

# Indigenous Peoples and Sustainable Development:

The Role of the  
Inter-American Development Bank

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## I. WHO ARE THE INDIGENOUS PEOPLES?

This presentation focuses on the role of the Inter-American Development Bank in the socioeconomic development of the indigenous peoples of Latin America. Following a brief description of who the region's indigenous peoples are, and of the issues and concerns that face them, this paper presents the broad outlines of a more detailed strategy document that is currently being prepared. This presentation provides some examples of what the IDB has been doing to respond to its mandate to address the needs of indigenous peoples. It also mentions some of the major challenges that the Bank

faces in order to be more effective in fostering the sustainable socioeconomic development of indigenous people. The Bank's thrust in this area emphasizes the positive relationship between economic development, participation and strengthening cultural heritage within a framework that recognizes the rights of indigenous peoples.

### Demographic Data

The number of indigenous people in Latin America and the Caribbean is estimated at between 33 million and 40 million, around eight percent of the Hemisphere's total population. Estimates vary because census data are often not reliable and have to be supplemented with information from other sources.

There are about 400 different ethnic groups in the region, each with a different language, social organization, worldview, economic rationality and mode of production adapted to the ecosystems they inhabit. In spite of their heterogeneity, indigenous peoples share similar concerns and aspirations that are based on a holistic view of the interrelationship between human beings and the natural environment, and between the individual and the community.

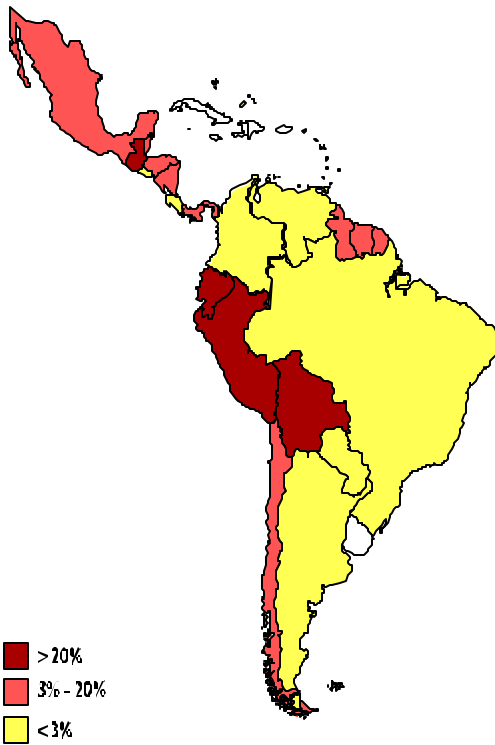
Indigenous people live in all the countries of Latin America, with the exception of Uruguay. Table 1 shows one of the more conservative estimates of the total number of indigenous people living in each country. Estimates for the Caribbean islands vary between 30,000 and 50,000 people of direct indigenous descent.

**Table 1**  
**Total Population and Indigenous Population of Central and South America by Country**

Population		National Population	Indigenous Population	%
Over 20%	1. Bolivia	8,200,000	4,142,187	50.51
	2. Guatemala	10,300,000	4,945,511	48.01
	3. Peru	22,900,000	8,793,295	38.39
	4. Ecuador	10,600,000	2,634,494	24.85
Total of these countries		52,000,000	20,515,487	39.45
From 3% to 20%	5. Belize	200,000	27,300	13.65
	6. Honduras	5,300,000	630,000	11.88
	7. Mexico	91,800,000	8,701,688	9.47
	8. Panama	2,500,000	194,719	7.78
	9. Nicaragua	4,300,000	326,600	7.59
	10. Chile	14,000,000	989,745	7.06
	11. Guyana	806,000	45,500	5.64
	12. French Guiana	104,000	4,100	3.94
	13. Suriname	437,000	14,600	3.34
Total of these countries		119,447,00	10,934,252	9.15
From 0 to 3%	14. Paraguay	4,800,000	94,456	1.96
	15. Colombia	35,600,000	620,052	1.74
	16. El Salvador	5,200,00	88,000	1.69
	17. Venezuela	21,300,000	315,815	1.48
	18. Argentina	33,900,000	372,996	1.10
	19. Costa Rica	3,200,000	24,300	0.75
20. Brazil	155,300,00	254,453	0.16	
Total of these countries		259,300,00	1,770,072	0.07
<b>Total</b>		<b>430,747,00</b>	<b>33,219,814</b>	<b>7.71</b>

Source: Instituto Indigenista Interamericano, *América Indígena*. Vol. LIII, No. 4, Oct-Dec 1993.

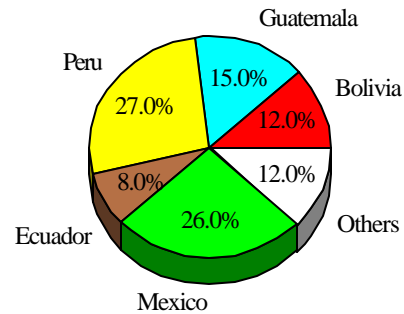
**Figure 1**  
**Indigenous Populations**  
**in South and Central America**  
 (Percentage of Total Population by Country)



Source: Based on data from Instituto Indigenista Interamericano, *ibid*, SDS/GIS Remote Sensing Facility.

