

Background Paper

International Financial Institutions: Policy Review and their Impacts on Indigenous Peoples in Asia*

I. Introduction

The United Nations Development Programme is the UN's global development network, advocating for change and connecting countries to knowledge, experience and resources to help people build better lives.

The UNDP corporate mandate, development cooperation processes and agreements, and the aspirations of indigenous peoples guide UNDP engagement with indigenous peoples and their organizations. In the context of the International Decade of the World's Indigenous People (1995-2004), and building on previous initiatives, UNDP issued a policy guidance note in August 2001 entitled: *UNDP and Indigenous Peoples: A Policy of Engagement*.

In the Asia-Pacific region, in recognition of the large number of indigenous peoples in the region and UNDP's mandate to promote democratic governance, UNDP initiated a new programme for indigenous peoples – the Regional Initiative on Indigenous Peoples' Rights and Development (RIPP). The aim of the regional programme is to provide a space at the regional level for dialogue and cooperation amongst and between the national governments, donors, development agencies and indigenous peoples in the region. RIPP works in close cooperation with its partners to ensure a participatory and rights based approach to development.

Many of international financial institutions – key actors in development initiatives in the region - have policies and guidelines to guide their work with indigenous peoples. In response to a request from indigenous peoples - a direct reflection of UNDP's position of trust and neutrality - RIPP is engaged in establishing a process of dialogue between IFI's, key development financing agencies and indigenous peoples through advocacy and training.

The international financial institutions of most relevance in Asia are the Asian Development Bank (ADB), the Japan Bank for International Cooperation (JBIC) and the World Bank (WB). Projects developed and implemented by these institutions have significant impacts on the rights and livelihoods of indigenous peoples throughout the region. In recognition of this, the WB and the ADB have developed indigenous peoples' policies to guide project development and funding - or are in the process of reviewing and/or adopting new ones. Indigenous peoples have voiced significant concerns regarding these policies and their implementation. In response, some of these institutions have indicated their willingness to engage with

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indigenous peoples in the review and consultation regarding these policies. There is thus an opportunity to initiate a process of dialogue and engagement between indigenous peoples and IFIs in order to develop more responsive adaptation and implementation of indigenous-related programmes through the policy framework.

However, there is a lack of awareness among many indigenous peoples regarding the policies of IFIs. For them to engage in an effective and constructive manner in the policy dialogue with the major financial institutions, there is an urgent need for indigenous peoples to be better informed on the role, mandate, policies and programs of the IFIs. Concurrently, it is also imperative to provide a space for dialogue between indigenous peoples and international financial institutions to ensure indigenous peoples' voices are heard and heeded, especially during policy review processes.

The general framework used in the analysis is based largely on the principles and approaches enshrined in the Human Rights Based Approach to Development and international instruments and jurisprudence which are minimum standards in evaluating the policies and practices as they relate with indigenous peoples. The international instruments most relevant to indigenous peoples include the following:

- Universal Declaration of Human Rights, 1948
- Convention on the Prevention and Punishment of the Crime of Genocide, 1951
- International Labour Organization Convention No. 107 on Indigenous and Tribal Populations, 1957
- The International Covenant on Civil and Political Rights, 1966
- The International Covenant on Economic, Social and Cultural Rights, 1966
- The International Convention on the Elimination of All Forms of Racial Discrimination, 1966 and Recommendation XXIII (51) of the ICERD Committee on the Rights of Indigenous Peoples (18 August 1997)
- Convention on the Elimination of Discrimination Against Women, 1979
- International Labour Organization Convention No. 169 on Indigenous and Tribal Peoples, 1989
- Convention on the Rights of the Child, 1990
- Rio Declaration on Environment and Development and Agenda 21, 1992
- Convention on Biological Diversity, 1992
- Framework Convention on Climate Change, 1992
- Convention to Combat Desertification, 1994
- African Charter of Human and Peoples' Rights, 1981
- European Council Resolution on Indigenous Peoples within the Framework of the Development Cooperation of the Community and Member States, 1998
- Durban Declaration and Program of Action, 2001
- Vienna Declaration and Programme Action, 1993
- United Nations Declaration on the Rights of Indigenous Peoples (draft)
- Organization of American States Declaration on the Rights of Indigenous Peoples, 1997 (draft)

The paper is a consolidated digest of three case studies pertaining to the World Bank Group (WBG), prepared by Fergus Mackay; the Asian Development Bank (ADB) prepared by Devasish Roy; and the Japan Bank for International Cooperation (JBIC) prepared by Joan Carling and Hozue Hatae. It hopes to contribute towards informing the various development stakeholders

on the policies and practices of these international financial institutions related to indigenous peoples.

