

Operational Policy on Indigenous Peoples
and
Strategy for Indigenous Development

Inter-American Development Bank

Washington, D.C.

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Sector Strategy and Policy Papers Series**

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Foreword

The Report on the Eighth General Increase in the Resources of the Bank, adopted in 1994, requires the systematic inclusion of indigenous issues in Bank policies and projects (document AB-1704, paragraph 2.27). This new proactive approach complements the earlier focus on avoiding or mitigating the adverse impacts of Bank projects on indigenous peoples, and coincides with the growing importance of the role played by indigenous peoples and organizations in their countries and at the international level.

As a result of its experiences, the Bank has come to appreciate the needs, rights, demands, and aspirations of indigenous peoples, which stem from their own worldviews. Consequently, the Bank seeks to support sociocultural development processes that are appropriate to the economy and governance of indigenous peoples, giving priority to territorial and cultural integrity, to a harmonious relationship with the environment, and to security in the face of vulnerability, while respecting the rights of indigenous peoples and individuals. The Bank recognizes the need to consolidate the conditions that enable indigenous peoples to exercise the right to participate effectively in determining their own political, economic, social, and cultural future within the framework of participation in democratic systems and of the construction of multicultural states. This policy and strategy seek to strengthen the Bank's role and renew its commitment to the development with identity of indigenous peoples.

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Part I

Operational Policy on Indigenous Peoples

Operational Policy on Indigenous Peoples

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I. Definitions

For the purposes of this policy, the term *indigenous peoples*¹ refers to those who meet the following three criteria: (i) they are descendants from populations inhabiting Latin America and the Caribbean at the time of the conquest or colonization; (ii) irrespective of their legal status or current residence, they retain some or all of their own social, economic, political, linguistic and cultural institutions and practices; and (iii) they recognize themselves as belonging to indigenous or pre-colonial cultures or peoples.

Indigenous rights include the rights of indigenous peoples and individuals,² whether originating in national indigenous legislation, in other relevant national legislation, in applicable international norms in force for each country,³ or in the indigenous juridical systems⁴ of each people, hereinafter collectively referred to as the “applicable

¹ The terms “peoples,” “territorial integrity,” and “territory” are used in this policy in their generic sense and their use is not intended to be interpreted as having any implication regarding rights that might pertain to those terms under international law. The scope of these terms as used in the policy is subject to the same limitations attributed to them in International Labor Organization (ILO) Convention 169.

² When valid collective and individual rights co-exist, deference will be given to collective rights particularly with regard to rights over land, territory, and natural resources.

³ International legislation includes, as in force for each country, the United Nations Universal Declaration of Human Rights (1948), the International Covenant on Civil and Political Rights (1966), the American Convention on Human Rights (1969), the International Covenant on Economic, Social, and Cultural Rights (1976), the International Convention on the Elimination of all Forms of Racial Discrimination (1966), the Convention on the Rights of the Child (1990), the International Labor Organization (ILO) Convention 107 concerning the Protection and Integration of Indigenous and Other Tribal and Semi-Tribal Populations in Independent Countries (1957), ILO Convention 169 concerning Indigenous and Tribal Populations in Independent Countries (1989), Agenda 21 adopted by the United Nations Conference on Environment and Development (UNCED) (1992), and the International Convention on Biological Diversity (1992), as well as the corresponding international jurisprudence of the Inter-American Court of Human Rights or similar bodies whose jurisdiction has been accepted by the relevant country. Other international instruments currently in preparation, such as the draft United Nations Declaration on the Rights of Indigenous Peoples and the draft American Declaration on the Rights of Indigenous Peoples, establish aspirational principles that may be taken into account to the extent that these instruments are finalized and subscribed by the relevant country.

⁴ The concept of indigenous juridical system, also known as internal or self-generated juridical system, includes laws of origin, customary rights, customs and uses, and indigenous justice and juridical systems. Seventeen out of 19 countries with indigenous populations in Latin America and the Caribbean recognize customary law. A comprehensive overview and comparative analysis of legislation pertaining to indigenous peoples in all countries of the region has been prepared by the Bank and can be found at: www.iadb.org/sds/ind.

legal norms.”⁵ Indigenous juridical systems will be taken into account according to the rules for their recognition established in the legislation of each country. In the absence of such rules these systems will be recognized whenever they are consistent with national legislation and do not contradict fundamental rights established in national legislation and in international norms.⁶

Indigenous governance is defined as the scope of governance by indigenous peoples that, within the structure of the applicable legal norms and of the nation-states of which these peoples are part, and in keeping with indigenous peoples’ own organizational structures, contemplates control of their own economic, social and cultural development, internal management of their own lands and territories⁷ in recognition of the special relationship that exists between the land and ethnic and cultural identity, and effective participation in local, provincial, and subnational government.

Development with identity of indigenous peoples refers to a process that includes the strengthening of indigenous peoples, harmony with their environment, sound management of territories and natural resources, the generation and exercise of authority, and respect for indigenous rights, including the cultural, economic, social and institutional rights and values of indigenous peoples in accordance with their own worldview and governance. This concept rests on the principles of equity, wholeness, reciprocity, and solidarity and seeks to consolidate the conditions for indigenous peoples and their constituents to thrive and grow in harmony with their surroundings, and in so doing, tapping for that purpose, in accordance with their own priorities, the potential of their cultural heritage, natural assets, and social capital.

⁵ All references in the text of this policy to “applicable legal norms” will be understood to have the scope established in the definition contained in this paragraph on indigenous rights.

⁶ In case of discrepancies, the Bank will not assume the role of arbiter or intermediary between the interested parties, but will require evidence of a satisfactory resolution before proceeding with the corresponding activity.

⁷ See footnote 1.

II. Objectives and Goals

The objective of this policy is to enhance the Bank's contribution to the development of indigenous peoples by supporting the region's national governments⁸ and indigenous peoples in achieving the following objectives:

- (a) *Support the development with identity of indigenous peoples*, including strengthening their capacities for governance.
- (b) *Safeguard indigenous peoples and their rights* against adverse impacts and exclusion in Bank-funded development projects.

III. Scope of Application of the Policy

The policy applies to the Inter-American Development Bank and the Multilateral Investment Fund. Activities and instruments subject to the present policy include all Bank-supported operations and activities, including financial and nonfinancial products.

IV. Policy Directives

The policy contains two sets of directives. The first requires the Bank to use its best efforts to *promote the development with identity* of indigenous peoples. The second creates *safeguards* designed to prevent or minimize exclusion and adverse impacts that Bank operations might generate with respect to indigenous peoples and their rights.

Promoting Development with Identity

The Bank will use its best efforts to support the region's national governments and indigenous peoples, as well as relevant private sector and civil society actors, in mainstreaming indigenous issues in local and national development agendas and in the Bank's project pipeline. It will pursue this through specific initiatives and, where technically feasible and appropriate, the integration of comple-

⁸ The references to "national governments" are understood to encompass all government entities within the national realm, including decentralized, as well as state and local entities.

mentary activities, operations, and general initiatives.

Mainstreaming specifically indigenous issues in development agendas through independent operations. The Bank will seek to support the initiatives of governments and indigenous peoples designed to promote indigenous social, economic, political, and organizational development through socioculturally appropriate activities and operations and innovative mechanisms. The Bank will conduct participatory diagnostic studies and promote the inclusion of the corresponding conclusions and recommendations into the design of projects, programs, and technical cooperation operations. To be considered by the Bank, these operations specifically targeting indigenous beneficiaries must have the respective country's support or nonobjection and be based on socioculturally appropriate processes of consultation with the indigenous peoples concerned. The consultations will be carried out in a manner appropriate to the circumstances, with a view to reaching agreement or obtaining consent.⁹

Mainstreaming indigenous specificity in projects with a general approach. For activities and operations not specifically targeting indigenous peoples but of potential benefit to them, the Bank will promote and support the implementation, by borrowing member countries or project proponents,¹⁰ of the appropriate adjustments to address the needs and development opportunities of indigenous peoples. This includes technically feasible complementary measures to: (i) identify and target indigenous peoples that could potentially benefit; (ii) implement socioculturally appropriate and effective consultation processes with these peoples; (iii) respect the traditional knowledge, cultural heritage, natural assets, social capital, and the systems specific to indigenous peoples with respect to social, economic, linguistic, spiritual and legal¹¹ systems; (iv) adapt services and other activities to facilitate access to them by indigenous beneficiaries, including equitable treatment and, whenever feasible, adequate pro-

⁹ For purposes of this policy, agreement and consent have to be free from coercion or undue influence and based on the provision of proper information to affected persons as to the nature, scope, and impact of the activities concerned.

