September 1995, CONAIE and several other indigenous organizations sent a letter to the World Bank agreeing to participate in the program.¹⁵⁵

The project resulted from these negotiations.

5.26 Inside the Bank

¹⁵² Ibid., p. 5.

¹⁵³ Ibid., pp. 25 - 27.

¹⁵⁴ Ibid., p. 32.

¹⁵⁵ Ibid., p. 32.

On January 29, 1998, the Bank announced the loan, highlighting the innovative aspects of the project: “The project is unique, not only because it benefits indigenous and Afro-Ecuadorian peoples, but also because it has the active participation of beneficiaries.” The press release quotes Pedro de la Cruz, an indigenous leader and member of the National Council of Indigenous and Afro-Ecuadorian Development (CONPLADE-IN), who commented, “We have participated in the project preparation phase and expect our involvement to continue during implementation, monitoring, and evaluation.”¹⁵⁶ Afro-Ecuadorians argued that they should benefit from the project because they occupied a similar position to indigenous groups, and because the implementing agency included black groups as part of its mandate. Indigenous groups agreed to expand the scope of the project to include them, and Bank supporters acceded to this request, which represents an expanded interpretation of the indigenous peoples directive. The Bank carried out training meetings with the indigenous organizations and the government, which assisted indigenous organizations with technical training, conducting needs assessments, diagnostics, prioritizing development goals, national resource management and project proposals.¹⁵⁷ The public presentation of the project, of course, did not disclose the internal debates surrounding the project. The fact that civil society and NGOs, and even the Ecuadorian government supported the project, did not by themselves guarantee Bank support.

¹⁵⁶ World Bank Press Release, “Development of Indigenous and Afro-Ecuadorian Communities in Ecuador,” January 29, 1998, p. 1.

¹⁵⁷ March 4, 1998 interview with Bank staff.

Within the Bank, certain factions could find no justification for such a project. Some actors argued that the Bank was already supporting projects that addressed indigenous peoples' needs, through loans for rural development and Social Investment Fund initiatives, while others did not necessarily agree with the view that by targeting indigenous people the poor would be reached.¹⁵⁸ They argued that significant concentrations of poor people resided in *urban* areas. Project advocates agreed with detractors that existing Bank operations targeted indigenous peoples as beneficiaries, but argued that such groups still lacked access to a range of critical services and resources due to historical patterns of discrimination.¹⁵⁹ These reformers supported their claims with statistical data that showed that Ecuador's poorest were, in fact, indigenous and black. As the Project Identification Document points out,

[a]s social indicators of indigenous peoples fall significantly below the national average in terms of infant mortality, female illiteracy, child malnutrition, access to basic sanitation services and access to productive infrastructure, they could be classified as the most disadvantaged groups among the poor. . . . [T]hese groups make up approximately 20-30% of **Ecuador's** population.¹⁶⁰ [Emphasis in the original.]

In addition to countering arguments against Bank support for the project, advocates providing *positive* rationales for supporting the initiative. They pointed out that such a project was viable because of the high level of social organization and cohesion of the

¹⁵⁸ March 4, 1998 interview with Bank staff.

¹⁵⁹ Ibid.

¹⁶⁰ World Bank Project Information Document, **Ecuador - Indigenous Peoples Development Project**, p. 1.

indigenous groups, and because they possessed land and forests and were readily identifiable.¹⁶¹

Internal reformers developed a sophisticated political strategy to accumulate political support for the project among operations staff. Rather than lobbying for a social scientist to serve as task manager, they selected an operations person to manage the project. These savvy reformers reasoned that staff from operations “could better carry the message to other operations people about indigenous work” and the possibilities for such innovative projects than a social scientist could.¹⁶² This strategy depended on identifying a task manager who “was open and who demonstrate[d] sensitivity and could lobby operations people” effectively. The openness of some task managers is “part of their personality - [they are] open-minded about social issues.” Success in the [Indigenous and Afro-Ecuadorian Peoples Development Project] depends on the ability of social scientists “to present the message to have [operations staff] as allies and not to antagonize them - to work with them so that they see the possibilities.”¹⁶³ What could derail the project’s implementation, which is scheduled to begin in April 1998, however, is the unfavorable macroeconomic situation in Ecuador, the impact of El Nino, and declining oil-generated revenues.

The Indigenous and Afro-Ecuadorian Peoples Development Project originated in grassroots and NGO protest that focused on both the Ecuadorian government and the World Bank, and is unlikely to have received Bank funding in the absence of such

¹⁶¹ Ibid.

¹⁶² Ibid.

pressures. Despite the government's request for financial support, there was no guarantee that the project would have evolved the way it did, with an unprecedented degree of participation and project development leadership by indigenous and black groups. For these reasons, it is important to highlight the normative commitment and political acumen exhibited by project advocates, one of whom pointed out that the Bank's indigenous peoples policy "talks about preventing harm, but does not talk about need to develop projects for indigenous populations."¹⁶⁴ In other words, reformers availed themselves of the opening provided by NGO protest in Ecuador to expand the interpretation of OD 4.20 to not merely mitigate the deleterious consequences of development, *but to initiate participatory projects whose main beneficiaries are indigenous and black peoples*. Such an approach remains the exception rather than the rule in the Bank's portfolio of projects involving indigenous peoples, and supports the claim that innovation and internally-driven efforts to comply with the Bank's social impact policies will require the persistence and effective political strategizing of internal reformers.

VI. Compliance with OD 4.0 in the Absence of External Protest

This section explores the role of internal reformers in fostering compliance with the indigenous peoples policy, focusing on: 1. the nature of internal opposition, and; 2. the strategies and innovative approaches used by reformers to advance their agenda. Again, it must be emphasized that efforts within the Bank to comply with the policy frequently do not translate into implementation on the ground. More systematic research

¹⁶³ Ibid.

¹⁶⁴ Ibid.

needs to be carried out in order to identify the determinants of borrower implementation of social impact policies.¹⁶⁵ This section also questions the possible limits of the policy in terms of supporting projects that benefit indigenous peoples.

6.1 *Colombia Natural Resource Management Program*

Signed by the Government of Colombia and the World Bank in early 1994, the \$39 million Colombia Natural Resource Management Program (NRMP) is part of Colombia's Forestry Action Plan, which was developed through the Food and Agriculture Organization and World Bank program that researched and wrote forestry action plans for a number of developing countries.¹⁶⁶ The site of the project is the Choco valley, 90% of which is Afro-Colombian and 4% of which is indigenous.¹⁶⁷

The primary goal of the project is to prevent further forest degradation and conversion, providing the basis for a longer-term plan that would have programmatic, policy, and technical aspects to contribute to improved land titling and forestry management in the Choco area.¹⁶⁸ Though it did not finance any tropical timber harvesting the original design of the project contained provisions for a three-fold

¹⁶⁵ Dan Gibson, op. cit., has hypothesized that 1. "recipient government policymakers - those officials who make development plans and negotiate for external assistance-man the gates in bargaining between external and domestic interests," and; "if institutional disjuncture is present, noncompliance with Bank involuntary resettlement policy is more likely to occur." (pp. 21-22).

¹⁶⁶ World Bank, Staff Appraisal Report: Colombia Natural Resource Management Program, (Country Department III, Latin America and the Caribbean Regional Office, December 2, 1993), p. 14. known hereafter as SAR - CNRMP.

¹⁶⁷ Ibid., p. 12. For an overview of the indigenous peoples' movement in Colombia, see Jesus Avirama and Rayda Marquez., "The Indigenous Movement in Colombia," in Donna Lee Van Cott, editor. Indigenous Peoples and Democracy in Latin America (New York: St. Martin's Press, 1994), pp. 83-107..

¹⁶⁸ Ibid., p. 14.

expansion of logging in the region through the granting of forestry concessions to regional development corporations.¹⁶⁹

The NRMP would pursue these objectives through: (i) the development of a policy, information, and institutional base for forest management, with a particular focus on the Choco Region; (ii) the rehabilitation and protection of selected water catchment areas in the highlands; (iii) the improved management of national parks; and (iv) the strengthening of environmental/forestry education, training and research, and of program management, including project preparation and evaluation, and the involvement of a panel of independent experts.¹⁷⁰

Involvement by both Amerindians and Afro-Colombians figures prominently in the project, through: “training, education and outreach programs in the parks and buffer zone areas, reviews of their legal rights in the part areas, the titling and demarcation of both indigenous reserves (*resguardos*) and black communities, and financial support for the operations of regional committees of representatives of those groups.”¹⁷¹ Significantly, the titling for the lands is *communal* and not individual.

6.11 *The World of Internal Reformers*

It is impossible to understand the project’s compliance with the indigenous peoples policy without taking into account the prominent role that internal reformers played. In the case of the NRMP, the project initially involved a logging component, which could have led to significant adverse environmental impacts on the Choco valley in

¹⁶⁹ Charles H. Roberts, “Increasing Accountability of the World Bank: The Role of Institutional Change and New Operational Directives in the Colombia Natural Resource Management Program,” (unpublished paper, Georgetown University Law School, April 30, 1994), pp. 18-19. Roberts paper draws from internal Bank documents and interviews with the project’s two task managers, the second of which had been the environmental advisor, and development staff from Colombia’s National Planning Department.

¹⁷⁰ *Ibid.*, p. 14.

¹⁷¹ *Ibid.*, p. 13.

the form of deforestation and a depleted natural resource base for the Embera inhabitants of the area. A Bank environmentalist advisor who eventually became the project's task manager, succeeded in having this component removed.¹⁷² The impetus to remove the logging component arose from a meeting with German Sarmiento, director of a Bogota-based public interest environmental law firm, Fundepublico, which represented the Embera-Catio indigenous people, whose reserves would have been affected had the component been kept as part of the project.¹⁷³ The Bank task manager recognized the potentially adverse impact that logging in an indigenous reserve would have on the population, and dropped the component.

As in most other cases analyzed in this dissertation, internal opposition to the project existed. During the mid-term review of the project, in January 1997, there were efforts to "kill the project," which in turn was related to the slow disbursements that characterized the project."¹⁷⁴ In this instance, "kill[ing] the project" meant removing the aspects of it that were innovative because they did not reconcile readily with the imperative to meet disbursement targets.¹⁷⁵ The active support of the division chief, who apparently exhibited a *normative commitment* to the ideas and values supporting the program, supporting keeping the innovative aspects in tact. This project supporter "... had his values straight and new that the project was complex but addressed the right

¹⁷² Charles H. Roberts, *op. cit.*, p. 3.

¹⁷³ *Ibid.*, pp. 19 - 20. One meeting with a Bank staff in no way approaches the threshold for what constitutes external protest.

¹⁷⁴ March 3, 1998 interview with Bank staff.

¹⁷⁵ March 8, 1998 personal correspondence with Bank staff.

questions from an environmental, social, cultural and political perspective.”¹⁷⁶ Moreover, the division chief rationalized and minimized negative aspects of the project’s slow disbursements (which had been used to critique the project) and viewed them in relation to the innovative nature of the project in terms of: 1. leading to the establishment in Colombia of a Ministry of the Environment; 2. giving “meaning, meaning fuel, to the Black lands law which would have sat on the books . . . if it had not had Bank financing”; 3. and fulfilling the demands of the Bank’s pro-participation, pro-civil society, and decentralization rhetoric, and; 4. being “a wonderful mix of technical activities with links to policy and institutional reform.”¹⁷⁷ Moreover, the slow disbursements were not unusual given the slow government processes in Colombia. In other words, *the project survived due to the commitment and political savvy of internal reformers.*

The NRMP also illustrates the potential complementarity of the Bank’s forestry policy, environmental assessment policy (EA), and its indigenous peoples policy. The EA apparently influenced the actions of Bank staff. The task manager classified the project as category “B,” which required an environmental analysis but not a full environmental impact assessment, largely because the logging portion had been removed and because the remainder of the project involved watershed restoration, titling, and environmental monitoring. The project’s first environmental staff advisor to the loan,

¹⁷⁶ March 8, 1998 personal correspondence between Bank staff and author.

¹⁷⁷ March 8, 1998 personal correspondence between Bank staff and author.

however, “noted that since OD 4.20 was applicable, the project was *treated* as an “A” project.” [Emphasis added.]¹⁷⁸

With respect to the actual policy, an environmental staff commented that the NRMP is the first instance in which the directive has been applied in Latin America, moving beyond the somewhat sketchy treatment of indigenous issues in the SAR.¹⁷⁹ At the time of the project’s approval, the current task manager had not yet considered full range of issues involved with the directive and its relevance and applicability to Afro-Colombian collective titling. The fact that communal titling for *both indigenous and Afro-Colombian communities is proceeding is a major example of progress in terms of implementation of the indigenous peoples directive.*

6.12 Lessons from NRMP

There are numerous and invaluable lessons and observations to be drawn from this case. For one, the extraordinary work of Bank staff in terms of taking the Bank’s social impact policies seriously stands out, especially in terms of dropping the logging component, which, as a cursory analysis of other “forestry” projects indicates, is certainly the exception and not the rule. Moreover, it is significant that the changes in terms of greater policy compliance occurred under the leadership of a social scientist analyst and not the first task manager, who is an economist. This is noteworthy and again supports the hypothesis presented in Chapter Three that in instances of internally-generated compliance, the task manager will tend to be either someone trained in an

¹⁷⁸ Ibid., p. 22.

¹⁷⁹ Ibid., p. 24.

interdisciplinary way, or a social scientist who has assumed project management functions. The underlying issue to which this observation speaks concerns the incorporation and application of norms and values, and not merely a policy's checklist.

6.20 Integrated Child Development Services (ICDS) II- Bihar and Madhya Pradesh in India - Background

The Bank-assisted 1993 ICDS II project is a supplementary feeding program for poor children residing in isolated communities in the Indian states of Bihar and Madhya Pradesh. The overall goals of the follow-up project to the first ICDS are to: improve nutrition, community mobilization, monitoring and evaluation, women's literacy, expand the program for therapeutic nutrition supplementation, develop adolescent girls' schemes, and income generation.¹⁸⁰ Major groups of project beneficiaries are low caste and tribal children, though such targeting efforts are somewhat problematic because: 1. many tribals are co-residential rather than spatially segregated into tribal and non-tribal villages, and; 2. most villagers in the project's area are poor and their children suffer from malnourishment.¹⁸¹ Included in the project's conditionalities was the creation of an advisory panel with social scientists to assist in the implementation of the tribal component, and to review the project annually - especially in tribal areas.

While efforts to comply with OD 4.20 resulted from internal initiatives, the Narmada controversy influenced the project's development. The Indian government's cancellation of the Narmada loan forced the Bank to follow through on its commitment to increase IDA lending by an equivalent amount, creating internal pressures to identify

¹⁸⁰ SAR.

non-controversial projects that could disburse large amounts of money. The ICDS-II project developed in this institutional, political context.

6.21 *Internal Politics*¹⁸²

The regional Technical Department that analyzed the project did not identify any environmental impacts, and categorized the project as such (category “C”), and signed-off on it.¹⁸³ The original task manager, who is a social scientist (the subsequent TM was a health economist) expressed concern about the social aspects of the project, which the project lawyer refused to clear because it lacked an indigenous peoples development plan. The intervention of another social scientist advisor, who attempted to address the need for a plan, did not resolve the issue, as there was little agreement about what such a plan would contain. Just before the presentation of the project to the Bank’s Board, the Country Department sought additional assistance from other social impact policy advisors. With the support of a well-placed official in ENV, reformers who expressed doubt about the project’s indigenous peoples component’s compliance with the policy managed to convince senior management to remove the project from Board consideration (and that year’s lending program), which, in the context of an institution that is loathe to delay projects from Board approval, is a major turn of events. The result of internal reformers’ efforts to pressure pro-project actors to address the indigenous peoples policy

¹⁸¹ October 21, 1997 personal correspondence between Bank staff and the author.

¹⁸² The following section is based on internal Bank memoranda and is supplemented by personal correspondence between Bank staff and the author (March 10 - 13, 1998).

¹⁸³ Projects must be reviewed by Technical Departments to identify possible environmental impacts. These impacts are classified into A, B, and C categories, ranging from significant to no environmental impacts. The project must receive a clearance from regional TDs before they can be further processed. For the political and institutional aspects of this process, see Wade, *op. cit.*

included the convening of meetings between Bank, indigenous peoples, and local government designed to identify ways to re-design the project to meet the needs of indigenous groups. Ultimately, the Board approved the project. Unfortunately, the gains made early on evaporated due in part to the marginalization by project staff of reform-oriented social scientist staff. At one point, the project had deteriorated so badly that suspension was considered.¹⁸⁴ Eventually, Bank staff recommended that it be restructured, in part because of improvements in implementation observed during supervision missions.¹⁸⁵

6.22 *Service Delivery Problems*

The project's implementation history has been characterized by institutional difficulties in delivering services specifically to tribal areas. The problems identified had been present in the first ICDS project, which analyzed both patterns of use and non-use of ICDS and areas of deficient services.¹⁸⁶ By early 1994, Bank staff concluded that the project was in a state of non-compliance with OD 4.20, (which had been incorporated in the covenants), despite the fact that the design of the project changed in order to improve both attention to tribal groups and participation.¹⁸⁷ Areas in need of improvement included: community participation and consultation, training of anganwadi workers, and more efficient establishing of women's groups.¹⁸⁸ Methods of addressing shortcomings in

¹⁸⁴ Implementation problems included difficulties with critical aspects of procurement, and shortened, ineffective training, among others.

¹⁸⁵ Internal Bank memorandum.

¹⁸⁶ Internal Bank document, n.d., p. 2.

¹⁸⁷ *Ibid.*, p. 2.

¹⁸⁸ *Ibid.*, p. 2.

these project components have included: developing more culturally appropriate delivery systems and improving the training and supervision of project staff.¹⁸⁹ The most problematic feature of the project however, are the implementing state institutions, operating in states in which it is unclear whether or not there is a willingness to increase financial support for ICDS, in which case, sustainability, in the absence of external donor support is unlikely.¹⁹⁰ The implementation in the tribal areas of ICDS is of mixed quality, which, in tribal areas that are not reached by the project, means the continuation of high rates of maternal mortality, stuntedness, and other diseases associated with malnutrition.

6.23 Lessons Learned

What is most striking about the ICDS-II story is 1. the fact that the existence of crisis can, in some instances, create opportunities not merely for reformers, but also for those whose primary commitment is to project development at the expense of social impact questions; 2. the mere presence of internal reformers is insufficient to create lasting change, but must be accompanied by political strategies and follow-up; 3. that well-placed actors can reverse reformers' gains. Each of these statements will be considered in turn. The Narmada crisis created openings not merely for NGOs, but also created additional opportunities for India to extract commitments from the Bank to compensate it for losses resulting from the loan cancellation. Bank officials responded by pressuring staff to generate new, fast-disbursing projects, of which ICDS II was one. The poor design of the project, especially given what had been observed from the first ICDS

¹⁸⁹ Ibid., p. 2.

¹⁹⁰ Ibid., p. 2.

project, resulted from the need to quickly develop new projects, which ultimately became problematic for tribal groups in need of health and nutrition services. Secondly, the internal reformers who originally lobbied for proper consideration of and compliance with OD 4.20 initially gained the upper hand, but lost ground due to their eventual marginalization from the project. A social scientist who became involved later did not apply the same type of political strategy or follow-up. Finally, the institutional and political context in which ICDS-II developed was a difficult one because of project staff's response to Indian demands and a Bank culture that is loathe to stop a project due to borrower lack of capacity and commitment, design problems, or policy compliance issues.

6.30 Community Health Nutrition 3 Project in Indonesia

In 1993 the Government of Indonesia borrowed US \$93.5 million to support the Third Community Health and Nutrition Project.

The goal of the project is to elevate infant, child and maternal health status by improving the effectiveness of community health and nutrition interventions in five provinces (West Java, Central Java, Maluku, East Nusa Tenggara and Irian Jaya). This would be accomplished by (a) building provincial and kabupaten capacity to plan, implement and evaluate Safe Motherhood, Child Survival and Nutrition interventions, and (b) by strengthening the capacity of the central Ministry of Health, . . . to support provincial efforts.¹⁹¹

The benefits are expected to reach 1.5 million families identified on the basis of need in a context characterized by high rates of maternal mortality and morbidity, micronutrient deficiencies, and high rates of infant and child mortality, especially in the Eastern islands

and among the poor.¹⁹² Moreover, “women’s health status will be improved, and female health providers, particularly traditional birth attendants and village midwives will become more productive. Provincial and kabupaten skills in health planning and management will be improved”¹⁹³

The third project grew out of Bank experience with previous projects. The First Nutrition Project financed equipment, furniture, buildings, and “early experience in the development of techniques for nutrition education” as well as the basis for a national nutrition policy.¹⁹⁴ The Second Nutrition and Community Health Project resulted in both negative and positive lessons. The Bank became aware of the need to decentralize interventions to take into account local level economic, geographic, and epidemiological conditions.¹⁹⁵ Moreover, the project showed that “interventions can be focused and made more effective by enhancing the authority and responsibility of provincial and kabupaten health officials.”¹⁹⁶ The third health project represented an effort to innovate and find means to encourage the highly centralized Indonesian government to support an approach that would deliver services most effectively.

6.31 Indigenous Peoples, Bank Staff Innovation, and the Government of Indonesia

¹⁹¹ World Bank, Staff Appraisal Report: Indonesia Third Community Health and Nutrition Project (Asia Country Department II, Population and Human Resources Division), December 4, 1992, p. i. “Kabupaten” means an administrative sub-division of a province.

¹⁹² *Ibid.*, p. 1.

¹⁹³ *Ibid.*, p. ii.

¹⁹⁴ *Ibid.*, p. 13.

¹⁹⁵ *Ibid.*, p. 14.

¹⁹⁶ *Ibid.*, p. 14.

The issue of indigenous peoples in the project occurred because of the inclusion of Irian Jaya as a site. Part of CHN3 involves the training of about 1000 indigenous village midwives by recruiting bright, mid-level girls from communities, providing them with a full, residential training course and a set of birthing equipment, and returning them to their villages, supported by a small government salary.¹⁹⁷ The long-term goal is for male villagers to become increasingly willing to pay for midwife services as they see their wives survive childbirth. As midwives become established in these communities, they will also become entry points for primary health care.

The issue of indigenous peoples became an object of discussion during an internal review of the project that occurred during its preparation.¹⁹⁸ The task manager initially expressed reluctance about “impos[ing] a Western model of care in a situation” characterized by conflict and controversy.¹⁹⁹ Provincial health authorities in Irian Jaya convinced the task manager that the Bank should support the project, especially given the poor health indicators that characterized much of the population.²⁰⁰ The question then became: “Could the Bank get resources to people in Irian Jaya that knew what to do?” The proposed project had the potential to make a positive impact.

Provincial level health officials “had their hands tied by a centralized government authority” that lacked flexibility.²⁰¹ A principal aim of CHN3 was to “loosen the budget

¹⁹⁷ October 21, 1997 personal correspondence between Bank staff and author.

¹⁹⁸ The point at which the internal discussion occurred was the Yellow Cover Review.

¹⁹⁹ Ibid.

²⁰⁰ Ibid.

²⁰¹ March 3, 1998 interview with Bank staff. Allocations through Indonesia’s centralized budgetary system are tied to very strict guidelines that work against the promotion of local level realities.

to get the money to the provincial level health people who had the right vision and idea.”²⁰² The task manager exhibited creativity and commitment and suggested that the portion of project money necessary for training of community health workers (to be developed at the local levels by health officials) be called “project development funds,” which would be flexible.²⁰³ The Indonesian government agreed.

In seeking to comply with OD 4.20, Bank staff informed the Indonesian government that an indigenous peoples development plan was required. In response, the Government offered one that it already had formulated, which was generic rather than specific to CHN3.²⁰⁴ At this point, Bank actors working on the project debated the issue of “how does the Bank treat their law?”²⁰⁵ Though both the Bank’s Legal Department and operations accepted it, “we still had to rely on our judgment about the commitment and interests of the provincial and central governments to doing the right thing, as the IPDP was not a particularly useful document, beyond endorsing general principles on indigenous peoples and their rights that was broadly acceptable.”²⁰⁶ In addition to the plan’s general nature, some on the project development team asked: “Do we say we don’t like [the Indonesian government’s plan] because it doesn’t meet OD 4.20?”²⁰⁷

6.32 *The Letter and the Spirit of the Law - OD 4.20*

²⁰² Ibid.

²⁰³ Ibid.

²⁰⁴ Ibid.

²⁰⁵ March 3, 1998 interview with Bank staff.

²⁰⁶ March 6, 1998 personal correspondence between Bank staff and author.

²⁰⁷ March 3, 1998 interview with Bank staff.