II. Background of Major International Financial Institutions

World Bank Group

The World Bank (WB) was founded in 1944, along with its sister organization the International Monetary Fund (IMF), following the United Nations Monetary and Financial Conference hosted by the US Treasury Department at Bretton Woods, USA. They are thus also known as the Bretton Woods Institutions.¹

The WB was established as an intergovernmental organization with the primary mandate of financing reconstruction and facilitating economic development post World War II.² After the war, the industrialized countries wanted to ensure that the capitalist economy would be strengthened and expanded worldwide. International institutions that could guarantee this had to be set up, thus the creation of the WB and IMF. The WB's role was to promote the international flow of capital to help rebuild the rich countries destroyed in the Second World War.³

The World Bank Group (WBG) is actually a group of five specialized institutions:

- The International Bank for Reconstruction and Development (IBRD) makes development loans, guarantees loans and offers analytical and advisory services;
- The International Development Association (IDA) gives loans to countries that are deemed 'usually not creditworthy' in financial markets;
- The International Finance Corporation (IFC) is the largest multilateral source of loan and equity financing for private sector projects in the developing world;
- The Multilateral Investment Guarantee Agency (MIGA) provides investment guarantees;
- The International Center for Settlement of Investment Disputes (ICSID) facilitates the settlement of investment disputes between governments and foreign investors.

The IBRD and the IDA are considered to be the public sector arms of the WBG, while the IFC and the MIGA are WBG's private sector arms.⁴

¹ Ibon Foundation. "International Financial Institutions and Indigenous Peoples in the Philippines." Paper presented during the Taking Control of our Resources Workshop on Indigenous Peoples, International Financial Institutions and Multinational Companies organized by Cordillera Peoples' Alliance, Dec. 17-19, 2004. Quezon City, Philippines.

² Fergus MacKay. "Indigenous Peoples and the Asian Development Framework: Multilateral Development Banks and Development Agreements. Indigenous Peoples and the World Bank Group." Case Study Paper prepared for the workshop on Indigenous Peoples and Rights Based Development: Engaging in Dialogue sponsored by UNDP-RIPP on November 4-6, 2005. Baguio City, Philippines. A final version of this paper is also included in this publication.

³ Victoria Tauli-Corpuz. "The World Bank, the International Monetary Fund, and the Erosion of Indigenous Economic Systems", *Indigenous Perspectives* Vol 3 , No. 1: 10-37. (June 2000)

⁴ Ibon Foundation, "International Financial Institutions".

Unlike the United Nations which practices a one-country one-vote system, the WB has a one-dollar one vote system where voting power is determined by the amount of financial contributions of member countries. The Group of Seven – US, United Kingdom, Canada, Japan, Germany, France and Italy – hold 40% to 45% of the votes by virtue of their contributions; the US holds 16.5% of the voting power. It has also become a tradition to have an American as the WB president. The WBG's mandate and stated objective is "to help reduce poverty and finance investments that contribute to economic growth." Its main activities are to provide loans or guarantee credit for projects such as roads, bridges, power plants, transport, schools, and other infrastructure that will support the operations of governments and private corporations. Its primary lending instruments are:

- Project investment loans to fund dams, irrigation projects, schools, hospitals, mining, etc.
- Structural adjustment loans and sectoral adjustment loans
- Hybrid loans which combine elements of adjustment and project investment components. This can include funding for policy or legal reforms like changing Mining Acts, Forestry Laws, etc.⁵

The WBG is one of the largest financiers of development projects and activities in the world. In 1999-2000, the Bank's cumulative lending alone was US\$162,789 million.⁶

The Bank has also played a fundamental role in the globalization of extractive industries (EI), both by financing specific projects and by providing investment and insurance guarantees, and, more importantly, through structural and sectoral adjustment loans and technical assistance projects designed to revise legislation and reform government institutions.⁷