¹⁰ "Project proponents" include public and private sector borrowers during the preparation as well as execution stages of projects.

¹¹ Within the scope defined in the paragraph on indigenous rights in section I of this policy.

cedures and criteria, and programs for capacity-building and compensation of exclusion factors; and (v) design complementary measures and activities through a process of good faith negotiation with affected indigenous communities.

In its efforts to facilitate dialogue and support the mainstreaming of indigenous issues, the Bank will seek to address the various facets of development with identity, as far as is feasible and appropriate. The ten activities described below are especially important.

- (a) *Improve the visibility and understanding of the challenges to indigenous development, in rural and urban contexts*, including the dynamics of internal and external indigenous migration, with a view to promoting effective development programs that undertake geographic targeting of rural and urban indigenous settlements, neighborhoods, or communities.
- (b) *Develop socioculturally appropriate solutions to increase the availability and quality of social services, particularly health and education* for indigenous peoples, through the development of systems of their own, the adaptation of general services, the articulation of traditional elements with general systems that employ an intercultural perspective, and training for indigenous professionals and staff.
- (c) *The recognition, articulation, and implementation of indigenous rights* in accordance with the applicable legal norms, as well as providing support for processes requested by national governments to improve normative frameworks in conjunction with indigenous peoples.
- (d) *Support for indigenous culture, identity, language, traditional arts and techniques, cultural resources, and the intellectual property of indigenous peoples*,¹² including providing assistance to national governments and indigenous peoples in strengthening the corresponding legal frameworks.

- (e) *Strengthening of titling and physical management processes for territories, lands, and natural resources* traditionally occupied or used by indigenous peoples, in accordance with applicable legal norms, and with environmental protection objectives. These processes include the promotion of sustainable cultural land uses, the promotion of investment in community assets and productive projects in indigenous areas, and indigenous environmental management of their lands and territories.
- (f) In natural resource management and extraction and protected area management projects, the *promotion of mechanisms for appropriate consultation, participation in natural resources management, and benefit sharing* by the indigenous peoples on whose lands and territories the projects are conducted.
- (g) Development of specific initiatives to implement socioculturally appropriate project alternatives for *better access by indigenous peoples to labor, production, and financial markets*, technical assistance, and information technology.
- (h) *Support for indigenous peoples governance* by strengthening capacity, institutions, management processes, decision-making, and territorial and land administration at the local, national, and regional levels; improving management of the public budget in order to promote the effective, efficient, equitable, and transparent use of public investment in the territories of indigenous peoples; and institutionalizing mechanisms to undertake consultation and good faith negotiation between governments and indigenous peoples, especially in the design and implementation of strategies and public policies that affect these peoples.
- (i) *Support for the participation and leadership by, and protection of women, the elderly, youth and children*, and for the promotion of equal rights.
- (j) *Strengthening the institutional capacity* of indigenous peoples, government entities, the private sector, civil society, and the Bank itself to address indigenous issues in all areas. Special attention will be given to the development of

¹² The definitions of “indigenous knowledge,” “cultural resources,” and “intellectual property” in applicable national and international law will be used as a reference standard.

indigenous leaders for project, community and business management, as well as to the generation of indigenous capacity to participate effectively in consultation and negotiation processes.

Safeguards in Bank Operations

In order to be eligible for Bank financing, operations need to comply with applicable legal norms, satisfy the safeguards established in the present policy and set forth in paragraphs below, and be consistent with other Bank policies.

Adverse impacts. The Bank will conduct its operations in a way that prevents or mitigates direct or indirect adverse impacts on indigenous peoples or their individual or collective rights or assets. For this purpose, the Bank will adopt the technical criteria and procedures and implement the mechanisms necessary to identify, assess and prevent or mitigate said impacts. To this end, in a manner commensurate with the nature and intensity of each project's potential adverse impacts, the Bank will apply the following specific safeguards, in accordance with the procedures outlined in the paragraph on operational measures that appears in section V of this policy.

- (a) The Bank will require and verify that the project proponent conduct an evaluation to determine the seriousness of potential adverse impacts on physical and food security, lands, territories, resources, society, rights, the traditional economy, way of life and identity or cultural integrity of indigenous peoples, and to identify the indigenous peoples affected and their legitimate representatives and internal decision-making procedures. This evaluation will include preliminary consultations with potentially affected indigenous peoples.
- (b) When potential adverse impacts are identified, the Bank will require and verify that the project proponent incorporate the design and implementation of the measures necessary to minimize or prevent such adverse impacts, including consultation and good faith negotiation processes consistent with the legitimate decision-making mechanisms of affected

indigenous peoples or groups, mitigation measures, monitoring, and fair compensation.

- (c) For cases of particularly significant potential adverse impacts that carry a high degree of risk to the physical, territorial or cultural integrity of the affected indigenous peoples or groups, the Bank will further require and verify that the project proponent demonstrate that it has, through a good faith negotiation process, obtained agreements regarding the operation and measures to address the adverse impacts as necessary to support, in the Bank's judgment, the sociocultural viability of the operation.

Territories, land, and natural resources. Operations that directly or indirectly affect the legal status, possession, or management of territories, lands, or natural resources traditionally occupied or used by indigenous peoples will include specific safeguards, consistent with the applicable legal framework regarding ecosystem and land protection. One of those safeguards is respect for the rights recognized in accordance with the applicable legal norms. In projects for natural resource extraction and management and protected areas management, safeguards include: (i) prior consultation mechanisms to preserve the physical, cultural, and economic integrity of the affected peoples and the sustainability of the protected areas and natural resources; (ii) mechanisms for the participation of indigenous peoples in the utilization, administration and conservation of these resources; (iii) fair compensation for any damage these peoples might suffer as a result of the project; and (iv) whenever possible, participation in project benefits. Where legal or administrative protection is insufficient to ensure that the project will not directly or indirectly cause the deterioration of the physical integrity or legal status of the affected lands, territories or resources, the project will include the pertinent restrictions or corrective or compensatory measures.

Indigenous rights. The Bank will take into account respect for the rights of indigenous peoples and individuals as established in the applicable legal norms according to their relevance to Bank operations.

Prevention of ethnically based discrimination. The Bank will not finance projects that exclude indigenous peoples on the basis of ethnicity. In Bank projects where implicit factors exist that exclude indigenous peoples and individuals from the benefits of Bank-funded activities on ethnic grounds, the project activities will include such corrective measures as: (i) informing indigenous organizations and individuals of their rights under labor, social, financial, and business legislation and of the recourse mechanisms available; (ii) dissemination, training, and measures to eliminate barriers to benefits and resources such as credit, employment, business services, health services and education services, and other benefits generated or facilitated by the projects; (iii) granting to indigenous workers, entrepreneurs, and beneficiaries the same protection afforded under national legislation to other individuals in similar sectors and categories, taking into account gender issues and ethnic segmentation in goods and labor markets, as well as linguistic factors; and (iv) assuring equal opportunity for proposals submitted by indigenous peoples.