The staff working on the project advanced an argument that *did not require the application of the indigenous peoples directive and that indirectly questioned the blanket application of the policy and its assumptions*. “CHN3 is a project attempting to protect against harm and in fact ‘do good’ to indigenous people. The OD presumed a conflict between the project and the OD’s objectives. The Indonesian government had developed an indigenous peoples plan (which was probably paternalistic) on a countrywide basis so the Bank did not need to draft an additional one.” The task manager reasoned that “a [Bank-generated plan] was not necessary because the project was doing good and not protecting against harm.”²⁰⁸ The indigenous peoples component is included in the loan agreement, which identifies it as a priority, through:²⁰⁹

measures, satisfactory to the Bank, to ensure that governmental agencies and non-governmental organizations engaged in the delivery of community health and nutrition services to Indigenous People take into full consideration the preferences of Indigenous People beneficiaries of the Project identified through the Borrower’s existing consultation mechanisms . . .²¹⁰

The Bank’s indigenous peoples policy is conceived of as instrument that confers protection on indigenous populations against a negative intervention (a development project - and in the original conceptualization of the policy, an infrastructure project). The question raised by the ICDS II project is: Can the indigenous peoples directive slow

²⁰⁸ March 3, 1998 interview with Bank staff.

²⁰⁹ Frequently, project components that appear in staff appraisal reports are not included in loan agreements, which are the documents that are, arguably, most important statements of the Bank’s priorities with respect to its borrowers.

²¹⁰ January 21, 1993, “Loan Agreement: Third Community Health and Nutrition Project) between Republic of Indonesia and International Bank for Reconstruction and Development,” p. 22.

the development of a **positive** intervention? Is the policy applicable to projects designed to provide benefits specifically to indigenous groups?

VII. The State of the Indigenous Peoples Directive - Internal Regional Reviews

Periodically, the Bank conducts internal reviews of its policies in order to assess compliance levels. In addition to the 1987 review, the Bank conducted regional reviews of OD 4.20 in the mid-1990s. Data are available, though not in great detail, for the South Asia and East Asia and the Pacific regions in addition to Latin America and the Caribbean.

7.1 South Asia and East Asia and the Pacific

The South Asia and East Asia and the Pacific region carried out a desk-based review beginning in October 1994 and completed a draft report in September 1995.²¹¹ Some of the conceptual challenges identified in this chapter also affected the review, such as that of defining the portfolio and deciding which cases had anthropologically-defined indigenous people. After these determinations had been made, sixty-seven Bank-assisted projects remained. The review evaluated compliance against four criteria: 1. early identification of indigenous peoples issues; 2. early involvement of social scientists and the use of social assessments; 3. actual participation of social scientists in the early phases of the project concept and throughout the entire cycle, and; 4. implementation of indigenous peoples components. Even in the presence of the first three elements, actual component implementation usually did not occur. The explanation provided for this

²¹¹ Information in this section is based on interviews conducted with Bank staff in March, 1998 and on personal correspondence with the author.

lack of follow through was that “the Bank will rarely walk away from a project.” That is, the Bank is unwilling to discipline borrower non-compliance for policy violation. There is the example of Indonesia, which tends to not hire *reliable* and *independent* local consultants to carry out impact assessments of projects affecting indigenous populations. In one project, the consulting firm retained did not do an assessment for a project with direct impacts on indigenous populations. The Bank did not take any action to address policy violation on the part of the borrower or the project manager.

The review reported that eighty-five percent of the projects in the South Asia and East Asia and the Pacific regions did not comply with the indigenous peoples policy. In other words, ***only fifteen percent of Bank-assisted projects that affect indigenous peoples complied with the directive*** - an extremely low percentage. The Bank projects in which compliance occurred along all the criteria identified provide strong confirmation of the hypothesis outlined in Chapter Three²¹²: in cases of Bank-led efforts to comply with the policy in the absence of external pressure, the task manager will be 1. a social or environmental scientist analyst; 2. one trained in newer aspects of agriculture, education, or planning, and 3. one who receives independent field-based information about a project. In all of the cases of compliance reported by the regional review, ***the task managers were social scientist analysts - anthropologists***. The “success rate” is due to the health and forestry projects in India, which skewed the results. If these projects are excluded, the non-compliance rate is nearly one-hundred percent.

²¹² See Section 7.2 on cases of Bank compliance occurring without NGO protest but with internal support.

Bank staff offered several explanations for the low compliance levels. First is the seemingly ever-present problem of identifying to whom the policy applies. As one social scientist commented, “The policy could never make it clear enough to the TMs to say who fell under the purview of the policy.” Second, although the policy states clearly that social scientists be consulted, task managers tended to delay approaching them until they needed to secure clearances prior to project appraisal. Requests for social scientists to review these projects peaked during two periods - February/March, just before the close of the fiscal year, and again in the fall. “During peak times, we see all these projects that TMs should have been talking to us about before . . . All of a sudden [they] hit us like a ton of bricks.”²¹³ It is here that the Bank’s incentive system is relevant, with the motivation to meet lending targets and develop lending portfolio. These pressures becomes more intense during what is called “the bunching season.” With social scientists overburdened by numerous projects and an organizational structure that privileges project managers over social scientists, it is difficult for each individual project to receive the attention it probably merits.

What might mitigate the potential negative consequences of the constraints outlined however, is the role of the Bank’s legal department (LEG), which has increased since the establishing of the Inspection Panel. To protect the institution from potential claims based on policy violation, LEG has become increasingly involved in reviewing these projects to ensure compliance, which in some instances, is beneficial from the standpoint of project preparation that fulfills the policy. The Panel has served to

²¹³ March 4, 1998 interview with Bank staff.

strengthen the ties between LEG and social scientists. However, difficulties arise that are similar to the ones identified in the CHN3 case. As one social scientist commented, “It is very good that we have legal working with us . . . but the problem is that you get into situations where adherece to the policies does not make social or economic sense. . . . If you [always] go by the letter of the Operational Directive and the law you’re going to have problems.”

7.2 *Latin America and the Caribbean*

The review analyzed sixty-two projects approved after 1992, in addition to those that have been under preparation since 1996. The review process did not follow the same process as the Asian regions. While it also focused on projects from identification through implementation, it emphasized “the information contained in the Staff Appraisal Reports --SAR(if available) or Initiating Executive Project Summary [IEPS] documents to determine how the operations complied with the provisions of the Bank’s policy.”²¹⁴ Reliance on SARs is problematic because there is *no guarantee* that what appears in them will be carried out. A more accurate barometer would be the appearance of indigenous peoples-related components in the loan agreement. The review screened one-hundred fifty-three projects, and narrowed the scope to sixty-two projects, which fall into the areas of: land administration, biodiversity, rural development, education, natural resource management, health, and rural infrastructure sectors.²¹⁵

²¹⁴ William L. Partridge and Jorge E. Uquillas with Kathryn Johns, op. cit., p. 22.

²¹⁵ Ibid., p. 22.

Thirty-two out of the sixty-two projects are under preparation and the remainder, under implementation.

Early identification of indigenous peoples has occurred in the majority of cases in both categories of projects. However, social assessments are more frequent in the projects under preparation than in those under implementation (17 compared to 6) and there is a very low number of projects that have prepared an IPDP [Indigenous Peoples Development Plan] (only 5 under implementation and 6 under preparation). *All of the above seems to indicate a need for promoting a higher awareness among governments of the Bank's policy on indigenous people.*²¹⁶ [Emphasis added.]

In many of the newer projects indigenous peoples are the main beneficiaries, while the projects under implementation do a better job at offering “culturally compatible benefits.”²¹⁷ Projects under preparation are reported to outperform those under implementation in the areas of: addressing land tenure, collaboration, information sharing, and consultation.²¹⁸ It is important to stress again, however, that the appearance of these indicators in the SARs and IEPS *does not guarantee that compliance will happen* - they are preliminary indicators. The extent to which these areas are incorporated into the loan agreement and then implemented, are better tests of compliance.

What is most promising is the recognition on the part of some Bank actors that the traditional approach of executing projects addressing affecting indigenous peoples, which has been characterized by working through “the large bureaucracies of central governments” must give way to one that identifies indigenous peoples’ institutions that

²¹⁶ Ibid., p. 23.

²¹⁷ Ibid., p. 23.

have been engaged in the development enterprise, and support them.²¹⁹ This perspective is expressed by social scientists, and is suggestive of both the possibilities for change within the Bank, and the types of strategies reformers must employ to advance their perspective..

VIII. The World Bank and Operational Directive 4.20

This chapter has analyzed the conceptual challenges involved in attempting to operationalize a policy to address the impact of development on indigenous peoples in Bank-assisted projects. The six cases involving the application of OD 4.20 in addition to issues arising when both the indigenous peoples policy and the forced displacement policy are operative at the same time raise several issues: 1. the impact of NGO protest; 2. the divisions that exist not only between task managers and social scientists, but between social scientists located in the Bank's operational apparatus and those who function in the Center and regional technical departments; 3. the critical role played by internal reformers who formulate strategies to gain support for and neutralize opposition to addressing indigenous peoples issues in projects, and; 4. the value and constraints of a specific policy to promote the cause of ethnodevelopment. Each is considered in turn.

NGOs have clearly played an important role in terms of strengthening the institutional position of Bank reformers, improving some aspects of project implementation, and providing the necessary political space to develop innovative projects. It is in these instances that the divisions between the two groups of social

²¹⁸ Ibid., p. 23.

²¹⁹ Ibid., pp. 27-28.

scientists identified are most acute. While both sets have the same goal - that of mitigating the negative effects on indigenous populations, the philosophy which informs their approaches is different. One (belonging to social scientists located in the Center and in regional technical departments) is premised on the assumption that strict policies are necessary to promote institutional accountability, while the other (belonging to social scientists based in the operational apparatus) presumes the existence of good intentions, or at least lack of opposition, among operations staff. In neither set of compliance cases is it possible to understand the outcome unless the role of internal reformers is analyzed. Given the institutional and intellectual context in which the policy exists, the role of reformers who operate without the enabling environment provided by external protest is particularly noteworthy and calls attention to their role as *political strategists* who are able to minimize dissent, build support, and innovate. Finally, the OD is geared toward mitigating the negative impacts of development, which implies a different logic from that of carrying out a *positive intervention*. In instances in which the demands of the policy may not harmonize with the aims of a project whose main beneficiaries are indigenous peoples, or with the idiosyncracies of particular borrowers, it is not clear that the policy promotes what is supposed to be its primary goal - that of protecting indigenous groups. Such projects raise the question of the extent to which the OD may actually be a hindrance to realizing the promotion of indigenous peoples' interests. The Bank is currently updating its indigenous peoples directive and will be forced to confront at least some of these issues, the resolution of which remains uncertain.

CHAPTER SEVEN THE INSPECTION PANEL

I. Introduction

In the aftermath that surrounded the publication of the Wapenhans Report, the debacle of the Bank-assisted Narmada dam in India, and the publication of the Morse Commission's Report, the World Bank's Board of Executive Directors voted to create an appeals mechanism known as the Inspection Panel.¹ Its existence is owed in large measure to the US Congress and US Treasury, which, partly in response to public criticism, pressured the Bank to increase its institutional accountability and transparency. In June 1993, Patrick Leahy, Chair of the Appropriations Subcommittee, wrote then Bank president Lewis Preston and urged the institution to

. . . establish[] a permanent, independent commission for investigating public concerns about Bank-financed projects." Senator Leahy linked the creation of such an institution with efforts to address Congress' "waning tolerance for an institution supported with public funds that denies the public access to relevant information, or to an impartial mechanism for investigating complaints about the use of those funds." ²

¹ The Inspection Panel was

established by the Executive Directors of the International Bank for Reconstruction and Development ("IBRD") and the International Development Association ("IDA") by IBRD Resolution No. 93-10 and the identical IDA Resolution No. 93-6 both adopted by the Executive Directors of the respective institutions on September 22, 1993 (collectively the "Resolution").

This wording is taken from the Inspection Panel's Operating Procedures, as adopted by the Panel on August 19, 1994.

² Ian A. Bowles and Cyril F. Kormos, "Environmental Reform at the World Bank:: The Role of the US Congress," Virginia Journal of International Law, Volume 35(4), Summer 1995, p. 832.

Congressman Barney Frank (D-Massachusetts) also became a key player, withholding the release of \$3.7 billion in replenishment funds to the Bank until it adopted proposals on both an information policy and an appeals mechanism.³

On September 22, 1993, the Bank's Board passed a resolution that provided for people negatively affected by Bank-assisted projects to present claims of violations of loan covenants, policies, and procedures to the Inspection Panel. Drawing on the model of the Senior Management-created Morse Commission, the Panel is designed to provide an independent, administrative review of Bank operations. The creation of the Panel broadens the range of actors to whom the Bank is accountable, moving it beyond the narrow circle of its capital subscribers to include groups directly affected by its projects.

As Oxfam-UK's report on the Panel notes,

the establishment of the Panel offered many advantages over existing Bank monitoring methods. It promised the opening up a dialogue between the Bank and those adversely affected by Bank projects - improving understanding on both sides - and an advanced warning of problematic projects for the Board of Executive Directors at an early stage. It promised the involvement of ordinary people with a guaranteed channel of complaint when things went wrong and to make staff accountable for failures. Ultimately, by improving transparency and creating a public record, it opened up the possibility of influencing Bank procedure in the wider area.⁴

Three years have passed since its inception, and a total of ten claims have been filed, a number that seems small given the extent and vociferousness of criticisms

³ See Lori Udall, chapter 11, "The World Bank and Public Accountability: has Anything Changed?" in Fox and Brown, op. cit. for a detailed account of the creation of the Bank's information policy and the Arun III debates..

⁴ Policy Department, UK/I. "The World Bank Inspection Panel: Analysis and Recommendations for Review - Extended Paper," known hereafter as "Oxfam Report" (Oxfam: February, 1996), p. 8.

directed at the Bank by a broad range of audiences.⁵ There is now a large enough data set to analyze and answer a number of questions: How has the Panel evolved and changed over time and what do these changes reveal about the dynamics and effects of outside pressure on policy compliance? To what extent is the Panel truly independent and autonomous from the internal pressures and politics of the Bank? How can the Panel's influence on the operations units in the Bank be measured and assessed?

There are three interrelated arguments advanced in this chapter. In terms of the Panel itself, they are the following: 1. the Panel is more likely to be allowed to investigate a claim when external groups are effective at framing the Board's approval in terms that raise questions about the legitimacy of the process; 2. over time, the Board has acted to constrain the Panel, causing it to become less investigative and more informative in nature, which, while an important and decisive role, diverges from its original mission, and; 3. the Panel derives more political leverage from NGOs than it does from the Bank, with whom it has, almost by definition, a somewhat adversarial relationship.

On a broader level this case study of the Inspection Panel addresses issues concerning the interaction of internal and external factors with policy compliance.

Whether or not the Board authorizes the Panel to investigate a claim, the tendency is for

⁵ This chapter focuses on claims in which the Board allowed the Panel to take action of some sort and does not treat the claims that were rejected by either the Panel itself or the Board. These cases include: IDA credits to Ethiopia, the Jamuna Bridge Project and Jute Sector Adjustment Credit in Bangladesh, the Pangué dam (Biobio) in Chile, and Tanzania Power IV Project. For extensive discussion of these claims, see Lori Udall, "The World Bank Inspection Panel: A Three Year Review and NGO Perspective," (Washington, DC: International Rivers Network, 1997). NGO pressure on the Banks continued even after the Panel was established, and they testified before the United States House of Representatives on the progress that the Bank made in the Panel's first year of operation. See for example, "Statement of Lori Udall on behalf of International Rivers Network, Friends of the Earth, Bank Information Center, Environmental Defense Fund Regarding the World Bank's Information Policy and Inspection Panel Before the Subcommittee on International Development Finance, Trade and Monetary Policy, Committee on Banking, Finance and Urban Affairs, United States House of Representatives, June 21, 1994.

greater policy compliance to be the result. Such cases are an indirect test of certain hypotheses presented in Chapter Three. For example, *a major hypothesis is that when Bank actors with decisionmaking authority apply their political will, greater policy compliance will occur.* The Panel represents an public instrument through which high-ranking Bank officials are presented with information documenting policy non-compliance. The public availability of the information raises the costs of inaction, leading to the creation of the necessary political commitment to take corrective action. The Panel provides to aggrieved groups and to Bank actors what it is difficult to obtain - information. Even at the preliminary stage of the process before Board approval is required, the Panel is a valuable ally to NGOs and other affected groups because it has privileged access to project files and Bank staff and because it is perceived to be disinterested and therefore credible. It is no surprise that so many NGOs have assumed an active role in lobbying the Board to allow the Panel to continue functioning, and to not curtail its activities any further.⁶

Analysis of the Panel should contribute to understanding the interaction between internal institutional politics and external pressure. At this more conceptual level, the arguments advanced are: 1. The mere existence of an internal opening (in the form of the Panel) is by itself, insufficient to change institutional behavior (guarantees that the Board will allow an investigation). Rather, that point of access must become a focus of lobbying and pressure by outside groups and is continually negotiated. 2. The existence of a public monitoring unit leads to internal efforts of self-protection. Even staff social

⁶ See the websites of NGOs such as EDF, IRN, CIEL, and others, which have posted numerous alerts to the NGO community to support the Panel in its relationship to the Board.

scientists who welcome and even at times solicit NGO support to induce and increase Bank policy compliance change their posture when the Panel is involved, and adopt a more pro-institution, defensive stance. These actors' perceptions of their institutional position change and become more like those of project managers. As one Bank staff person states,

[w]hen the Inspection Panel is present our soc [sic] colleagues have to act more collegially, ie pro-employer. Without them, our soc [sic] colleagues look to NGOs and outside soc colleagues to push something they have not been able to get their employers to listen to or act on. . . . By far the biggest impact of the Inspection Panel is to pervert Saul Alinsky (best way to get a bureaucracy to change is to make it abide by its own rules) . . . ⁷

Alinsky, an organizer who authored a handbook on the subject, claimed that organizations over time tend to violate their own policies.⁸ Challenging them to merely abide by their own guidelines, will, over time, lead to substantive changes. An NGO activist, commenting on the same issue, phrased it this way:

. . . people don't like to be "evaluated" so they get super-defensive. Nobody likes to say we screwed up. Nobody wants to take the responsibility for things having gone wrong. At one point in the panel process last year, [social scientist X] actually told the truth to the panel and said yes, things are totally screwed up and here's why. But a kind of circle the wagons mentality prevailed within the team because nobody wants to shoulder the blame. If this were a failing baseball team, the managers would be fired.

Anyhow, attitudes play a big part, and so does the position of each staff person relative to the power structure.⁹

Finally, reform and resistance are not two discrete, mutually exclusive processes or realities, but are interconnected and operative at the same time. The Panel exists

⁷ December 9, 1997, personal correspondence between Bank staff and author.

⁸ See Saul Alinsky, Rules for Radicals, (New York: Vintage Books, 1972).

largely due to public scrutiny. Even as it provides openings to outside groups, internal institutional efforts are attempting to narrow those points of access. The same Bank staff who made the above statement also commented that “. . . we are gutting our policies to “Panel-proof” them.” In other words, the policies are being reconfigured so as to lower the levels of accountability to which staff are held. If the policies are less demanding and less stringent, then the likelihood that the Bank is in a state of non-compliance is significantly lessened, and protection from the Panel is thus conferred. This perspective finds indirect confirmation in the experience of the Bankwide Resettlement Review (see Chapter Five), one of the objectives of which was to improve task manager performance. In addressing the concern, one Bank staff commented that “. . . there is a need for greater review capacity in the Region, to provide task managers with the required support on the field. If these measures are followed, there is a strong possibility that task managers in the Region will not get nightmares about the Inspection Panel.”¹⁰ This statement was made with respect to helping task managers fulfill the demands of the forced displacement policy. Of course, if the demands of the policy are reduced, then the “nightmares” associated with the Panel should be more infrequent and generally less unpleasant.

As part of the Bank’s current reorganization, Country Departments are being removed from Bank headquarters in Washington, DC and placed within the countries, which Robert Wade argues will reduce access to northern-based NGOs, which have been

⁹ December 10, 1997, personal correspondence between NGO activist and author.

¹⁰ February 27, 1995, WB memorandum.

powerful actors in terms of influencing the Bank.¹¹ It is not clear that this change will affect NGO access, since the focus and effectiveness of their lobbying efforts rarely have occurred through Country Departments. Moreover, there may be unintended consequences, such as increased opportunities for civil society, as Bank operations units are moved closer to national governments.¹² The conceptual question that addresses the issues raised is: what are the limits of reform, and how far can it proceed before engendering a backlash?¹³

The chapter proceeds in the following way: first, it will present and analyze the parameters and functions of the Panel; second, it will provide a narrative of the Panel's role in the cancellation of the Arun III dam claim, which was the first and critical test case; third, it will analyze the dynamics of three additional high-profile cases brought before the Panel - the Planaflo claim, the Yacyreta claim, and the Singrauli claim - all of which resulted in some type of Bank action; fourth, it will discuss the policy conversion process, which has direct implications for the Inspection Panel; finally it will use the case materials to answer the questions raised and to provide an overall assessment that addresses the hypotheses presented in Chapter Three.

II. The Inspection Panel - Functions and Procedures

2.1 The Panel and its Institutional Functions

¹¹ December 4, 1997. Robert Wade's presentation at MIT's Faculty Workshop Series.

¹² I am grateful to Jonathan Fox for making these two observations about the possible consequences of placing Country Departments in borrower countries.

¹³ This issue finds an analogue in the literature on social movements and the changes in political opportunity structures that occur in response to protest. See Frances Fox Piven and Richard Cloward, Poor People's Movements: How They Succeed, Why They Fail (New York: Vintage Books, 1979).

The mission statement of the Panel states that

[t]he independent Inspection Panel was established by the World Bank's Executive Directors to provide private citizens direct access to the Bank if they believe they are being directly and adversely affected by a Bank-financed project. Such people can now ask the Panel to investigate complaints that the Bank has failed to follow its policies and procedures (Requests for Inspection). Bank policies and procedures are intended to ensure that projects financed by it meet the Bank's standards and objectives.¹⁴

As has been noted elsewhere, the inauguration of the Panel is the first time the Bank has made itself directly accountable to people affected by its projects.¹⁵

There are two perspectives from which the Panel's mission and procedures can be seen. The first concerns the effect of the Panel's requirements on claimants, which are likely to force them to be clearer and more precise about Bank violations. For NGOs and affected groups with weak claims and/or who depend on either direct action tactics, and/or dramatic media strategies that chronicle Bank-created human suffering, the Inspection Panel may not necessarily be so welcome. It could potentially force the development of critiques that must demonstrate violations of the *law* and not the *spirit* of the policies in question.¹⁶ For the purposes of claims to the Panel, it not enough to protest against Bank-funded projects on "moral" grounds¹⁷. Rather, the legitimacy of a claim must rest on strict and legalistic grounds, which do not necessarily take into account the

¹⁴ World Bank, The Inspection Panel for the International Bank for Reconstruction and Development International Development Association, p. 1 (World Bank: Washington, DC, 1993), known hereafter as Panel Resolution.

¹⁵ See Lori Udall, "The World Bank and Public Accountability: Has Anything Changed?" in Jonathan Fox and David Brown, eds. The Struggle for Accountability, op. cit.

¹⁶ Interview with Bank staff, October 1995.

¹⁷ This approach still has value on a project level in terms of lobbying non-Panel Bank staff, Management, and the Board.

extent or totality of project-related hardship or of the nature of development more generally. In this sense, the Panel occupies a space similar to that of many of the Bank's social impact policies - it serves a mitigating function and has as its premise the acceptance of Bank-created norms, values, and methods for carrying out development as an enterprise, and does not provide the space to question its premises or logic.

Secondly, the Panel may actually serve the interests of certain segments within the Bank, in addition to aggrieved groups. High profile campaigns against Bank projects have dramatically shown Bank management and the Board that it is often uninformed or misinformed about staff activities.¹⁸ Internal Bank files consistently reveal the outlook that "there are two worlds of information - the NGOs and Bank staff." Some managers and members of the Board may welcome the Panel as a means of providing them with otherwise inaccessible information about project-related activities in a way that serves to pre-empt, channel, or otherwise neutralize external critique and give them the control to take corrective action. To the extent that this process leads to greater policy compliance and overall project quality improvement, the development is a positive one.

2.2 The Procedures

The procedures governing the conduct of the Panel are straightforward. Following is a summary and analysis of the main ones.¹⁹

There are three main areas into which complaints fall:²⁰ those relating to staff violation of Bank policies and procedures; those relating to issues outside the Panel's

¹⁸ Author's interviews with Bank staff and internal Bank files.

¹⁹ This section draws heavily from and paraphrases the "Procedures" section from the Resolution.

²⁰ This section draws from the "Oxfam Report," *op. cit.*, pp. 15 - 16.

mandate, defined as “frivolous, absurd or anonymous”²¹; and those that address only Bank activity (such as issues relating to the behavior of the borrower).

