

Protecting the Widow's Mite: Lessons from the Alto Bio Bio of Chile and Beyond [1]

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And sitting opposite the contribution box he saw how the crowd was putting money into the box; and many rich people put in large amounts; and one poor widow coming put in two mites – two copper coins, which is a penny. And calling his disciples he said to them, "Amen, I tell you that this poor widow has put in more than all those contributing; for they all put in out of their abundance, but she out of her need put in everything she had, her whole living."

Mark 12:41-44

Argument

Capital risked in large scale infrastructure projects is routinely protected by risk-management, risk-financing, and risk-sharing arrangements. In contrast, local populations, including indigenous peoples, and their environment are usually unprotected. Relative to total costs, their potential losses are small. But relative to what they have, they risk the widow's mite. My paper examines the unfolding tragedy taking place in south-central Chile. There, a perverse situation has emerged in which a small, indigent, Pehuenche tribe is involuntarily subsidizing one of Chile's largest private power companies and its financiers, the International Finance Corporation (the World Bank Group). The Pehuenche risk losing not only their standard of living and livelihood, but their civil and human rights. I explore ways to identify and reduce the risks associated with development projects, and protect the sovereignty of those who find themselves in the way of development.

LOCAL ENVIRONMENTAL RISK INSURANCE

Just as capital is insured against political risks, so also should the local populations be insured against the unintended, counter-development consequences of development.

Local level environmental risk insurance is designed to reduce the local environmental conflicts, facilitate infrastructure development, and protect the widow's mite.

Infrastructure projects are complex and require high levels of insurance coverage to protect the capital investment from risks. Private insurance has long been used as a vehicle for redistributing the risks on investment.

Key areas which can jointly be explored by underwriters, financial intermediaries, and technical specialists on local impacts of land-based infrastructure: potential shifts from policies focuses on occurrence rather than claims-made basis, extension of policy coverage for the lifetime of a project (long term), scaling of insurance rates which take into consideration what companies do to reduce risks. Unlike pollution coverage, the issue of retroactive liabilities does not loom large in social risk. Amy Bouska, a principal with Tillinghast Towers-Perrin, has argued that affordable environmental liability coverage also needs to be developed for "gradual coverage" of things that extend over long periods of time (Panko 1996).

Industry representatives simply cannot be expected to offer a product without more solid quantification of their potential exposure.

The likelihood of a product developing will undoubtedly increase as governments become aware of the cost of their exposure to dealing with the impoverishment risks of land-based, private sector development. For example, in the Pangué case...PE more likely to become wards of the state as a result of the project undermining their access to common, natural resources. One of the wealthiest Pehuenche families was forcefully relocated, with only cash compensation.etc. Now his premature baby is a ward of the state. The welfare burden of this impoverished household falls on the state, not the financial intermediary or the Company.

Description of Product Local Risk Insurance

The owner would purchase insurance to protect anticipated risks to the local environment and population. The insurance would define what events/impacts are anticipated, desired outcomes, deviation from the same. Insurance is not for restoration costs, but for the failure to carry out all the steps necessary to achieve these expectations. In 1989, World Bank and CFE foresaw the loss of the productive base of 3 communities at the Zimapán dam. Economic base was a) orchards, b) migrant wage laborer, c) environmental services, etc. CFE provided plans to restore economy.

It would also define what Institutional arrangements would be acceptable to avoid or mitigate these risks.

Insurance costs are expected to be disproportionately distributed to the insured in proportion to their loss producing characteristics. It would be inequitable to charge a non-smoker the same costs as a smoker for life insurance.

Options for paying from this local impact insurance include: a) payment of a surety bond in which one party, the "surety" agrees to answer to a third party, the obligee, for the debt or default of another person, the principal, b) use of a public guarantee insurance program

Actuarial soundness does not demand measure of the probability of a loss with a great deal of precision nor does it require reserves are maintained for future obligations. On-the-ground calculations of the maximum exposure are possible (eg. Loss of income of local populations in Zimapán).

An unresolved issue is the extent to which this insurance should involve a redistributed function. In certain social insurance programs, benefits favor certain groups who had low wages or large numbers of dependents. Those who argue for the general social and economic benefits of a particular infrastructure should favor a proportion payback to those who suffer the losses. This issue falls in the realm of public policy and is of particular relevancy for representatives in whose district a few are asked to personally sacrifice their livelihoods and fortunes for the public good.

The insurance would also define how are benefits distributed in case of a loss.

For full description of the Chilean case, see

Downing, Theodore and Carmen Garcia-Downing. 2001m [Plan B Ted and Carmen Downing from Cultural Survival](#) Cultural Survival Quarterly. Oct 31, Issue 25.3.

BARBARA ROSE JOHNSTON AND CARMEN GARCIA-DOWNING. 2004. Hydroelectric Development on the Bío-Bío River, Chile: Anthropology and Human Rights Advocacy [Chapter 1: IN THE WAY OF DEVELOPMENT: Indigenous Peoples, Life Projects and Globalization](#), Edited by Mario Blaser, Harvey A. Feit, and Glenn McRae (Zed/IDRC) 2004: 211-231.

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