Indigenous culture, identity, language, and traditional knowledge. In recognition of the special sociocultural and linguistic characteristics of indigenous peoples, Bank operations will include such measures as are necessary to protect these assets from potential adverse impacts. In relevant projects, a consultation and good faith negotiation process will be used to identify the potential risks and impacts and to design and implement socioculturally appropriate measures. In case of commercial development of indigenous cultural and knowledge resources, the Bank will require prior agreement by the affected peoples that includes safeguards for intellectual property and traditional knowledge, as well as provisions for their equitable participation in the benefits derived from such commercial development.

Transborder indigenous peoples. In regional projects involving two or more countries or in border areas where indigenous peoples are present, the Bank will adopt such measures as are necessary to contravene adverse impacts of its projects that might affect transborder peoples. These will include consultation and good faith negotiation processes, legal security and territorial control programs, and other culturally appropriate programs related to

rights and priorities in health, freedom of movement, dual nationality (within the context of the applicable legal norms), and cultural, social, and economic integration between the affected peoples, among others.

Uncontacted indigenous peoples. In view of the exceptional nature of uncontacted indigenous peoples, also known as “peoples in voluntary isolation,”¹³ as well as their special vulnerability and the impossibility of applying prior consultation and good faith negotiation mechanisms, the Bank will only finance projects that respect the right of these peoples to remain in said isolated condition and to live freely according to their culture. In order to safeguard the collective and individual physical, territorial, and cultural integrity of these peoples, projects that may have potential impacts on these peoples, their lands and territories, or their way of life will have to include the appropriate measures to recognize, respect and protect their lands and territories, environment, health and culture, and to avoid contact with them as a consequence of the project.

V. Implementation

The Bank will adopt the necessary measures to implement or verify the implementation of the safeguards established in this policy and to identify opportunities to actively include the development with identity of indigenous peoples in general development plans and in the Bank’s project portfolio. These measures will be described in detail in specific guidelines regarding procedural and technical matters approved for this purpose in accordance with section VI on coordination and internalization of indigenous issues and, as far as possible, will follow existing Bank procedures for the environmental and social review of its operations.

Strategic measures. For countries with indigenous populations of significant size, diversity, or vulnerability, the Bank will propose to the governments, as part of the country strategy and programming

¹³ The scope of this safeguard is limited to cases of small groups and peoples living mainly in the Chaco and the Amazon jungle refuge areas who do not wish to establish contact with Western civilization, and whose health, culture, and way of life are extremely vulnerable to external contact.

processes, as well as sector, national subregional and operational strategy processes, the inclusion of development with identity issues. In its preliminary analysis for these processes, the Bank will consider the following aspects of indigenous issues in each country or region: (i) the identification of priorities for development with identity and the challenges and opportunities involved; (ii) normative and institutional conditions; (iii) the experience of the Bank and of other multilateral agencies; (iv) the setting of strategic priorities for the Bank; (v) country policies with respect to this matter; and (vi) inputs from a sample of affected or knowledgeable parties, including particularly specialized government agencies and indigenous organizations, groups and experts. The Bank will discuss with the government the strategic objectives and possible actions to address priority issues for the development with identity of indigenous peoples in the country, and reflect the agreements reached in the strategy papers. Where appropriate, the programming paper will include specific activities and goals for development with identity to be included in the Bank's pipeline for the country, and preliminary risk management measures and criteria to facilitate the application of the safeguards established in this policy.

Operational measures. The procedures for the application of this policy will include the requirements detailed below for the approval, execution, and supervision of Bank projects.

Taking into account the perspectives of indigenous peoples, the Bank will systematically perform a technical review of all operations submitted for its consideration in the programming and identification stages in order to determine whether indigenous peoples might be affected by the operation and identify potential impacts and benefits, be they direct, indirect, cumulative or regional. Depending on the nature, scope, and intensity of the impacts and benefits identified, the Bank will determine the level of analysis needed to address indigenous issues, including sociocultural analyses and consultation and good faith negotiation processes. This review will be performed by the responsible Bank division. If the project so warrants, the review will rely on experts in indigenous issues and, whenever possible, on inputs from the indigenous peoples who might be affected by the project. The findings

of this review will be incorporated into the Project Concept Document.

Once the decision to proceed with the processing of a project with potential adverse impacts has been made, the Bank will provide guidance and verify compliance by the project proponent with the following three requirements. This will be done to the Bank's satisfaction and as early as possible in the project cycle: (i) the preparation of sociocultural evaluations as inputs for the loan document, analysis mission, and the project environmental and social review process; (ii) the implementation of socioculturally appropriate and duly documented consultation and good faith negotiation processes¹⁴ with the affected indigenous peoples in relation to project design, analyses of alternatives, preparation, due diligence, and execution;¹⁵ and (iii) the incorporation into the project of enforceable measures for mitigation, restoration, and compensation reflected in the content of the loan document and of project contractual documents¹⁶ and detailed in plans for indigenous protection, compensation, and development or in other instruments in a timely manner.

In addition to the requirements described in the preceding paragraph, in the case of projects with particularly significant adverse impacts on indigenous peoples or groups, the Bank will require that the project proponent provide, no later than by the date of consideration of the operation by the Board of Executive Directors, evidence duly verified by the Bank and to the Bank's satisfaction of the agreements reached with the affected peoples, as stipu-

¹⁴ In countries that have government agencies specialized in indigenous issues and in the protection of indigenous rights, the project proponent will seek the participation of these agencies in all stages of the consultation process.

¹⁵ As an exception, when the indigenous peoples who might potentially be affected by a project show no interest in taking part in the consultation process, the project proponent may satisfy this requirement by presenting evidence of the following: its good faith efforts to consult with the affected peoples; the fact that there are no enabling conditions to carry out the consultation along with an analysis of the reasons and circumstances for this situation and the basis for both; and the alternative means used to identify necessary and socioculturally appropriate mitigation measures.

¹⁶ These documents include the loan contract, operating regulations, and bidding documents in accordance with the provisions of the respective project report.

lated in section (c) of the paragraph on adverse impacts in section IV of this policy.¹⁷

The Bank will adopt supervision and evaluation measures designed to verify that the project proponent fulfills, to the Bank's satisfaction, the agreed to measures to meet the requirements of this policy with respect to each project, including socioculturally appropriate mechanisms for the participation of affected indigenous peoples in the monitoring and evaluation of those measures. If these requirements are not met, the Bank will take the corrective actions necessary for the project proponent to correct the problems identified within an acceptable time-frame.

VI. Coordination and Internalization of Indigenous Issues

The Bank will implement dissemination and training measures to raise awareness of indigenous issues within the institution and in the region, and to improve the degree of knowledge and sensitivity of its staff and local counterparts with regard to indigenous peoples.

The Bank will implement the necessary measures to eliminate the barriers to entry faced by indigenous peoples and, whenever technically viable and feasible, will ensure equality of conditions for indigenous participation as direct beneficiaries, permanent staff, and suppliers of goods and services in Bank-financed contracts. Such measures will be consistent with the Bank's procurement norms and may include special instruments and procedures designed to identify and implement eligibility criteria and simplified, differentiated procedures in line with the particular characteristics of indigenous candidates, information and training programs, and other appropriate measures.

¹⁷ As an exception, evidence of agreements may be presented: (i) before the first disbursement for operations where the proponent can demonstrate that it agreed with affected indigenous peoples that the circumstances of the operation justify additional rounds of negotiations in order to finalize said agreements; and (ii) throughout operations with investments not specified *a priori*, provided there is a plan for consultation and negotiation agreed with the affected indigenous peoples identified in the early stages of project processing that also provides for inclusion of any indigenous peoples identified in later stages.

The Bank's application of this policy will be consistent with all relevant Bank policies, strategies, and guidelines, and particularly other safeguard policies, including Operational Policy on Involuntary Resettlement (OP-710). In case of conflict, the standard that offers the highest degree of protection of indigenous peoples and their rights will govern.