People potentially or actually affected who live in the area of the project may request an investigation.²² The complaint must demonstrate harm as a result of violation or omission of Bank policy, and can apply to the design, appraisal, and implementation stages of the project. In exceptional instances non-local, project-affected groups may make the request, but generally, local representatives, individuals, and Board members are the ones expected to present requests to the Executive Directors. As the lobbying of northern advocacy-oriented NGOs such as the Environmental Defense Fund, International Rivers Network, Oxfam, and others has intensified, many Board members and borrower governments have questioned their legitimacy as representatives of southern NGOs and project-affected populations. The stipulation that the claims be filed by affected groups only may be an attempt to reduce the influence of northern-based NGOs. Lobbying groups respond to this requirement by asserting that they are legitimate claimants because it is public tax money that supports Bank activities.

After receiving the *written* complaint that describes the violations and injury suffered, the Panel’s Chair informs the Board and sends it to the Bank’s President. Management has twenty-one business days to demonstrate that it has complied or will comply with Bank policies related to the request. Of course, the Management can use and has used this period to “buy time” to correct projects or provide convincing action

²¹ Panel Resolution, op. cit., paragraphs 16 and 22, cited in “Oxfam Report,” op. cit., p. 15.

²² In exceptional instances, a Board member may request an investigation, and the Board as a whole may call on the Panel to investigate a project.

plans that will serve as substitutes for a full investigation. Critics see Management-generated action plans, which are usually submitted to the Board just before it decides on the Panel's pro-investigation recommendation, as efforts to undermine the entire process for which the Panel was established. Specifically, they question the value and utility of plans that are developed with no input from claimants, and which are not discussed with the Panel.²³

In response to Management's initial response, the Panel has twenty-one business days to explore the legitimacy of the complaint and the requesters, to consult the Executive Director representing the borrowing country, the Bank's Legal Department, and the borrower; and to determine whether or not to recommend to the Board that an investigation be authorized. "Before recommending an investigation, the Panel must be satisfied that Management has addressed the allegations in the request; has failed to show that it followed --or is not taking adequate steps to follow--Bank policies and procedures; and that the alleged violation by the Bank is of a serious character."²⁴

The Panel then makes its recommendation, which is circulated to the Board. The requesters must be informed within two weeks of the Board's decision on the Panel's recommendation. At this early stage in the process that it is possible to see the limits of transparency at the Bank. Until the Board reviewed and changed this guideline in October 1997, Management's response to requests remained confidential not only to the

²³ See, for example "Action Alert: Inspection Panel," written by Dana Clark of the Center for International Environmental Law (CIEL), November 5, 1997, available through CIEL's Website on the Internet, p. 3.

²⁴ Panel Resolution, op. cit., p. 2.

broader public, but even to the claimants themselves.²⁵ The balance of power favored Management, providing them with a statement of alleged policy violations, while requesters remained ignorant of the Bank's response to their concerns. Effective NGO lobbying led to the decision to release Management's response.

Should the Board decide to allow an investigation, the Panel's Chair assigns at least one member the main responsibilities in executing the investigation. To guide the process, the Chair also develops a work plan, with a timeline and investigation techniques. To facilitate the study, Panel members are allowed to view all Bank records, and have access to all Bank staff. Permission to conduct an investigation from the country in which the project is located is required. At the end of the investigation period the Panel reports its findings to the Board and President, and Management has six weeks to inform the Board how it intends to respond. Two weeks after the Board is presented with the investigation's results and proposed steps, it must inform the requester. Finally, based on the Panel's findings and the Management's recommendations, the Board decides what, if anything, should be done. If it takes action in a project under implementation where Bank loan agreements bind the borrower, then the borrower must cancel the remaining loan, comply, or implement Bank-mandated remedial steps, which because of the general nature of Bank-borrower relationship, is the usual course of action.²⁶ Within this process, the role of the Panel is limited to supplying the Board with project-related *findings* but not *recommendations* on any aspect of Bank procedures and

²⁵ See International Bank for Reconstruction and Development/International Development Association, The Inspection Panel: Annual Report, August 1, 1996 to July 31, 1997, (Washington, DC: The World Bank, 1997), p. 4.

²⁶ "Oxfam Report," *op. cit.*, p. 10.

policies.²⁷ Since it is at the service of the Board, the Panel is not given any enforcement powers.

2.3 Limited Access, Autonomy and Authority²⁸

In its literature and public statements, the World Bank refers to the Panel as an independent and autonomous body. Upon close examination the procedures indicate the constrained terrain on which the Panel carries out its functions. First, the fact that only affected parties are permitted to present a claim limits the range of actors to whom the Bank is made accountable.²⁹ It is possible that a national economy or that common natural resources could be adversely affected by a project, for example. What is open to negotiation is not the legitimacy, desirability, or community approval of the project, but rather, aspects that relate to its execution. Also striking is the fact that there is no provision for further engagement between the claimants and either the Board or Management. The fact that a project-affected group presents a claim to the Panel should allow it the opportunity to formally respond to the Panel's initial report, recommendations, and findings, in addition to Management's response. Excluding them from formal participation in the entire process seems to violate the spirit that motivates the Panel's work in the first instance and indicates a presumption in favor of the Bank and not the claimants.³⁰

²⁷ In contrast, the Morse Commission made recommendations to the Board on how to address Narmada, though it did not have enforcement powers.

²⁸ Variations on the critiques presented in this section also can be found in: "Oxfam Report," *op. cit.*, and various NGO postings on the Internet.

²⁹ The World Bank is formally accountable to only its Board. The creation of the Panel, however, opens the institution to newer levels of accountability.

³⁰ The Panel, however, will interview claimants if the Board allows it.

Second, while allowing Management twenty-one business days to respond to the claim fulfills notions of due process, in effect, it provides it with every opportunity to quickly bring it into compliance and/or to lobby the Board to reject the claim, which does not compel Management to directly address or explain its behavior. Clearly the claimants are at a disadvantage, lacking the type of access to the body responsible for determining whether or not an investigation is carried out. There is little reason to believe given the way organizations tend to behave- especially public ones - that Management would respond in any way other than to indicate fulfillment of obligations and terms of reference and/or the intention to meet compliance benchmarks. Such actions are, however, merely a reiteration of the problem for which the Panel exists to address. The Bank claims that it complies with its policies, either through assertion alone, or through the development of remedial action plans which, by insiders' own admissions, do not necessarily translate into actual steps. Judgments should not be made on *intentions* but on substance.

Third, the Panel's dependence on the Board for its operating funds also calls into question its independence. To place the budgetary issue in comparative perspective, it is useful to refer to the Morse Commission, which had virtually unlimited financial resources *from the very same Board* to conduct both the desk assessment and project site visits that contributed to a more complete understanding of the Bank's role in that project. Inadequate funds clearly can affect the scope of the Panel's investigations, forcing members to make difficult choices about which aspects of and to what extent an investigation can be conducted. This already has been an issue in the Planaflo claim, during which the Panel was unable to return to return to the project site to investigate further due to lack of funds.

Fourth, the degree of Panel independence is open to question since it is required to seek and gain the Board's approval before proceeding with an investigation. This is in no way a rhetorical query, but is based in two substantive considerations - one already outlined, that Management can and has lobbied the Board to refuse an investigation; while the second relates to the divisions that exist within the Board. It is composed of Part I, or donor countries, and Part II, or borrower countries. Concern has arisen on the part of Part II countries that decisions to investigate certain projects represent infringements on their countries' sovereignty. This has been a major controversy surrounding the Yacyreta claim that created a sharp division between Part I and Part II countries during discussions about whether or not to investigate. The outcome was a compromise that permitted Panel activity (in the form of a "review and assessment"), yet at the same time, clearly illustrated the powerful constraints under which it operates. An autonomous appeals mechanism, by definition, should not be held captive to Board politics that may not directly relate to the Bank's responsibilities in meeting its obligations.

Fifth, the Bank's Board has *never* rejected projects brought before it for approval, despite public debate and lobbying surrounding many of them.³¹ If historically the Board has tended not to adopt a more interventionist stance toward the staff, or has done so in response to public demand, then what reason is there to believe that it will behave differently with respect to claims that, by definition, relate to Bank failure? In addition, there is the role of Management. As stated earlier, nothing in the procedures expressly

forbids any lobbying of the Board by Management, though the Panel's existence seems to assume impartiality and some authority that is independent of Management. As the following cases will show, Management has lobbied the Board, presented it with its own interpretations of Panel findings (and sometimes engaged in outright distortions, in much the same way it misrepresented the Morse Commission's findings to the Board), and generally sought to curb the influence of the Panel by *mediating* its relationship with the Board. Finally, for all the work the Panel does, it is not vested with the power and authority to *enforce* any plan of action, whether to cancel or alter a project, nor can it suggest policy reform. It can present its investigative findings, and it is left to Management to make recommendations that the Board then approves and/or amends them. Again, Management can bring its influence to bear on the Board to shape the manner in which it responds to the Panel's findings.

Another related yet distinct issue concerns the role of the Bank's Legal Department, which, throughout the course of the ten claims, has participated through the provision of legal opinion, often at the Board's request. Its involvement in the claims process has been criticized by NGOs as representing a conflict of interest. A sign-on letter written to President Wolfensohn by NGO attorneys Lori Udall and David Hunter summarizes the issue in the following way:

The Inspection Panel claims necessarily involve allegations of violations by Bank management. The General Counsel's role should be narrowly circumscribed and limited to providing advice to the Panel on Bank

³¹ The Bank has chosen to *not* vote on loans such as the Power Sector II Loan that would have funded the construction of high dams in indigenous areas in Brazil's Amazon rainforest. This is distinct however, from voting *down* a project.

obligations and responsibilities and providing advice to Bank management regarding specific claims.³²

The charge in this statement is that the Legal Department serves to provide a narrow interpretation of the Panel's Resolution that favors Management and constricts Panel activity. The Oxfam report echoes these concerns, stating that

[t]here is a potential conflict of interest as the Legal Department could be advising the Independent Panel whose job it is to review the actions of the Bank, who in turn is the Legal Department's main client. Similarly, the Bank's Legal Department will also be advising the Executive Board who may have to take a decision on Panel recommendations counter to Bank Management's interests.

In response to the NGO letter and the general analysis, the General Counsel, Ibrahim Shihata, responded that

[t]he Inspection Panel is particularly requested by the Resolution establishing it to seek the advice of the Legal Department on "matters related to the Bank's rights and obligations with respect to the request under consideration." . . . The issue of conflict of interests has never arisen in this respect because the relationship between these two organs of the Bank is one of cooperation for the achievement of a common goal, not of adversity and confrontation as you seem to assume³³

While this NGO-Bank General Counsel exchange occurred during the Arun III claim, the broader issue has been a theme throughout the Panel's existence.

The position and arguments of the General Counsel are predictable and also understandable from the perspective of *institutional logic*. Shihata's comment that "Bank officials . . . owe their loyalty entirely to the Bank . . ." confirms numerous predictions implicit in organizational theory. The main aim of an organization is survival. Over time, the purposes for which the organization exists begin to recede in relation to the

³² July 6, 1995 letter to Bank President Wolfensohn, p. 3.

imperative to self-perpetuate independently of the demands of its environment. In other words, Shihata's comment is to be expected, and merely illustrates the institutional resistance to responding to issues perceived as threatening to its self-interest. Given the parameters within which the Panel operates, one is almost left to wonder *when* and *why* the Board authorizes any investigation at all. The brief answer that addresses these queries, albeit indirectly, is that while many Board members may be somewhat hostile to the Panel, it is clear that it has some utility. The Board, and even Senior Management, frequently comment on "two worlds of information - one from NGOs and the other from staff." There is no incentive among staff to disclose activities that raise questions about policy compliance, nor is it likely that external critiques of Bank actions will subside.

The Panel serves two functions for the Bank's Board: it is an institution that absorbs and channels protest, and is also the vehicle through which to investigate and monitor staff behavior and obtain information that would be likely to remain unavailable, for both benign and less innocent reasons. This analysis finds a parallel in the behavior of the Chilean authoritarian regime of General Augusto Pinochet, which *benefited* from the functioning of independent human rights groups. These groups provided intelligence to the regime on the activities of the state security apparatus that otherwise would remain unavailable to it.³⁴ This analogy draws on rational actor models of political behavior, in which political actors (in this case, the Bank's Board) must make decisions based on the availability of full information about the range of possible decisions. The Bank is able to

³³ Ibid., p. 3.

³⁴ This is part of the argument of Pablo Policzer's dissertation on the Pinochet regime and human rights groups in Chile. The dissertation, entitled "Police Reforms in Chile During the Pinochet Dictatorship, 1973 - 1990,) is in progress in the MIT Political Science Department.

gain such information through the Panel, since staff are not forthcoming in terms of providing such information to the Board, because there is no incentive to do so.³⁵ The portion of the process that accepts and initially reviews a claim serves a similar function for the Board, even when it does not allow the Panel to pursue an investigation. The question still remains as to why the Board *does* allow an investigation. A major finding is that the same external pressure groups that were central to the Panel's creation are the same ones that must be mobilized to empower it, both through publicizing its findings and lobbying the Board to act independently of Management's pressures and authorizing an investigation. Investigations are more likely to occur when NGOs are able to frame Board behavior in terms that question the Bank's commitment to accountability. Stated in a general way, the existence of a mechanism that serves to establish standards of accountability provides *potential leverage* for pressure groups, which must agitate to transform those standards into *actual leverage* by framing their appeals in terms of challenging an institution's legitimacy. On an empirical level, this is part of this study's general argument.

III. The Claims

3.1 *Institutional Considerations: Task Managers and Social Scientists*

This section will provide a brief empirical account of several claims presented to the Inspection Panel, with an emphasis on understanding the relationship and interactions between the Panel, Bank staff, the Board, and NGOs, and the shifts in the balance of

³⁵ For an in-depth discussion of different conceptual frameworks and their applicability to issues of policy reform, see Merilee S. Grindle and John W. Thomas, Public Choices and Policy Change: The Political Economy of Reform in Developing Countries, (Baltimore: Johns Hopkins University Press, 1991), Chapter 2: "Linking Theory and Practice," pp. 18 - 42.

power among these actors. As in numerous other campaigns that are treated elsewhere in this dissertation, a particular pattern emerges: protest, in this case in the form of complaints and follow-up activities directed at the Bank through the Panel, can strengthen the position of insiders who had advocated for compliance, *vis-à-vis* recalcitrant elements within the Bank. As already noted, claims may serve to generate negative sentiment not only among project managers, but also among some social scientists who see themselves as objects of criticism. It is here that a more nuanced understanding of the relationship between both project managers and social scientists who occupy the same organizational space with respect to the public, and the Panel is necessary. As a monitoring unit, the Panel scrutinizes not just project managers' work, but also social scientists' work, particularly since they generally have a certain level of investment in Bank social and environmental impact policies. Claims call not just general aspects of a project into question, but specific policies, which can focus attention on social scientists in particular. Understood from this vantage point, it is not surprising that some social scientists are wary of the Panel in much the same way as project managers. This analysis also helps explain why social scientists may find it preferable to work *informally* with NGOs without Panel involvement, since the type and extent of scrutiny of their work is much lower, and since they can present themselves more readily as defenders of social and environmental impact policies.

The first claim presented to the Panel, the Arun III dam, was seen as a critical case by both NGO and Bank observers, largely because the manner in which the claim was handled by the Board would likely be an indicator of the level of commitment to the Panel's autonomy and independence.

3.2 *Arun III - A Critical Test Case*

This section will lay out the key turning points in the Arun III claim, along with providing an analysis.

3.21 *The Claim, Claimants, and Content*

On October 24, 1994, the Arun Concerned Group (ACG) of Kathmandu, Nepal, presented to the World Bank's Inspection Panel a Request for Inspection, claiming that the Bank had violated five policies in its handling of the Nepali 201 megawatt, billion-dollar hydroelectric dam, Arun III: Operational Policy/Bank Procedure 10.04: *Economic Evaluation of Investment Operations*; *The World Bank Policy on Disclosure of Information*, March 1994; Bank Procedures 17.50 and 10.00 Annex A; Operational Directive 4.01: *Environmental Assessment*; Operational Directive 4.30: *Involuntary Resettlement*; and Operational Directive 4.20: *Indigenous Peoples*.³⁶ The Request, which claimed harm as a result of a 1989 IDA credit (No. 2029) that funded an access road over the hills to the future dam, proposed a restructuring of the Credit to support an alternative access road through the Arun Valley.³⁷ Bank Management responded to the Panel on November 22, 1994 that it was in compliance with the procedures and policies in question.

3.22 *Preliminary Review*

On December 16, 1994, the Panel presented a memorandum to the Board that outlined its initial findings, that:

³⁶ IPN Request RQ94/1

³⁷ World Bank Inspection Panel, The Inspection Panel Report: August 1, 1994 to July 31, 1996, p. 14.

Clear-cut problems were encountered by IDA in conforming to policies on information disclosure, indigenous people, environmental and social impacts, and involuntary resettlement.

. . . Management's response does not demonstrate that equivalent levels of effort were devoted to alternative economic analyses.

. . . The cost of the project, greater than one year's budget for the Kingdom of Nepal, will have an extensive impact on living conditions throughout the country

. . . . If a more exhaustive study of alternatives is made, it would enable management to deal with the numerous negative side effects encountered by this Panel even if immediate construction of Arun III were the preferred option. The absence of a close examination of alternatives makes it difficult for the Panel to draw more than prima facie conclusions in that regard³⁸

In short, the Panel affirmed most of the claims made by the ACG in its request. The two claims made by ACG for which the Panel did not support investigation were the Economic Analyses of Project Alternatives and the Disclosure of Information Policy. The logic for not taking up the former claim was that the work involved in exploring alternatives was an area that fell under the purview of Bank Management and not the Panel. With regard to the latter claim, the Panel acknowledged that the Bank had not complied with the Information Policy, but concluded that the policy "was evolving so rapidly during the later phases of project preparation that full compliance may not have been feasible."³⁹

3.23 *Internal Dissent*

³⁸ Memorandum from Inspection Panel to Board of Executive Directors, December 16, 1994.

³⁹ Inspection Panel, p. 14.

The issues raised in the Request were not new, but had been the object of intense debate within the Bank before the NGO-led campaign to address problems in the project. Martin Karcher, a division chief in the Energy Department, consistently objected to the project on economic grounds, and also cited the lack of institutional capacity in Nepal to execute such a large-scale dam.⁴⁰ Karcher eventually resigned in protest over the Bank's decision to move the project forward. Other staff in the Energy Department had advanced similar critiques, which were countered with the argument that the risks involved could be adequately addressed.⁴¹ Internal opposition also came from staff in the Central Environment Department. One dissenter, who claimed to have seen "the whole Arun mess brewing for years" repeatedly had been denied requests (for six years) to visit the valley by the task manager (TM) until April 1995, *after* the request for inspection had been filed by the Arun Concerned Group, and *after* the first Inspection Panel trip to Nepal.⁴² (Until the most recent reorganization, which is ongoing, staff from the Center's Environment Department could make field trips to project sites only when authorized to do so by the TM in the appropriate country department.) An informal coalition formed between Bank staff who dissented with operations personnel around Arun III, and environmental organizations. NGOs were instructed about *how* to critique Arun III, which led them to change their focus from the dam itself, to the road leading to it (one

⁴⁰ Interview with Bank staff, 11/14/95. See also Martin Karcher's interview with EDF in August, 1995. Karcher's concerns was that the project would place financial obligations on Nepal that would end up crowding out investments in other critical social sectors such as education and health. The cost of the project exceeded the gross domestic product of the economy.

⁴¹ Ibid.

⁴² Interview with Bank staff, October, 1995. The Panel process empowered the internal reformer. There is no reason to believe that the project manager would have changed his mind and granted this staff person a travel permit in the absence of pressure.

Bank staff estimated that over 90% of the negative impact associated with the project was related to the access road), and on the question of economic alternatives.⁴³ The project's economic problems and opportunity costs had national implications and consequences, and formed a significant part of ACG's critique, which proposed small-scale hydropower projects instead.

The controversy surrounding the project both within and outside the Bank was sufficient enough to override the question of representation raised by the fact that the claim was brought forth by the Arun Concerned Group, most of whom did *not* live in the project-affected area, but in the capital city, Katmandu.⁴⁴ Since the Arun III dam was the first case brought before the Panel, there was a concern on the part of Senior Management, the Board, and the Panel members that the new appeals mechanism be viewed as credible and legitimate. As a result, the claim was accepted, and the controversial question of representation receded in importance, although one Bank staff maintains that the claim did not technically meet the requirements for a request⁴⁵. The acceptance of the claim was also likely assisted by the fact that at the time, the Bank had just published the results of its extensive Resettlement Review (see Chapter 4), which also generated significant debate and discussion and placed additional pressure on the Bank to take radical corrective action. Finally, the Panel had greater overall flexibility and discretionary powers at the time of Arun III. Some informed Bank staff hold the view that during the first claim, there existed within the Bank "structural ambiguity"

⁴³ Ibid.

⁴⁴ Ibid. At least one person, however, was from the area of the dam, and requested anonymity.

⁴⁵ Interview with Bank staff, November 16, 1995.

about the *precise scope* of the Panel's work that created a void, the effect of which was to cede authority to it by permitting recommendations to be made that could be viewed as allowing for the reinterpretation of Bank ODs.⁴⁶ This relates to the issue of whether the Panel serves an administrative review function or as a judicial process, and has been the terrain over which subsequent claims have been contested.

3.24 *Preliminary Review and Management Interference*

While publicly releasing a press statement that "the Panel's recommendation on the Arun III project is clear evidence of the independence of the panel," high-ranking Bank officials worked to re-interpret the findings of the Panel to the Bank's Board, the effect of which was to circumvent and undermine the Panel. On December 20, 1994, the day after the press release, two key events occurred. First, Bank management circulated an internal memorandum to Bank staff that offered its own interpretation of the Panel's recommendations.⁴⁷ There were two blatant instances of misrepresentation of the Panel's findings:

While the Inspection Panel had drawn attention in its initial report to the broad issue of alternative means of meeting Nepal's energy needs, it does not recommend that further work be done on exploring these alternatives .

..

. . . The areas in which the Panel is seeking more information and affirmation of the Bank's compliance with policy are on: Environmental Assessment, Disclosure of Information, Involuntary Resettlement, and the Indigenous People's Plan . . .

⁴⁶ October, 1995 interview.

⁴⁷ Material in this section draws from an Appendix generated by International Rivers Network, released over the Internet on February 24, 1995. The material is drawn from actual Bank memoranda.

The Panel *did* recommend that more research into alternative projects be conducted, but stated that it was not the proper vehicle for such work. Moreover, the Panel *did not* request further information about Bank compliance in the three policy areas, but stated explicitly that violations did exist. One possible effect of such a memorandum would be to give the impression that the Panel's initial findings were less serious than they were, and that therefore, a full Panel investigation was unwarranted. Moreover, the value of requesting more information from the perspective of Management is that it can buy additional time to take corrective action and obviate the need for an investigation.

Second, the Regional Vice President for South Asia, D. Joseph Wood,⁴⁸ presented a statement to the Board that also seemed to distort the Panel's findings and recommendations.⁴⁹ He suggested that the Panel needed more information before it could make an informed recommendation that further investigation was warranted, and asked that Bank management be permitted to provide the necessary information to the Board before it voted on whether or not to allow the investigation to proceed. Moreover, Wood indicated that a full investigation was not necessary, and that Management could address issues in the Arun III project through remedial action. Though there do not seem to be any explicit strictures against the RVP's actions, some NGO groups claimed that they attempted to circumvent the Panel procedures. Senior Management had already been provided with an opportunity to respond to the Panel and was in a privileged position that

⁴⁸ Wood was a key player in the Narmada debacle, and defended the project until the loan was canceled.

⁴⁹ This section draws heavily from a letter written by Lori Udall of IRN and David Hunter of the Center for International Environmental Law, on behalf of several NGOs, to Bank president, James Wolfensohn. The letter is dated July 6, 1995.

allowed its reinsertion into the process, which was and is not the case for claimants.

NGOs took exception to actions it considered clandestine and inappropriate.

If Bank management has information that would respond to or counter a claim or a Panel recommendation, it should not be withheld from the Panel solely for the Board's consideration. Moreover, we question whether it is appropriate for Bank management to speak for the Panel or reinterpret the Panel's findings in statements to the Board, when the Panel has already spoken for itself, both in written memoranda to the Board and meetings with Board members.⁵⁰

In addition to critiquing Senior Management, the NGO letter went on to question the role of the Bank's General Counsel in advancing a "restrictive interpretation" of both the Panel's role and the legitimacy of claimants in a range of cases.