Indigenous people represent between thirty percent and more than fifty percent of the total population of Bolivia, Guatemala, Peru and Ecuador. Indigenous people represent between thirty percent and more than fifty percent of the total population of Bolivia, Guatemala, Peru and Ecuador. Estimates for Bolivia range between fifty percent and seventy percent of the total population. Although indigenous people living in Mexico account for one quarter of the indigenous people of the Hemisphere, they represent slightly less than ten percent of the Mexican population. Five countries (Peru, Mexico, Guatemala, Bolivia and Ecuador) account for almost ninety percent of the indigenous people of the region, with Mexico and Peru having the largest share (see Graph 1).

**Graph 1**  
**Distribution of Indigenous People**  
**in Latin America**



Source: Based on data from Instituto Indigenista Interamericano, *ibid*.

### Definitions

The issue of who is indigenous and who is not, has been the subject of much debate. However, international legal instruments such as ILO Convention No. 169 on Indigenous and Tribal Peoples in Independent Countries adopted in 1989, the draft OAS Declaration on Indigenous Rights (which was recently finalized by the Inter-American Commission on Human Rights for consideration by the General Assembly later in 1997), and the draft Universal Declaration on Indigenous Rights under preparation at the United Nations have all adopted similar definitions. These international covenants define indigenous people as the descendants of the original inhabitants of a geographic region prior to colonization who have maintained some or all of their linguistic, cultural and organizational characteristics. In addition, self-identification is a fundamental criterion to determine who is considered indigenous. For purposes of collecting census data, the countries of the region apply different criteria: in some countries the census specifically addresses the subject of indigenous identity (by asking a question about language(s) spoken, mother tongue, geographic location or self-perception). However, in many countries the census does not address the issue and estimates are based on other sources of information. Table 2 provides a sample of the definitions used for census purposes in some countries.

**Table 2**  
**Definitions of Ethnicity Used**  
**in Selected Latin American Countries**

Country	Ethnicity Definition	Sources
Bolivia	Language spoken	Census 1976 and Housing survey 1988
Colombia	Self-perception and geographic location	Census 1973,1981
Guatemala	Self-perception	Census 1973, 1981
Mexico	Language spoken	Census 1988, 1990
Peru	Mother tongue and language spoken	Census 1972,1981
Venezuela	Geographic location and self-perception	National census, 1981 and Indigenous census 1982

Source: CELADE, 1994.

### Geographic Location

Indigenous peoples are generally located in areas considered to be the least hospitable of the continent: the arid mountainous regions of the Andes and Meso-America and the remote tropical rainforest areas in the Amazon and Orinoco watersheds and in Central America. In the more accessible areas, indigenous peoples were made extinct or have been pushed back by colonization to remote and isolated regions.

It is estimated that over ninety percent of indigenous people are sedentary subsistence farmers, descendants of the large pre-Columbian civilizations of Inca, Maya, Aztec and other smaller societies in the arid Inter-Andean plateau and Meso-American mountain regions. These indigenous people, who are often grouped together with non-indigenous farmers under the term peasants or *campesinos*, cultivate small plots (*minifundios*) and supplement their meager resources with seasonal wage labor, mining activities, animal husbandry and artisanal production.

High population growth rates, the expansion of large scale commercial agriculture, and diminishing terms of trade for subsistence foodstuffs have forced many indigenous farmers to relinquish their traditional environmentally sustainable subsistence practices. This has led to erosion on steep mountain slopes, diminishing fallow periods for slash and burn agriculture, overfishing, depletion of hunting stocks, etc. Many indigenous farmers have migrated to the poverty belts that surround cities.

The other ten percent or so of indigenous people live in tropical or dry forest areas. Traditionally, most of them were hunters and gatherers with a transhumant or seminomadic way of life and a tribal organization based on small independent and loosely knit bands. Although they live in some of the most remote and pristine environments, they have become increasingly vulnerable as a result of the pressures on their lands and natural resources caused by oil exploration, mining and logging ventures, the expansion of the agricultural frontier or the crossfire caused by border conflicts, guerrilla warfare and the drug trade.

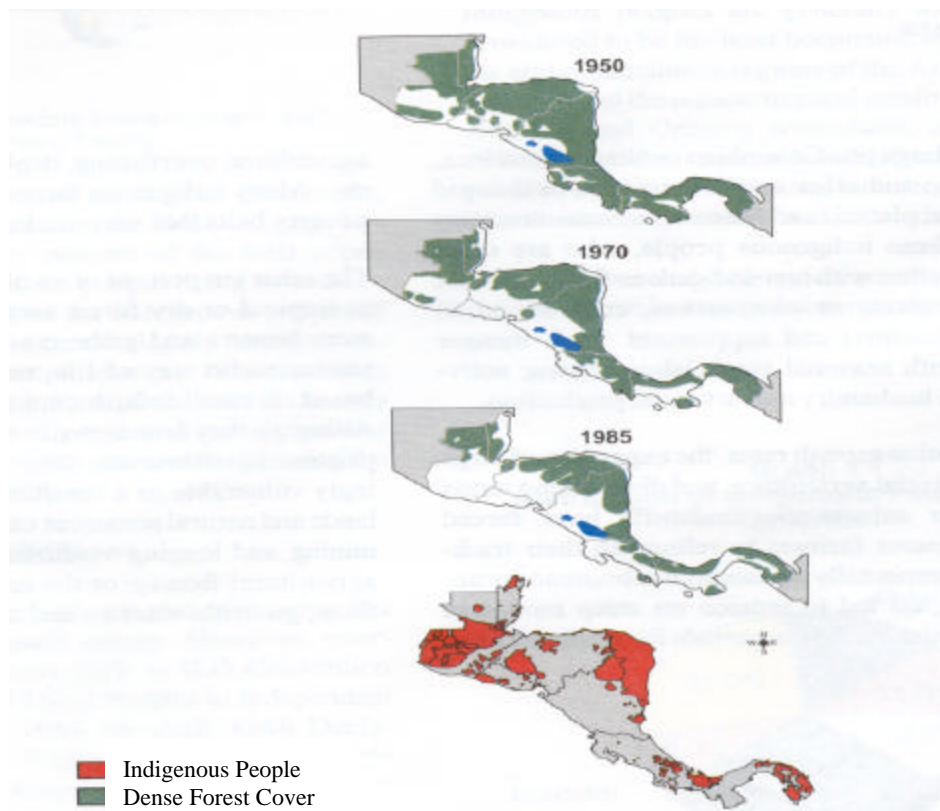
## II. WHY ARE INDIGENOUS PEOPLE IMPORTANT TO A DEVELOPMENT INSTITUTION?