The Programming Committee of Management will issue guidelines to facilitate the implementation of this policy. The Strategy for Indigenous Development will also guide implementation of this policy. The operational guidelines for sociocultural evaluation, the Environment and Safeguards Compliance Policy, the specific, applicable sector instruments, and methodological tools and guidelines issued from time to time by the Bank will serve this same purpose. Bank management will update the guidelines periodically to reflect the evolution of international good practices. The guidelines will be made publicly available.

VII. Indicators, Monitoring, and Reports

The guidelines for this policy will set out verifiable indicators of compliance with it and of its effectiveness, including the effectiveness of projects in improving the living conditions of indigenous peoples and in considering their cultural specificity. The Bank's evaluation instruments will be used, as applicable, to monitor these indicators.

The Bank will periodically evaluate the implementation of this policy and the achievement of its objectives through independent reviews that will include consultations with national governments, indigenous peoples, the private sector and civil society. The first evaluation will take place no later than five years from the entry into effect of the policy, with the understanding that the Administration or the Board of Executive Directors may initiate partial evaluations prior to this date. The results of the evaluations will be presented to the Board of Executive Directors and disseminated in accordance with the Bank's Policy on Disclosure of Information (OP-102).

VIII. Entry into Force

This policy enters into effect six months after its approval by the Bank's Board of Executive Directors, in order to allow time to implement administrative changes and procedures within the institution. The policy will apply to operations that enter the Bank's pipeline¹⁸ after the policy enters into effect, and to country strategy papers and, as pertinent, to sector or regional strategies, that have not yet been initiated at that time.

The reformulation of previously approved operations that require approval by the Bank's Board of

Executive Directors will be assessed in terms of sociocultural viability, in accordance with the safeguard framework of this policy. The responsible Bank division must make a judgement as to whether the reformulation raises significant new impacts and risks for indigenous peoples, their rights or assets. In such cases, this policy would be applicable to these new impacts and risks and approval of the reformulation will be subject to securing necessary agreements or consent of applicable borrowers pursuant to the relevant legal documentation. The reformulation proposal documents should address the fulfillment of this requirement.

¹⁸ For purposes of this paragraph, the date of entry into the Bank's pipeline will correspond to: the date of signature of the mandate letter for private sector projects; and the date of issue of the project number for public sector projects.

Part II

Strategy for Indigenous Development

Strategy for Indigenous Development

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I. Introduction and Purpose

For the Bank, adoption of a strategy to specifically address the development of indigenous peoples¹⁹ is the culmination of a conceptual and operational course that started with the Eighth Replenishment mandate in 1994. The Bank began then to recognize the correlation between indigenous peoples and poverty levels, the potential of indigenous peoples' cultural and natural heritage for their own development and for the development of society as a whole, and the importance of building indigenous issues into Bank policies, programs, and projects.²⁰

Indigenous peoples have made great strides in the past decade,²¹ particularly in the national and international legal and regulatory framework, in terms of their specific rights and the influence of their organizations and movements. Yet, this progress has failed to reverse or check the decline in the living conditions of many indigenous peoples. They are still subject to dispossession from their ancestral lands and territories²² where environmental conditions continue to deteriorate. Moreover, problems associated with indigenous migration to poor *barrios* in the cities and abroad have not been stopped.

For many years, because indigenous peoples' sociocultural characteristics were considered impediments to development, government policies (as well as international cooperation) concerning indigenous peoples were exclusionary or geared toward integration and assimilation. The limited success of these programs led indigenous peoples and others to focus on development visions rooted in indigenous peoples' own worldview and culture. Accordingly, the Bank recognizes the unique nature of the culture, rights, and aspirations of indigenous peoples as descendants of populations inhab-

iting Latin America and the Caribbean at the time of the conquest or colonization.

This Strategy for Indigenous Development and its companion Operational Policy on Indigenous Peoples seek to *enhance the Bank's contribution to the development with identity of indigenous peoples* by setting targets and specific priority areas for Bank action. The strategy is a medium-term guidance document that presents the vision, priorities, and lines of action for the Bank's work. The operational policy is a binding document for the Bank and establishes the long-term objectives, principles, requirements, conditions, and rules for implementing the strategy and for Bank activities vis-à-vis indigenous peoples in general.

The profiles of the Strategy for Indigenous Development and the Operational Policy on Indigenous Peoples, which included a consultation plan, were endorsed by the Policy and Evaluation Committee of the Bank's Board of Executive Directors on March 11, 2004.²³ A summary of the consultation process and the technical studies for preparation of the strategy and operational policy are available on the Bank's website.²⁴

This document defines the concept of *development with identity*, and presents a brief assessment of the status of indigenous peoples in the region and a summary of the Bank's experience. It also establishes the objectives and the major strategic focuses and priorities for Bank activities, as well as options for Bank services and their implementation, and performance indicators.²⁵ The annex provides information on socioeconomic indicators.

¹⁹ See footnote 1.

²⁰ Board of Governors, Report on the Eighth General Increase in the Resources of the Inter-American Development Bank, document AB-1704, August 1994, p. 22.

²¹ This decade coincides with the International Decade of the World's Indigenous People, proclaimed by the General Assembly of the United Nations in Resolution 48/163 of December 21, 1993.

²² See footnote 1.

²³ Report of the Chairman of the Policy and Evaluation Committee of the Board of Executive Directors, June 19, 2002 (document RE-261).

²⁴ www.iadb.org/sds/ind

²⁵ This strategy is consistent with the guidelines established in the Review of Sector Strategies, Policies and Guidelines. Revised version (document GN-2077-15), approved by the Board of Executive Directors on January 23, 2002.

II. Development with Identity

Who Are Indigenous Peoples?

There is no single definition of who indigenous peoples are, given the wide heterogeneity among the more than 400 indigenous peoples of Latin America and the Caribbean, with their high ethnic and linguistic diversity. For their part, legislation and census instruments in different countries utilize diverse concepts, some of which may include stereotypes and discriminatory criteria. Nonetheless, a significant point of reference is the definition in the International Labor Organization's (ILO) 1989 Convention 169 Concerning Indigenous and Tribal Peoples in Independent Countries, which has been ratified by 13 Latin American countries and serves as a model for many of the regulations adopted in the vast majority of the region's countries. For purposes of this strategy, therefore, a simplified version of that definition²⁶ is being adopted as a working concept, defining indigenous peoples as those who meet the following three criteria:

- (a) They are descendants of populations inhabiting the region at the time of the conquest or colonization;

²⁶ This definition of indigenous peoples is based on ILO Convention 169 Concerning Indigenous and Tribal Peoples in Independent Countries, Article 1, as it applies to the Bank's member countries. The Latin American countries that are signatories to Convention 169 are: Argentina, Bolivia, Brazil, Colombia, Costa Rica, Dominica, Ecuador, Guatemala, Honduras, Mexico, Paraguay, Peru, and Venezuela. The definition reads as follows: "Article 1. This Convention applies to: (a) Tribal peoples in independent countries whose social, cultural and economic conditions distinguish them from other sections of the national community, and whose status is regulated wholly or partially by their own customs or traditions or by special laws or regulations; (b) Peoples in independent countries who are regarded as indigenous on account of their descent from the populations which inhabited the country, or a geographical region to which the country belongs, at the time of conquest or colonization or the establishment of present state boundaries and who, irrespective of their legal status, retain some or all of their own social, economic, cultural and political institutions; (c) Self-identification as indigenous or tribal shall be regarded as a fundamental criterion for determining the groups to which the provisions of this Convention apply; and (d) The use of the term "peoples" in this Convention shall not be construed as having any implications as regards the rights which may attach to the term under international law." The term "peoples" is used in this strategy in its generic sense and within the scope attributed to it in ILO Convention 169.

- (b) Irrespective of their legal status or current residence, they retain some or all of their own social, economic, political, linguistic and cultural institutions and practices; and
- (c) They recognize themselves as belonging to indigenous or pre-colonial peoples or cultures.