Asian Development Bank

The Asian Development Bank (ADB) is an international financial institution established on December 19, 1966. It has 61 member countries, consisting of 44 regional and 17 non-regional members. Its mission is to help its developing country members (DCMs) reduce poverty and improve their living conditions through its "strategic agenda" of sustainable economic growth, inclusive social development and governance with effective policies. It has three cross-cutting themes, namely, private sector development, regional cooperation and integration for development, and environmental sustainability.⁸

The ADB's principal functions are to grant loans and equity investments for its DCMs and to provide technical assistance in development projects. It likewise promotes investments of public and private capital and provides assistance in coordinating development policies. Its operations cover agriculture and agro-industry, energy, industry and non-fuel minerals, finance, transport and communications, social infrastructure and other sectors. The highest policy-making body in the ADB is the Board of Governors, which meets annually. It is composed of representatives of each member country. However, its operations are delegated to its 12-member Board of Directors and the Bank President. The Board of Directors has the sole authority to decide on the Bank's loans, guarantees, borrowings, technical assistance,

⁵ Tauli-Corpuz. "Erosion of Indigenous Economic Systems" p. 12-14

⁶ Fergus MacKay, "Making Molehills out of Mountains: Indigenous Peoples, the World Bank and Extractive Industries Review." 2005

⁷ MacKay, "Indigenous Peoples and the World Bank Group".

⁸ Ibon Foundation, "International Financial Institutions".

equity investments and other activities. The Bank President handles the day-to-day operations.⁹

Although developing countries dominate the membership of the ADB, the real power rests in the member-countries who have the highest capital stock or shareholding, which determines their voting power. Traditionally, these large shareholders have been members of the Organization of Economic Cooperation and Development (OECD), a group of 21 First World donor countries including Japan, US, Germany, France and the United Kingdom. Of these countries, Japan and the US have the highest combined shareholdings of almost 32% of total subscribed capital, and thus, account for 13% each of the total voting power.

The combined voting power of the OECD countries has resulted in a shift of ADB's loan operations. In the first 20 years of existence, the Bank emphasized project financing – mainly loans to agriculture and large-scale infrastructure projects, such as roads and hydropower dams – and the encouragement of export-oriented industries and a strong regulatory role for the state. However, in the wake of the founding of the World Trade Organization (WTO), with the push for greater liberalization of developing countries, the ADB stressed the central importance of private sector development and foreign capital, with a reduced role for the state and lending for structural adjustment and policy objectives as opposed to individual projects.¹⁰

Japan Bank for International Cooperation (JBIC)

The Japan Bank for International Cooperation, or JBIC, is the second largest development bank in the world. It was established in 1999 when two large Japanese financial institutions merged, the Japan Export-Import Bank (JEXIM) and the Overseas Economic Cooperation Fund (OECF).¹¹

OECF was mainly responsible for providing Yen Loans, one type of Official Development Assistance (ODA). According to the Japanese Government, the purpose of Yen Loans is to promote the economic development and welfare of developing countries. JEXIM did other kinds of International Financial Operations (IFOs) that were not ODA loans, such as export loans, import loans, investment loans, and untied loans. The purpose of IFOs is to support Japanese companies' exports and investments.¹²

JBIC was established by putting these two institutions together, and is responsible for both Yen Loans as well as the IFOs. JBIC therefore lends to governments of developing countries and to Japanese and foreign companies. Currently, it finances projects all around the world, but most of the projects JBIC finances are in Asia (approximately 80% in 2002).¹³ Much of Japanese ODA is used to fund infrastructure projects such as highways, power generation projects, water facilities, airports, flood control projects and construction of ports. The majority is in the form of loans, rather than grants, leading to increased indebtedness of borrowing countries.

⁹ Ibid.

¹⁰ Ibid.

¹¹ Joan Carling and Hozue Hatae. "Japan Bank for International Cooperation (JBIC) Guidelines for Confirmation of Environmental and Social Considerations: Its implications to Indigenous Peoples". Case Study Paper prepared for the workshop on Indigenous Peoples and Rights Based Development: Engaging in Dialogue sponsored by UNDP-RIPP on November 4-6, 2005. Baguio City, Philippines. A final version of this paper is also included in this publication.