### Indigenous Peoples and the Environment

Despite their difficult natural environments indigenous peoples have managed to sustain an existence in ecologically fragile areas with low population carrying capacity. Many of these peoples have an intricate knowledge of their environments and the different plant and animal species, and have developed sophisticated technologies for the sustainable management of these resources.

In fact it is interesting to observe the relationship between the areas of pristine forest and the location of indigenous people, as the maps for Central America indicate (See Figure 2). The first three maps show the advance of deforestation since the 1950's. The last map demonstrates that the areas remaining under tropical forest cover are also the areas traditionally occupied by indigenous peoples (Guatemala is an exception, as its large indigenous population is concentrated in the highland areas).

**Figure 2**  
**Deforestation in Central America**  
**and the Location of Indigenous People**



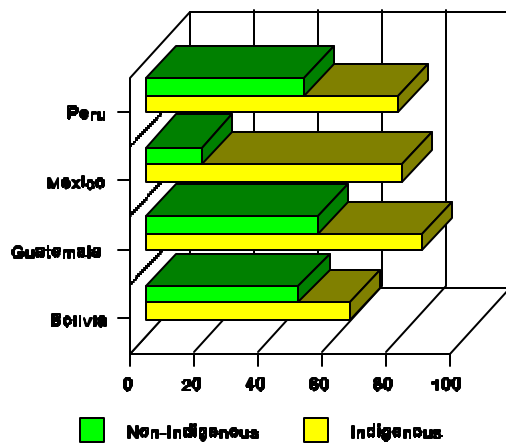
\*Does not include coastal mangrove forest and open pine savanna.

Sources: USAID Country Environment Profiles: Moreno and Gonzales, 1985; Nations and Komer, 1983. SDS/ENV GIS & Remote Sensing Facility. This map, prepared by the Inter-American Development Bank, has not been approved by any competent authority and its inclusion in this document is for illustration purposes only.

## Indigenous Peoples and Poverty

Recent research at the World Bank and other agencies demonstrates the high degree of correlation between poverty and ethnicity.<sup>1</sup> Assuming that the vast majority of indigenous people are among the poorest, a rough estimate indicates that one quarter of all Latin Americans living in extreme poverty are indigenous. However, this proportion is much higher in countries with relatively large indigenous populations such as Bolivia, Guatemala, Peru or Ecuador (see Graph 2 for a comparison of poverty rates between indigenous and non-indigenous populations in four countries).

**Graph 2**  
Population Living Below the Poverty Line



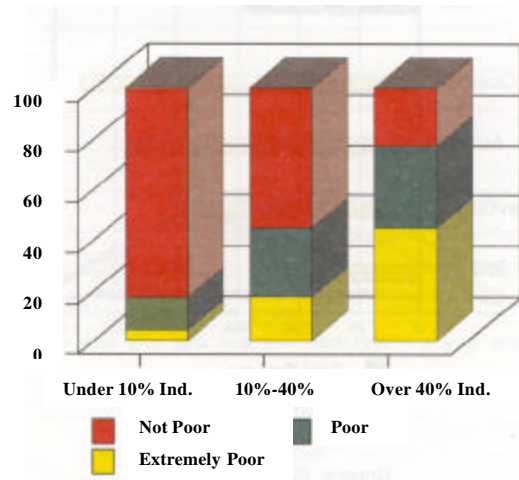
Source: World Bank, based on EIH 1989, ENSD 1989, INEGI 1989, PLSS 1991.

An example of the large disparity in poverty levels between indigenous and non-indigenous people is the comparison between Mexico's

<sup>1</sup> See Psacharopoulos G., and Patrinos, H. eds., 1994. This study correlates poverty indicators on income and education levels with data on ethnicity based on census information in four countries (Guatemala, Mexico, Peru and urban Bolivia) and presents some striking conclusions regarding the relationship between being poor and being indigenous. Another important conclusion is the need to improve data collection and to broaden and deepen research on the connection between poverty and ethnicity.

*municipios* with low, average or high indigenous representation: poverty levels are almost four times higher in *municipios* with a large indigenous population (poverty ratio of almost 80 percent) and extreme poverty levels are 20 times higher (extreme poverty ratio of more than 40 percent; see Graph 3).

**Graph 3**  
Poverty Incidence by Percentage of Indigenous Population in Mexican *Municipios*



Source: World Bank, based on INEGI.