Specificity of Indigenous Peoples

The indigenous peoples of Latin America and the Caribbean are at once the heirs and creators of an important natural, cultural, and social heritage that has been eroded by policies of exclusion, integration, and/or assimilation that dominated government actions until the 1950s. Processes that rejected native cultures and forced assimilation into Western society brought on poverty and the destruction of indigenous peoples' heritage, dignity, and self-esteem. They also gave rise to conflicts within and among these and other sectors of the population, to rural-urban migration, to the loss of ancestral knowledge and practices, and to the exclusion of indigenous peoples from political participation as social subjects under the law within the States. Nonetheless, despite their heterogeneity and different levels of interaction with the dominant societies, strong indigenous organizations have emerged over the past three decades to demand the right to their identity as indigenous peoples, revaluing their heritage, not only as the foundation of their identity, but also as a resource for the economic and social development of their own peoples and of society in general.²⁷

The reasons for establishing a specific strategy for indigenous peoples, as opposed to other population groups, are the following: (i) specificity of culture, of development rights and objectives, and concepts of well-being rooted in their existence in Latin America and the Caribbean prior to the conquest or colonization; (ii) a high degree of correlation between indigenous lands and territories and highly

²⁷ Declaration of the Meeting of Ministers of Culture, Bogota, 2002.

fragile environmental conditions, combined with the need to reassess the role of ancestral knowledge and practices when they are consistent with the sustainable use of lands and territories; (iii) specific national and international laws that must include measures for their implementation and indigenous peoples' own legal systems requiring articulation with national legal systems; (iv) indigenous peoples' political and cultural diversity and different degrees of integration into the economic and social arenas; and (v) indigenous demands for greater autonomy in decision-making about their own affairs, and for greater participation in the government, in the definition of their own economic and social development models, and in formulating their countries' public policies. These are new challenges and opportunities, particularly in the current context of decentralization and democratization, and require actions to ensure public safety and promote equitable development as well as participatory and inclusive democracy.

Indigenous Rights

In recent decades, legal frameworks have been adopted at the country and international levels²⁸ with respect to the rights of indigenous peoples, including the ILO's Convention 169 Concerning the Indigenous and Tribal Peoples in Independent Countries (1989).²⁹ The drafts of the United Nations Declaration on the Rights of Indigenous

²⁸ International legislation, as in force for each country, includes: the United Nations Universal Declaration of Human Rights (1948); the International Pact on Civic and Political Rights (1966); the American Convention on Human Rights (1969); the International Pact on Economic, Social and Cultural Rights (1976); the International Convention on the Elimination of All Forms of Racial Discrimination (1966); the Convention on the Rights of the Child (1990); ILO Convention 107 concerning the Protection and Integration of Indigenous and Other Tribal and Semi-Tribal Populations in Independent Countries (1957); ILO Convention 169 Concerning Indigenous and Tribal Peoples in Independent Countries (1989); Agenda 21 adopted by the United Nations Conference on Environment and Development (UNCED, 1992), and the Convention on Biological Diversity (1992), as well as the corresponding international jurisprudence of the Inter-American Court of Human Rights or similar bodies whose jurisdiction has been accepted by the relevant country. Other international instruments currently in preparation, such as the United Nations Draft Declaration on the Rights of Indigenous Peoples and the Draft American Declaration on the Rights of Indigenous Peoples, establish aspirational principles that may be taken into account to the extent that these instruments are finalized and subscribed to by the relevant country. Lastly, it is worth noting that private businesses have also adopted safeguards, known as the Equator Principles, which were developed based on the policies of the International Finance Corporation (IFC).

²⁹ Convention 169 Concerning Indigenous and Tribal Peoples in Independent Countries; see footnote 26.

Peoples and the Organization of American States' American Declaration on the Rights of Indigenous Peoples will be included in this frame of reference once they are approved in accordance with the applicable norms of the international and inter-American systems, respectively. These instruments have prompted the adoption of constitutional provisions and legislation in many countries of the region that recognize the multiethnic and pluricultural nature of indigenous societies and the specific rights of indigenous peoples with respect to their territories, natural resources, identity, language, culture, indigenous legal system (occasionally referred to as customary rights), and the right to exercise control with respect to their own affairs.³⁰ A number of international financial institutions, bilateral donors, and the private sector have adopted specific policies designed to safeguard the rights of indigenous peoples.³¹ Countries and indigenous peoples alike face the challenge of effectively implementing the adopted legal norms in order to create the space necessary for the development with identity of indigenous peoples. For purposes of the safeguards included in the Operational Policy on Indigenous Peoples, indigenous rights include the rights of indigenous peoples and individuals, whether originating in the indigenous legislation issued by States, in other relevant national legisla-

³⁰ The rights of indigenous peoples are specifically enshrined in the constitutions of 13 Latin American countries. Many of the remaining countries have at least adopted some legislative provisions concerning indigenous peoples. Seventeen out of 19 countries with indigenous populations in some way recognize indigenous legal or regulatory systems. A comprehensive overview and comparative analysis of legislation pertaining to indigenous peoples in all of the countries of the region has been prepared by the Bank and can be found at: www.iadb.org/sds/ind.

³¹ Examples of specific policies concerning indigenous peoples include: the World Bank's Indigenous Peoples Policy: World Bank Operational Directive 4.10, 2005; the Asian Development Bank's Policy on Indigenous Peoples, 1999; United Nations Development Programme (UNDP), Policy of Commitment with Indigenous Peoples, 2001; Pan American Health Organization (PAHO), Strategic Orientations for the Implementation of the Health of the Indigenous Peoples of the Americas Initiative, 1997; World Commission on Dams, "Dams and Development," 2000; The European Bank for Reconstruction and Development (EBRD), Mandate in Relation to Ethnic Minority Rights, 1993; European Union, Council Resolution on Indigenous Peoples within the Framework of the Development Cooperation of the Community and Member States, 1998; DANIDA, Danish Strategy for Support to Indigenous Peoples, 1994; Germany, Federal Ministry of Economic Cooperation and Development, Concept for Development Cooperation with the Indigenous Peoples of Latin America, 1996; Swiss Agency for Development and Cooperation, Swiss Action for Indigenous Peoples, 1998; Spanish Agency for International Cooperation (AECI), Spanish Strategy for Cooperation with Indigenous Peoples, 1997; The Netherlands, Ministry of Foreign Affairs, Indigenous Peoples in the Netherlands, Foreign Policy and Development Cooperation, 1993.

tion, in applicable international norms in force for each country,³² or in the indigenous juridical systems of each people, hereinafter collectively referred to as the “applicable legal norms.”³³ Indigenous juridical systems will be taken into account according to the rules for their recognition established in the legislation of each country. In the absence of such rules these systems will be recognized whenever they are consistent with national legislation and do not contradict fundamental rights established in national legislation and in international norms. The concept of indigenous juridical system, also known as internal or self-generated, includes laws of origin, customary rights, customs and uses, and indigenous justice and juridical systems.³⁴ In case of discrepancies, the Bank will not assume the role of arbiter or intermediary between the interested parties, but will require evidence of a satisfactory resolution before proceeding with the corresponding activity.

Development with Identity

Development with identity refers to a process that includes strengthening of indigenous peoples, harmony and sustained interaction with their environment, sound management of natural resources and territories,³⁵ the creation and exercise of authority, and respect for the rights and values of indigenous peoples, including cultural, economic, social and institutional rights, in accordance with their own world view and governance.