¹² Ibid.

¹³ Ibid.

Another important issue is the nature of ODA as ‘tied aid’ or aid given on the condition that it can be spent only on goods and services from the donor country. Although aid from Japan is today generally ‘untied’, allowing associated goods and services to be acquired from any country, there are pressures from the Japanese business community to re-tie ODA in order to create profit-generating opportunities for Japanese corporations. A recent revision to the ODA Charter done in 2003 puts explicit stress on Japan’s national interest, with the objective “to contribute to the peace and development of the international community, and thereby to help ensure Japan’s own security and prosperity”, as opposed to a “humanitarian viewpoint” in the previous Charter.¹⁴

III. Indigenous Peoples Policy of the World Bank, Asian Development Bank and Japan Bank for International Cooperation

IV. Experiences of Indigenous Peoples in Asia with IFI-funded Projects

The indigenous peoples in Asia have had much experience with projects funded by IFIs. The following are some concrete examples to illustrate the key aspects of this relationship:

- ***Support for Extractive Industries***

The WBG’s support for oil, gas and mining projects is facilitating exploitation of developing countries’ natural resources by transnational corporations, at the expense of indigenous peoples and affected local communities. Increasing foreign investments in natural resource exploitation often yield profits for multinational corporations and local elite that rarely trickle down to indigenous peoples and frequently exacerbate poverty and compromise cultural integrity and security.¹⁵

One example is the IFC’s support for the Climax Arimco Mining Company’s (CAMC) proposed community development plan in Didipio, Philippines. The IFC consultant claimed that the acceptance by the host community of the development plan represented the ‘best case’ of prior informed consent he had ever witnessed. The CAMC set up the Didipio Gold/Copper Project after being granted a Financial and Technical Assistance Agreement (FTAA) by the Philippine Government in 1994 covering 37,000 hectares for mining exploration and development activities. The community protested the mining activities, and soldiers were assigned to the area to secure CAMC operations. There were also reports of harassment and other abuses committed by the soldiers and paramilitary forces.¹⁶

A JBIC-funded extractive industry project is the Sakhalin II Oil Development Project in Russia to develop oil and natural gas reserves for export to Japan, Korea and other countries, which will cause serious damage to the indigenous peoples of the North Sakhalin Region as well as to the fisheries and ecosystems in the Sea of Okhotsk.¹⁷

¹⁴ Ibon Foundation, “International Financial Institutions”.

¹⁵ MacKay, “Making Molehills out of Mountains”

¹⁶ Ibon Foundation, “International Financial Institutions”.

¹⁷ Carling and Hatae. “JBIC Guidelines: Implications to Indigenous Peoples”.

- **Participation of Indigenous Peoples in Decision-Making**

A potentially positive example of ADB involvement in indigenous peoples' area is the Chittagong Hill Tracts Rural Development Project in Bangladesh. The project was initiated with the support of the indigenous peoples in the CHT region, particularly the Chittagong Hill Tracts Regional Council, an apex body formed as a result of a peace accord agreed in 1997. The indigenous chairperson of the Regional Council is the *ex-officio* chairperson of the project's Regional Coordination Committee, with three indigenous district council chairpersons and three traditional paramount chiefs as members.¹⁸

The project's primary focus is to reduce 'absolute poverty in the Chittagong Hill Tracts and to provide a confidence-building environment for the Peace Accord of 1997. The project also includes a Community Development component with a program on Legal Literacy, Training and Gender. The loan agreement between the ADB and the Government of Bangladesh refers to the monitoring and implementation of an Indigenous Peoples Development Plan by the project-monitoring unit. The involvement of indigenous peoples' institutions in decision-making and project implementation is no doubt a desirable development. However, the potentially positive impact of the project is at risk because of certain features that have been included without the knowledge and consent of the people concerned, in particular, the inclusion of a micro-credit component.¹⁹

Another illustration is the WB-funded Conservation of Priority Protected Areas Project (CPPAP 1994-2001), a seven-year, \$20 million grant to conserve the Philippines' mega-diversity of flora and fauna - under the Bank's Global Environment Facility. The project's goals are to provide support for conservation, management and development of protected areas and to involve local indigenous communities in the management of protected areas through their representation in Protected Area Management Boards.