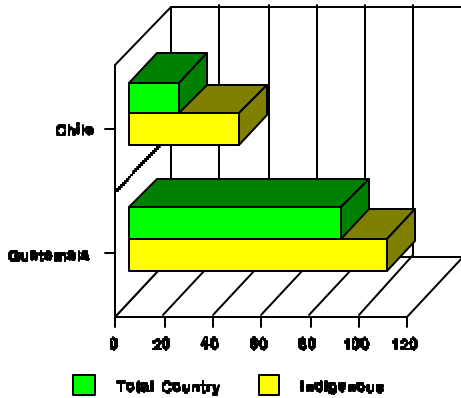
Following are some examples of the disparities that exist between indigenous and non-indigenous populations in some of the most commonly used welfare indicators.

## Infant Mortality

The infant mortality rate for indigenous people in Chile (whose indigenous population is roughly seven percent of the total population) is more than twice the national average. In Guatemala, because the indigenous population is approximately half of the total population, the discrepancy between the ratio for the indigenous population and for the total population is less extreme (See Graph 4).



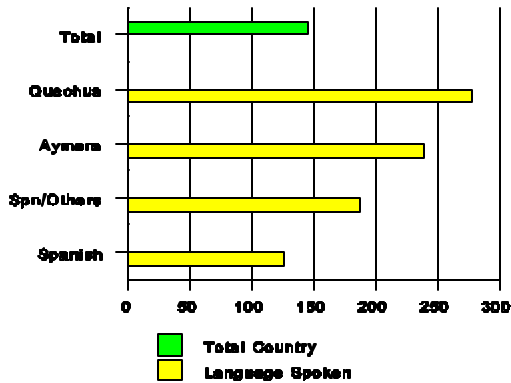
**Graph 4**  
**Infant Mortality per 1,000 Births**



Source: PAHO, *Salud de los Pueblos Indígenas*. 1993.

In Bolivia, the infant mortality rate among Quechua speakers is more than twice the rate for Spanish speakers (the comparison is slightly more favorable for people who are native Aymara speakers; see Graph 5).

**Graph 5**  
**Infant Mortality by Ethnicity in Bolivia**



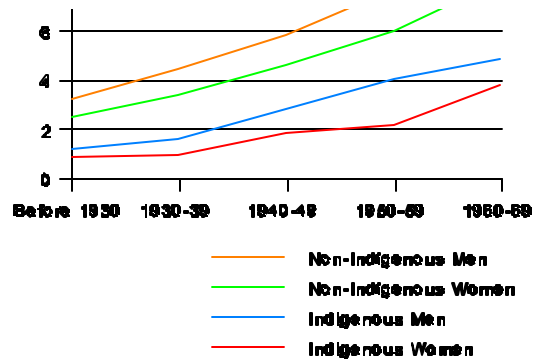
Source: PAHO, *ibid.*

**Educational Attainment**

Comparisons of educational attainment for indigenous and non-indigenous Mexican men and women indicate that although significant progress has been made for all four groups (especially for women) in the average number of school years completed, indigenous women continue to be the most disadvantaged.

On average, they complete less than four years of formal education, versus five years for indigenous men, eight years for non-indigenous women and nine years for non-indigenous men (see Graph 6).

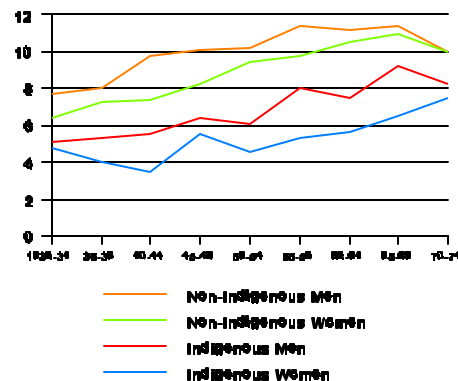
**Graph 6**  
**Educational Attainment by Ethnicity and Birth Cohort in Mexico**



Source: World Bank, based on INEGI. 1989.

Educational attainment data for Peru, where the average number of school years completed has increased for all groups, show that indigenous women continue to be educated at least three years less than non-indigenous men and women. It is interesting to note, however, that the recent decline in overall education levels has not affected indigenous women and is serving as an equalizer among ethnic groups (see Graph 7).

**Graph 7**  
**Formal Education by Birth Cohort in Peru (Years of Schooling)**

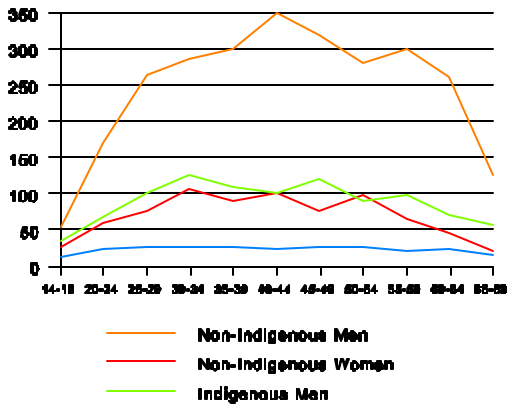


Source: World Bank, based on ENSD. 1989.

## Income Levels

Comparisons of income levels in Guatemala have to be interpreted with caution because income received is a poor measure of poverty, particularly in the case of subsistence farmers who do not interact much with the market. With that in mind, Graph 8 shows that during the highest income-earning years (35 to 45) a non-indigenous man earns up to 14 times more than an indigenous woman. The ratio between indigenous and non-indigenous men is 3.5 to 1, and between indigenous men and women, it is 4 to 1.