The fact that Ibrahim Shihata, Bank Vice-President and General Counsel responded personally to the NGO letter on July 10, 1995 indicates at the very least a concern with the Bank's public image. Besides his rebuttal of the assertions made by NGOs, what is striking about the letter is the approach to both the Bank as an institution and outside groups that is apparent in Shihata's response. "Bank officials, as you well know, owe their loyalty entirely to the Bank and ought not to be subject to pressure or influence from outside sources."⁵¹ This statement is at variance with the outlook and approach of both NGOs and to an extent, the *mission* of the Inspection Panel, which is to help create an environment in which Bank officials *are* subject to outside influence, precisely in recognition of the institution's impact on millions of people's lives.

⁵⁰ July 6, 1995 NGO letter to President Wolfensohn.

⁵¹ July 10, 1995 letter from Ibrahim F.I. Shihata, Senior Vice-President and General Counsel, to Lori Udall.

Bank Management again inserted itself as an intermediary between the Board and the Panel on January 9, 1995, when the Panel presented an informal note to, and met with the Board.⁵²

At this meeting the Panel was advised that Management had offered to provide detailed project information not included in its November 22, 1994 Response. The Board agreed that Management would furnish the Panel with more information on IDA's actions with regard to the alleged violations of IDA policies claimed in the Request, and following a review by the Panel, that the Board would act on the Panel's recommendations by the end of January.⁵³

One is left to wonder why Management did not include project information that would support its contention that it complied with Bank procedures and policies when it had the opportunity to do so. Had it done so, the process could have been resolved much earlier on. Moreover, Management's actions served to encourage the Board to privilege the former body over the Panel, according the Panel less relevance and authority by doing so. Bank staff close to the case observed that the Board should have responded definitively - either positively or negatively about proceeding - and not requested more information.⁵⁴ Asking for additional information can buy time for project managers to correct problems, thereby eliminating the necessity for a Panel investigation. Considering the criticisms to which the Bank, and especially the South Asia region, had been subject to, there is clearly reason to expect that there was a desire to avoid such an investigation.

Management's response to the claim was released to neither the general public nor to the claimants, which calls into question the transparency of the Inspection Panel

⁵² Inspection Panel Report, p. 15.

⁵³ *Ibid.*, p. 15.

⁵⁴ Interview with Bank staff, November 16, 1995.

process.⁵⁵ The exchange between the Panel and the ACG was filed with the World Bank Public Information Center, but not Management's response. As the July, 1995 NGO letter to President Wolfensohn points out, there is nothing "in the Resolution that prohibits the release of Bank management's response to claims. Moreover, the World Bank's information policy has a policy has a presumption in favor of disclosure, in the absence of a compelling reason not to disclose."

Management provided the Panel with further documentation supporting its claim that it was in compliance with IDA policies and that it was taking appropriate steps to ensure it. These efforts did not change the initial recommendations of the Panel, which presented the Board with a memorandum on January 20, 1995 to that effect. Part of the Panel's conclusion was that

with regard to [alternative] economic analysis, the application of the relevant policies by IDA to Arun III generates continued concern on the part of the Panel, particularly in light of additional information provided by management. It also believes that an investigation of environmental risks-environmental assessment, involuntary resettlement and indigenous peoples issues - would shed useful light on the overall economic analysis, as called for in operational policies on the latter. (Inspection Panel Report, , pp. 15 - 16.)

On February 2, 1995, after significant delays because of Management's efforts to stop the claim from moving forward) the Board issued a press release announcing its approval to allow the Panel to conduct an investigation into the three areas originally recommended by the Panel, and stating that their work would proceed only after the Nepalese Government indicated its intentions to request Bank funding of the project,

⁵⁵ This has since changed. Management is now required to release its response to the public within a certain period of time.

which it did in March. The ACG wrote the Bank Board on February 22, 1995 and expressed its disappointment that the Board had not authorized investigation of economic analysis, public participation, and information disclosure, and that the decision of Nepal should not stop the process.⁵⁶ Ironically, the ACG's critique focused on the questions of economic analysis and alternatives, precisely the areas removed from the scope of the investigation. Moreover, the letter took exception to what it viewed as an effort by the Bank to pressure Nepal into decided on funding before the investigation, as opposed to having the opportunity to review the investigation's results before making a final decision. In short, outside groups viewed Bank Management and the Board as obstacles to a truly transparent and accountable process, all efforts designed to protect the Bank and minimize its exposure to scrutiny.

3.25 The Investigation Process

While waiting for the decision from the Government of Nepal⁵⁷, the Panel developed a work plan that divided the investigation into two components: a desk assessment and a field component, both to take place in five phases. They included:

- (1) research of project files and Bank documentation and other available information
- (2) meetings with Bank staff, Nepalese officials, NGOs, project-affected people, and claimants
- (3) interviews with Valley people affected by Arun III
- (4) visit to project sites and examination of environmental assessments
- (5) procuring of Nepalese consultants to advise the Panel on issues

⁵⁶ Letter from ACG to Board, February 22, 1995, available on the Internet.

⁵⁷ The Government of Nepal requested IDA assistance.

concerning environmental assessment and indigenous peoples.⁵⁸

After receiving notification from Management that Nepal was proceeding with the project, the Panel requested a report from Management. On March 31, 1995, the Panel's note to the Board regarding the investigation concluded that because of Management's commitment to take steps to bring the project into compliance, it would delay its investigation. (Inspection Panel Report, p. 17.)

3.26 Investigation Results

In June 1995, after two Panel members had visited the project sites in the Arun Valley and conducted interviews with residents, the Panel issued its report to the Board and to the President. It concluded that

based on its assessment of the proposed remedial measures the Panel concludes that IDA is moving towards and intends to comply in substance with the requirements of the three operational directives [and that the] specific remedial measures proposed by management of the Bank appear to be adequate as long as they continue to be consistent with the specific operational directives and appropriate follow-up mechanisms are introduced." (Inspection Panel Report, p. 17.)

It also added that the Bank should address the issue of whether the proposed steps "could be implemented in the time frame proposed for construction of the project taking into account the existing institutional capacities in Nepal."

On the face of it, this issue may not seem important. It should however, be placed in the context of a broader understanding of the relationship between project construction and the provisions for project-affected populations. If the project moves forward without

⁵⁸ "Investigation: Nepal Proposed Arun III Hydroelectric Project - Initial Work Plan," taken from the Internet from the Inspection Panel's Web Site.

properly synchronizing implementation of, for example, resettlement and rehabilitation, then the level of project-related hardship may increase. This has been a persistent problem that has characterized Bank operations in the past, including well-known cases such as the Lesotho Highlands Water Project and Narmada dam, both of which proceeded without adequate provisions for the implementation and supervision of the resettlement components. Numerous reports exist of people stranded or fleeing amidst rising dam reservoir waters, largely because operational directive implementation was accorded insufficient attention and resources. The earlier on in a project that these issues are addressed, the more likely it is that the project will continue without the need for extensive remedial, or retrofitting action.⁵⁹ Moreover, in contrast to Management's insistence that the Panel was satisfied with the Bank's work on economic aspects of the project, the statement also registered "concern about the lack of equivalent levels of effort devoted to alternative economic analysis particularly in view of the size and sequencing of the proposed project in relation to the overall economic and institutional framework of the country."⁶⁰

3.27 The World Bank's Response

Senior Management had six weeks to respond to the Panel's report and to provide recommendations to address the findings. In late June, after months of intense, high-publicity campaigning around the dam, Nepali activists and international NGOs secured a

⁵⁹ This observation is confirmed throughout the Resettlement and Development report.

⁶⁰ Inspection Panel Report, p. 17.

meeting with high-level Bank staff and Executive Directors to discuss the project.⁶¹

Washington-based NGOs also engaged in consistent and steady lobbying not only of relevant Bank staff, but also other donors who had been either committed to or had been considering funding Arun III. These efforts resulted in the withdrawal of German and Japanese bilateral assistance for the project.

To the surprise of many Bank staff and management alike, Bank President Wolfensohn announced to the Board on August 2, 1995 that he decided to cancel plans to implement Arun III dam. Without providing any details of Management's recommendations, the Bank president affirmed IDA's continued interest and support in assisting Nepal to develop other options to meet its demand for power, and thanked the Inspection Panel for its work.

3.28 Arun III and the Inspection Panel - An Evaluation

The Panel served several critical functions in the Arun III claim process. 1. It provided a forum for the Bank to publicly acknowledge and respond to allegations of policy violation. 2. It provided access to project files and affected people to parties that were disinterested, which legitimated the Panel in the eyes of outside groups. 3. It provided credibility to some of the claims made by ACG. 4. It offered an additional point of leverage for external groups in their search for accountability mechanisms. 5. It created more space for Bank staff who did not approve of the Bank's handling of the project, strengthening, for example actors in the Center Environment Department.

⁶¹ June 20, 1994, "Nepal: World Bank Agrees to Listen to Activists," by Binod Bhattari; document distributed through the APC networks.

The fact the Panel was allowed to investigate the claim at all was due in part to the role of external protest and the specter of the US Congress and US Treasury, which held the purse strings and had linked IDA replenishment to the creation and *functioning* of the Panel. Because of the public outcry, the Panel, Board, and even senior management, were flexible, and the Panel accepted the claim. The technical aspects of the claim were themselves contested and thereby defined politically. Although some Bank actors asserted that the claim technically did not meet the criteria, the Panel recognized that rejecting it would call into question its own credibility.⁶² One staff even said, “The Inspection Panel frightened the Bank,” leading it to take the political problems associated with Arun III more seriously.⁶³ Those calling for analysis of Arun III and of the Bank’s actions more generally also benefited from the ascension of new Bank president, James Wolfensohn, who repeatedly expressed his commitment to reform. Upon his arrival at the Bank, concerned NGOs flooded his office with letters voicing opposition to Arun III. Wolfensohn made quick and surprising use of his honeymoon period by unilaterally deciding to cancel the project, angering some in the Bank, and pleasing NGO critics.⁶⁴

The Arun III claim process no doubt was assisted by the institutional uncertainty that characterized that period in the Panel’s evolution and development. It was the first claim in a setting in which the rules were not clearly defined, nor the stakes thoroughly understood. After nine additional claims, however, the process has become known,

⁶² This account draws heavily on an interview conducted with a Bank staff in October, 1995.

⁶³ October 1995 interview with Bank staff.

⁶⁴ Jonathan Fox makes this point in “The Politics of the World Bank,” *op. cit.*, pp. 1 - 2.

regularized, and more certain, allowing status quo elements to regain their balance and act to limit the independence of the Panel. The following sections will show that the Board has achieved some success in constraining the Panel.

3.30 The Planaflo Claim - The Panel as Monitoring Unit, and not Investigator

As noted in Chapter 5, the World Bank funded the Rondonia Natural Resource Management Project (Planaflo) to correct problems that stemmed from a previous Bank-assisted project, Polonoroeste.⁶⁵ The \$167 million loan is designed to provide an agro-zoning plan that takes into account environmental and indigenous peoples' issues, including the demarcation of their lands, the provision of health and education services, environmental protection and education, socio-economic and ecological zoning, promotion of agroforestry systems, and the creation of extractive reserves for forest users. The project's objectives are supported by a wide range of both affected parties and NGOs both within and outside Rondonia.

The concerns expressed in the 1995 claim to the Panel are not new, but have their roots in an earlier period, during which time the NGO Forum of Rondonia and the Rondonian state government signed a "Protocol of Understanding" (in June 1991) to establish forms of participation in the Planaflo program. In 1994, the Forum wrote to the Bank, urging it to address some of the very problems that eventually formed the basis of the 1995 claim.

The Forum . . . argues that the World Bank has demonstrated a "surprising lack of concern about serious problems that have arisen in the implementation of PLANAFLO, even when such problems have

⁶⁵ See Margaret Keck, "Planaflo in Rondonia: The Limits of Leverage," in Jonathan Fox and L. David Brown, editors., *op. cit.*

implied non-compliance with the project's contractual agreements." It concludes that "interests in the approval and disbursement of World Bank loans, among government and within the Bank itself, have taken a higher priority than needs to guarantee the effective implementation of projects. .

⁶⁶

The Forum requested that the Bank suspend project loan disbursements until implementation problems were resolved, which the Bank did not do.

In the summer of 1995, Friends of the Earth Amazonia and the Rondonia NGO Forum on Planafloro filed and published a claim to the Panel on behalf of twenty-five Brazilian organizations representing rubber tappers, indigenous peoples, and environmental NGOs. The claim charged that important project elements, such as the demarcation of territories for both rubber tappers and indigenous groups, had been neglected as a result of the Bank's failure to comply with its loan conditions and policies in its agreement with the state of Rondonia and Brazil.⁶⁷ Specifically, the claim alleged violations of the Bank's policies governing wildlands, forestry, indigenous peoples, and accounting, auditing, financial reporting, project supervision, use of consultants, suspension of disbursements, borrower compliance with audit covenants, and NGO participation. A question that has emerged in the Planafloro, as well as in other claims is: what are the parameters of Bank compliance? When has the Bank "done enough"? For example, a Bank staff close to the Planafloro case provided a sympathetic perspective, commenting that while the Bank did consult with various stakeholders (compliance with the participation policy), these meetings were insufficient.⁶⁸ For example, indigenous

⁶⁶ July 5, 1994, See "Alert: World Bank/Planafloro/Brazil," by NGO Forum of Rondonia, Brazil, p. 3.

⁶⁷ See Planafloro Claim and CIEL, "World Bank Inspection Panel," on World Wide Web, p. 2.

⁶⁸ October 1, 1997, interview with Bank staff.

groups affected by the project *are* different from other groups, and maintain traditional, political leadership structures and are pressed to form other types of organizations to participate in Planaflo, which are alien to them.⁶⁹ As a result, *different* kinds of meetings between Bank staff and indigenous groups are required, beyond what is required by policies.

Management responded by both acknowledging the validity of some of the issues raised and questioning the claimants' eligibility. It stated that there was no clear evidence of harm resulting from Bank policy non-compliance, and that some of the policies alleged to have been violated did not exist during the planning stage. After asserting that problems in the project resulted from the slow pace at which it was moving forward, and not from any Bank inertia or wrongdoing, Management generated an Action Program to address areas of concern.

In recommending a full investigation on August 17, 1995, the Panel cited material secured from research both within the Bank and at the project site and concluded that it "is not convinced that there has been full compliance with the relevant policies and procedures. It was also not convinced in the instances where Management admitted failures, that proposed remedial measures would be adequate for compliance with the relevant policies and procedures."⁷⁰ The Board delayed its decision about Planaflo in mid-September 1995 and instead requested that the Panel undertake additional research and supply it with more information to further substantiate its recommendation for an investigation.

⁶⁹ Ibid.

Through “informal channels,” the Rondonian NGO Forum gained access to Management’s confidential Response, prompting it to submit a letter to the Board that responded in detail to the document.⁷¹ Not surprisingly, the NGO response challenged most if not all of Management’s defense of Bank actions and commenting that “the confrontational posture of Management and the politicization of decisions by the Executive Directors threaten[ed] the effectiveness and independence of the Panel.”⁷² The Forum also cited the positive development of “improved Bank supervision“ of Planaflo that it believed resulted from the filing of the claim.

The Board met on January 25, 1996, at which point it analyzed both the Panel’s findings from its Additional Review (dated June 16, 1995), Management’s report on the project’s current status, and the Bank-Government of Brazil Action Plan.⁷³ “In light of this action plan and the follow-up now underway, the Executive Directors concluded that it [was not] advisable to proceed with the investigation as recommended by the Panel.”⁷⁴ Numerous Executive Directors did find merit in the Panel’s recommendation,⁷⁵ but concluded that proceeding could negatively affect steps taken to implement and improve

⁷⁰ “Recommendation of the Inspection Panel: Rondonia Natural Resources Management Project,” p. 2.

⁷¹ See October 19, 1995, “Inspection Panel/PLANAFLORO - response,” submitted by Forum of NGOs and Social Movements in Rondonia, Brazil, to Mr. Ernst-Gunther Broder, Chairman, the Inspection Panel, World Bank.

⁷² Ibid., last page of posting.

⁷³ The Inspection Panel: “Request for Inspection: Brazil - Rondonia Natural Resources Management Project Loan,” dated January 25, 1996, p. 1.

⁷⁴ Ibid., p. 1.

⁷⁵ Particular evidence cited that led to substantial support for an investigation includes: failure to enforce project timetables and loan covenants; failure to incorporate lessons of experience in project design and OED’s findings, and; implementation lags that increased the rate of degradation of demarcated areas and proposed reserves. Ibid., p. 2. The US Executive Director favored an investigation and recognized that what was at stake extended beyond Planaflo-related issues, and included the issue of “demonstrat[ing]

the project; and that there would be “little value added” to a six-month long investigation.⁷⁶ Rather, the Board invited the Panel to participate in the review of project implementation while several Directors, including Brazil’s, “argued forcefully against any further involvement of the Panel,” though he eventually supported a review role for the Panel.⁷⁷ Moreover, President Wolfensohn made a series of commitments to the Board:

to report to the Board on the progress in reaching benchmarks and timetables in the remedial Plan of Action;

to assess the implications for the project of new legislation regarding Amerindian Lands (NGOs have raised concern that this legislation is inconsistent with the project);

to complete the independent mid-term evaluation (due in March) and end it to the Board and the Panel; and

to ensure that there is adequate consultation with affected communities and NGOs on the plan of Actions . . .⁷⁸

In January 1997, the Board requested that the Panel review the 18-month progress on Action Plan implementation, to which the Panel responded in April 1997. The Board accepted its findings.

The findings recognize progress during the last year in the supervision and administration of the project, particularly those resulting from the shift of Bank oversight to field offices in Brazil. The report notes that, after a delayed start of the project, “with Bank assistance significant improvements have taken place in PLANAFLORO administration at the technical and accounting as well as the managerial level.”

that we are serious about being responsive to outside concerns and to strengthening project performance and development impact on the ground.”

⁷⁶ January 25, 1996, internal Bank memorandum, p. 1.

⁷⁷ Ibid, p. 1.

⁷⁸ Ibid., p. 1.

It notes, however, that deforestation has continued at high historical levels, nearly 450,000 hectares per year, and recommends ongoing monitoring and control of land clearing as a priority of the project. The report notes the continuation of illegal timber cutting and settlement in protected areas, and urges effective enforcement action against this infringement of defined borders. It also finds little progress in implementing a sustainable health plan for indigenous people. Despite these problems, the review noted that the local people affected by the project consider its continuation preferable to ending World Bank involvement.⁷⁹

The project is still an object of NGO critique and pressure.

From an institutional position, the Board's decision to delay a vote and require further information from the Panel provided Management with additional time to take corrective action and to comply with Bank policies and procedures. This decision provided the Board with a mechanism through which to protect the Bank from charges of wrongdoing since the Action Plan purported to address the allegations of non-compliance and would be implemented during the period in which the Panel collected additional information. While the Panel's review did acknowledge improvements, it also referred to a number of persistent problems, many of which formed the original basis of the claim. From the point of view of the claimants, the filing of the claim and the Panel's review of project progress served to maintain pressure on the Bank to improve project supervision and implementation.⁸⁰ For example, the Panel consulted with various stakeholders and developed a series of changes that the Bank accepted, which, though less than they would have been able to accomplish had a full investigation been authorized, still led to some improvements.⁸¹ While these gains are valuable in terms of improving project quality on

⁷⁹ April 10, 1997, "Inspection Panel Finds Mixed Results in Brazilian Amazon Project," pp. 1 -2 .

⁸⁰ See CIEL "Update on the Rondonia Inspection Panel Claim," September 13, 1995, p. 1.

⁸¹ Ibid.

the ground, they do raise questions about the Board's role in constraining the Panel. An investigation may have yielded evidence of policy non-compliance, and also substantially increased pressure for greater accountability, since a benchmark would have been established. The Board's decision to not allow an investigation is a "loss" for NGO critics of the Bank who see the claim process, Board, and Management responses as indicators and tests of Bank accountability and transparency. From the vantage point of the project-affected population, any improvements in project implementation are valuable, though their degree is relative and most likely will continue to be connected to effective pressuring of the Rondonian government, both directly, and through the World Bank. In the Planaflo case, the emphases of actors within the claims coalition emerge - for those in Brazil, the immediacy of the project is key and the Panel process is a means to an end, while for northern NGOs, Planaflo serves as a case study to test the Bank's commitment to its policies. Given the politics associated with the Board's decision, the Panel's role as *reviewer* and not *investigator* did reduce its capacity to hold the Bank accountable, despite gains made.

3.4 Yacyreta - "A Review and Assessment," but Not An "Investigation"

3.41 The Request and Its Contents

On September 30, 1996, the Inspection Panel received a Request for Inspection from SOBREVIVENCIA - Friends of the Earth, Paraguay. Much like the case of Arun III, there was no real "campaign" to speak of on the ground, but rather a small number of people active in the process.⁸² The group filed on behalf of people affected by the

⁸² Interview with NGO activist, 10/3/97.

binational Yacyreta dam, which was funded by the IRBD and the IAB.⁸³ Specifically, the Requesters claimed injury resulting from Bank violations of the following procedures and policies: *Environmental Policy for Dam and Reservoir Projects* (OD 4.00 - Annex B); *Environmental Assessment* (OD 4.01); *Involuntary Resettlement* (OD 4.30); *Indigenous Peoples* (OD 4.20); *Wildlands* (OPN 11.02); *Supervision* (OD 13.05); *Project Monitoring and Evaluation* (OD 10.70); *Suspension of Disbursements* (OD 13.40); *Cultural Property* (OPN 11.03); and *Environmental Aspects of Bank Work* (OMS 2.36).⁸⁴

These alleged policy violations are associated with a number of specific adverse socioeconomic and environmental impacts. Included in the former category are: loss of livelihood, jobs, and relocation to poor quality housing; loss of earning capacity for those involved in laundry services and baking; and great distances between resettlement sites

⁸³ Located on the Parana River on the border between Argentina and Paraguay, the 67 km long dam is projected to produce 2700 megawatts of power upon completion. The World Bank loaned \$895.1 million to the government of Argentina to finance the dam, while the IAB has loaned about \$840 million. The project involves a number of loans: Loans 1761-AR/\$210 million (Yacyreta Hydroelectric Project approved in FY80), 2988-AR/\$252 million (Electric Power Sector Project approved in FY89), 3281-AR/\$100 million (Water Supply and Sewerage Project approved in FY91), 3521-AR/\$20 million (Flood Rehabilitation Project approved in FY93). Loan 3520-AR/\$300 million (Second Yacyreta Hydroelectric Project), approved in September 1992, and another \$146.6 million loan in August 1994, went to fund an environmental protection and resettlement plan. Finally, in February 1995 the Bank authorized a \$46.5 million loan to the Government of Paraguay (Loan 3842-PA). For an anthropological perspective on the Yacyreta dam and its failure to positively affect the population, see Gustavo Lins Ribeiro, *Transnational Capitalism and Hydropolitics in Argentina*, (Gainesville: University of Florida, 1994).

⁸⁴ The Inspection Panel, IPN Request RQ96/2, October 1, 1996, Notice of Registration, "Request for Inspection - Argentina/Paraguay: Yacyreta' Hydroelectric Project," p. 1. A claim was also filed by the group with the Inter-American Development Bank (IDB). The SOBREVIVENCIA claim specifically focused on the human and ecological damage associated with the filling of the reservoir. A document entitled: "IDB Independent Investigation Mechanism and the Case of Yacyreta: Talking Points for NGOs I Barcelona March, 1997," summarizes the substance of the results of the reservoir filling as follows:

water pollution sanitation hazards, and contamination of groundwater; flooded farmland and wildlands; displaced wildlife; disrupted fish migration and reduced fishery resources upon which local populations depend. Moreover, the complain alleges that the dam has resulted in a loss of jobs and livelihoods for the affected people; disrupted communities and neighborhoods; and increased health problems. It notes that many of those citizens already resettled have received inadequate housing, far from their places of work.(p. 1.)

and former employment sites, leading to increased transportation costs.⁸⁵ Alleged environmental damages are that the filling of the reservoir: ruined crops, flooded and destroyed ecosystems, island communities, farmlands, and wildlands; affected biodiversity and fish migration; and caused water stagnation and public health problems.⁸⁶

At issue in the claim is the question of what the Bank's obligations are to address problems, some of which occurred years before the adoption of various social and environmental impact policies. One Bank staff connected with Yacyreta admitted that it is not clear what the institution's obligations are.⁸⁷

3.42 Management Response

Before addressing the substantive concerns raised in the Request, Management Response questioned the eligibility of the Requesters, asserting that the fact that the claimants, who are in Paraguay, are responding to a loan made to the Argentine government, rendered them ineligible to file. Still, Management acknowledged "pragmatic interest in applying the Board Resolution flexibly on this point."⁸⁸ The second eligibility issue concerned the standing of Sobrevivencia and the legitimacy of the organization filing not only on behalf of the communities in Paraguay affected by Yacyreta, but also on behalf of itself. Finally, Management claimed that the anonymity

⁸⁵ See "Report and Recommendation of the Inspection Panel: Argentina/Paraguay Yacyreta Hydroelectric Project," p. 2, December 24, 1996, hereafter referred to as "IPRR - Yacyreta."