Studies indicated that the affected indigenous peoples were not involved in the planning of the CPPAP. The project was conceptualized 'for' indigenous peoples and not 'with' them. However, there was some space for the affected indigenous communities to express their concerns through their representation in the Protected Areas Management Board (PAMB). The community also complained that the project restricted their traditional use of forest resources, which are important for their survival. Another concern was the delay in the release of funds for the livelihood component of the project.²⁰

- **Inappropriate Projects**

The lack of consultation, participation in decision-making, and free, prior informed consent of indigenous peoples in development projects affecting them often lead to inappropriate, unwanted or unnecessary projects.

¹⁸ Raja Devasish Roy. "The Asian Development Bank's Indigenous Peoples' Policy and its Impact upon Indigenous Peoples of Asia". Case Study Paper prepared for the workshop on Indigenous Peoples and Rights Based Development: Engaging in Dialogue, sponsored by UNDP-RIPP on November 4-6, 2005, Baguio City, Philippines. A final version of this paper is also included in this publication.

¹⁹ Ibid.

²⁰ Ibon Foundation, "International Financial Institutions".

A case in point is the JBIC-funded Kelau Dam, which aims to provide water to Selangor State and Kuala Lumpur in Malaysia by transferring around 1.5 billion liters of water per day from the Kelau River in Pahang State to the Langat River in Selangor State. The dam will have serious impacts on the Kelau River ecosystem and will require the resettlement of 325 Orang Asli (indigenous people) and 120 Malay farmers, with serious repercussions on their lives and livelihoods. Studies by Malaysian NGOs show that the current water supply system in Selangor state is wasteful and beset with inefficiencies. Investment in water conservation measures and reduction in system losses could result in water savings that would make the construction of the Kelau Dam unnecessary. Although the project proponents claim that the people are agreeable to the project, the Centre for Orang Asli Concerns (COAC) found that the affected Temuan families did not give their free, prior and informed consent to the relocation.²¹

Another example is the ADB-funded Community Forestry Program in the Chittagong Hill Tracts in Bangladesh implemented during the 1980s. The program called 'joutha khamar' or 'collective farming' was intended to end shifting cultivation by the Jummas by forcibly relocating them to settled farms. The project resulted in the forced evacuation and dispossession of the indigenous Jumma peoples of their land in favor of Bengali settlers. It also allowed unhindered and accelerated exploitation of the forest and its resources, pushed the Jumma people into a state of constant debt and created dependence of Jumma people on the Bengali moneylenders and traders.²²

- ***Privatization and Transnational Corporations***

The privatization of industries, services and natural resources by transnational corporations is based on the rationale that most state corporations are inefficiently run mainly as a result of corruption. Therefore, if these are transferred to the private sector, they can be run more efficiently resulting in better products and services. However, privatization schemes under structural adjustment programs of the World Bank have brought tragic results for the indigenous peoples and the environment.²³

The case of Orissa, India as cited by Corpuz is a clear case in point. As part of the scheme to transfer energy-intensive industries to the south, fossil fuel-powered plants were needed. Privatization of the energy sector, through the World Bank, was seen as the best option. In Orissa, a northeast state of India, the power sector was privatized through the structural adjustment program of the World Bank. The coal-powered plants, which the state used to operate, were sold to the private sector. The Bank provided only 3% of the needed investments, the private sector and Official Development Aid (ODA) provided the rest. As a result, various transnational corporations from the US, France, Canada and Japan earned \$290 billion in combined total sales from procurement contracts in Orissa's power sector. The State of Orissa got \$2.85 billion in various loans and financial assistance. Meanwhile, the indigenous peoples who make up 25% of Orissa's population, along with other marginalized sectors like the farmers and fisherfolk, got the worst deal. After this energy-intensive, toxic industrial development, their lives worsened, their subsistence economies were destroyed, health problems increased, communities were displaced, the cost of power increased beyond the

²¹ Carling and Hatae. "JBIC Guidelines: Implications to Indigenous Peoples".