This is a concept based on the principles of equity, interconnectedness, reciprocity, and solidarity. It seeks to consolidate the conditions in which indigenous peoples can thrive and grow in harmony with their surroundings by capitalizing on the potential of their cultural, natural, and social assets,

according to their own priorities.³⁶ To adopt different concepts of indigenous development entails an acceptance of these communities’ economic objectives, which are often not necessarily aimed at maximizing the profitability of resources in the short or medium term. Rather, priority is given to a vision of sufficient well-being, harmony with the environment, and the conservation of resources for future needs. Traditionally, these economies are based on the belief that the accumulation of wealth through production surpluses, particularly individually or among elite groups, does not contribute to their societies’ well-being or security. Contact with western society, market pressures, and migratory flows are paving the way for gradual changes in these concepts, but with mixed results. The challenge for the strategy lies in supporting and promoting development initiatives and organizational systems unique to indigenous peoples, in order to improve their living conditions through their own leadership and in a manner consistent with each community’s specific sociocultural situation and vision. This means greater access, with gender equality, to socioeconomic development opportunities that strengthen identity, culture, territoriality, natural resources, and social organization, and reduce material poverty and marginalization. Such actions should be guided by the premise that sustainable development requires the initiative and empowerment of indigenous beneficiaries, respect for the rights of indigenous peoples and individuals, their exercise of control over the course of their own economic, social and cultural development and internal management of their territories and effective participation in political arenas and governance, so that they can fully exercise their rights and responsibilities as citizens and as indigenous peoples, all within the structure of the States of which these peoples are a part.

³² Refer to footnote 29.

³³ All references in the text of this strategy to “applicable legal norms” should be understood to have the scope established in the definition contained in this paragraph.

³⁴ Seventeen out of 19 countries with indigenous populations in Latin America and the Caribbean recognize customary law. A comprehensive overview and comparative analysis of legislation pertaining to indigenous peoples in all countries of the region has been prepared by the Bank and can be found at: www.iadb.org/sds/ind.

³⁵ The term “territories” is used in this strategy in its generic sense and within the scope attributed to it in ILO Convention 169.

³⁶ This definition was drafted jointly with the members of the Indigenous Advisory Council during its December 2004 and February 2005 meetings.

III. Diagnostic Assessment

Importance of Indigenous Peoples

The more than 400 indigenous populations in the region are extremely heterogeneous, culturally and linguistically speaking, and highly diverse in terms of their means of production, manner of interacting with the environment, and integration into national society. Despite the limitations of reliable official data, most sources agree that the total number of indigenous people comes to 40 to 50 million, or approximately 8 to 10 percent of the region's population, with higher than average population growth rates. In countries such as Bolivia, Guatemala, or Peru, indigenous people account for at least half of the total population.

Living Conditions and Material Poverty

Compared with the wealth of their civilizations and natural resources in pre-Columbian times, indigenous peoples have now been dispossessed of their ancestral lands, marginalized, and live in poverty. Preliminary World Bank and IDB studies and poverty maps from several countries demonstrate, using conventional poverty indicators, a strong correlation between belonging to an indigenous group and poverty indices (Figure 1). Based on the 2002 World Development Indicators, the vast majority of indigenous peoples fall within the poorest strata, as defined in the conventional terms of average daily income.³⁷ This means that indigenous peoples would account for 20 to 25 percent of the population living below the poverty line. Despite large-scale migration to urban areas and abroad, an estimated 60 to 70 percent of indigenous people live in rural areas and account for between 45 and 50 percent of the rural poor. Poverty levels have persisted over the past decade even though indigenous peoples are less vulnerable to crises, likely because many of their economies are based primarily on reciprocity and subsistence, and are not highly monetarized (Table 1), and because the values of recip-

rocity, balance and spirituality have enabled indigenous peoples to withstand poverty and to find alternatives for their own survival. Many organizations question the relevance of conventional indicators and insist on the need to supplement them with others that take into account fundamental indigenous values consistent with their own concept of development and identity, such as the quality of the environment, legal protection of their territories, access to natural resources and spaces for exercising their spirituality, and the quality of social capital within their communities and organizations.³⁸

Access to and Quality of Services

Despite some concrete or absolute improvements, a significant gap continues to exist between indigenous and nonindigenous populations in terms of access to social services, as demonstrated by education and health indicators. Such gaps are evident in primary and secondary education, particularly for indigenous women, who exhibit the highest rates of illiteracy and the lowest enrollment rates.³⁹ In spite of progress in intercultural bilingual education (Box 1), problems of high repeater and dropout rates, poorly qualified teachers, poor educational quality, and returns on education below those experienced by the nonindigenous population persist (Annex). Furthermore, indigenous people remain at a serious disadvantage in terms of access to higher education as compared to nonindigenous people, leading to occupational segregation. At the same time, morbidity and mortality rates among mothers and children that are much higher than those of the nonindigenous population show that indigenous

³⁷ Patrinos, H. and G. Hall. 2005. Indigenous People: Poverty and Human Development in Latin America, 1994-2004. The World Bank, 2005.

³⁸ Recent studies analyze conventional indicators in light of indigenous peoples' views, offering suggestions for making these indicators complementary to those that better reflect indigenous peoples' priorities and that include indicators related to well-being (see: J. Renshaw et al. *Indicadores de Pobreza Indígena [Indicators on Indigenous Peoples' Poverty]*, preliminary version, SDS/IND, 2004.

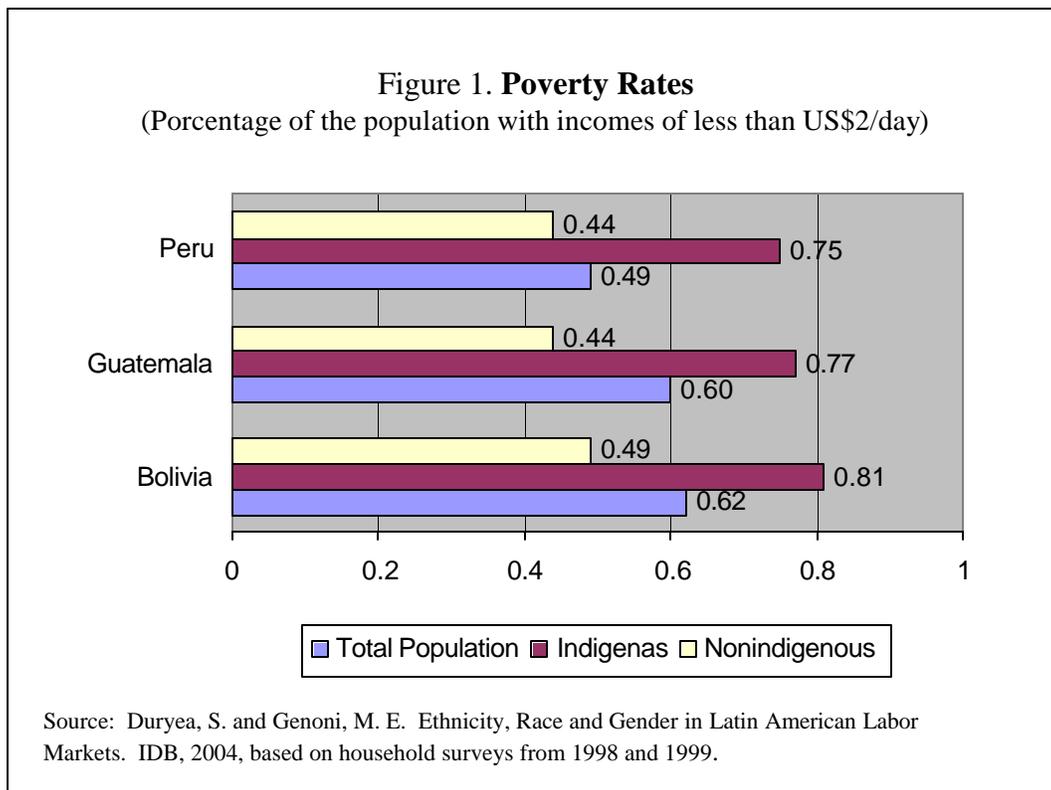
³⁹ M. Abram. *Estado del arte de la educación bilingüe intercultural en América Latina [The State of the Art in Intercultural Bilingual Education in Latin America]*, preliminary version, SDS/IND, August 2004; Patrinos and Hall, *op. cit.* UNICEF; *Equality with Dignity*, UNICEF annual report, 2004.

peoples' access to healthcare services is even more restricted. In Bolivia, Colombia, Ecuador, Venezuela, Mexico, and Peru, the benefits of traditional medicine have been acknowledged as complementary to allopathic medicine, and the State gives it some degree of support.