⁸⁶ *Ibid.*, p. 2.

⁸⁷ October 2, 1997, interview with Bank staff.

⁸⁸ "Argentina Second Yacyreta Hydroelectric Project Request for Inspection: Management Response," p. 1, known hereafter as, "Management Response."

of people represented by Sobrevivencia constrained its capacity to address the full range of issues raised in the Request.

After affirming the overall soundness of the project and the value of the Bank's involvement in it, Management Response offered its main points:⁸⁹

that the project should still be completed despite the changes in the economic realities of it

that adequate provisions for environmental mitigation and resettlement (prior to reaching the reservoir level of 76 masl) exist, except for "some pending matters which are being addressed through appropriate financing and supervision"

that the impacts expected when the reservoir level rises above the current 76 masl have not happened, but will be anticipated through legal covenants

that lack of adequate counterpart financing has not caused negative impacts

that the delay in raising the reservoir's level is related to the Bank's monitoring to enforce policy compliance.⁹⁰

The substance of the responses to the individual charges falls into three basic categories - that Management "does not agree with these assertions"; "does not agree with the statements made," and; "does not agree with the basic premise". For only one charge did Management offer a clear, unqualified affirmation of its legitimacy - that variations in the water table levels on the Paraguayan side have been inadequately assessed.⁹¹ In other cases, there is at best a partial acknowledgment of the Requester's claim, with an

⁸⁹ The goal of outlining the claims and response is not to undertake a close analysis of the specific issues involved, but rather, to shed light on the political dynamics that emerge.

⁹⁰ "Management Response," p. 4.

⁹¹ Ibid., p. 20.

explanation that ultimately reduces or invalidates it. At one point in the Response, it states, “We do not agree that the problems which have occurred and their possible consequences for the local population are the result of any alleged Management violation of the Bank’s policies and procedures.”⁹² When there is an issue that seems to illustrate policy/procedure violation, the Management response is to place the responsibility with the borrower, with references made to “budgetary constraints,” “administrative bottlenecks,” and delays resulting from “Argentina’s economic and political difficulties throughout the 1980s and the consequent problems of project finance.”⁹³ Finally, the Response outlined its plans for supervision of the project’s construction and the associated disbursements of remaining funds.

3.43 The Report and Recommendation of the Inspection Panel and the Question of Bank Obligations.

Upon receiving Management’s Response, the next step of the Panel is to determine the Requesters’ eligibility and the adequacy of Management’s Response.⁹⁴ The results of this two-step process are summarized in the Panel’s Report and Recommendation, which provides the basis for this section.

The Panel’s first step was to conduct a field visit to the project area in order to explore the eligibility question and to evaluate Management’s Response. The Panel affirmed the legitimacy of the Requesters, verified the identity of the unnamed Requesters, and confirmed the claimants’ assertions of material harm. The 1200 ceramic workers at the project site who relied on the clay found under water for their livelihoods

⁹² Ibid., p. 3.

⁹³ Ibid., p. 6.

were adversely affected by the project, and were improperly deemed ineligible for compensation by Entidad Binacional Yacyreta (EBY), the project authority.⁹⁵ The issues that emerged in connection to the brickworkers clearly illustrates one of the main sources of disagreement between NGOs and the Bank, and between the Panel and the Bank - that of Bank responsibility.⁹⁶ At issue is not just the extent, but also the *quality* of the Bank's compliance with the rehabilitation portion of the forced displacement policy.⁹⁷

Brickmakers lost their high-quality clay deposits as a result of the dam, and needed to find new deposits so that they would not experience loss of economic livelihood. Once the deposits were found, it became clear that they were inferior in quality to the brickmakers' previous clay source. Had the Bank fulfilled its obligations at that point? Whether or not it had, it continued to assist in the economic rehabilitation of the group. The next round of conflict involved dividing areas with clay deposits among affected families. The initial proposal, which involved the development of an association to govern the distribution and use of clay, was eventually rejected in favor of a new proposal to hold a lottery to determine selection of clay deposits. The Bank agreed to support the initiative, though it cautioned that the scheme was risky, and could leave some ceramic workers without access to clay. Seventy-one percent received clay, and the rest did not. With Bank assistance, new houses were built, along with supporting infrastructure, and the provision of food support for six months to allow the brickmakers

⁹⁴ IPRR - Yacyreta, p. 3.

⁹⁵ Ibid., pp. 4-5.

⁹⁶ October 2, 1997. This account is based on an interview with Bank staff involved with Yacyreta.

⁹⁷ The Bank's Resettlement Review was not able to document a single case in which those forcibly evicted had their living standards restored.

to adjust to their new locations. Over time, productivity of these ceramic workers declined, as the clay eventually proved unsuitable. With further Bank support and technical assistance, a new plan emerged that involved the securing and distribution of capital equipment used to gather clay and sell related services. Over time, conflict ensued among the ceramic workers over the use of the equipment.

Why is this story important? From the point of view of the Bank staff who recounted it, it is important because it documents good faith efforts on the part of the Bank to provide every opportunity for rehabilitation of the affected population. When the Inspection Panel visited the area, however, it witnessed disagreements between and among brickmakers over the capital equipment that was purchased as a result of the last scheme supported by the Bank. There is also the case of those resettled to urban areas. This population received new housing, but must now pay for transportation to reach their places of employment, a situation commented upon by the Panel during its visit, along with the suggestion that the Bank was obligated to do something. The Panel's critique, from the perspective of the Bank staff interviewed, was based on what it observed during its visit, without reference to previous Bank-supported initiatives to comply with the rehabilitation portion of the resettlement policy.⁹⁸ The question for Bank staff working on these issues is: What are the criteria by which compliance is measured, given a story such as the one recounted here? When has the Bank done enough? What kind of judgment should be rendered about the story recounted? Is the glass half-empty or half-full? In this instance, it is possible to see why some social scientist staff do not welcome

⁹⁸ October 2, 1997, interview with Bank staff.

the involvement of the Panel - *their* work is placed under the same microscope as that of project managers. Social scientists' perception of their institutional place changes in the presence of the Panel. The criteria used by social scientists to evaluate their project manager colleagues are the same ones used by the Panel to evaluate not just operations staff but policy (social scientists) staff as well.

In addition to witnessing problems with this population, the Panel also confirmed the existence of public health hazards with evidence provided by the presence of slaughterhouse waste, raw sewage, contaminated drinking water wells, and occluded latrines.⁹⁹ Placing these examples of material harm in the context of internal warnings issued by internal Bank staff working on environmental issues illustrates *another* pervasive pattern of intra-Bank relations between social scientists and project managers. Written two years (in June 1996) after the reservoir filled to 76masl (meters above sea level), the memorandum highlighted the very issues raised by the Requesters, in particular those relating to construction and the completion of resettlement and environmental components:

The situation is serious, in that the Bank "no objection" to filling the reservoir to elevation 76 meters was conditioned upon the agreement that all pending environmental and resettlement actions, which were not complete at the time of the reservoir filling, would be completed in the course of 1995. The necessary resources to complete the resettlement and environmental pending actions for elevation 76m have not been provided, despite repeated Bank reiteration of the same request and repeated borrower representations of an intention to do so.¹⁰⁰

⁹⁹ Ibid., pp. 4-5.

¹⁰⁰ Ibid., p. 6.

This occurrence - that of upper level Bank staff ignoring and/or undervaluing (generally social scientist) staff-issued warnings of worsening project conditions - is common, and is found in a broad range of Bank-assisted projects. What distinguishes instances that involve the Panel from those that do not, is the fact that the Panel is able to gain access to such information. In other cases, such information has been publicly disseminated through leaks, through research undertaken by NGOs, or not at all. Based on initial field-based observations and the memoranda, the Panel's recommendation goes on to conclude that "[w]ithout a more detailed study - that is only possible in the context of an investigation - it is difficult to understand how the imbalance developed between progress in civil works and the REMP was allowed to grow without an effective response from Management."¹⁰¹

While the Panel's response attempted to give Management the benefit of the doubt by suggesting that further investigation may explain Bank inaction, it is clear that certain questions are embedded in it. Why did Management not respond to the concerns raised by its own staff? Internal policy staff clearly have an interest in reporting such information in an effort to improve Bank compliance and performance. The obvious, if naive question is: Why wait for NGO critiques that may focus on the very same issues raised by internal staff? What is clear is that the Panel has played a critical role by providing a mechanism through which to both divulge previously confidential information, and to provide a forum for, and in certain cases, to legitimate concerns raised by outside group.

¹⁰¹ Ibid., p. 6.

The Panel's report is not the only independent document that raised these concerns. Operations Evaluation Department (OED), which questioned the Bank's failure to use available legal means to encourage compliance, raised questions about Bank performance, as well. A Performance Audit Report for two Yacyreta loans states that:

the Bank accepted repeated violations of major covenants (para 31) and; adds that:

[c]ovenanted actions are a precarious way to ensure the viability of a financing plan in light of the Bank's willingness to 'accommodate' non-compliance and the added difficulty of stopping a large unitary project once it has reached a stage of implementation. (para. 39).¹⁰²

It is not clear what value such legal remedies and agreements have if there is an unwillingness to enforce them. Given the Panel's affirmation of harm as a result of Bank staff's failure to enforce policy compliance, Management's response that "persuasion" functions to encourage compliance does not seem credible.

The Panel's desk assessment focused on two particularly serious allegations of policy violation, but stressed that there were numerous others that merited further investigation.¹⁰³ The first has already been discussed (filling the reservoir to 76 meters and sequencing that with agreement on resettlement and environmental actions)), and the second is related, concerning the harm resulting from this non-linkage. A third relates to the existence of proper resources to finance and execute the environmental and resettlement aspects of the project. While the Request noted that the Environmental Trust Fund to support these activities "has been neither established nor properly funded,"

¹⁰² OED Performance Audit Report No. 15801 on Loans 1761-AR and 2998-AR. secM96-916, August 19, 1996, cited in IPRR, p. 7.

¹⁰³ One concerns supervision.

Management claimed in the section entitled “Pending Actions” that the funding and timeline are both in place, with these steps to be completed no later than December 1997.¹⁰⁴ The Panel confirmed that the actual Trust Fund was not established, but that a receiving account for REMP execution did, though “the GOA[‘s] contributions to EBY were reduced and later on ceased, the account [having] “lost its purpose.”¹⁰⁵ It seems plausible that a negative impact on the REMP resulted from this.

In response to the Request’s claim that harm resulted from the Bank’s failure to link the REMP to construction to 76 masl, Management asserted that policy violations did not *cause* that harm.¹⁰⁶ The Panel’s response affirms the Request’s claims, and:

. . . observes that both the Resettlement and Environmental policies require an **appropriate sequence of actions** to prevent harm to both potentially affected populations and the environment. The sequence of actions in this Project - designed for masl levels 76, 78 and 83 - was allowed to slip badly when counterpart funding became unavailable and when an eventual privatization became an option to fund Yacyreta.

. . . Even though Management has addressed the complaints, the Panel is not convinced that there has been substantial compliance with the relevant policies and procedures.¹⁰⁷

In short, the Panel found sufficient evidence to support allegations of policy and procedure violation to recommend that the Board authorize an investigation.

3.44 Conflict, Compromise, and Consensus: NGO Lobbying¹⁰⁸, and the Board Decision

¹⁰⁴ IPRR, p. 7.

¹⁰⁵ Ibid., p. 8.

¹⁰⁶ Ibid., p. 6.

¹⁰⁷ Ibid., p. 6.

¹⁰⁸ Much of the following account relating to the role of NGOs in lobbying the Board and meeting with upper-level Bank Management was related to me by an eyewitness NGO activist, and confirmed by another NGO activist who participate in the process.

NGOs inserted themselves into the Yacyreta claim process as much as they could - through meetings with Executive Directors, Bank staff, and even the Regional Vice-President for Sustainable Development, Ismail Serageldin.¹⁰⁹ At that meeting, which occurred before submission of the claim in September 1996, some of the issues raised by Sobrevivencia in the claim were discussed with both Serageldin and XX, a Bank resettlement specialist who had visited the project site. In the course of this particular meeting, the claim made by Sobrevivencia that there were problems with fish migration and biomass removal were countered by the resettlement specialist, who claimed otherwise. As a sign of good faith, Serageldin suggested that a supervision mission visit the project area and focus on the problems raised in the discussion, and the resettlement specialist agreed to go. For whatever reason, the resettlement specialist never went, and the claim was filed.

It quickly became clear that the Bank's Board was having a difficult time coming to a decision about whether or not to authorize an investigation. NGOs¹¹⁰ made a special effort to lobby certain Executive Directors and explain the importance of the claim, framing their argument in favor of investigation in terms of accountability and legitimacy. In other words, outsiders were scrutinizing the Board's actions and would view its decision as a "barometer reading on the accountability of the Bank," especially since all other claims besides Arun III had been denied.¹¹¹

¹⁰⁹ Interview with NGO activist who was present at this meeting - October 3, 1997.

¹¹⁰ NGOs active in the Yacyreta claim include: Bank Information Center (BIC), Friends of the Earth-Paraguay, and Center for International Environmental Law. The first and last organizations are based in Washington, DC.

¹¹¹ Interview with NGO activist, October 3, 1997.

For example, one letter submitted by program directors for Environmental Defense Fund, National Wildlife Federation, Friends of the Earth, and Sierra Club states what they “believe to be at stake” with the Yacyreta claim:

A decision on February 6 to reject the Panel’s recommendation [to investigate] would raise the most serious questions concerning the Bank’s ability, under its current structure, to learn from mistakes, to investigate transparently and independently claims of policy and procedural violations from people affected by its projects. We believe it could have major repercussions for the perceived effectiveness of your efforts to promote reforms in the institution.¹¹²

Another letter to President Wolfensohn, written by staff of the Center for International Environmental Law (US) stated that

[t]o deny an inspection of this claim would deny the claimants the fair hearing they seek and would undermine the credibility and utility of the Inspection Panel as a forum to which directly affected local people can turn for impartial review. If a claim as strong and compelling as that presented in Yacyreta is turned away by the board it may be difficult for NGOs to continue to support the Panel Process. We consider the Yacyreta claim to be an important test of both the Inspection Panel process and the Board’s commitment to reform.¹¹³

In addition to writing letters and meeting directly with the US and European - or Part I EDs - Washington, DC-based NGOs mobilized their European networks and had NGOs based there to request that the Executive Directors authorize an investigation.

By the time of the February 6, 1997 Board meeting, the issues had become highly politicized. Before the Board meeting, there had been “lobbying by NGOs, heated discussions between Executive Directors and among their staffs, and an eleventh hour

¹¹² Letter from Bruce Rich of EDF; Barbara Bramble, NWF; Larry Williams, Sierra Club; and Andrea Durbin, FOE, to President Wolfensohn, 1/30, 97, p. 2.

¹¹³ 1/31/97, letter from Dana Clark and David Hunter of CIEL to President Wolfensohn, p. 2.

Part I country meeting called by Julio Nogues, the Argentine alternative director (who shares the chair with Juan Cariaga of Bolivia).”¹¹⁴ Although that meeting was declared “informal”, the Panel Chair Richard Bissell presented the claim and recommendation, after which time, staff presented, and Directors commented on the issues raised.¹¹⁵ Due to time constraints, the Board did not move to a formal meeting to vote. Had that happened, it is likely that a decision to investigate would have been made, resulting from the solid Part I block in favor of moving forward. Wolfensohn delayed calling for a vote to prevent polarization, and instead sought a compromise with the Argentine Executive Director and called for a subsequent meeting to decide.

At the February 28, 1997 Board meeting at which the decision on Yacyreta was to be made, Bank Executive Directors were unable to overcome their divisions.

Representatives from Part I countries all favored an investigation, the first time that such unanimity existed among that group (and the first time that a claim brought before the Panel has received the majority of the Board’s support)¹¹⁶, while Part II representatives positioned themselves against allowing the Panel to move forward. No doubt the lobbying of Part II Executive Directors by Julio Nogues was effective at persuading the group to coalesce. The rallying point - or rather person- on the Part II side, was Julio Nogues, the Argentine Executive Director, who launched into a passionate and angry critique of arguments favoring investigation, citing violations of his country by the Paraguayan-led claim, and attacking the Panel. Nogues characterized the claim as a

¹¹⁴ 2/15/97 memorandum from NGO X, to “All NGOs Interested in Yacyreta Inspection Panel Claim,” p. 1.

¹¹⁵ Ibid., p. 1.

¹¹⁶ Ibid., p. 2.

political ploy by Paraguay to exact retribution against Argentina for events in the past in which Argentina triumphed over Paraguay.¹¹⁷ Wolfensohn, who personally favored moving forward with the investigation, sought to persuade Nogues to agree.

The battle was waged over language - the investigation could not be called that, but was instead referred to as a “review and assessment”. “Investigation,” in the eyes of some Bank actors who have become sensitive to external scrutiny, carries with it connotations of criminal wrongdoing, which the term “review and assessment” does not. This political maneuvering allowed the Argentine to save face, and the process to move forward. NGOs agreed to the change in terminology because the *substance of the process remained the same*. In the Terms of Reference for the review and assessment, the word “policy” was left out. When the Panel asked the Board for clarification on the issue, none was forthcoming, and the term “review and assessment” was reiterated, and defined in part as examining the Action Plan that Management had given the Board. Still, the Panel took some initiative during its trip and did explore allegations of policy violation. Interviews with staff were also included in the review and assessment.

3.45 *The Panel's Findings*

The Panel visited the project site in May and July 1997 and consulted with Argentine, local, and EBY officials, NGOs, and project-affected people on both the

¹¹⁷ The NGO memorandum lists reasons for Argentine ire at the claim on Page 2. Historically, Argentina has dominated Paraguay and a claim led by the latter challenges the status quo of the relationship. Moreover, no matter what decision is made, Argentina will likely have to pay for resettlement and environmental mitigation measures, which they had avoided doing to that point. Finally, the allegations of extensive corruption, (President Menem of Argentina referred to Yacyreta as a “monument to corruption.”) would be exposed to public scrutiny, and likely censure.

Argentine and Paraguayan sides of the project.¹¹⁸ The Report's findings confirmed many of the claim's allegations. In addition to a discussion of the problems associated with executing the civil/electro-mechanical works, and allowing resettlement and environmental measures to recede in importance,¹¹⁹ the Report goes on to comment on policy violations:

Despite extensive but inconsistent supervision efforts, the Bank has failed to bring the project into compliance with relevant Bank policies and procedures due to an poorly conceived Project design n the first place, compounded by changing standards and regulations over time, EBY bureaucratic procedures and lack of financial resources.

Bank environmental and resettlement procedures call for continued participation of potentially affected people from the outset. The Panel has found that the process has been neglected and now is all but discontinued. Bank supervision will be essential to ensure resumption of the participatory process.

Although the macro and financial environment is highly uncertain, solution to the problems depends on implementation of Plans A and B¹²⁰ strictly in accordance with the timetables proposed. However there are components of these Plans that are already lagging behind (e.g. creation and maintenance of biodiversity reserves) and the Project history of delays and *non-compliance previously tolerated by the Bank* does not allow the Panel to assess potential performance with any degree of confidence . . .

. . . the Bank . . . should continue providing financial and technical assistance to correct the harms that have been identified and must remain

¹¹⁸ September 16, 1997, The Inspection Panel, "Review of Problems and Assessment of Action Plans, Argentina/Paraguay: Yacyreta Hydroelectric Project," p. 2.

¹¹⁹ Some of the negative impacts of the Bank's allowing this to occur include risks of health hazards associated with the existence of poor water quality and unsanitary conditions (apparently, people were defecating in the reservoir). There is also loss of economic livelihood associated with the loss of fish and high-quality clay resources. (See page 4 of the Panel's Report.)

¹²⁰ Management's Action Plan consists of Parts A and B. Action Plan A addresses activities that should have been completed prior to the 1995 filling of the reservoir to 76 masl in an "environmental sound manner." See the Panel's Report on their Review and Assessment, p. 2, known hereafter as "NTPC Panel Report."

committed to implementation of the REMP independent of formal ownership of Project.¹²¹ [Emphasis added.]

In response, Management stated its intention to remain involved through supervision of current and future action in order to live up to its commitment to the affected population, which has grown to over 70,000 and is expected to grow by about 15,000 per year.¹²² If the Yacyreta process had followed regular procedures, Management would have been required to respond to the Panel's post-investigation Report. Since what occurred was a review and assessment, the Panel's report was distributed to the Board and the President, bypassing Management.

The Board met on December 9, 1997 to discuss the Panel's findings. After much discussion, the Board thanked the Panel for its report and asked Management to report to it in six months on the progress in Action Plan implementation. The Plan was Management's original response to the claim and was not considered sufficient to correct problems at Yacyreta. There is little to indicate that much has changed that would make the Plan suitable currently, although the claim did result in increased attention and some improvements for the affected population. The Argentine Executive Director invited the Board to a public meeting at the project site, to allow all parties to discuss their concerns. In terms of the narrower concerns about practical outcomes, it is clear that the Panel's involvement has produced some gains. However, the Board's actions have done little to enhance institutional accountability.

3.3 National Thermal Power Corporation Power Generation Project (Singrauli)

¹²¹ Ibid., pp. 4-5.

¹²² Ibid., p. 59.

3.31 *The Project and the Complaint*

In 1993 the World Bank loaned India's National Thermal Power Corporation (NTPC) \$400 million to foster privatization and to address project-related resettlement and environmental problems that resulted from previous projects, all of which have been under scrutiny and criticism by NGOs in both India and abroad.¹²³ The four objectives of the current project are: 1. to improve the environmental performance of NTPC plants and to provide adequate measures for the environmental sustainability of future NTPC plants; 2. to increase private and public sector investments in order to assist NTPC in reaching capacity building benchmarks; 3. to promote fulfillment of obligations relating to new investment and commercial policies, and; 4. to increase managerial capacity for both resettlement and environmental action plans.¹²⁴ Environmental and resettlement

¹²³ The Bank's involvement in the Singrauli region dates back to the late 1970s. Since that time, it has provided \$850 million in support to regional projects, including the construction of Singrauli (Stage I and II) power project, transmission lines for Rihand power project, and development of Dudhichua coal mine. The region has also secured the support of other aid donors, which has led to the displacement of numerous tribal people, some of whom have been ousted more than once by Singrauli projects. Estimates of displaced people range between two and three million. This account is taken from "The Indian Economy Overview: The World Bank In India," p. 1, available on the World Wide Web. Following is a table illustrating Bank involvement in the Singrauli area.

Projects	Type	Amount (millions of \$s)
Singrauli I	IDA	150
Singrauli II	IDA	300
Rihand Power Transmission	IBRD	250
Dudhichua	IBRD	151
NTPC Power Project	IDA	400

Source: The World Bank 1993, cited in "The Indian Economy Overview: The World Bank In India," p. 2.

¹²⁴ See , "NTPC Panel Report, p. 2.

problems in the project have been reported and confirmed by the Bank itself since the early 1990s through both OED impact evaluations and environmental impact assessments.

On May 2, 1997, a small group of rural producers filed a claim with the Panel, claiming harm related to previous and the current NTPC project. While the claim alleges that the Bank violated its policies on indigenous peoples, economic evaluation of investment operations, environmental assessment, and project supervision, the primary focus is involuntary resettlement. The safety of the claimants was a stake when, on May 25, 1997, the NTPC entered the region named in the claim with heavy equipment and police force and forcibly evicted the villagers in the vicinity of the Vindhyachal ask dike.¹²⁵ After NGO pressure, the Bank sent a mission to ascertain the facts of the event and acknowledged the veracity of reports of violence against villagers.¹²⁶ Since the Bank began negotiating with NTPC for this project, it has been under intense scrutiny by NGOs.¹²⁷ As a result, significant efforts were made by Bank staff to “Panel-proof” the project.¹²⁸

3.32 *Management Response*

While admitting to non-compliance with the Bank’s environmental assessment policy, Management claimed that it was in full compliance with the indigenous peoples

¹²⁵ See Center for International Environmental Law (CIEL). “Inspection Panel Update: World Bank Board of Executive Directors Authorize Panel Inspection for Singrauli, Deny Inspection for Itaparica,” p. 2. Available on CIEL Website.

¹²⁶ Ibid., p. 2. In addition, villagers reported having their houses bulldozed, after having been given only one day to move.

¹²⁷ See Internet conference postings - dev.worldbank, energy.mdb, dev.bankwatch, and others.