²² Suhas Chakma. "ADB Programs in Bangladesh: Identifying Critical Issues." Indigenous Perspectives Vol 3 No. 1: 140-150 (June 2000)

²³ Tauli-Corpuz, "Erosion of Indigenous Economic Systems", p 25.

reach of the majority population and human rights violations were committed against workers and tribals.²⁴

- ***Impact on Culture and Standards of Living***

Some of the development projects funded by IFIs are insensitive to local indigenous culture and have caused a decline in their living standards.

The Koto Panjang Dam in West Sumatra, Indonesia, built with loans from JBIC in the 1990s, relocated some 4,886 households of the Minagkabau ethnic group. The project's feasibility study failed to take into account the peculiar characteristics of Minagkabau society. The villagers were resettled in a place that had no communal land (ulayat) or building (rumah gadang). Housing provided by the government was not the traditional style on stilts, but poorly-built wooden houses built directly on the ground. Some mosques were built facing the wrong direction and others were too small, so the people had to build their own mosques. In addition, existing relationships in Minagkabau society were ruined when people lost respect for village leaders who accepted bribes and had difficulty coping with resettlement. The people's traditional lifestyle and culture were destroyed and their living standards declined considerably.²⁵

Another case is the ADB-funded agricultural program in the Cordillera region, Philippines, known as the Cordillera Highland Agricultural Resource Management (CHARM) Project. CHARM, which started in 1996, promotes agriculture for the market and encourages communities to supplant traditional subsistence production in favor of cash crops such as high-yield rice, cut-flowers and commercial vegetables and fruits. This has resulted in the extinction of indigenous varieties of crops and has made indigenous farmers increasingly dependent on buying expensive agricultural techno-packs of seeds, chemical pesticides and fertilizers leading to perpetual indebtedness.²⁶

- ***Displacement***

There are a number of examples in this regard of which the following are illustrative of the impact displacement has on the traditional livelihoods of indigenous peoples.

The San Roque Multi-purpose Project, funded by JBIC, displaced more than 4,400 people in the Philippines, and threatens the livelihood of thousands of indigenous Ibaloi people living along the Agno River upstream of the dam. Approximately 20,000 residents of Itogon, Benguet, are expected to be affected by the sediment that is expected to accumulate behind the reservoir over the course of the dam's life. This sediment will eventually submerge homes, rice terraces, orchards, pasturelands, gardens and burial grounds of the Ibaloi living close to the Agno River. The fertile lands along the river and the gold ore found in the mountains have sustained Ibaloi communities engaged in agriculture, fishing and small-scale gold panning for generations. Project proponents did not obtain the free and prior informed consent of affected indigenous communities. Consultations were conducted only after the project was already underway. The energy project was completed and commercial operation began in March 2003.²⁷

²⁴ Ibid. p. 26-27

²⁵ Carling and Hatae. "JBIC Guidelines: Implications to Indigenous Peoples".

²⁶ Ibon Foundation, "International Financial Institutions".

²⁷ Carling and Hatae. "JBIC Guidelines: Implications to Indigenous Peoples".

Another case is the proposed Laiban dam project in Quezon Province, Philippines, which is part of an ADB-funded program to develop new water sources for Metro Manila. The project will direct 2,400 million liters of water daily to Metro Manila. A \$3.26 million technical assistance loan was given by the ADB to the Metropolitan Waterworks and Sewerage System to implement the project together with private concessionaires Manila Water and Maynilad Water Services. The dam will directly affect around 20,000 hectares of land, deplete the irrigation supply of lowland farmers in Quezon province, and displace some 10,000 indigenous peoples, upland settlers and peasants. Negotiations for resettlement are ongoing, with the indigenous Dumagat people reluctant to leave their ancestral territory as they fear this will result in the loss of their traditional culture. There are also reports of increasing militarization in the affected areas and recruitment of paramilitary CAFGU members among the Dumagat and Remontado tribes.²⁸

V. Lessons Learned and Recommendations for Strategic Engagement

From the above-mentioned examples, some key lessons and recommendations can be drawn that can help improve the implementation of development projects and the relations between IFI's and affected indigenous peoples.

- ***Need to properly assess social and environmental impacts prior to approval***

There is a need to adequately assess the project's social and environmental impacts, with the participation of the peoples concerned, prior to project approval. While WB projects do Environmental and Social Impact Assessment (ESIA) at least in principle prior to project approval, the more relevant issue is to ensure indigenous peoples' participation in and free prior informed consent (FPIC) to ESIA's. Failure to do so could result in impacts far beyond what was originally predicted.

