To appear in the Newletter of the American Anthropological Association, 1998.

I invited Theodore Downing, Research Professor of Social Development in the Interdisciplinary Division of the Arizona Research Laboratories (U Arizona), to give an overview of a rapidly developing story with broad implications on global environmental policy. Downing was a consultant to the World Bank for over a decade and was one of the first social science consultants to the Bank's private sector arm, the International Finance Corporation (IFC). Subsequent events resulted in the IFC censoring his work on the Pehuenche Indians of Chile and his filing a formal internal human and civil rights complaint against members of the IFC staff. While dismissed by the IFC, the AAA Human Rights Committee has conducted its own investigation (cross-referenced in this issue). This story is far from over. You may contact Ted Downing (520/621-2025; downing@u.arizona.edu) and follow further developments on the Development Policy Kiosk: http://www.anthrotech.com/iscsfaa/.

Edward Liebow

NEW SOCIAL AND ENVIRONMENTAL POLICIES EMERGING FOR THE PRIVATE SECTOR FROM THE WORLD BANK GROUP

MAY 1998

Theodore E. Downing

Over the past few months, the International Finance Corporation (IFC) has requested public comments on its new environmental and social policies, review procedures, and its policy on public disclosure of information. From Mexico to Malaysia to Madagascar, the new IFC policies will define the environmental and social responsibilities of its private sector borrowers. As the World's largest multilateral lender, the IFC's new policies will define the rights of hundreds of thousands of people. Within the next few months, anthropologists have a fleeting opportunity to nudge these policies. Consider this note as primer for policy action.

Increasing Private Sector Impacts

In a crowded, resource hungry world, land-based development projects hold out the hope of providing needed energy, water, transportation, and improving livelihoods. Yet the same projects threaten local populations and environments that stand in their path. The treat has dramatically increased as direct foreign investment in developing countries has quadrupled since 1991. Over 200 billion dollars are being invested annually in new infrastructure projects, mostly by private sector. Net flows of private investment capital into new projects are reaching unprecedented levels.

Some of the most dramatic counter-development are occurring in involuntary resettlement. A 1994 World Bank review discovered 10 million people a year were displaced by development. Globally, development refugees now far outnumber political refugees. If measured by the cold cost-benefit yardstick, most development projects show positive returns to investment - for the nation. But if this analysis is done using only locally affected peoples and environments, one finds local populations who routinely suffer impoverishment.

Marginalized Governments and Affected Peoples

The governments of developing countries are unable, and sometimes unwilling, to protect the environmental and human rights of powerless local populations. New environmental protection institutions are, with a rare exception, too weak to enforce standards. Fledgling non-governmental environmental and human rights organizations are also marginal players on an unleveled playing field whose boundaries and rules are rapidly changing. All face utilitarian logic that ranks national development and growth interests above that of local level populations.

Privatization and structural adjustment have dramatically decreased the role of government in infrastructure investments. The private sector in developing countries has not stepped forward to address social welfare issues as in governments have downsized. This potential chink in the neoliberal economics armor is of increasing concern to organizations dedicated to peaceful development, such as the Oscar Arias Foundation.

Multilateral lenders, such as the World Bank Group and regional development banks, finance some of these projects. They claim to be showing increased sensitivity to environmental concerns. To avoid harm, a cluster of social and environmental policies has been approved by their Boards to guide their loan officers throughout the project cycle. Their environmental and social policies have become, by default, the first-level protection for the human and environmental rights of local affected groups. Their policies are, in effect, international standards against which investors and project owners may be compared. Until recently, lenders have also linked broader national policy reform goals to specific project loans. Many of the developing world's nascent environmental protection agencies can trace their origins to lender leverage, which was supported by relatively weak, endogenous, environmental movements.

The International Finance Corporation

The International Finance Corporation (IFC), a member of the World Bank Group, finances private companies and provides advice for private sector projects in developing countries. Indeed, today IFC is the largest multilateral source of loan and equity financing for private sector projects in the developing world. Through its advisory work, the IFC aims to help governments stimulate private savings and investment. Since its founding in 1956, the IFC has committed more than $21.2 billion in financing from its own funds and arranged another $15 billion in syndication and underwriting for 1,852 companies in 129 developing countries. In 1997, IFC owned almost 2 billion dollars in borrower equities, making them interested business partners. In addition, IFC pools together or syndicates capital from other lenders. Its syndicating partners include global financial institutions which are household names, including the retirement funds of many academics (TIAA-CREF). Their loans underwrite some of the largest development schemes and companies in the developing world. It has, as yet unrealized potential for setting environmental standards for private sector investment to assure sustainable, equitable private sector led development. Colleagues are invited to do a quick search of the IFC web site (www.ifc.org) to identify country-specific projects.

The IFC coordinates its activities with the other members of the World Bank Group: the International Bank for Reconstruction and Development (commonly called "The World Bank"), the International Development Association (IDA) and the Multilateral Investment Guarantee Agency (MIGA). It shares a President (James D. Wolfensohn) and Board of Directors with the Bank, but is legally and financially independent. The IFC's actions and mistakes, however, reflect on the collective reputations of more than 50 anthropologists and allied social scientists in the World Bank who make up what is known internally as the "social family."