Lands, Territories, and Natural Resources

Population growth, advancing agricultural frontiers (including cattle raising and over-fishing), oil operations, the extraction of forest resources, mining, as well as mass tourism and the development of national and transnational infrastructure have exerted pressure on indigenous territories and economies, both *campesino* and tribal, with a resulting reduction in the quality of life and a deterioration in previously sustainable conditions. In some cases, the creation of protected areas or natural parks⁴⁰ has imposed limits on indigenous communities' access to their own natural resources, and in certain cases

has even led to their resettlement. Despite these processes of dispossession and the degradation of their ancestral lands and territories, there continues to be a strong correlation between the location of indigenous lands and territories and the areas with the greatest biodiversity and natural resource conservation.⁴¹ In recent years, significant strides have been made in most countries regarding the development of legal and institutional frameworks with respect to the recognition, safeguarding, and regularization of the collective rights of indigenous peoples vis-à-vis their territories and resources.⁴² Nonetheless, enforcement of those frameworks continues to be lax, meaning that there are serious deficiencies in the processes of demarcation, titling, and self-management. Faced with growing pressures on lands and territories, these measures become necessary as a way to maintain or recover their ancestral sustainability and, as a result, prevent indigenous societies and economies from becoming unviable (Table 2).



⁴⁰ Based on information compiled by the International Union for the Conservation of Nature and Natural Resources (IUCN), more than 80 percent of new protected areas created in the Americas starting in 1992 are on lands or in territories occupied or used by indigenous peoples.

⁴¹ See, for example: Indigenous Peoples and Natural Ecosystems in Central America and Southern Mexico, published by the Center for the Support of Native Lands and the National Geographic Society, Washington, D.C., 2002.

⁴² Refer to footnote 30.

Box 1. Intercultural Bilingual Education

In the 1980s bilingual education began to be adopted, with very few exceptions, as public policy in the countries of the region. By 2004, there were intercultural bilingual education programs (IBE) in 18 countries. IBE programs differ from country to country: from the adoption of the native language as the language of instruction in the first years of school, to significant modifications in curricular content and teaching methods that involve the participation of community elders. Studies by the United Nations Educational, Scientific, and Cultural Organization (UNESCO), the *Programa de Promoción de la Reforma Educativa en la América Latina* [Program to Promote Educational Reform in Latin America] (PREALC), the World Bank, and the United States Agency for International Development (USAID), among others, define intercultural education as something that:

- Improves the quality of learning in general subjects, reduces repeater rates, and increases the number of years students remain in school, particularly girls.
- Increases the efficiency of the total investment, including the teaching of practical knowledge for use at a local level.
- Improves and develops self-esteem, empowering communities while making them more dynamic.
- Contributes to peaceful coexistence, dialogue, and interculturalism.
- Enriches Latin American educational models.
- Makes it possible for parents who do not speak Spanish to actively participate and promotes participation in general.

Table 1. Percentage Change in Poverty Rates

Country	Nonindigenous	Indigenous
Bolivia (1997-2002)	-8	Less than a 0.1
Ecuador (1994-2003)	+14	Less than a 0.1
Guatemala (1989-2000)	-25	-15
Mexico (1992-2002)	-5	Less than a 0.1
Peru (1994-2000)	+3	Less than a 0.1

Source: H.A. Patrinos and G. Hall. Indigenous People: Poverty and Human Development in Latin America, 1994-2004. The World Bank. Washington, D.C. Data based on national poverty lines.

Table 2. Regularization of Indigenous Peoples' Collective Territories

Country	Number of Titles	Km ²	Percentage of the Country
Brazil	368	1,017,627	12
Colombia	638	313,100	27
Costa Rica	22	3,300	6
Ecuador	n.a.	27,819	10
Panama	5	16,347	21
Bolivia	412	49,553	5

Source: Roldán, R.. 2003. Importancia de los territorios colectivos de indígenas y afroamericanos en el desarrollo rural [The Importance of Indigenous and Afro-American Collective Territories in Rural Development]. In *Desarrollo territorial rural en América Latina y el Caribe* [Rural Land Development in Latin America and the Caribbean]. R. Echeverría (ed.). Washington, D.C.: IDB. National Agrarian Reform Institute (INRA), Bolivia, 2004.

n.a. = not available.

Lack of Economic Opportunities

For the vast majority of indigenous peoples living in the Andean or Mesoamerican highlands, production is based on an agricultural economy with different levels of integration into national economies. A small, though culturally significant, percentage of the indigenous population lives in tropical forests and in the Chaco region, with traditional and isolated economies based on horticulture, hunting, and gathering. In recent years, indigenous communities have increasingly migrated to poor urban barrios in their own countries and abroad. Such economic differences and differing degrees of social integration present special challenges when it comes to designing socioculturally appropriate policies and programs for this segment of the population. Generally speaking, indigenous peoples whose economy is based primarily on subsistence and reciprocity in their ancestral territories, as well as those more integrated into the national economy, are at a disadvantage in terms of access to technical and financial services and regulated labor markets. Many communities continue to have limited access and control over their own territories and resources, which in turn places important limitations upon their economic opportunities. Even for those communities that have obtained legal protection for their collective lands and territories, the absence in those territories of public and private investment in accordance with principles of active participation and equitable benefits, coupled with indigenous organizations' limited business and administrative management capacity, continues to pose significant challenges in terms of improving peoples' living conditions. Accordingly, indigenous peoples are seeking greater access to conventional financial, business, and professional training services,⁴³ and the strengthening or recovery of ancestral mechanisms for financial or in-kind services (such as the emphyteutic census of changing land ownership,

⁴³ Lack of access to services from the conventional financial system exists because of an absence of financial institutions in indigenous areas or lack of recognition of guarantees other than individual property titles in communities where land ownership is collective. Where indigenous peoples do have access to savings services, they do not have access to credit, meaning that banking multiplier effects are rerouted to other sectors of the population.

mechanisms for exchanging products via vertical environmental zones, bartering systems, the storage and inventory of products known as *qollqa*, etc.), governed by their own regulatory systems,⁴⁴ as well as training for the economic governance of their territorial and cultural heritage and their natural resources.

Political Participation

Indigenous peoples have notably increased their presence in national arenas, including the legislatures and executive branch of countries such as Ecuador, Bolivia, and Mexico. In Bolivia, indigenous representation in Congress climbed from 1 percent in 1998 to 27 percent in 2001; similar growth is being witnessed in Ecuador and, to a lesser degree, in Argentina, Colombia, and other countries. At the level of the executive, indigenous people have held important positions such as vice president, minister of foreign affairs, education, and culture, and have headed state, provincial, and municipal governments. Although generally speaking, decentralization laws foster access to these political arenas, low government spending in indigenous communities, scarce resources, and a lack of suitable institutions for local management by the communities themselves and for coordinating such management with national and subnational authorities, limits their influence (Box 2). Such limits are particularly evident in the widening gap between political power and indigenous peoples' rights, as well as in access to institutions, resources, and mechanisms that may translate political power into improved living conditions for the people and greater freedom and capacity to make decisions about their own future and resources. This discrepancy creates an antagonistic relationship between indigenous and nonindigenous peoples, making it difficult to generate constructive and mutually beneficial models.

⁴⁴ Indigenous legal systems (or "indigenous self-law," to differentiate it from each country's indigenous legislation), sometimes called "indigenous regulatory systems" or "customary rights," are recognized differently by the region's countries: from being a source of law, to uses and customs that must be enforced by judges, to autonomous indigenous regulatory or legal systems within a context of legal pluralism. For purposes of the strategy, the broader concept of "indigenous legal or juridical systems" is used, limiting the use of the term "customary rights" to those rights related to the occupation and use of lands and natural resources.