- ***Need to provide adequate information to ensure free, prior and informed consent of indigenous peoples***

IFIs and project developers need to provide adequate information to affected communities and to the public, especially critical documents such as environmental impact assessments and resettlement plans.

- ***Adequate monitoring and evaluation during and after project implementation***

Closer monitoring and evaluation procedures need to be established, with the IFIs taking more responsibility for implementing, monitoring and evaluating the project, instead of leaving it entirely in the hands of the government or private sector partners. Affected communities should be provided with access and recourse to the IFIs as project funders, especially in those situations where compensation payments are not honored. The IFIs have the ultimate responsibility to ensure that the projects are in accordance with their own IP policies and international human rights standards.

- ***Need to establish mechanisms to deal with outstanding problems***

²⁸ Ibon Foundation, "International Financial Institutions".

Many projects have resulted in communities being worse off than they were before. Yet no mechanism is available for dealing with the serious environmental and social problems created by the projects. There is a growing demand for IFIs to take responsibility for repairing damages caused by its previously funded projects by allocating resources for retroactive compensation, mitigation and rehabilitation measures.

Based on the case papers on the WB, ADB and JBIC, we can draw out the following recommendations for strategic engagement with these IFI's:

- ***Participatory Process of Policy Review and Reform***

The modalities for a future process of review of the WB and ADB's Indigenous Peoples policies should include indigenous peoples and incorporate their recommendations and suggestions for improvement. Such consultations may need to be preceded by an in-depth evaluation of the diverse impacts upon indigenous peoples of IFI-funded projects, which can feed into a future revision process.

Regarding the review process of the WB's OP 4.10, Mackay suggests establishing national and regional working groups to systematically identify and track Bank projects applying OP 4.10, with the aim of providing well documented inputs to the three-year review of the OP agreed to by the Board. These groups could advocate, together with indigenous peoples from other regions, for full indigenous participation in the three-year review of the WB policy.

It is also recommended that the WB cooperate with or establish mechanisms to guarantee the full and effective participation of indigenous peoples in defining the meaning and application of free prior and informed consultation and ascertaining broad community support. One such mechanism is the UN Permanent Forum on Indigenous Issues, in which the WB itself participates through the Inter-Agency Support Group. Furthermore, it is important for indigenous peoples to proactively seek to define free prior informed consultation and broad community support in ways that are consistent with indigenous peoples' traditional or accepted methods of collective decision-making.

Likewise, the policy formulation of JBIC on indigenous peoples must ensure the direct engagement of indigenous peoples and their participation in the process in order to ensure that their views, concerns and issues are taken into account and integrated in the finalization of the Policy.

- ***Dissemination of Information***

Dissemination of data and information, in a manner and form understandable by indigenous peoples, is crucial to ensuring transparency and accountability on the part of the IFIs. For the WB, it is necessary that concerned indigenous organizations, peoples and communities affected by Bank projects are well-informed about the requirements of OP 4.10 and other related OPs and can thus advocate for greater conformity with the Banks' own policies on indigenous peoples.

- ***Environmental and Social Impact Studies to Consider Particular Impacts on Indigenous Peoples***

Environmental and social impact studies should take full account of the specificities of indigenous peoples, and include socio-cultural impacts, intergenerational livelihood activities, and the views of affected indigenous peoples on compensation or non-compensation of losses, which are beyond material measures. These studies should ensure a process of transparency and validation of affected communities, prior to consideration for project funding.

- ***Monitoring and Evaluation of Project Impact on Indigenous Peoples***

The experience of the European Commission (EC) in having some of its projects evaluated by indigenous experts, and the findings shared among indigenous peoples and EC project staff and policy-level officials, can provide ideas for similar evaluation exercises on WB, ADB and JBIC-funded projects in indigenous peoples' areas in future.

Indigenous peoples have demanded that the World Bank involve local, national and regional indigenous organizations in actively tracking and monitoring World Bank operations throughout the whole project cycle. Such needs are equally relevant in the case of the ADB and JBIC.