¹²⁸ October 1995, interview.

and economic evaluation of investment operations policies; mostly in compliance with the remaining policies listed in the claim; and that it had carried out studies that explored the issue of alternatives before moving ahead with the project. Management's acknowledgment of project shortcomings assigned responsibility to the borrower, focusing on *implementation* aspects. Upon receipt of Management Response, the Panel visited the project site in July 1997 and carried out a preliminary investigation, which, while rejecting some of the demands made in the request,¹²⁹ found significant evidence of material harm related to Bank policy failure. The range of violations included: questions about the extent of project-affected people's participation; failure to restore the affected population's previous living standards. Part of the Response is an Action Plan, the main components of which are: training of NTPC staff; creating a separate monitoring panel to assess and make recommendations on the implementation of the project's resettlement aspects; and the appointment of an independent development institute to consult on solutions.¹³⁰

3.33 *The Panel's Recommendation*

On July 24, 1997 the Panel presented its preliminary report and recommendation to the Board, and called for further investigation. Specifically, the Panel sought to ascertain whether there existed a connection between Management's admittance of policy non-compliance and the harm experienced by affected groups. With respect to the issues

¹²⁹ For example, the Panel concluded in its "Report and Recommendation on Request for Inspection India: NTPC Power Generation Project (Loan 3632-N), dated July 24, 1997, that it could not; review actions of the borrower: as expressly stipulated in the Resolution only those of the Bank in violation of its policies and procedures are the subject of this review; give "advise" on remedies: this is the role of Management. "pressurize" the Bank to take actions or decisions. (p. 4.)

of environmental assessment and forced displacement the Panel found that problems encountered resulted from failure to consult with the local population. Moreover, it stated that Bank supervision of the project might have ameliorated some of the problems that it found. Perhaps even more striking than the Panel's assessment of the particular claims is the general statement that "it is possible that serious violations by the Bank of its policies and procedures may have occurred to a degree beyond those identified by Management in its response." While concurring with Management that there were no indigenous people affected by the project and that it could not meet all of the claimants' demands, it did state that an investigation into the Bank's handling of involuntary resettlement and "associated" issues was in order and indicated that to the Board.

3.34 *The Board's Decision and the Aftermath*

On September 9, 1997 the Board authorized a *limited* investigation of the Singrauli claim. The Board determined that a Washington, DC-based desk review was the appropriate course of action "to further determine the extent to which the Bank adhered to its own policies and procedures under the project." Continuing a trend begun with the Planaflo claim, the Board held up the Action Program as the centerpiece of a corrective strategy that eliminated the need for further investigation and noting that it "has the support of the Government of India and the NTPC, [and that] the Executive Directors requested periodic progress reports by the Bank's management on its implementation."¹³¹ The efficacy of having the body under investigation for allegations of policy non-

¹³⁰ See Management's Singrauli Action Plan; cited in CIEL "Inspection Panel Update," op. cit., p. 1.

¹³¹ September 12, 1997, "World Bank Board Agrees to Panel Investigation," p. 2.

compliance report on its own behavior is questionable, however much it has become the preferred mode of operation.

NGOs immediately criticized the Board for its decision to limit the scope of the Panel's investigation, a decision that it issued on the same day that it denied the Panel's recommendation to investigate the Itaparica claim.¹³² Given the Bank's own admission of failure to comply fully with its policies and procedures, despite efforts to Panel-proof the project, it would have severely undermined the credibility of the Board if it had failed to authorize some type of investigation. Limiting the Panel's investigation to a desk review, however, reinforces the range of doubts and misgivings expressed by both internal and external Bank critics. A cynical view, moreover, is that a desk analysis is "safe" because Panel proofing should increase the likelihood that strict policy compliance will be found at the level of documentary records.

*The Inspection Panel's Findings*¹³³

On December 22, 1997, the Inspection Panel submitted its findings to the Board. The findings confirmed the initial conclusions reached in the Panel's July 24, 1997 report as well as the reports sent by NGOs of project-affected people who were forcibly evicted, and are worth quoting at length.

A major new finding of this desk investigation is that the violations of policies and procedures can be attributed to *pressure* from Senior Regional Management to accelerate the process of loan approval and to not granting the same relevance to Resettlement and Rehabilitation and Environmental Action matters as to other project components.

¹³² For a Brazilian perspective on the claim process in the Itaparica case, see Aurelio Vianna, Jr., "O Processo de socilitacao de Painei de Inspecao do Banco Mundial para o Projeto de Itaparica (Brasil), uma primeira avaliacao," unpublished.

¹³³ This section draws heavily from The Inspection Panel's report on its findings: India: NTPC Power Generation Project (Loan 3632 -IN) Report on Investigation, dated December 22, 1997.

The records clearly show that Senior Regional Management pressured staff to process the loan just before the end of FY 93.

The issue of Resettlement and Rehabilitation was not even put on the Agenda as an issue for the Regional Loan Committee Meeting in March 1993, despite specific requests from environmental/social specialists and the Legal Department.

The NTPC was pressured by the Bank to adopt hastily a corporate Resettlement and Rehabilitation policy. The Bank failed to assure itself that the borrower fully understood the implications of the new commitments it was undertaking.

Senior Regional Management's request to make preparation of the Resettlement Action Plans a condition of effectiveness of the loan agreement, despite clear policy to the contrary, was rejected by the Legal Department. The policy requires Resettlement Action Plans to be prepared as a condition of appraisal. The Resettlement Action Plans were then prepared during a two week visit by one specialist staff member in May 1993, and signed off by management just in time for the project to be presented to the Bank's Board of Executive Directors before the end of the 1993 Fiscal Year (June 30, 1993.)¹³⁴

These criticisms are severe, and support the findings presented throughout this dissertation - that there is an institutional incentive to lend money quickly in a manner that tends to militate against the level of attention to social impact issues that would increase Bank policy compliance.

IV. Policy Conversions - or "Backtracking"?

As part of the follow-up activity to the Wapenhans Report that identified barriers to effective implementation of Bank projects, the institution began a process of converting its operational directives, operations manual statements, and operations policy

¹³⁴ Ibid, pp. 4-5.

notes.¹³⁵ The first phase involved converting existing statements into Operational Policies, Best Practices, and Good Practices. Bank analysis revealed that this process was incomplete as evidenced by the existence of

. . . too many instructions in the “mandatory” category . . . Nor is the system serving its key stakeholders as well as it might: staff feel overloaded by the broad array of policies and procedures; clients suffer from delays in product processing as staff attempt to determine whether a particular policy applies and to what degree; and shareholders and external stakeholders express concerns about what they see as weak implementation.¹³⁶

Moreover, the analysis expressed uncertainty about the quality and extent of Bank compliance with its policies, with one exception.

It appears that the quality of compliance is relatively better in the areas where much of the external scrutiny - and criticism- of the Bank has been concentrated (for example, environmental assessment), while it is less so in some traditional areas of accountability (for example, financial management). *This reflects the important role of external disclosure and monitoring in enhancing Bank accountability and performance.*¹³⁷ [Emphasis added.]

The last statement also could be applied to the cases discussed in this study that indicate that external scrutiny is a key factor in increasing compliance levels with social impact

¹³⁵ The Bank released Operational Manual Statements during the 1970s and 1980s to outline the procedures and policies governing the activities of the Bank and IDA. The Operational Policy Notes focused on what was not addressed by OMS, methodology, and good practice. Some were released without a “parent” OMS. They were issued during the 1970s and 1980s, as well. Clarifications of existing policies, and discussion notes for new policies appeared in Operational Memoranda, while the 1987 Bank reorganization brought the creation of Operational Directives (ODs) that streamlined the previous system. Policy requirements, advisory material, and mandatory procedures became disseminated through the 1992 change that created the Operational Policy, Bank Procedures, and Good Practice categories. The first outlined the Bank’s policies, the second category provided instruction about how to carry out the policies, while the last category contained policy histories, best practice examples, and information about the policies in country-specific settings.

¹³⁶ See World Bank, “World Bank Operational Policies: Lessons of Experience and Future Directions,” p. i.

¹³⁷ *Ibid.*, p. ii.

policies. If the hypotheses generated are correct, then disclosure and overall greater institutional transparency in other areas would advance the Bank's stated goal of increasing policy compliance and achieving results.

To refine the conversion process further in a way that reduces procedures that are mandatory, as well as to allow space for statements related to strategic issues, the most recent policy conversion proposal calls for using the Country Assistance Strategies (CAS) as the centerpiece.

Menus of "*operational strategies*," which convey the Bank's broad strategic directions, and *business products*, which include the lending instruments, their terms, and their associated analyses . . . [E]ach lending program in the country program would be subject to (a) the Bank's *business policies*, which govern the use of Bank products, (b) its *safeguard policies*, which set out how the Bank and borrower avoid harming third parties, and (c) other Board-approved policies that govern Bank strategies and products.¹³⁸

This new structure would be codified in a succinct Manual that lays out the specifics of each section, clarifying requirements, policies, strategies, etc., and distinguishing them from advisory material.

In principle, undertaking efforts to implement findings from research designed to improve institutional performance is a reasonable goal. Few would find fault with the idea of streamlining and clarifying often cumbersome procedures and policies. However, in a context characterized by: frequent Bank efforts to downplay low compliance levels with certain policies; the presence of external groups monitoring the gaps between policy and practice, and; the existence of the Inspection Panel, the conversion process

¹³⁸ Ibid, p. ii.

immediately becomes politicized and open to competing interpretations of its real purpose.

The position of the Panel is especially key in this conversion process, and there are two perspectives, one more cynical than the other, from which this can be viewed. The first is the importance of clearly distinguishing Bank staff responsibilities from what is merely good practice. The resolution that established the Panel states that: “For purposes of this Resolution, ‘operational policies and procedures’ consists of the Bank’s Operational Policies, Bank Procedures and Operational Directives . . . and does not include Guidelines and Best Practices and similar documents or statements.” Unless requirements are clear, then assessing compliance is difficult. The more cynical view, however, is the argument advanced by numerous NGO critics and even some Bank staff: that the policy conversion process is an effort to downgrade the policies and rob them of their rigor so as to lower the standards of accountability to which Bank staff are held when claims are brought before the Panel. Weakening the policies confers protection upon the Bank. There is even some internal evidence to support this view. A memorandum from a senior manager states: “. . . it has been hard for staff and managers to define clearly what is policy and what is advisory or good practice. *Our experiences with the Inspection Panel are teaching us that we have to be increasingly careful in setting policy that we are able to implement in practice.*”¹³⁹ [Emphasis added.]

The internal Bank report on the conversion process notes a convergence of internal and external factors that contributed to the initiative. Internal Bank concerns

¹³⁹ Internal World Bank memorandum (from Myrna Alexander, OPRDR, on “Conversion of Remaining ODs,” March 15, 1996, cited in Fox and Brown, op. cit., p. 35.

focused on the sheer mass of policies and portfolio quality while external groups questioned the depth and extent of Bank policy compliance, internalized at the Bank (according to the report) as “the importance to the institution of ensuring rigorous compliance with operational policies and procedures.”¹⁴⁰ These simultaneous processes highlight the difficulty in establishing causality - that the internal processes occurred in response to external pressure. While such a connection can not be clearly established, it is still possible and useful to explore the range of institutional responses to external pressure. Perhaps one unintended consequence of NGO critiques of Bank non-compliance *is* the conversion process. If the institution, for whatever reasons, is unable to comply, then more “realistic” benchmarks should be established that are reachable. One obvious objection concerns the impact of these changes. Placing processes that formerly were requirements into the “good practices” categories means not only “easier” benchmarks to reach for Bank staff, but possibly lower levels of accountability for project-affected populations, and greater likelihood of negative environmental and social impact. If Bank projects were problematic *in the presence* of higher standards, then what will happen *in the absence* of such standards? The Bank claims that the conversion process does not entail a weakening of operational directives, and acknowledges NGO concerns:

. . . [NGOs] have frequently recommended changes that go beyond the scope of the conversions under review. NGOs most frequent concern has been that the conversions have diluted Bank policies. They see the conversions as a bureaucratic self-protection process designed to limit the impact of the Inspection Panel . . . ¹⁴¹

¹⁴⁰ Ibid., p. 3.

¹⁴¹ Ibid., p. 15.

Interaction between concerned NGOs and the Bank around the conversion of OD 4.30 provides some empirical data to evaluate the extent to which conversion is equivalent to weakening. The Bank distributed a draft of the new resettlement policy (Operational Policy, Bank Procedure and Good Practice - OP, BP, GP) 4.12 to a small network of NGOs for consultation.¹⁴² In addition to chastising the Bank for not using a public consultation process to discuss and debate the conversion, the letter indicated its critique of and concerns with the new draft resettlement policy, which fall into five areas:

- 1) The Bank's preference for land-for-land exchanges in involuntary resettlement has been dropped. The Operational Policy no longer states that it encourages and prefers land-for-land exchanges.
- 2) The bulk of the protections once afforded to displaced people by OD 4.30 are under the new format left to the discretion of the implementing agency and/or the task manager at the Bank.
- 3) The protection for host communities has been weakened significantly.
- 4) The environmental impact of proposed resettlement sites are no longer required to be included in the Environmental Assessment of the main investment.
- 5) Socio-economic surveys have become optional.¹⁴³

With respect to omitting the preference for land-for-land exchanges, what is at stake for *rural* groups may be their agriculture/land-based economic livelihoods. Cash compensation has been shown in many cases to be ineffective for sustaining incomes for affected populations. The NGO letter rightly points out that the omission of this

¹⁴² March 24, 1997 letter from NGOs (including Bank Information Center, Friends of the Earth-US, Equipo Pueblo-Mexico City, AID/WATCH-Australia, Bretton Woods Project-UK, and numerous others) to Gloria Davis, Division Chief, Division for Social Policy and Resettlement, Environment Department, World Bank, p. 1.

preference from the mandatory category represents not a reformatting of the policy, but a *fundamental change*. From the point of view of borrowers, such a change may be welcome, especially in settings such as sub-Saharan Africa and South Asia, which face tremendous land pressures from rural groups. In terms of protections provided to affected populations, this will depend on the extent to which provisions that were mandatory under OD 4.30 and are advisory under OD 4.12, are followed by Bank task managers. For example, under the new policy, resettlement plans, which rely on baseline data, are not required. Protection for affected groups will depend on which parts of the resettlement plan are included. These changes also apply to borrower responsibility: “For example in OD 4.30, the borrower had a number of requirements to meet in identifying and preparing resettlement sites. Under the new policy these prescriptions no longer appear as mandatory.”¹⁴⁴ For example, provisions for site selection, site preparation, and relocation with respect to procedures, budgets and timetables for site preparation and transfer, legal provisions for transferring titles to resettlers, and other related issues are all made advisory.¹⁴⁵ The NGO draws a connection between these proposed changes and the borrower agencies:

The draft conversion effectively places the fate of displaced people into the hands of the exact same parties who are primarily interested in the main investment activity and have a very poor record of practicing resettlement. The Bank’s record in this field does not inspire either trust or confidence. The details of the resettlement plans afford displaced people explicit protections. Dropping those protections constitutes a major policy change.¹⁴⁶

¹⁴³ Ibid, p. 2.

¹⁴⁴ Ibid, p. 2.

¹⁴⁵ Ibid., p. 2.

¹⁴⁶ Ibid, p. 6.

Protections formerly provided for host communities (that they will not experience a deterioration in their living standards as a result of the new resettlers' presence) under OD 4.30 are omitted from the new OP/BP 4.12. Issues involving environmental impact assessment, such as the following - "any operation that involves land acquisition or is screened as a Category A or B project for environmental assessment purposes should be reviewed for potential resettlement requirements early in the project cycle" - are dropped altogether from the new draft policy.¹⁴⁷ Finally, the socio-economic surveys that generated the baseline data that figured so prominently in the Resettlement Review's assessment of forced displacement's impacts as well as Bank performance in terms of planning, are not required, but should be decided upon by project managers.¹⁴⁸ Since resettlement planning and the tasks associated with it were deemed critical elements in increasing the likelihood that resettlement would be well-executed, it is possible that the elimination of a significant element of the planning process will have negative impacts on project quality and implementation, leading ultimately to deleterious consequences for project-affected populations, unless they are able to apply pressure directly to their own governments to make piecemeal improvements. The final outcome of the conversion process for OD 4.30 is still unknown, and the issues raised by NGOs such as the five mentioned above, may be addressed by the Bank in such a way as to maintain the stringency of the old policy under the new one.

¹⁴⁷ Ibid., p. 6.

¹⁴⁸ Ibid., pp. 6 - 7.

Because the process is still ongoing, it is too early to state with certainty what the impact of the conversion process will be on Bank projects and affected populations. However, the evidence presented in this study suggests the following hypothesis: *in the absence of individual Bank actors who press for implementation of the original policies and operational directives (i.e. the material that has been downgraded from the mandatory category to the advisory material category), the quality of Bank projects in terms of addressing social and environmental impact issues, will decrease precipitously, leading to negative outcomes for project-affected populations.* Moreover, to the extent to which the Bank is recognized as a leading authority on development, such changes could lead to the downgrading of similar policies that had been adopted by other multilateral and bilateral aid agencies. In other words, Bank backtracking (if that is what the conversion process becomes) could lead to an overall involution in terms of 1. points of access for both NGOs and project-affected populations (because of fewer and lower accountability levers) and 2. a clear end of a particular cycle of protest waged by NGOs. The policies as they existed before the conversion often were not complied with, and required the organization and lobbying by external pressure groups to press for greater compliance, with the overall goal of improving outcomes. Even under those conditions, project quality and impacts on project-affected populations were variable. Unless there is a significant change in the internal incentive and organizational structure and the incorporation of norms that privilege incorporation of the social dimensions of development by project managers, the expectation is that some of the issues that characterized previous Bank-assisted projects such as Sobradinho and Polonoroeste, will re-emerge.

V. The Inspection Panel Today

This chapter began with a discussion of the mission and procedures that established the Panel. Analysis of several claims reveals changes in the Panel's scope of activities, interactions with the Management and Board of the World Bank, as well as with NGOs. Several observations can be made.

First, there are still significant information barriers that affect groups' capacity to engage the Bank. The most recent Annual Report comments on this directly:

The Panel received a continuous flow of queries from potential requesters . In most cases, representatives lacked up-to-date project-specific information and were generally unfamiliar with the details of how the Bank operates and the many applicable Bank operational policies and procedures. In some cases, they had found it impossible to obtain information from Bank staff or field offices. The Panel, through its members and Secretariat, made its best efforts to facilitate access to the required information in line with the Bank's policy on disclosures. (pp. 15 - 16.)

From the materials that lay out the Panel's functions, it is clear that provision of information to potential Requesters was not under the institution's purview. The goal ultimately was to prevent the need for the formal filing of a claim. The Panel can be seen as a screen or filter for the operations units - a first line of defense.

Second, NGO pressure has been instrumental in expanding the transparency of some aspects of the claims process. During the Board's 1996 review that the Management Responses would be released to the public, in addition to any related legal opinions written by the Bank Legal Department, unless the Board provides reasons to maintain them in confidence.¹⁴⁹ That this concession has been made should not be

¹⁴⁹ Inspection Panel Annual Report, August 1, 1996 to July 31, 1997), p. 16.

understood as a given, but as the outcome of vigorous campaigning by NGOs for the release of such information. Moreover, the effectiveness of NGOs is gaining access to privileged, confidential information must be taken into account when attempting to understand the value of the gains made.

Finally, there is the trend toward allowing the Panel to “review and assess” projects, and review Action Plan implementation as opposed to investigating claims. In a letter written to NGOs, President Wolfensohn stated that the Bank is not accountable to the Inspection Panel, but to the “Board, its shareholders, its clients, and to the professional judgment of management and staff. The Inspection Panel is only an information generating device to assist the Board and management in rare, controversial cases where additional data and an independent perspective are needed.¹⁵⁰ His statement is an accurate reflection of how the Board has redefined the Panel’s role. On the practical side, the net result of allowing the Panel to monitor and review Management action plans always may not be negative. It is a public and independent arbiter of Bank behavior that induces greater accountability. If this mechanism were not public, and if the Panel members were not non-Bank appointees, then the capacity of the Panel to affect Bank behavior would be reduced. While this role for the Panel is not in keeping with its organizational mission, it is important to analyze what it has been allowed to do, and to evaluate the results and effects of its actions, however limited. This is a related, yet separate issue from the problematic way in which the Board has interacted with the Panel. The growing acceptance of Management-generated action plans in lieu of allowing the

¹⁵⁰ Letter from EDF to Wolfensohn, dated January 30, 1997.

Inspection Panel to carry out its mandate has the effect of circumventing the inspection process ¹⁵¹. These actions bypass the question of Bank accountability and avoid directly addressing non-compliance as a problem.

¹⁵¹ See letter from Center for International Environmental Law (CIEL) to Wolfensohn, dated January 31, 1997.

CHAPTER EIGHT CONCLUSION

I. Introduction

This study began with two main questions: What determines whether or not a policy is followed by an institution? and When and why does the World Bank comply with its social impact policies? These questions are bounded by the requirement that they be applied to a certain type or subset of institution: one that has added a new task that does not fit well with its primary identity and mission. This final chapter will review the findings of this dissertation by evaluating the major hypotheses presented in Chapter Three and tested in subsequent chapters. Moreover, it will aggregate the hypotheses in order to further the process of building theory, taking into account the limits within and conditions under which the hypotheses and theory apply to studies of institutions more generally. Finally, will revisit the analysis and critique of the institutional incentive structure presented in Chapter One and offer recommendations.

II. Evaluation of Principal Hypotheses

2.1 *Senior Bank Management and Political Commitment to Compliance*

The primary hypothesis of this dissertation is that:

The greater the focus on and political commitment to a social impact policy among staff with decisionmaking authority, the more likely it is that compliance will occur.

This hypothesis can be the result of either internally-generated or externally-generated political commitment (related to NGO protest), which is expressed in the second primary hypothesis, which is particularly important for explaining the positive, substantive changes observed in the institution's relationship to its involuntary resettlement directive:

Consistent pressure brought to bear by NGOs on the Bank is likely to lead to increased policy compliance.

Unpackaging this hypothesis reveals the principle factors that serve as the causal mechanism that explains greater compliance. The relevant variables are: external pressure, internal reformers, Bank actors with decisionmaking authority, all of which variously affect the institutional incentive structure. When pressure is brought to bear on the Bank, it creates internal concerns among upper-level Bank staff and management, who respond by pressuring project level staff to take corrective action in projects criticized by NGOs. The pressure creates an opening which changes the prevailing incentive structure by providing to internal reformers political space to act, which was previously unavailable. The intervention of these reform advocates leads to greater compliance with Bank social impact policies.

Actors with decisionmaking authority are located at different levels of the Bank. As Chapter Five on the Bankwide Resettlement Review indicated, it was Senior Management that supported the Environment Department's Social Policy and Resettlement Division's (Michael Cernea) suggestion that a review be conducted of the Bank's entire resettlement portfolio. Until that point, task managers across the Bank's operations units generally had not complied with the resettlement policy. Their non-compliance already had been identified by social scientists who lacked the *political* power to address policy violations. The political commitment among the highest levels of the Bank (the managing directors) changed the balance of forces by strengthening reformers (generally social scientists) in the regional environmental divisions and the Center's Environment Department, and weakening recalcitrant project staff in a way that

avored compliance. In other words, it is not possible to understand greater compliance levels without taking into account the political advocacy work carried out by internal reformers within the broader institutional context. Compliance will not occur without these internal actors who can exert leverage at the project level.¹ The evidence suggests that the political commitment among Senior Management remains strong, which should translate into the continuation of higher compliance levels with OD 4.30.

Case studies of resettlement and indigenous peoples directives in which protest was present reveal the same pattern. In most projects, internal reformers objected to non-compliance. Task managers, country department directors, and regional vice-presidents overruled, suppressed, and ignored them (for example, preventing them from participating in supervision missions, or pressuring them to expunge unflattering comments in documents on policy performance). What changed in these cases is that public scrutiny raised the costs to the Bank of continued non-compliance (such as reputational effects, threat of losing IDA replenishment), and generated internal crises that created political commitment among actors with decisionmaking authority, who empowered internal reformers to effectively challenge and correct policy non-compliance.

The three NGO-influenced cases involving the indigenous peoples directive - Planaflo, the Power Sector loans to Brazil, and the Ecuadorean projects - are further distinguished by the fact that NGOs became involved before the Bank's Board voted on them, which should have provided them with the most leverage. The Planaflo and

¹ See Chapter Three, Section 7.2, Section 7.4.