**Graph 8**  
**Average Monthly Income**  
**by Age in Guatemala**



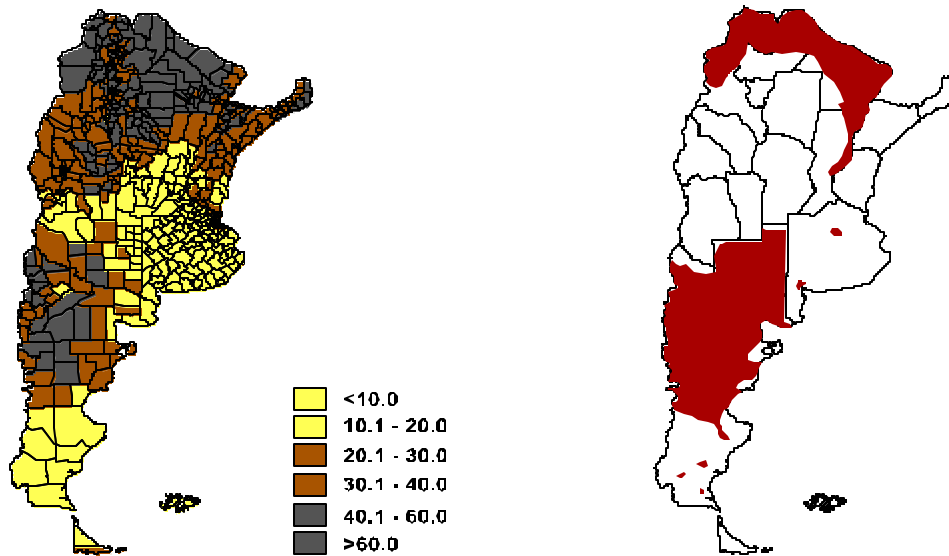
Source: World Bank, based on PLSS, 1991.

## Poverty

A poverty map of Argentina (Figure 3) shows that the areas of highest unmet basic needs (dark shaded areas) coincide with the location of the country's indigenous people (15 ethnic groups, slightly less than 400,000 people or just over one percent of the total population). This shows the high correlation between ethnicity and extreme poverty.

These tables, graphs and maps show that if the IDB is to act as a catalyst to lower the levels of extreme poverty in the region, the ethnic dimension of poverty needs to be better understood and more systematically addressed in the programs that the institution finances, as well as in the policy dialogue it maintains with the governments of the region.

**Figure 3**  
**Percentage of the Population in Households with Unmet Basic needs and location of Indigenous People**



Source: INDEC, based on the *Censo Nacional de Población y Vivienda 1991 - Serie C; Población aborigen, año 1982; Territorio (1987: XXXV)*; SDS/ENV GIS & Remote Sensing Facility.

Note: This map, prepared by the Inter-American Development Bank, has not been approved by any competent authority and its inclusion in this document is for illustrative purposes only.

### III. WHAT ARE THE MAIN ISSUES AND DEMANDS OF INDIGENOUS PEOPLES?

Since the 1970s, in light of the strong pressures on their lands and way of life, incipient indigenous organizations at the regional, national and international level have been strengthened by their alliance with the environmental movement. They were also able to take advantage of the space allowed to civil society organizations as a result of the democratization process in many countries of the region. This process of strengthening organizations and forming grassroots networks goes hand in hand with a strong cultural revival process in which the generation of younger and more educated indigenous people plays a significant role.

Given the pressures on indigenous lands, resources and ways of life, indigenous people are strong allies of the environmental movement in the preservation of biological diversity and the sustainable management of fragile ecosystems. The message of indigenous peoples has been prominently highlighted at important international forums such as the 1992 Environmental Summit in Rio de Janeiro. In addition, the United Nations created a working group on indigenous rights and proclaimed the year and the decade of indigenous peoples, and ILO Convention No. 169 on tribal and indigenous people was adopted in 1989.

#### **Indigenous Rights**

The growing international recognition of indigenous rights coincided with the democratization process in many countries of the region, and influenced the sometimes very significant gains in the legal and constitutional recognition

of indigenous rights in pluriethnic and multicultural societies.<sup>2</sup>

The most important of these rights concern land and natural resources; language, ethnic identity and cultural heritage; autonomy and participation.

The right to land and natural resources refers not merely to land as a means of production and economic sustenance but, most importantly, as the territory that defines the cultural and social space needed for the physical and cultural survival of the group. Hence, the right to communal tenure, legal recognition and demarcation of traditionally occupied lands.

The right to language, ethnic identity and cultural heritage recognizes the multicultural character of the nation state and the right of indigenous people to the use of their native tongue, as well as to bilingual and crosscultural education.

A large measure of autonomy in managing their own affairs, refers to the right to their own organizations, leadership structure, decision-making processes regarding economic and social development, recognition of customary law, etc. This does not mean, as is sometimes misrepresented, that indigenous people aspire to establish independent states. It means that indigenous people be given the authority to govern their own affairs within the national legal and political system. In recent years, Bolivia, Colombia and Guatemala have adopted measures to integrate decentralized local government entities with traditional structures of power and authority in indigenous communities. The legal

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<sup>2</sup> See for example Van Cott, D.L., ed., 1994. NACLA Report on the Americas, 1996; and Anaya, S.J., 1996.

framework of the *comarca*, established in 1953 for the Kuna people in Panama, granted one of the Hemisphere's largest degrees of autonomy to an indigenous people.

The right to participation as beneficiaries and contributors to the political and economic development processes in their countries, implies that indigenous people have access to key information and are able to participate in meaningful ways.