Secret agreements on social and environmental impacts

The IFC has only recently recognized the extensive social and environmental impacts of its borrowers (called "Sponsors"). At present, the IFC staff, in close consultation with the clients, pick and choose which World Bank policies are applicable to a particular investment. Although limited consultation may occur with local, affected populations and even the national governments, only IFC management and the Sponsor draft the environmental covenants of the final Investment Agreements. These agreements were, as a matter of policy, kept secret from the affected peoples out of a concern to protect "the legitimate business interests" of the clients. These agreements, which may also include clauses related to the future of ethnic and indigenous groups, are also kept secret from the IFC's own Board of Directors. Indeed, 18 months after I completed a study of the impact of an IFC project on the Pehuenche Indians, I was shocked to discover that the US Executive Director's office - which holds 23.49 percent of the Board votes - did not have access to a copy of my report. IFC may, in agreement with the sponsoring company, release a summary of this agreement. It is understandable that private sector trade secrets, pricing assumptions, and other internal data should not be made public as a condition of a loan. But he IFC has been unable to muster an argument as to why social and environmental arrangements which directly impact the viability of local populations cannot be disclosed.

Moreover, the IFC has no policies or procedures that require the disclosure of information on environmental and social problems that might harm the local populations after the project is funded. For example, the IFC has no obligation to inform local populations, government, or NGOs of dangerous environmental safety problems associated with IFC projects. Protection of their lender, who is often a business partner, is assigned legally binding priority.

Non-disclosure of environmental and social agreements between the IFC and its corporate clients has serious, global economic consequences. Non-disclosure gives a competitive advantage to potentially unscrupulous companies. Sponsoring companies are free to hide behind the undisclosed environmental and social agreements when they seek capital - claiming that their project is meeting World Bank environmental guidelines - even if they do not. Governments and affected people are kept in the dark. Internally, non-disclosure substantial increases the burden of staff supervision.

Compared to the Bank and most governments, the IFC is understaffed and relatively inexperienced in environmental affairs. Its environmental division was established in 1992. The first social scientist was hired in 1996. A second social scientist, an anthropologist, was drafted from the World Bank social family this year. Save for this single individual, the staff has no experience in social impact assessment, cross-cultural communication, social audits, participatory methodologies and other tools commonly associated with a mature environmental staff.

Given this lack of experience and the IFC's growing importance as a global player, it is not surprising that its environmental performance is being critically challenged from many directions. NGO's are very displeased that the IFC is immune from investigation by the independent Inspection Panel, originally set up to examine external complaints against the World Bank. And the AAA Human Rights Committee recently completed an investigation of the IFC's social and human rights impacts of an IFC-financed Pangue project on the Pehuenche Indians of Chile (see AN, this issue and the Association website at http://www.ameranthassn.org/chrbrief.htm). The Hair report on Pangue, even in its heavily censoredversion, and my report on the Evaluation of the Pehuen Foundation in Chile offer excellent case studies on the shortcomings of present policies and possible directions for policy improvements. Copies of both reports should be able to be obtained in either Spanish or English by contacting the Vice President for Corporate Information, Mark Constantine, at mconstantine@ifc.org.

Draft Policies

Looking to improve its environmental performance and harmonize its policies and procedures with other World Bank Group organizations, the IFC released 377 pages of draft environmental and social policies, procedures and supporting documents for public comment which ended on April 17, 1998. Hopefully, the final policies will be enhanced and the IFC will become a standard setting institution for socially and environmentally sustainable private sector development. The drafts cover a broad spectrum, including environmental assessment, natural habitat protection, pest management, involuntary resettlement, forestry, dam safety, and projects on international waterways. An important draft procedure for environmental and social review of projects was also released. These drafts may be accessed on the web (see below) or by mailing a request to the International Finance Corporation, 2121 Pennsylvania Avenue, NW, Washington, DC 20433, Phone

202 473-7711.

The Development Policy Kiosk

This Spring, I created the **Development Policy Kiosk** on the World Wide Web (www.anthrotech.com/ISCSfAA) as a way to encourage interested parties, including my fellow anthropologists, to evaluate proposed policies and recommend changes. The KIOSK is more than a web site. The KIOSK is a strategy for increasing the profile of professional associations and academics in the policy process. It is not limited to the IFC or even environmental issues. In the past, as international organizations and governments released policies and procedures for public comment, responses were sent directly to their officers. Stakeholders, including NGO, businesses, academics, individuals, and local populations were often unaware of the comments of other stakeholders. The Kiosk provides a public place for communication AMONG the parties likely to be effected. Organizations and individuals are invited to post and read comments sent to the policy maker. The cross-stakeholder sharing of information increases the public accountability of those who make policy.