Ecuadorean projects developed as *responses to protest*. Planaflo, designed to mitigate the disastrous social and ecological impacts of Polonoroeste, did not fulfill its promise to be a showcase of participatory planning, in part because of the weak capacity of both Rondonian NGOs and state-level implementing agencies. In stark contrast is the Indigenous and Afro-Ecuadorean Peoples Development Project. If it continues to evolve in the same way that it began, the project will accomplish what Planaflo did not. It will be a Bank-assisted project characterized by high levels of indigenous peoples participation at every phase, from project concept to implementation. It is not possible to understand the genesis of the project without taking into account either the openings created by protest in Ecuador, or the political savvy of Bank reformers. These actors still had to develop a political strategy in order to overcome Bank opposition to the project, employing what Kardam refers to as “the skillful mobilization of fact,” through which they effectively challenged arguments against and advanced justifications for the project. The decision of the Board not to vote on the Power Sector II loan was a *major victory* for both NGOs and indigenous peoples, and similarly can not be understood without taking into account the role that protest played in sharpening other drawbacks of the proposed loan.

The cases presented in the Inspection Panel offer yet another test of this primary hypothesis. The Panel’s resolutions almost *require* Management to account for its actions with respect to policies. In other words, the design of the Panel and its mandate structures the investigation process in ways that force upper level Bank officials to become actively involved in responding to claims and taking action to bring projects into

greater compliance with relevant policies. Once policy violations are identified and discovered, it becomes extremely difficult for Bank Management to do nothing, even if it disagrees with the Panel's findings. In all instances in which the Board authorized an investigation, the Bank took remedial action to improve compliance with its directives. The Panel's work served to create political commitment among Senior Management to address non-compliance, which translated into pressing staff to take corrective action. Of course, depending on where the project was in the implementation cycle, the improvements may not have substantially improved outcomes for affected populations. The main point, however, from the point of view of compliance is that the Panel served to: legitimate NGO claims; to provide Senior Management with information that it may not have had access to, and; to increase institutional accountability. The Panel also changed the status of those actors who generally play the role of internal reform advocates. In these cases, the work of not only project staff, but also social scientists, is open to greater scrutiny and critique, creating even among the latter group a certain defensiveness, and sometimes hostility toward the Panel.

The future of the Panel as an effective public appeals mechanism is uncertain. Formerly, Part I countries' Board members exhibited greater receptivity to authorizing investigations, but have been less so in the face of Part II opposition to investigations, which many southern Executive Directors view as infringements on sovereignty. The ongoing policy conversion process may ultimately weaken the Panel by lowering the standards of certain policies to which the Bank is held. Moreover, the Panel's work will continue to be challenged by Management who lobby Board members, thereby

undermining the Panel's role. Even with these severe limitations, many of which affected the investigations analyzed in Chapter Seven, the Panel's operation has served to create internal pressure for greater compliance with operational directives.

2.2 *Internal Reformers and Compliance*

The second major subset of cases presented in this dissertation are those in which compliance with social impact policies occurred in the absence of external scrutiny. The hypotheses generated for these cases are, perhaps, more meaningful for the indigenous peoples directive than for the resettlement policy, primarily because: 1. compliance levels with the latter guidelines are *much higher* because of the previous cycles of NGO protest around Bank resettlement operations and the associated internalization of those lessons, which have created sustained political commitment among Senior Management to the policy; 2. NGOs have not advocated for compliance with the indigenous peoples directive to the same extent, which means that the role of internal reformers will be that much more of a salient factor in explaining institutional behavior, and; 3. the lack of clarity within the Bank about the requirements of the policy translates into confusion about how and when to apply it. The fact that the policy conversion process has been ongoing for the past several years is a clear indicator of these problems.

The hypothesis/causal pathway identified for this subset of cases is:

There are three types of task managers who are most likely to independently comply with Bank social impact policies. They include:

- 1. task managers who are usually trained in an interdisciplinary fashion that does not devalue social or environmental science (newer aspects of agriculture, education, and planning) as a relevant project input. They may even be social or environmental scientists. These task managers are usually newer to the Bank.**
- 2. task managers who are not adverse to the participation of social scientists in advising how to**

comply with the operational directives. 3. Sympathetic task managers who receive independent field-based information about policy non-compliance and its usually negative consequences.

I attempted to identify resettlement projects in which internal advocacy efforts occurred before the Resettlement Review. There are two cases in which some action occurred *before* the Review. Bank officials suspended Cameroon Urban II Project and warned the borrower that further lending to the urban sector was at-risk. A task manager dispatched a Bank social scientist to Mbali Dam in Central African Republic between 1990 and 1991 “because the [task manager] threatened to shut down the project UNLESS they presented a detailed resettlement [sic] [] at arrival that . . . could [be lived with]. Weekly reporting to HQ after [the] visit got reasonable things done.”² I have not been able to obtain further information on these cases. It would be important to determine definitively the timing of actions taken to address problems in addition to ascertaining the profile of the task managers involved.

The overwhelming majority of cases were those that became the object of scrutiny *during* the Review. Therefore, the resettlement cases presented in this study do not provide a “pure” test of this hypothesis. I included a case of Bank involvement that began well after the Review, and conducted numerous interviews with Bank staff about the institution’s *current* relationship to and compliance with the policy. What has happened with recent resettlement operations is that in addition to the cases in which social scientists have become task managers, in many instances *social scientists function as de facto task managers*. The quote of a task manager that asserts that he and other task

² October 22, 1997 personal correspondence between Bank staff and the author.

managers must *obey* social scientists anecdotally supports this contention, as do numerous interviews with other Bank staff. Past cycles of NGO protest and the *threat* of NGO mobilization have served to keep the institution on high alert, translating into *sustained political commitment on the part of senior managers to institutional policy compliance*. Moreover, actors within the institution seem to have actually *learned* from all the controversy and now approach resettlement much differently than they did in the period prior to the Narmada debacle and Bankwide review.

In the case of the indigenous peoples policy, the levels of non-compliance remain high across all operational regions of the Bank. In *all cases* within this subset, those who advocated for adherence to the directive were social or environmental scientists. The hypothesis is most strongly confirmed in the policy implementation review carried out by the Bank's East Asia and Pacific and South Asia regions, which shows a non-compliance rate of eighty-five percent. In the fifteen percent of cases in which the operational directive was followed, *all the task managers were social scientists*. The same disaggregation of data from the Latin America and the Caribbean region's review is not available, but the cases presented in Chapter Six are suggestive, and predict that the same would hold true for that region. For the three cases analyzed, the main impetus for compliance emerged from social scientists.

Social and environmental scientists drove internal efforts to foster compliance in the absence of protest, resulting in the innovative Colombia Natural Resources Management Project. Despite some difficulties, implementation of many key project elements is actually occurring, which also illustrates the value of participation by project

beneficiaries. The experience of ICDS II shows the value of internal advocacy work, and serves as a reminder that internal compliance does not necessarily translate into satisfactory implementation, while the CHN3 project suggests that strict policy application may actually undermine efforts to assist indigenous groups. The story of the indigenous peoples' reserves in Brazil also illustrates some of the potentially negative consequences of policy rigidity. Perhaps most importantly, it does not appear that Senior Management has made compliance with the policy an institutional priority in the same way that it has the resettlement directive. The data presented and analyzed in this dissertation suggest that compliance, *especially with the indigenous peoples directive* will continue to be low and at best partial, *unless there is a political commitment on the part of senior managers to enforcing compliance, whether that commitment is internally or externally generated.* In the case of the policy, what will be required is a clear clarification and consensus around what it requires and at what stage in the project process.

III. The World Bank and NGOs in the Future

3.1 Possible Trends

There are a number of processes that are ongoing, all of which have potential implications for the Bank's relationship to its social impact directives. First, as previously discussed, is the policy conversion process, which may lead to lower standards to which Bank actors are held accountable. Second, is the further concentration of power within what are now called Country Management Units. One possible indicator of concern is the increasing use of outside consultants hired for time-bound contracts. If, for

example, a social or environmental scientist is hired for a particular project and completes the required work, there is little opportunity for follow-up on that component the way there has been with the use of *internal* social and environmental scientists who are able to maintain some access to and potentially leverage over projects on which they worked. The decentralization process, which has placed many operations units in the borrowing countries, may affect the impact of protest. One possibility is that northern NGOs will be politically marginalized. With operations units located outside their geographical and political locus of operations, securing project- and policy-related information, meeting formally and informally with Bank staff, and facilitating meetings between relevant Bank staff and affected groups may prove more difficult. Their capacity to translate information into political leverage could decrease. Decentralization may decrease the *permeability* of the Bank, at least in the US, to northern NGOs' influence.

However, there may be unintended consequences to decentralization that work to the advantage of external groups. For example, the location of operations units in the countries in which projects are implemented, may *decrease* not only the geographical, but also the political distance between the Bank and affected groups. The Bank may become more open and potentially accountable to affected groups, who may benefit from the possible increased access to Bank actors. New relationships that mirror those that formed between northern NGOs and the Bank may form between operations units and relevant groups in civil society. Southern NGOs may develop more as a result and take on more prominent positions of political leadership in transnational advocacy coalitions, through for example, the securing, marketing, and analysis of information. A by-product of

decentralization, then, may be a further reconfiguration of relationships between southern and northern NGOs.

3.2 *NGOs, Protest, and Backlash*

If NGOs engage in focused advocacy around the Bank's indigenous peoples directive, or other social and environmental impact policies, they may benefit from a close analysis of the potential limits of strategies they have employed in the past. For example, Chapter Six presented areas of conflict between the resettlement and indigenous peoples policies. NGO attention to resettlement put the Bank on high alert and may have unintentionally contributed to a rigidity in enforcing those guidelines, *even at the expense of vulnerable populations*. In a large and complicated bureaucracy, the nuances involved in social impact issues can be compromised and even lost rather easily. A strong, reactive response on the part of Bank to one area may jeopardize the advancement of other equally critical issues. For example, there is some evidence to suggest that increased Bank support for coal projects has arisen in partial response to NGO critiques and protests of dams. Few Bank observers would argue that Balbina, Narmada and others are examples of socially and environmentally sound projects. However, some analysts argue that under certain conditions, small hydro projects, done properly, are less damaging than coal projects. Should the NGO strategy be to oppose all hydro projects always as some have, when the alternative (coal) may be worse, or is there space for other options? This analysis is not designed to blame NGOs or to hold them responsible for Bank negligence, but is designed to identify limits, possible institutional responses, and possible strategies to increase Bank accountability in multiple areas. NGOs would

benefit from the development of a longer-term strategic approach to the Bank. NGOs and the Bank have interacted closely for the past fifteen years or so. The benefit of the Bank as a lumbering bureaucracy is that it is not impossible to predict future patterns of behavior, which would assist NGOs in the efficient and strategic deployment of its resources.

IV. The World Bank and the Politics of Policy Compliance

The analysis presented in this dissertation suggests that the World Bank has, in fact, changed a great deal over the years, largely as a result of external pressure. The dramatic improvements in the institution's handling of involuntary resettlement must be acknowledged and commended. The work of internal reformers, sympathetic task managers, committed Management, and effective NGO lobbying have combined to yield a greater degree of policy compliance in recent years. The fact that this has occurred is a promising indication of the institution's capacity to change *when key actors exhibit the political commitment and apply the necessary resources to do so*. This is not to claim that additional work does not remain to be done, but to acknowledge and applaud the positive steps taken. Both internal advocates and NGOs deserve credit for the greater institutional accountability observed in the area of resettlement. While the Bank's record on indigenous peoples issue and other social and environmental questions is not nearly as positive, the potential does exist for greater institutional accountability. If history is in any way a reliable predictor of present and future behavior, what will be required to move the social and environmental impact agenda forward at the World Bank will be the same type of internal -external advocacy that benefited resettlement. For *lasting institutional*

change to occur, a comprehensive overhaul of the prevailing institutional incentive structure will be required that addresses: 1. the emphasis on new lending; 2. the relative lack of focus on project implementation and results; 3. the comparatively weak institutional position of social/environmental scientists; 4. the lack of political will to discipline borrower non-compliance for violations of social impact policies, and; 5. the privileged position of economically-driven approaches to development. Until these and other organizational constraints are changed, the institution will continue to respond to the social development agenda on a piecemeal basis. While *any* gains in this area are to be welcomed, the Bank's overall institutional performance would be greatly enhanced by a comprehensive integration of social impact issues into every aspect of its operations.

SOURCES CONSULTED

Aditjondro, George. "A Reflection about a Decade of International Advocacy Efforts on Indonesian Environmental Issues (Part II)," paper presented at the INGI Conference in Bonn, Germany, April 1990.

_____. "Large Dam Victims and Their Defenders: the Emergence of an Anti-Large Dam Movement in Indonesia," Paper presented at the Asian Studies Association of Australia Biennial Conference at Murdoch University in Perth, West Australia, July 13-16, 1994.

Albert, Bruce. "Indian Lands, Environmental Policy and Military Geopolitics in the Development of the Brazilian Amazon: The Case of the Yanomami," Development and Change Volume 23 (1992), pp. 35-70.

Alinsky, Saul. Rules for Radicals, (New York: Vintage Books, 1972).

Anderson, Robert S. and Walter Huber. Hour of the Fox: Tropical Forests, the World Bank, and Indigenous People in Central India, (Seattle: University of Washington Press, 1988).

Ascher, William. "New Development Approaches and the Adaptability of International Agencies: The Case of the World Bank," International Organization 37(3), Summer 1983, pp. 415-439.

Aufderheide, Pat and Bruce Rich. "Environmental Reform and the Multilateral Banks," World Policy Review 5 (1988), pp. 301 - 321.

Ayer de O. Santos, Leinad and Lucia M. M. de Andrade, editors. Hydroelectric Dams on Brazil's Xingu River and Indigenous Peoples (Cambridge: Cultural Survival, 1990), and

Bello, Walden F, David Kinly, Elaine Elison. Development Debacle: the World Bank in the Philippines (San Francisco: Institute for Food and Development Policy: Philippine Solidarity Network, 1982).

Biggs, Stephen D. and Arthur D. Deame. "Negotiating Room to Maneuver: Reflections Concerning NGO Autonomy and Accountability within the New Policy Agenda," in Michael Edwards and David Hulme, editors. Beyond the Magic Bullet: NGO Performance and Accountability in the Post-Cold War World, (West Hartford: Kumarian Press, Inc., 1996), pp. 40 - 52.

Blair, Harry. "Donors, Democratization and Civil Society: Relating Theory to Practice," in Hulme, David and Michael Edwards, editors. NGOs, States and Donors: Too Close For Comfort? (New York: St. Martin's Press, 1997), pp. 23-42.

Blinkhorn, Thomas and William T. Smith, "India's Narmada: River of Hope" in William Fisher, editor. Toward Sustainable Development?: Struggling Over India's Narmada River (Armonk, New York: M.E. Sharpe, 1995), pp. 89-112.

Bodley, John H. editor. Tribal Peoples and Development Issues: A Global Overview (Mountain View, California: Mayfield Publishing Company, 1988).

_____. Victims of Progress (Palo Alto: Mayfield, 1982).

Bowles, Ian A. and Cyril F. Kormos, "Environmental Reform at the World Bank: The Role of the US Congress," Virginia Journal of International Law, Volume 35(4), Summer 1995, pp. 777-839.

Bradlow, Daniel D. "A Test Case for the World Bank," American University Journal of International Law and Policy Volume 11, Number 2, 1996, pp. 247-294.

Bramble, Barbara and Gareth Porter, "Non-Governmental Organizational Organizations and the Making of US International Environmental Policy," in Hurrell, Andrew and Benedict Kingsbury, editors. The International Politics of the Environment (New York, New York: Oxford University Press, 1992).

Breyman, Steve. "Knowledge as Power: Ecology Movements and Global Environmental Problems," in Lipschutz, Ronnie D. and Ken Conca, editors. The State and Social Power in Global Environmental Politics, (New York: Columbia University Press, 1993), pp. 124-157.

Brunson, Nils. The Irrational Organization: Irrationality as a Basis for Organizational Action and Change, (Chilchester: Wiley, 1985).

Brunsson, Nils and Johan P. Olsen. The Reforming Organization, (London: Routledge Press, 1993).

Brysk, Alison. "Acting Globally: Indian Rights and International Politics in Latin America," in Van Cott, Donna Lee, editor. Indigenous Peoples and Democracy in Latin America (New York: St. Martin's Press, 1994).

_____. "From Above and Below: Social Movements, the International System, and Human Rights in Argentina," Comparative Political Studies, Volume 26(3), October 1993, pp. 259 - 285.

Bunker, Stephen. Underdeveloping the Amazon: Extraction, Unequal Exchange and the Failure of the Modern State (Chicago: University of Chicago Press, 1985).

Caulfield, Catherine. Masters of Illusion: The World Bank and the Poverty of Nations (New York: Henry Holt, 1996).

Cernea, Michael M. "African Population Resettlement in a Global Context," in Cook, Cynthia, editor. Involuntary Resettlement in Africa: Selected Papers from a Conference on Environment and Settlement Issues in Africa (Washington, DC: World Bank, Africa Technical Department Series, 1994), pp. 11-32.

Cernea, Michael M., "Involuntary Resettlement: Social Research, Policy, and Planning," in Cernea, Michael M., editor. Putting People First: Sociological Variables in Rural Development, (Oxford University Press, 1991), pp. 188-215.

_____. "Knowledge from Social Science for Development Policies and Projects," in Cernea, Michael M., editor. Putting People First: Sociological Variables in Rural Development, (Oxford University Press, 1991), pp. 1-41.

_____. "Public Policy Responses to Development-Induced Population Displacements," Economic and Political Weekly, June 15, 1996, pp. 1515 - 1523.

Cernea, Michael M. and Scott E. Guggenheim, editors. Anthropological Approaches to Involuntary Resettlement: Policy, Practice, and Theory (Boulder, Colorado: Westview Press, 1991).

Colchester, Marcus, "Sustaining the Forests: The Community-based Approach in South and South-East Asia," Development and Change, 25(1994), pp. 69-100.

Colchester, Marcus and Larry Lohmann, editors. The Struggle for Land and the Fate of the Forests, (Penang: World Rainforest Movement, 1995).

Cook, Cynthia C. and Aleki Makendi. "Involuntary Resettlement in Bank-Financed Projects: Lesson from Experience in Sub-Saharan Africa," in Cook, Cynthia, editor. Involuntary Resettlement in Africa: Selected Papers from a Conference on Environment and Settlement Issues in Africa (Washington, DC: World Bank, Africa Technical Department Series, 1994), pp. 33-47.

Comissao Pro-Indio de Sao Paulo. O Que Sao As Hidreletricas do Xingu? (n.d.)

Correa de Araujo, Maria Lia. Na Margem do Lago: Um Estudo Sobre O Sindicalism Rural, (Recife, Pernambuco, Brazil: Fundacao Joaquim Nabuco, 1990).

Crane, Barbara B. and Jason L. Finkle. "Organizational Impediments to Development Assistance: The World Bank's Population Program," World Politics Volume 33, July 1981, pp. 516-553.

Crosby, Benjamin L. "Policy Implementation: The Organizational Challenge," World Development, Volume 24, Number 9, 1996, pp. 1403-1415.

Cummings, Barbara J. Dam the Rivers, Damn the People: Development and Resistance in Amazonian Brazil (London, England: Earthscan Publications Ltd., 1990).

Danaher, Kevin, editor. Fifty Years is Enough: The Case Against the World Bank and the International Monetary Fund (Boston, Massachusetts: South End Press, 1994).

Davis, Shelton H. "A Post-Modern Approach to the Resettlement Dilemma," unpublished paper.

_____. "The World Bank and Indigenous Peoples," paper prepared for a panel discussion on Indigenous Peoples and Ethnic Minorities at the Denver Initiative Conference on Human Rights, University of Denver Law School, Denver, Colorado, April 16-17, 1993.

Davis, Shelton H. and Alaka Wali. "Indigenous Land Tenure and Tropical Forest Management in Latin America," Ambio Volume 23, Number 8, December 1994, pp. 485-490.

Dente, B. and F. Kjellberg. The Dynamics of Institutional Change, (London: Sage Press, 1988).

Dorcey, Tony. Large Dams: Learning from the Past Looking at the Future, (Gland, IUCN: Washington, DC: World Bank, 1997).

Eletrobras. Plano 2015 Projeto 7: A Questao Ambiental e o Setor Eletrico- Projetos Hidreletricos do Plano de Expansao, (Eletrobras, Dezembro de 1993).

Fearnside, Philip M. "Servicos ambientais como estrategia para o desenvolvimento sustentavel na Amazonia rural," in in Clovis Cavalcanti, organizador. Meio Ambiente, Desenvolvimento Sustentavel e Politicas Publicas, (Sao Paulo: Cortez Editora Ltda., 1997).

Ferguson, James and Larry Lohmann. "The Anti-Politics Machine: Development and Bureaucratic Power in Lesotho," The Ecologist, Volume 24, Number 5, September-October 1994, pp. 176-181.

Fernandes, Walter and Enakshi Ganguly Thukral, editors., Development, Displacement, and Rehabilitation (New Delhi: Indian Social Institute, 1989).

Fisher, William, "Development and Resistance in the Narmada Valley," in William Fisher, editor. Toward Sustainable Development?: Struggling Over India's Narmada River (Armonk, New York: M.E. Sharpe, 1995), pp. 31-46..

Fox, Jonathan. "Policy Arena-The World Bank and Social Capital: Contesting the Concept in Practice," Journal of International Development, Volume 9(7) 1997, pp. 963-971.

_____. "The Politics of the World Bank's Sustainable Development Reforms: Analytical Dilemmas," paper presented at: "Environmental Politics, Practice and Governance in a Multilateral Age," Institute of International Studies Workshop, University of California, Berkeley, September 15, 1995.

Friedmann, John and Haripriya Rangan, "Introduction: In Defense of Livelihood," in Friedmann, John and Haripriya Rangan, Editors. In Defense of Livelihood: Comparative Studies on Environmental Action, (West Hartford: Kumarian Press, 1993), pp. 1-22.

Gadgil, Madhav and Ramachandra Guha. "Ecological Conflicts and the Environmental Movement in India," in Dharam Ghai, editor. Development and Environment. Sustaining People and Nature, (Blackwell/UNRISD, 1994), pp. 101-136.

George, Susan and Fabrizio Sabelli. Faith and Credit: The World Bank's Secular Empire, (Boulder: Westview Press, 1994).

Gershman, John. "Making the World Bank More Accountable: Activism in the North," NACLA Report on the Americas, Volume 29, Number 6, 1996, pp.

Ghils, Paul. "International Civil Society: International Non-Governmental Organizations in the International System" International Social Sciences Journal, Volume 133, Number 44, August 1992, pp. 417-429.

Gibson, Daniel. The Politics of Involuntary Resettlement: World Bank-Supported Projects in Asia, Doctoral Dissertation, Duke University Political Science Department(Duke University Press: Durham, NC, 1993).

Gill, Stephen. "Globalisation, Market Civilisation, and Disciplinary Neoliberalism," Millennium: Journal of International Studies, Volume 24(3), 1995

Goodland, Robert. "Environmental Sustainability in the Hydro Industry: Disaggregating the Debate," in Large Dams (Washington, DC: World Bank; Gland Switzerland: IUCN, 1997).

_____. "Sustentabilidade ambiental: comer melhor e matar menos," in Clovis Cavalcanti, organizador. Meio Ambiente, Desenvolvimento Sustentavel e Politicas Publicas, (Sao Paulo: Cortez Editora Ltda., 1997).

Goodman, David and Anthony Hall (editors). The Future of Amazonia: Destruction or Sustainable Development (London: Macmillan Press, 1990).

Gray, Andrew. "Development Policy-Development Protest: The World Bank, Indigenous Peoples and NGOs," Chapter Eight in Jonathan Fox and L. David Brown, editors. the Struggle for Accountability: The World Bank, NGOs, and Grassroots Movements, (Cambridge: MIT Press, 1998).

Grindle, Merilee S. and John W. Thomas. Public Choices and Policy Changes: The Political Economy of Reform in Developing Countries (Baltimore, Maryland: Johns Hopkins University Press, 1991).

Guimaraes, Roberto P. The Ecopolitics of Development in the Third World: Politics and Environment in Brazil, (Boulder and London: Lynne Rienner Publishers, 1991).

Gutner, Tamar. "Banking on the Environment: Multilateral Development Banks and Environmental Policymaking in Central and Eastern Europe," Doctoral dissertation in progress, MIT Department of Political Science, 1998.

Haas, Ernst. When Knowledge is Power: Three Models of Change in International Organizations (Berkeley: University of California Press, 1990).

Haas, Peter and Ernst Haas. "Learning to Learn: Improving global Governance," Global Governance Volume 1(3), September-December 1995, pp. 255-285.

Haas, Peter, Robert Keohane, and Marc Levy, editors. Institutions for the Earth: Sources of Effective International Protection, (Cambridge: MIT Press, 1993).

Hall, Anthony. Developing Amazonia. Deforestation and Social Conflict in Brazil's Carajas Programme (Manchester: Manchester University Press, 1989).

_____. "From Victims to Victors: NGOs and the Politics of Empowerment at Itaparica," pp. 148-158, in Hulme, D. and M. Edwards, Editors. Making a Difference: NGOs and Development in a Changing World, (London: Earthscan, 1992).