### **Sharing in the Benefits of Development**

Realizing the limited ability of national governments and international development cooperation to earmark significant new resources on concessional terms to indigenous projects, indigenous organizations as well as their allies in the NGO and international donor community, are starting to focus on the need to participate at the national level in the policy dialogue on development issues. This is necessary not only to ensure that national development initiatives target indigenous people in preferential ways, but also to make certain that indigenous people do not suffer disproportionately from the effects of structural adjustment and market oriented reforms or from the impacts of large infrastructure projects (such as highways or dams).

Indigenous peoples often have a strong attachment to communally held and managed land and natural resources, which form the basis of their subsistence as well as their social and cultural integrity. As a result, the social costs of the structural adjustments and market-led reforms which many countries have adopted, have placed indigenous people in an especially disadvantageous position.

The emphasis in the debate about the role of indigenous people in national development is thus shifting from natural resource management and preservation issues to addressing indigenous development in the context of social sector

reform and poverty reduction strategies. This implies a shift in focus from countries where indigenous communities are living in tropical lowlands and are small minorities, to countries where indigenous people comprise large sectors of the rural peasantry.

### **Environmental Preservation and Sustainable Management**

In general, indigenous people have adapted well to their ecologically sensitive environments. In addition they have an extensive knowledge of the natural resources that surround them and have often adopted very complex methods and technologies to manage their habitat in a sustainable manner. Indigenous people regard themselves as an integral part of nature rather than seeing nature as being subject to human domination. Indigenous peoples, whose territories have often suffered severe damage from encroachment by mining, logging, poaching and commercial farming, or who were forced to resort to environmentally damaging practices as a result of high population growth rates, are invariably demanding the preservation or restoration of their natural environments as a condition for their involvement in other development efforts.<sup>3</sup>

### **Culturally Appropriate Development**

Past efforts to improve the situation of indigenous people were often based on the notion that in order to benefit from development, they needed to sacrifice their culture and identity, and become integrated or assimilated into the nation's economy and society. In addition, the approach used to achieve this goal was very often paternalistic and resulted in dependency on governments, religious institutions or NGO.

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<sup>3</sup> See for example N. Paccari, 1995; Akwe:kon, 1992; COICA, etc.

Recent efforts to address the specific needs and demands of indigenous peoples in the context of poverty reduction strategies, reflect a major shift in thinking about the role of culture in development. Experience with some small-scale development projects has shown that strengthening cultural identity and promoting sustainable socioeconomic development are mutually reinforcing rather than mutually exclusive objectives. To the extent that development efforts are anchored in local values, aspirations and social organization, culture becomes an asset rather than an impediment to development. Thus, people more easily adopt the changes that will lead them out of poverty and deprivation.<sup>4</sup>

As the Vice President of Bolivia in a recent presentation at IDB Headquarters so eloquently stated, development for indigenous people is development with identity. Culture is not an obstacle to development (as was the prevailing view for many years), but rather the start-up capital for sustainable social and economic development, because it builds on peoples values, aspirations and potential rather than imposing a development model from the top down and from the outside in. Development and cultural identity are thus not mutually exclusive but rather part of the same virtuous circle of socioculturally sound and sustainable development.

This virtuous circle between culture and development can be achieved only to the extent that development experts understand the local culture and create genuine opportunities for participation, not only in project implementation but also in project identification and design. Although this is relevant for all target population groups, identifying the appropriate channels for effective consultation with and participation of indigenous people is often more difficult than with population groups who share the same language and similar cultural codes as those of the development experts. Language barriers, fear of outsiders, cultural norms which may limit direct communication, or the existence of invisible subgroups such as women or younger members of the community, are all factors that need to be taken into account when designing methodologies and procedures for the participation of indigenous groups.

Thus, sociocultural analysis, or stakeholder analysis as it is often called, becomes a necessary condition for effective community participation, to identify and understand population subgroups, the relations of power between these subgroups and the extent to which community organizations represent interest groups and can play a role in the participation and project design and execution process.<sup>5</sup>

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<sup>4</sup> See for example the experience of the Inter-American Foundation and many NGO for case studies of successful grassroots projects with indigenous peoples. The IDB's Small Projects Program also includes several highly successful projects integrating socioeconomic development and cultural identity.

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<sup>5</sup> See Norman Schwartz and Anne Deruyttere, 1996.

## IV. HOW IS THE IDB RESPONDING?

### The Early Years

The Bank began to address the potential negative effects of the projects it finances on indigenous peoples in the mid-1980s, as part of its quality control procedures. Internal procedures were adopted in 1990 to avoid or mitigate negative impacts. These procedures were instrumental in fostering important project design changes to avoid negative impacts, as well as in the adoption of project components to address the risks that indigenous peoples faced as a result of Bank-financed projects. Successful initiatives have included comprehensive titling and demarcation of indigenous lands, community development and measures to enable indigenous participation in project design and execution.

The Bank has long been involved in more proactive indigenous peoples projects. For example, a number of projects have supported bilingual primary and adult education or health and nutrition programs specifically targeted at indigenous people. In addition, indigenous people have been the main beneficiaries of many rural development programs designed to benefit the peasant population, be it for rural infrastructure or support for productive activities (although indigenous people were often not identified as such). In recent years an increasing number of environmental protection programs, such as watershed management or sustainable forestry projects, have targeted indigenous people. Several social investment funds financed by the Bank have supported community infrastructure projects in indigenous communities. The Bank's Small Projects Program, has directly benefited approximately 40 indigenous organizations or NGO dedicated to indigenous development.