- ***Influencing Policy Reforms and Decision-Making by Member Country Governments***

The implementation of the ADB's Indigenous Peoples policy is affected by relevant policies of the borrower governments. Thus, the positive impact of the bank's policy could be watered down or countered in the absence of adequate national laws and policies recognizing indigenous peoples' rights.

It is recommended that the ADB engage the concerned national governments to initiate policy reforms in their countries in order to effectively implement the bank's Policy on Indigenous Peoples. It is important in this respect to encourage ADB member governments to consult indigenous peoples in their countries, using participatory methods of consultation.

In principle, World Bank-funded projects have to respect national laws. In cases when national laws contain higher levels of protection for indigenous peoples' rights than OP4.10, as in the case of the Philippines' Indigenous Peoples' Rights Act, it is necessary to assess projects in relation to higher national legal standards in addition to OP 4.10.

It is also important to identify those in government with primary responsibility for Bank projects and policy issues and attempt to influence their thinking. In some cases, this may be helped by also involving national agencies responsible for indigenous issues, legislative committees and other concerned bodies in the dialogue. It could also be useful to develop working relations with the Indigenous Peoples' Unit in the Bank.

- ***Including Indigenous Peoples in Bank-Member Country Negotiations***

The ADB policy clearly declares that 'the fundamental relationship between ADB and governments remains the basis for country-specific operations'. Indigenous peoples, however, are unaware of the contractual relationship between the bank and borrower governments. This needs to be corrected by indigenous participation both in the deliberations of the bank, and in policy dialogues with the concerned government.

From as early as possible in the project cycle, it is necessary to identify, advise affected indigenous communities and monitor Bank-financed projects. Identifying projects early in the cycle is critical in influencing project design and subsequent implementation.

Consultants are usually employed by Banks in the design of projects. It is therefore important to identify and communicate with consultants, particularly those addressing indigenous peoples' issues and legal issues. It is also important to identify the whole range of financiers in any IFI-funded project and to communicate indigenous peoples' concerns to all donors involved. It is not uncommon for certain donors to take on more supportive positions in relation to indigenous peoples' rights than the WB.

- ***Accountability Measures and Litigation for Violations of Own Policies and Guidelines***

It is recommended to institute accountability measures on the part of IFIs in relation to violations of its own policies and Guidelines. These should include measures on just compensation of affected communities, mitigation and rehabilitation of damaged environment and providing resources for people's livelihood. Another avenue is the Inspection Panel of the World Bank but this is limited to non-compliance of the Bank with its internal policies and procedures.²⁹

VI. Conclusion

A review of the policies, programs, projects and impacts of IFI-funded development on indigenous peoples in Asia underscores the need to ensure that the benefits of development do not just 'trickle down' to the poor and marginalized sectors, including indigenous peoples, but rather fully address their needs and improve their conditions.

At this point, there is a need for indigenous peoples to actively participate in policy review, reform and advocacy in relation to development programs to be implemented within their communities. Indigenous peoples' engagement with IFIs and other development actors is necessary in order to ensure that indigenous peoples' rights are respected and promoted in any development endeavour.

Advocacy efforts of indigenous peoples could be directed at achieving reforms of existing policies of IFI through a participatory process of review and consultation. These reforms could also cover national policies of member country governments so that these are consistent with IFI policies and international human rights standards on indigenous peoples. Including indigenous peoples' perspectives in loan negotiations between IFIs and borrower countries is also another way forward.

Another area for advocacy is to push for the conduct of environmental assessment and social impact studies that consider particular impacts on indigenous peoples. Consequently, it is also necessary to work for more effective monitoring and evaluation of development project's impact on indigenous peoples, such as soliciting case studies and reviews by indigenous experts, and to put into place measures that will hold IFIs accountable for violations of own policies and guidelines.

²⁹ See MacKay, "Indigenous Peoples and the World Bank Group" for more details.

In engaging with IFIs, it is crucial to challenge their policies and practice pertaining to indigenous peoples by weighing these against international standards as minimum. It is also necessary to assert the indigenous peoples' inherent right to land, territories, resources and self-determination as the fundamental yardstick. It is only in the context of fundamental reforms and a shift towards a rights-based approach that development aid can truly be said to contribute to the genuine development of indigenous peoples.

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