_____. "Grassroots Action for Resettlement Planning: Brazil and Beyond," World Development, Volume 22(12), 1994, pp. 1793 - 1809.

Handley, Paul. "Pressure Points," Far Eastern Economic Review, November 21, 1991, pp. 66-67.

Himmelstrand, Karin. "Can an Aid Bureaucracy Empower Women? The Case of SIDA," Issue: A Journal of Opinion, Volume 17, Number 2, 1989, pp. 37-43.

Hood, Christopher. "Control Over Bureaucracy: Cultural Theory and Institutional Variety," Journal of Public Policy, Volume 15, Number 3, September-December 1995, pp. 207-230.

Horowitz, Michael M. "Victims Upstream and Down," Journal of Refugee Studies, Volume 4, Number 2, 1991.

Horta, Korinna. "The Mountain Kingdom's White Oil: The Lesotho Highlands Water Project," The Ecologist Volume 25, Number 6, November/December 1995, pp. 227 - 231.

Johnson, Roberta Ann and Michael E. Kraft. "Bureaucratic Whistleblowing and Policy Change," The Western Political Quarterly, Volume 43, Number 4, December 1990, pp. 869 - 874.

Kardam, Nuket. Bringing Women In: Women's Issues in International Development Programs, (Boulder: L. Rienner Publishers, 1991).

Kardam, Nuket. "Development Approaches and the Role of Policy Advocacy: The Case of the World Bank," World Development, Volume 21, Number 11, 1993, pp. 1773-1786.

Keck, Margaret E. "Planaflo In Rondonia: The Limits of Leverage," Chapter Six in Jonathan Fox and L. David Brown, editors, the Struggle for Accountability: The World Bank, NGOs, and Grassroots Movements, (Cambridge: MIT Press, 1998).

_____. "Social Equity and Environmental Politics in Brazil: Lessons from the Rubber Tappers of Acre," Comparative Politics, Volume 27, Number 4, 1995.

Keohane, Robert and Marc Levy, editors. Institutions for Environmental Aid: Pitfalls and Promise (Cambridge, MA: MIT Press, 1996).

Kolk, Ans. Forests in International Environmental Politics: International Organisations, NGOs and the Brazilian Amazon (Utrecht, the Netherlands: International Books, 1996).

Kurian, Priya. "The US Congress and the World Bank: Impact of New Media on International Environmental Policy," in Robert V. Bartlett, Priya A. Kurian, and Madhu

Malik. International Organizations and Environmental Policy, (Westport, Connecticut: Greenwood Press, 1995), pp. 103-120.

Lawyers Committee for Human Rights "Case Study: The World Bank and Indonesia," August 1993.

Le Prestre, Philippe G. "Environmental Learning at the World Bank," in Robert V. Bartlett, Priya A. Kurian, and Madhu Malik. International Organizations and Environmental Policy, (Westport, Connecticut: Greenwood Press, 1995), pp. 83 - 102.

_____. The World Bank and the Environmental Challenge, (Susquehanna Press, 1989).

Levitt, B. and James March, "Organizational Learning," Annual Review of Sociology, 14: 319-340.

MacDonald, Gordon J., Daniel L. Nielson, and Marc A. Stern, editors. Latin American Environmental Policy in International Perspective (Boulder: Westview Press, 1997).

March, James and J. Olsen. "The New Institutionalism: Organizational Factors in Political Life," American Political Science Review, 78: 734-49.

Maema, Malefane and Norman Reynolds. "Lesotho Highlands Water Project - induced Displacement: Context, Impacts, Rehabilitation Strategies, Implementation Experience and Future Options," Paper presented at Conference on "Development Induced Displacement and Impoverishment," University of Oxford, UK, January 307, 1995.

Mann, Dean E. "Environmental Learning in a Decentralized Political World," Journal of International Affairs, Volume 44, Number 2, Winter 1991, pp. 301-337.

Mathur, Hari Mohan. "The Resettlement of People Displaced by Development Projects: Issues and Approaches," in Mathur, Hari Mohan, editor. Development, Displacement and Resettlement: Focus on Asian Experiences, (New Delhi, India: Vikas Publishing House Pvt. Ltd., 1995), pp. 15-38.

McAdam, Doug. Political Process and the Development of Black Insurgency, 1930 - 1970, (Chicago: University of Chicago Press, 1985).

McAdam, Doug, John D. McCarthy, and Mayer N. Zald. Comparative Perspectives on Social Movements: Political Opportunities, Mobilizing Structures, and Cultural Framing. (Cambridge: Cambridge University Press, 1996).

McCully, Patrick. Silenced Rivers: The Ecology and Politics of Large Dams (London; Atlantic Highlands, New Jersey: Zed Books, 1996).

McDonald, Mark D. "Dams, Displacement, and Development: A Resistance Movement in Southern Brazil," in Friedmann, John and Haripriya Rangan, Editors. In Defense of Livelihood: Comparative Studies on Environmental Action, (West Hartford: Kumarian Press, 1993), pp. 79-105.

Melone, Michelle A. "The Struggle of the *Seringueiros*: Environmental Action in the Amazon," in Friedmann, John and Haripriya Rangan, Editors. In Defense of Livelihood: Comparative Studies on Environmental Action, (West Hartford: Kumarian Press, 1993), pp. 106-126.

Miller-Adams, Michelle Beth. "The World Bank in the 1990s: Understanding Institutional Change," Doctoral Dissertation, Department of Political Science, Columbia University, 1997.

Monosowski, Elizabeth. "Brazil's Tucuruí Dam: Development at Environmental Cost," in Goldsmith, Edward and Nicholas Hildyard, editors. The Social and Environmental Effects of Large Dams: Volume 2, (Cornwall, UK: Wadebridge Ecological, Centre, 1986).

Moog Rodrigues, Maria Guadalupe. "The World Bank's Impact on the Environment: The Precedent Setting Case of Polonoeste," Masters Thesis, MIT Department of Political Science, June 1991.

_____. "Environmental Protection Issue Networks and the Prospects for Sustainable Development," Doctoral Dissertation, Boston University Department of Political Science, 1996.

Morton, Alice L. "Assessing Policy Implementation Success: Observations from the Philippines," World Development, Volume 24, Number 9, September 1996, pp. 1441-1451.

Mosley, Paul, Jane Harrigan and John Toye, Aid and Power - The World Bank and Policy-based Lending: Volume I Analysis and Policy Proposals, (London and New York: Routledge Press, 1991).

Morse, Bradford and Thomas Berger, Sardar Sarovar: The Report of the Independent Review (Ottawa: Resource Futures International, 1992).

Nachowitz, Todd. "Hydroelectric Development, Human Rights and Indigenous Resistance in India," unpublished manuscript, Department of Anthropology, July 26, 1991.

Naim, Moises. "The World Bank: Its Role, Governance and Organizational Culture," in Bretton Woods: Looking to the Future (Washington, DC: Bretton Woods Commission, July 1994, C-273-288..

Navarro, Zander, Editor. Politica, protesto e cidadania no campo: As lutas sociais dos colonos e dos trabalhadores rurais no Rio Grande do Sul, (Rio Grande do Sul, Brazil: Federal University of Rio Grande do Sul Press, 1996).

Nelson, Paul J. "Internationalising Economic and Environmental Policy: Transnational NGO Networks and the World Bank's Expanding Influence," Millennium: Journal of International Studies, Volume 25(3), pp. 605-633.

_____. "North-South Relations in Global NGO Advocacy Networks: Agendas, Models and Representation for a Global Civil Society," unpublished paper, October 1995 through September 1996.

_____. The World Bank and Non-Governmental Organizations: The Limits of Apolitical Development, (NY: St. Martin's Press, 1995).

Ness, Gayl D. and Steven R. Brechin, "Bridging the Gap: International Organizations as Organizations," International Organization, (42)2, Spring 1988, pp. 245 - 273.

Oliver-Smith, Anthony. "Involuntary Resettlement, Resistance and Political Empowerment," Journal of Refugee Studies, 4(2) 1991.

Paul, Samuel. "NGOs and the World Bank: An Overview," in Paul Samuel and Arturo Israel. NGOs and the World Bank: Cooperation for Development, ((Washington, DC: World Bank, 1991), pp. 1-19.

Parasuraman, S. The Anti-Narmada Project Movement in India: Can the Resettlement and Rehabilitation Policy Gains be Translated into a National Policy[sic] Working Paper Series No. 161, (Institute of Social Studies, the Hague - The Netherlands; October 1993).

Partridge, William L. and Jorge E. Uquillas, with Kathryn Johns. "Including the Excluded: Ethnodevelopment in Latin America." Paper presented at the Annual World Bank Conference on Development in Latin America and the Caribbean, Bogota, Colombia, June 30-July 2, 1996.

Payer, Cheryl. The World Bank: A Critical Analysis (New York: Monthly Review Press, 1982).

Payne, Rodger A. and Brett O'Bannon, "Environmental TSMOs and the Narmada River Dam: Rethinking Complex Interdependence," January 1994. Paper prepared for

Workshop on Transnational Social Movement Organizations, Notre Dame University, April, 1994.

Peluso, Nancy Lee. Rich Forests, Poor People: Resource Control and Resistance in Java (Berkeley: University of California Press, 1992).

Pierson, Paul. "When Effect Becomes Cause: Policy Feedback and Political Change," World Politics, 45 (July 1993), pp. 595-628.

Piven, Frances Fox and Richard Cloward. Poor People's Movements: Why They Succeed, How They Fail (New York: Vintage Books, 1977)

Plant, Roger, "The International Community and Land Rights for Indigenous and Tribal Peoples," Development, 1992:4, pp. 18 - 23 CHECK PAGES

Price, David. Before the Bulldozer: Nambiquara Indians and the World Bank (Cabin John: Seven Locks Press, 1989).

Policzer, Pablo. "Police Reforms in Chile During the Pinochet Dictatorship, 1973-1990," dissertation in progress in MIT's Department of Political Science.

Princen, Thomas and Matthias Finger. Environmental NGOs in World Politics: Linking the Local and the Global (New York: Routledge, 1994).

Psacharopoulos, George and Harry Anthony Patrinos. "Indigenous People and Poverty in Latin America: An Empirical Analysis," World Bank, January 1995.

Ribeiro, Gustavo Lins. Transnational Capitalism and Hydropolitics in Argentina, (Gainesville: University of Florida, 1994).

Rich, Bruce. "The Emperor's New Clothes: The World Bank and Environmental Reform," World Policy Journal Spring, 1990, pp. 305 - 29.

_____. Epilogue to the German Edition of Mortgaging the Earth: The World Bank, Environmental Impoverishment, and the Crisis of Development : "The Smile on a Child's Face."

_____. Memorandum. "The FY 1997 ARPP and the findings of the Quality Assurance Group," 1997.

_____. Mortgaging the Earth: The World Bank, Environmental Impoverishment, and the Crisis of Development, (Boston, Beacon Press, 1994)

_____. "Memorandum: Forcible Resettlement in World Bank Projects," Environmental Defense Fund, January 1994.

. “Memorandum- The World Bank: Institutional Problems and Possible Reforms,” (Environmental Defense Fund, March 1995).

. “The Multilateral Development Banks, Environmental Policy, and the United States,” Ecological Law Quarterly, Volume 12, Number 4, 1985, pp. 681 - 745.

Roberts, Charles H. “Increasing Accountability of the World Bank: The Role of Institutional Change and New Operational Directives in the Colombia Natural Resource Management Program,” unpublished law school paper, April 30, 1994.

Royo, Antoinette, “The Philippines: Against the People’s Wishes: The Mt. Apo Story,” Chapter Five in Jonathan Fox and L. David Brown, editors. the Struggle for Accountability: The World Bank, NGOs, and Grassroots Movements, (Cambridge: MIT Press, 1998).

Schwartzman, Stephen. Bankrolling Disasters (Washington, DC: Sierra Club, 1986).

Scott, R. Parry, “Dams, Forced Resettlement and the Transformation of Peasant Economy in the Sao Francisco Valley, Brazil,” unpublished paper.

Sethi, Harsh, “Survival and Democracy: Ecological Struggles in India,” in Ponna Wignaraja, editor. New Social Movements in the South: Empowering the People, (Atlantic Highlands, New Jersey: Zed Books, 1993). pp. 122-148.

Shannon, Mitchell. “The United States and the Politicization of the World Bank: Issues of International Environmental Policy,” Southern Economic Journal, Volume 61, Number 2, October 1994, pp.

Shihata, Ibrahim The World Bank Inspection Panel (New York: Oxford University Press, 1994).

Sigaud, Lygia Efeitos Sociais de Grandes Projetos Hidreletricos: As Barragens de Sobradinho e Machadinho (Rio de Janeiro: Federal University of Rio de Janeiro - National Museum, 1986).

Silva, Eduardo. “Thinking Politically about Sustainable Development in the Tropical Forests of Latin America,” Development and Change, 25(1994), pp. 697-721.

Sikkink, Kathryn. “Human Rights, Principled Issue-Networks, and Sovereignty in Latin America,” International Organization, Volume 47, Number 3, (Summer 1993), pp. 411-441.

Skocpol, Theda. Protecting Soldiers and Mothers: The Political Origins of Social Policy in the United States (Cambridge: Belknap Press, 1992).

Staudt, Kathleen editor. Women, International Development, and Politics: The Bureaucratic Mire, pp. 136-150, (Philadelphia, PA: Temple University Press, 1997).

Stepan, Alfred. Rethinking Military Politics: Brazil and the Southern Cone, (Princeton University Press, 1988).

Stevens, Stan, editor. Conservation Through Cultural Survival: Indigenous Peoples and Protected Areas, (Washington, DC: Island Press, 1997).

Tanaka, Hiroko. "How is "Success" Defined?: An Involuntary Resettlement Case Under Japan's Development Assistance Project," (unpublished masters thesis, MIT Department of Urban Studies and Planning, 1995).

Tarrow, Sidney. Power in Movement. Social Movements, Collective Action and Politics, (New York and Cambridge: Cambridge University Press, 1994).

_____. Struggling to Reform: Social Movements and Policy Change During Cycles of Protest, (Ithaca, NY: Cornell University Press, 1983).

Thibodeau, John. "The World Bank's Persisting Failure to Reform," (May 31, 1995), dev.worldbank on WWW, accessed on June 7, 1995.

Thomas, John W. and Merilee S. Grindle, "After the Decision: Implementing Policy Reforms in Developing Countries," World Development, Volume 18, Number 8, 1990, pp. 1163-1181.

Thukral, Enakshi , editor. Big Dams, Displaced People: Rivers of Sorrow, Rivers of Change (New Delhi: Sage Publications, 1992).

Thukral, Enakshi Ganguli and Mridula Singh. "Dams and the Displaced in India," in Mathur, Hari Mohan, editor. Development, Displacement and Resettlement: Focus on Asian Experiences, (New Delhi, India: Vikas Publishing House Pvt. Ltd., 1995), pp. 93-121.

Treacle, Kay. "Ecuador: Structural Adjustment and Indigenous and Environmentalist Resistance," in Jonathan Fox and L. David Brown, editors. the Struggle for Accountability: The World Bank, NGOs, and Grassroots Movements, (Cambridge: MIT Press, 1998).

_____. "The World Bank's Indigenous Policy," NACLA Report On the Americas, Volume 29, Number 5, March/April 1996, pp. 26-29.

Treece, Dave. Bound in Misery and Iron, (London: Survival International, 1987).

Tshabalala, Mariuso. "Resettlement and Rural Development: Aspects of the Lesotho Highlands Water Project," in Cook, Cynthia, editor. Involuntary Resettlement in Africa: Selected Papers from a Conference on Environment and Settlement Issues in Africa (Washington, DC: World Bank, Africa Technical Department Series, 1994), pp. 59-70.

Turner, Terence. "Indigenous Rights, Environmental Protection and the Struggle Over Forest Resources in the Amazon: The Case of the Brazilian Kayapo," (unpublished draft paper January 4, 1995).

Udall, Lori. "Memorandum: The World Bank's Record in Projects Involving Forced Resettlement," (January 8, 1992).

_____. "The International Narmada Campaign: A Case of Sustainable Advocacy," in William Fisher, editor. Toward Sustainable Development?: Struggling Over India's Narmada River (Armonk, New York: M.E. Sharpe, 1995), pp. 201-230.

_____. "The World Bank: Nepal's Arun Dam," The Ecologist, Volume 25, Number 1, 1995, pp.

Vainer, Carlos B. and Frederico Guilherme B. De Araujo. Grandes Projetos Hidreletricos e Desenvolvimento Regional (Rio de Janeiro: CEDI, 1992).

Van Cott, Donna Lee. "Indigenous Peoples and Democracy: Issues for Policymakers," in Van Cott, Donna Lee, editor. Indigenous Peoples and Democracy in Latin America (New York: St. Martin's Press, 1994).

van de Fliert, Lydia, editor. Indigenous Peoples and International Organisations. (Nottingham, England: Spokesman, Bertrand Russell House, 1994).

Vianna, Aurelio. Etnia e Territorio: Os Poloneses de Carlos Gomes e a Luta Contra as Barragens (Rio de Janeiro: CEDI, 1992).

Viveiros de Castro, Eduardo and Lucia M. M. de Andrade. "Xingu Hydroelectrics: The State Versus Indigenous Societies," in Ayer de O. Santos, Leinad and Lucia M. M. de Andrade, editors. Hydroelectric Dams on Brazil's Xingu River and Indigenous Peoples (Cambridge: Cultural Survival, 1990), pp. 1-18.

Wapner, Paul. Environmental Activism and World Civic Politics. (Albany, New York: State University of New York, 1996).

_____. "Politics Beyond the State: Environmental Activism and World Civic Politics," World Politics 47(April 1995), pp. 311 - 40.

The World Bank: Its First Fifty Years, volume 2, (Washington, DC: Brookings Institution Press)

Wildavsky, Aaron. "The Self-Evaluating Organization," Public Administration Review, 32(5), September/October, 1992, pp. 509 - 520.

Wilks, Alex and Nicholas Hildyard, "Evicted! The World Bank and Forced Resettlement," The Ecologist, Volume 24, Number 6, November/December 1994, pp. 225-229.

World Bank. Staff Appraisal Report: Brazil Electric Power Sector Loan, (Washington, DC: Projects Department, Latin America and the Caribbean Regional Office, May 27, 1986).

_____. Project Performance Audit Report Philippines Magat River Multipurpose Projects Stages I, II, and III (Loan 1154-PH, 1567-PH, 1639-PH and 1639-PH/SAP) and Chico River Irrigation Project Stage I (Loan 1227-PH), (Washington, DC: World Bank, Operations Evaluation Department, June 30, 1989).

_____. "Indigenous Peoples," in The World Bank Operational Manual, (Washington, DC, September 17, 1991)

_____. Bank Experience in Project Supervision, (Washington, DC: Operations Evaluation Department I, April 30, 1992).

_____. World Bank Approaches to the Environment in Brazil: A Review of Selected Projects, Volumes 1-3, (Washington, DC: World Bank, Operations Evaluations Department, April 30, 1992).

_____. Effective Implementation: Key to Development Impact, (Washington, DC: Portfolio Management Task Force, September 22, 1992).

_____. Staff Appraisal Report: Indonesia Third Community Health and Nutrition Project, (Washington, DC: Asia Country Department II, Population and Human Resources Division, December 4, 1992).

_____. Early Experience with Involuntary Resettlement: Impact Evaluation on India Karnataka Irrigation Project (Credit 788-IN), (Washington, DC: Operations Evaluation Department, June 29, 1993).

_____. Early Experience with Involuntary Resettlement: Impact Evaluation on India - Maharashtra Irrigation II Project (Credit 954-IN), (Washington, DC: Operations Evaluation Department, June 29, 1993).

_____. Early Experience with Involuntary Resettlement: Overview, (Washington, DC: Operations Evaluation Department, June 30, 1993).

_____. Management Response OED: Early Experiences with Involuntary Resettlement, (Washington, DC: Joint Audit Committee, September 1, 1993).

_____. Resettlement and Rehabilitation in India: A Status Update of Projects Involving Involuntary Resettlement, Volumes I and II, (Washington, DC: World Bank: India Department, South Asia Region, April 22, 1994.)

_____. Status Report: Remedial Action Planning for Involuntary Resettlement, (Washington, DC: Environment Department, November 4, 1994).

_____. Project Completion Report: Indonesia-Kedung Ombo Multipurpose Dam and Irrigation Project (Loan 2543-IND), (Washington, DC: Agriculture Operations Division, Country Department 3, East Asia and Pacific Region, December 1994).

_____. OED Precipis. "Learning from Narmada," (Washington, DC: World Bank: Operations Evaluation Department, May 1995).

_____. Final Report: Regional Remedial Action Planning for Involuntary Resettlement, (Washington, DC: Environment Department, May 18, 1995).

_____. "Participation and Indigenous Peoples," (Washington, DC: Environment Department, Dissemination Notes, Number 21, June 1995).

_____. Regional Remedial Action Planning for Involuntary Resettlement in World Bank Supported Projects: A Report on One Year of Follow-Up to Resettlement and Development, The Report of the Bankwide Resettlement Review, (Washington, DC: Environment Department, November 1995).

_____. Resettlement and Development: The Bankwide Review of Projects Involving Involuntary Resettlement, 1986-1993, (Washington, DC: World Bank: Environment Department, March 1996).

_____. "The World Bank's Experience with Large Dams: A Preliminary Review of Impacts," (Operations Evaluation Department, August 15, 1996).

_____. "OED Precipis World Bank Lending for Large Dams: A Preliminary Review of Impacts," (Operations Evaluation Department, September 1996).

_____. Resettlement and Development: The Bankwide Review of Projects Involving Involuntary Resettlement, 1986-1993, (Environment Department, 1996).

_____. Environment Matters at the World Bank: The World Bank Group and the Environment, (1996).

_____. Memorandum: "Portfolio Improvement Program: Draft Reviews of Sector Portfolio and Lending Instruments: A Synthesis," April 23, 1997.

_____. Environment Matters at the World Bank: World Bank Environmental Projects, (July 1996-June 1997).

_____. Environment Matters at the World Bank: Toward Environmentally and Socially Sustainable Development (Winter/Spring 1997).

_____. Environment Matters at the World Bank: Annual Review (Fall 1997).

_____. World Bank Operational Policies: Lessons of Experience and Future Directions, (November 19, 1997)

_____. Project Appraisal Document on a Proposed Loan in the Amount of a US \$25.0 Million to the Republic of Ecuador for an Indigenous and Afro-Ecuadorian Peoples Development Project, (Washington, DC: Environmentally and Social Sustainable Development Sector Management Unit, Colombia, Ecuador and Venezuela Country Management Unit, Latin America and the Caribbean Region, December 15, 1997).

_____. Pilot Program to Conserve the Brazilian Rain Forest (n.d.)

Young, Oran. International Cooperation: Building Regimes for Natural Resources and the Environment (Ithaca, NY: Cornell University Press, 1989).

Zald, Mayer N. and John D. McCarthy, editors. Social Movements In An Organizational Society: Collected Essay, (New Brunswick: Transaction Books, 1987).

Selected World Bank Letters and Internal Documents (By Date)

Statement (on the Power Sector I Loan to Brazil) of Hugh W. Foster, US Alternate Executive Director to the Board of Executive Directors, the World Bank, June 19, 1986.

Letter from AW Clausen, President, The World Bank, to Bruce M. Rich, June 26, 1986.

Letter from Barber Conable, President, The World Bank, to The Honorable Robert W. Kasten, Jr., US Senator, January 15, 1987.

"Lesotho: Lesotho Highlands Water Project 1A Supervision and 1B Preparation Mission Back to Office Report, April 6, 1994.

"Lesotho: Lesotho Highlands Water Project Back to Office Report," December 7, 1994.

Selected NGO Documents (By Author)

Feeney, Patricia. "Project Briefing. From Polonoroeste to Planafloro-Has the World Bank Learnt its Lesson?" September 1994.

Forum das Organizacoes Nao-Governamentais de Rondonia. Letter to World Bank President, Lewis Preston, June 15, 1994.

Horta, Korinna. "Appeal for Urgent Action: The Lesotho Highlands Water Project: Changing the Face of the Earth,"(August 25, 1995).

_____. "The World Bank's Lesotho Highlands Water Project: A Giant Monument to Environmental and Social Neglect."

Mahao, Ratsiu. Letter from Highlands Action Church Group to James Wolfensohn, August 16, 1995.

Polosindical. Letter from Polosindical to Brazilian President Fernando Henrique Cardoso, August 13, 1997.

Schwartzman, Stephan. Bankrolling Disasters, (Washington, DC: Sierra Club, 1986).

Schwartzman, Stephan, and Michelle Melone. "The Multilateral Development Banks and the Brazilian Electrical Energy Sector," (Washington, DC: Environmental Defense Fund, October 8, 1987).