In general, however, these efforts were carried out either on an exceptional basis at the margin of the Bank's mainstream activities (such as the bilingual education programs), or with little attention to the specific needs, priorities and aspirations of indigenous people, as different from other low-income population groups. One of the few exceptions to this general trend was the support provided to the Indigenous Peoples Fund (*Fondo Indígena*) since its creation in 1991.

### The Eighth Replenishment

The Bank's Eighth Capital Replenishment of 1994 directed the institution to renew its focus on poverty reduction and social equity issues. Indigenous people were specifically identified as one of the target groups for Bank assistance. The Eighth Replenishment mandate refers to indigenous people in the following way:

Indigenous groups, who comprise a distinct and significant segment of the population of the region, are endowed with a rich cultural and linguistic heritage and have developed social and economic practices that are well suited to the fragile ecosystems they inhabit. Indigenous groups typically belong to the poorest economic strata. Accordingly project design and execution should seek to strengthen the capacity of indigenous groups to undertake and implement development projects. In recognition of the important role of indigenous groups as both contributors to and beneficiaries of future development efforts in the region, the Bank will step up its efforts to obtain additional financing for programs

benefiting indigenous groups in order to adequately address their needs.<sup>6</sup>

Instead of simply avoiding or mitigating the negative impacts of Bank-funded projects on indigenous peoples (the reactive approach), the IDB is now pursuing a more proactive approach aimed at seeking out opportunities to foster the social and economic advancement of indigenous people.

### **The Indigenous Peoples and Community Development Unit**

The Indigenous Peoples and Community Development Unit (IND) was created in 1994 to act as a focal point of Bank activities in this area. The unit is part of the Social Programs and Sustainable Development Department (SDS) established to strengthen the institutional conditions necessary for the Bank to more effectively respond to the challenges of the Eighth Replenishment. The Unit is responsible for indigenous peoples issues, involuntary resettlement, community consultation and participation (shared with other IDB staff), and sociocultural soundness analysis.

Even though the Unit has a very limited capacity, it plays an important role in four functional areas:

1. Development of the Bank's policies, strategies, best practices, methodologies and guidelines in the four thematic areas mentioned above.
2. Participation in the quality control and enhancement process of all Bank operations. The Unit has a seat on the Committee on Environment and Social Impact (CESI,

previously known as the CMA), and systematically screens all Bank operations for their potential impacts on indigenous people at an early stage in the project preparation process.

3. Support to project teams on an as-needed basis in the design and monitoring of Bank operations that require technical expertise in the area of indigenous peoples, community development or involuntary resettlement.
4. Leadership role in the development of innovative, experimental or pilot projects for indigenous development.

The role of the Indigenous Peoples and Community Development Unit in the Bank is thus one of support in the policy area as well as in specific projects.

### **The Bank's Strategy on Indigenous Development**

The Indigenous Peoples and Community Development Unit is preparing a Bank strategy on indigenous development that will cover in more detail the issues mentioned earlier, and will systematize the Bank's approach in this important area of the Eighth Replenishment mandate. The strategy will undergo an extensive consultation process with indigenous people and organizations, and with NGO and experts in other organizations, as well as with Bank staff.

The strategy will reinforce the Bank's recent efforts to broaden its approach and seek out opportunities for the genuine participation of indigenous peoples in Bank projects. The strategy is buttressed on three main pillars. First, to mainstream indigenous needs, concerns and demands into the Bank's regular operations. Second, to develop specific initiatives to address indigenous issues. Third, to strengthen its

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<sup>6</sup> Board of Governors, Inter-American Development Bank, Report on the Eighth General Increase in the Resources of the Inter-American Development Bank, AB-1704, 8/94, p. 22.



procedures and actions in an effort to avoid, mitigate and compensate for negative impacts on indigenous peoples.

Where possible and appropriate, the Bank will strive to mainstream indigenous needs, concerns and demands into regular operations, particularly in social sector and environmental management projects. That is, it will facilitate access by indigenous people to these programs, from which they have been excluded because of sociocultural factors, prejudice or the urban bias prevalent in many of them. The seven examples that follow illustrate how indigenous needs have been incorporated into Bank operations in recent projects.

1. Social Investment Programs in Peru (FONCODES), Guatemala (FIS), Guyana (SIMAP) and Bolivia (FISE) incorporate specific measures to remove barriers that make it difficult for indigenous communities to participate, or include targeting of geographic areas that are largely indigenous.
2. Primary education programs include components specifically designed to meet the needs of indigenous people for multi-cultural and bilingual education (Mexico, Costa Rica and Guatemala).
3. A social forestry program in Nicaragua includes a component to support indigenous communities in the sustainable management of forestry resources.
4. The sustainable development program for Guatemala's Petén region is an integrated participatory project which includes land titling and sustainable forestry activities specifically designed for indigenous migrants from the highlands.
5. A program to strengthen governance and decentralization in Bolivia supports efforts to reorganize municipal boundaries to coincide with indigenous territories.

Governance will be made consistent with traditional indigenous leadership and decision-making processes.

6. An alternative development and crop substitution project in Colombia includes a specific component for indigenous peoples focusing on integrated development, institutional strengthening of indigenous organizations, land demarcation and titling initiatives as well as productive activities and social services.
7. A program in Argentina to address the needs of the most vulnerable population groups includes a component specifically designed to provide institutional strengthening and community development to indigenous peoples.