The IFC draft social and environmental policies have been placed on the KIOSK, along with procedures for contacting the IFC Board members and their alternates via email and fax, and other documents of direct relevance to these policies which were not supplied by the IFC itself. Late into the public commentary period of the review, the KIOSK discovered a technical problem in the web distribution that seriously limited Third World assess to electronic copies. Through public correspondence, the KIOSK encouraged a 30 day extension of the policy review process which was granted by the IFC. The IFC Policy Review Project is taking place under the auspices of the Society for Applied Anthropology's International Standards Committee, which I chair. Its members have extensive policy experience with international lenders and include Billie R Dewalt (Pitt), Patricia Feeney (Oxford), Jerry Moles (Global Renaissance) , Scott S. Robinson (Mexico-UNAM), Thayer Scudder (CalTech), Michael Vasquez (NAU), and Robert Winthrop (Cultural Solutions), along with student members, Carla Maria Guerron-Montero (Oregon) and Eloit Lee (NAU). Lee kindly volunteered his talents to maintain the site. The critiques of the seven policies and their associated procedures are continuing to roll in, policy by policy. Readers concerned with a specific policy are encouraged to obtain copies of the draft policy and review the critiques on THE DEVELOPMENT POLICY KIOSK.

Ignored social knowledge

Ironically, World Bank, IFC and other policies are written by the same people who are supposed to follow them. This inherent conflict of interest encourages staff to draft policies that are easily enforced and, preferable, provide management with more discretion. Staff drafted policies often tend to be filled with little loopholes - through which they may avoid being held accountable for not following the policies. It is hoped that the POLICY KIOSK strategy will enhance the performance of those empowered to influence the lives and resources of others - by making transparent - to colleagues, the public, private companies, IFC syndicators, politicians, and the IFC Board - the social knowledge embodied in the public feedback on the draft policies.

For example, the new IFC resettlement policies overtly ignore over two decades of research, including their own 1994 internal review, which demonstrate that development induced displacement may lead to eight specific risks of impoverishment risks to local populations. These include risks of homelessness, landlessness, loss of common resources, loss of health status, economic marginalization, food insecurity, social and cultural disarticulation, To these, I add a ninth risk - the loss of human and civil rights. This work was one of the reasons for awarding of the SfAA Malinowski Award to the Michael Cernea, retired Senior Social Policy Advisor to the World Bank. Research is underway throughout the world on each of these risks and two international conferences were convened at the University of Oxford by the Refugee Studies Center to build on these findings. The risks are also identified in the protocols from the United Nations Summit on Social Development.

Nontheless, the draft IFC and World Bank resettlement policies never mentioned risks and limits impoverishment dangers to those resulting from loss of income and productive resources. And in a blatant affront to the Bank's own findings and sociological knowledge, the policy simply brushes aside almost all non-economic impacts by proclaiming that " Losses arising from sentimental attachment or aesthetic preference and indirect losses (e.g., consequences of the project on areas not directly affected by land acquisition) are beyond the scope of this policy." A decision to downplay identification and discussion of known risks seems to border on malpractice for Bankers who have a fiduciary responsibility to protect the institutions assets.

Why have some colleagues inside the Bank ignored accumulated social knowledge and lessons which supposedly were learned, but their own? Explanations are found, but not in theoretical arguments. Some wish to avoid direct confrontation with the technoeconomic and corporate staff who control the institutions. Others seem no longer willing to push the envelope and, as is evident from the resettlement draft, seem willing to water down earlier policy advances. Before academic anthropologists look superciliously on this situation, recall that our colleagues inside the Bank social family are not protected by academic freedom or tenure. Even many academics with tenure are noted for not sticking their individual necks out on issues. In a world of checklists and work sheets and paper processing, such issues hurt the head, exact stress, threaten the pocket book, and demand moral judgements. It is far easier to draft ambiguous, if not limp, policies and procedures which avoid the hard issues.

What remains to be done?

What actions, then, may individual anthropologists, academics, concerned citizens, and professional associations take to "nudge, rather than passively observe, the local level impacts of development investment? Certainly, it is arrogant, if not a bit foolish, for development anthropologists to assume the IFC staff will absorb their books and reprints and convert their lessons learned into policies and procedures. By the time AN reaches your desk, it will be too late to comment directly on the draft policies. The policies will then be presented to the Board for approval, probably in May. Fortunately, there are still options. Very little time remains to review the KIOSK and send comments directly to the US representative, Jan Piercy (jpiercy@ifc.org) who holds about one quarter of the votes in this decision with copies to key US politicians (again, see the Kiosk for names and addresses) and, of course, the KIOSK.

On deck, the World Bank and IFC are redrafting the indigenous and cultural resource management - which should be of substantial interest to anthropologists. In terms of policy action, the experience of archaeological colleagues have demonstrated that professionals can be policy players. The social and political networks of the AAA are large and include personal relations with legislators and their staffs who are in a position to demand accountability from multilateral lenders. They might not be fully aware of the significance of these policies to building workable standards to assure sustainable development which respect the human rights and the integrity of local environments. One phone call or a letter may, like the proverbial Lorenzian butterfly in the Amazon jungle - be responsible for a tornado in Kansas or it may not. But the consequences of inaction are known.