The Bank is undertaking stand-alone initiatives developed specifically for indigenous people to address those cases where because of high vulnerability or lack of appropriate mainstreaming opportunities, indigenous people need access to resources specifically targeted to enable them to address their demands. Recent stand-alone initiatives are described below.

1. The Community Development for Peace Program in Guatemala is targeted to returning indigenous refugee communities. The program will assist in the task of rebuilding social capital and community organizations.
2. The Global Facility for Small Projects in Southern Mexico will assist indigenous organizations in Chiapas, Oaxaca and Guerrero with productive activities, training and institutional strengthening.
3. Technical cooperations will finance activities to strengthen indigenous organizations in the Peruvian Amazon.
4. A leadership training program in Guatemala will exclusively benefit indigenous women.

5. A process of consultation with indigenous organizations and experts on the Draft OAS Declaration on the Rights of Indigenous Peoples has been undertaken.
6. A pilot program on indigenous health is being undertaken in conjunction with the Pan American Health Organization.

The Bank will continue to strengthen its procedures and actions to avoid, mitigate or compensate potential negative impacts on indigenous peoples. Particular attention will be paid to the effects of large infrastructure projects (i.e. roads and dams), and the impact of structural reform programs to reduce public sector inefficiencies and promote private sector initiatives. Recent examples of these activities are mentioned below.

1. An environmental and social technical assistance program has been developed to mitigate the potential negative impacts associated with paving the Southern Highway in Belize. The program includes community development and consensus building activities regarding the future of the indigenous reservations and lands.
2. The PMACI program, associated with the BR365 highway project in the Brazilian Amazon, includes land demarcation and titling and other impact mitigation components specifically designed to benefit indigenous peoples.
3. The integrated rural development program and several roads projects in Paraguay include land titling and community development initiatives for indigenous peoples.

### **The Indigenous Peoples Fund (*Fondo Indígena*)**

The Indigenous Peoples Fund was created in 1992 at the initiative of the Ibero-American Summit of Heads of State, with a membership of 22 signatory countries. The political support this initiative has received from member

countries is demonstrated by the fact that the legislative bodies of 19 countries have already ratified their membership.

The *Fondo Indígena* is a tripartite organization, with equal representation from the governments of the region, the indigenous people of the region and donor countries from outside the region. Its purpose is not to duplicate efforts already under way, but rather to contribute with new initiatives or to add value to existing processes or activities. Its unique role is that of a broker. It provides a forum for the exchange of information, strategy definition, negotiation and conflict resolution at the national and international level. It also provides technical expertise in the identification and design of genuinely indigenous projects.

At present, the Bank is supporting the design and implementation of a strategy to achieve the financial sustainability of the Indigenous Peoples Fund by means of creating an endowment fund which could be administered by the Bank. The endowment fund would have two objectives. First, to generate annual revenues to cover nonrecoverable costs related to technical assistance, institutional strengthening, training, project identification and consensus building efforts with indigenous organizations as well as for the operational costs related to the Technical Secretariat and the governing bodies of the Fund. Second, to use the capital of the endowment fund as leverage to generate new resources from the international financial markets and the donor community for investment in productive projects and other revenue generating initiatives carried out by indigenous communities and organizations.

### **The Challenges Ahead**

The issues discussed below have been identified as some of the most important areas for future research and policy definition in order for the Bank to better respond to the challenges presented by indigenous people and governments alike.

1. To deepen the understanding of poverty in indigenous communities, developing culturally sensitive poverty indicators that can define poverty in terms of unsatisfied basic needs, taking into consideration the nature of traditional subsistence economies. These economies are characterized by low levels of cash income. Basic needs are largely satisfied through non-market mechanisms for the redistribution of goods. It will be crucial to take into account indigenous views and aspirations regarding poverty and development. The latter is particularly important because poverty may also be seen as a relative concept rather than an absolute one to the extent that it includes not only the material conditions but also the aspirations of the people involved.
  2. To develop methodologies from successful small scale, participatory and socioculturally sound projects (often funded and executed through NGO or grassroots organizations), and use them in larger programs financed by the IDB, taking into considerations the limitations, time frames and efficiency requirements of the institution.
  3. To better understand and more systematically take into consideration the impacts of structural adjustment and market oriented reforms on indigenous peoples in order to minimize risks and maximize their opportunities for social and economic development.
- To ensure that indigenous communal land tenure systems, consensus driven democratic traditions (as opposed to majority rule), traditional authority and decision-making structures and customary law practices are respected and strengthened in the design and execution of programs that support government reform and strengthen participation in civil society.
4. To create transparent and effective ways to foster the participation of indigenous peoples (including indigenous women, youth and elders) in policy dialogue and in specific projects and programs sponsored by the IDB.
  5. To find appropriate ways to deal with such urgent but controversial issues as intellectual property rights, conflict resolution, customary law and others, which are at the forefront of indigenous demands.
  6. Finally, to ensure that the Bank develops appropriate mechanisms and procedures so that all stakeholders fully participate in the design and execution of programs. This will require that its project preparation process correctly identify and address the needs and aspirations of its most hidden and vulnerable population groups, in socioculturally appropriate ways ways.<sup>7</sup>

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<sup>7</sup> Further information on the Bank's Indigenous Peoples and Community Development Unit and the Bank's initiatives with regard to indigenous peoples, can be found at the following website: [www.iadb.org/sds/](http://www.iadb.org/sds/).

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