Box 2. Bolivia: The Law on Popular Participation

The 1994 Law on Popular Participation recognized grassroots organizations (known in Bolivia as *organizaciones territoriales de base* or OTB) as legal entities and established their relationship to government agencies, defining the province as the municipal government's geographical jurisdiction, and boosting resources to municipal governments under the principle of the per-inhabitant distribution of share-out resources transferred to the departments. Indigenous peoples, however, did not identify with the OTB because that was not how they organized themselves. They, therefore, decided not to move forward in obtaining the legal status necessary to become recognized by the law. In light of this situation, the law was amended in 1996, thereby recognizing "the legal standing of indigenous communities, indigenous peoples, and campesino communities, and neighborhood councils, respectively [as ...] grassroots organizations, defining their relationship to government agencies pursuant to the Law" (Art. 2, Law 1702).

Box 3. The Bank and Indigenous Land Titling

The Bank is lending its support to the *Consejo Superior de la Judicatura* [High Council of the Judiciary] and the indigenous peoples of Colombia for a project that seeks to better coordinate indigenous land titling with the national legal system. This project includes case studies, the development of an atlas of indigenous jurisdictions, the design of an official gazette, support for indigenous law school pilot projects, the training of judges on indigenous systems, and consultations on a bill for the articulation of mainstream and indigenous jurisdictions. The Bank is likewise cooperating with the Inter-American Institute for Human Rights on a regional program for the exchange of experiences among and the training of ombudsmen with respect to indigenous peoples' access to justice and the application of indigenous legal or regulatory systems.

The Growing Participation of Indigenous Women

The worldview of many indigenous peoples bases gender relations on duality and balance. Nevertheless, many indigenous women are currently victims of domestic violence and find themselves in a position of inequality with respect to men. This is reflected in the way they lag behind in literacy and formal education, as well as in their unequal access to means of production and economic opportunities, and in their exclusion from decision-making processes in their communities and organizations. Urban and foreign emigration also means that a large number of indigenous households are now headed by women. One challenge in particular is to reconcile the rights of women and the rights of indigenous peoples as established in national constitutions,⁴⁵ while recognizing the great diversity of their cultures and norms, as well as the dynamic

character of both indigenous peoples and national societies. Accordingly, in recent years, indigenous women's organizations have demanded that their preeminent roles in the family, community, indigenous economy, and as intergenerational conduits and guardians of their peoples' cultural heritage be acknowledged.⁴⁶ Women's organizations are demanding gender equity and equal opportunity for expressing their own worldview, as well as the safeguarding and enforcement of their rights as both indigenous people and as women.

Urban Indigenous People and Migratory Processes

Most countries have witnessed a rapid migration of indigenous peoples to urban centers as a result of

⁴⁵ It is worth noting that the laws governing this issue in Guatemala are among the most advanced in existence; among other things, these laws established the *Defensoría de la Mujer Indígena* [Office of the Ombudsman for Indigenous Women].

⁴⁶ Reports of the Bank-supported "First Indigenous Women's Summit of the Americas," Oaxaca, 2002, the Continental Network of Indigenous Women, the International Indigenous Women's Forum, and the Second Session of the United Nations Permanent Forum on Indigenous Issues (devoted to the subject of indigenous women) illustrate how vital these organizations are as well as their leadership role in the quest for better living conditions for indigenous women, their communities, and their peoples.

the dispossession and colonization, or fragmentation, of their ancestral lands; they move in search of better economic conditions, employment or educational opportunities, and, in some countries, to escape conflict. Studies⁴⁷ confirm the demographic significance of rural-urban migration: 40 percent of Ecuador's indigenous population is urban; while, in Chile, the comparable share is at least 50 percent.⁴⁸ And far from submitting to or assimilating into the dominant urban culture, most urban indigenous people maintain strong economic, social, and cultural ties with their communities of origin, in some cases reversing assimilation processes that took place during previous decades and rebuilding or reinterpreting their cultural traditions and social networks in urban centers, as illustrated by indigenous settlements or *barrios* in cities such as Santiago, El Alto, Mexico City, Quito, and others. Such links between urban indigenous peoples and their communities of origin are translating into new opportunities for revitalizing rural indigenous economies and creating urban indigenous businesses, because they make it possible to capitalize on the comparative advantages of the original communities' natural, cultural, and social resources and support the gradual articulation between traditional and modern practices. Nonetheless, capitalizing on these opportunities requires new institutional models, strategic partnerships, innovative projects, and training. Otherwise, these processes tend to increase the concen-

tration of indigenous people living in poor conditions in big cities, make the rural economies of their communities of origin unviable, and, possibly, destroy the social base of indigenous cultures, resulting in their fragmentation, and in extreme cases, in their extinction.

Uncontacted and Transborder Indigenous Peoples

Infrastructure expansion and the growing number of extraction companies setting up shop in indigenous territories make uncontacted indigenous peoples, also referred to as peoples "in voluntary isolation," as well as those living in border areas, highly vulnerable (Box 4). Uncontacted indigenous peoples, or those in voluntary isolation, are small groups living in remote areas of the Amazon jungle and the Chaco region who do not wish to make contact with western civilization given how vulnerable they are to the impacts of such contact (i.e. diseases to which they are not immune, the degradation of their subsistence natural resources, and violent confrontation). Transborder indigenous peoples living in territories that straddle two or more countries are also vulnerable to integration processes. Such vulnerability necessitates the adoption of specific legal and administrative frameworks harmonized between countries.

Box 4. Indigenous Peoples in Isolation: the Case of Camisea

The Camisea gas field pipeline is located partially on the Nuhua Kugapakori reserve occupied by indigenous peoples in voluntary isolation. Following an intense process of dialogue and reflection, the Bank decided to support this project, requiring the private businesses involved and the Peruvian government to establish safeguards such as a code for preventing forced contact, a medical contingency plan, the strengthening of the reserve's legal status, measures to monitor access to the area, and the institutional strengthening of the state. In the absence of clear national and international regulations, and given the possibility that similar projects may arise, the Bank must establish its decision-making criteria, risk-assessment processes, and standards for preventing or minimizing possible adverse impacts on isolated peoples due to their extreme vulnerability.

⁴⁷ See, for example: *Exclusión social y estrategias de vida de los indígenas urbanos en Perú, México y Ecuador* [Social Exclusion and Life Strategies for Urban Indigenous Peoples in Peru, Mexico, and Ecuador], J. Uquillas, Tania Carrasco, and Martha Rees (eds.), World Bank, Washington, D.C., 1993.

⁴⁸ See MIDEPLAN, *Programa Orígenes, Antecedentes de las Políticas Indígenas en Chile* [Program on the Origins and Background of Indigenous Policies in Chile], Santiago, 2003.

IV. The Bank's Experience

Institutionalization of Indigenous Issues at the Bank

Until the mid-1980s, Bank support for indigenous communities was limited to specific smaller-scale projects (especially through what at the time was called the Small Projects Program).⁴⁹ In the wake of its experience with infrastructure projects that had an impact on vulnerable indigenous communities (Box 5), in the mid-1980s the Bank began to address the potential adverse impacts of its projects on indigenous communities as part of its environmental and social quality control procedures. In 1990, internal procedures were adopted (Strategies and Procedures on Sociocultural Issues as related to the Environment) to prevent, mitigate, or offset adverse impacts on indigenous communities. The subject of indigenous peoples was also formally incorporated into the mandate of the Committee on Environment and Social Impact (CESI, originally known as CMA).

The 1994 Eighth Replenishment mandate requires the Bank to take a more proactive role with respect

to indigenous issues and refers specifically to the challenges and opportunities for participatory development, seeking the systematic and appropriate inclusion of indigenous issues in the Bank's regular operations, through specific socioculturally appropriate components and approaches (document AB-1704, p. 22).

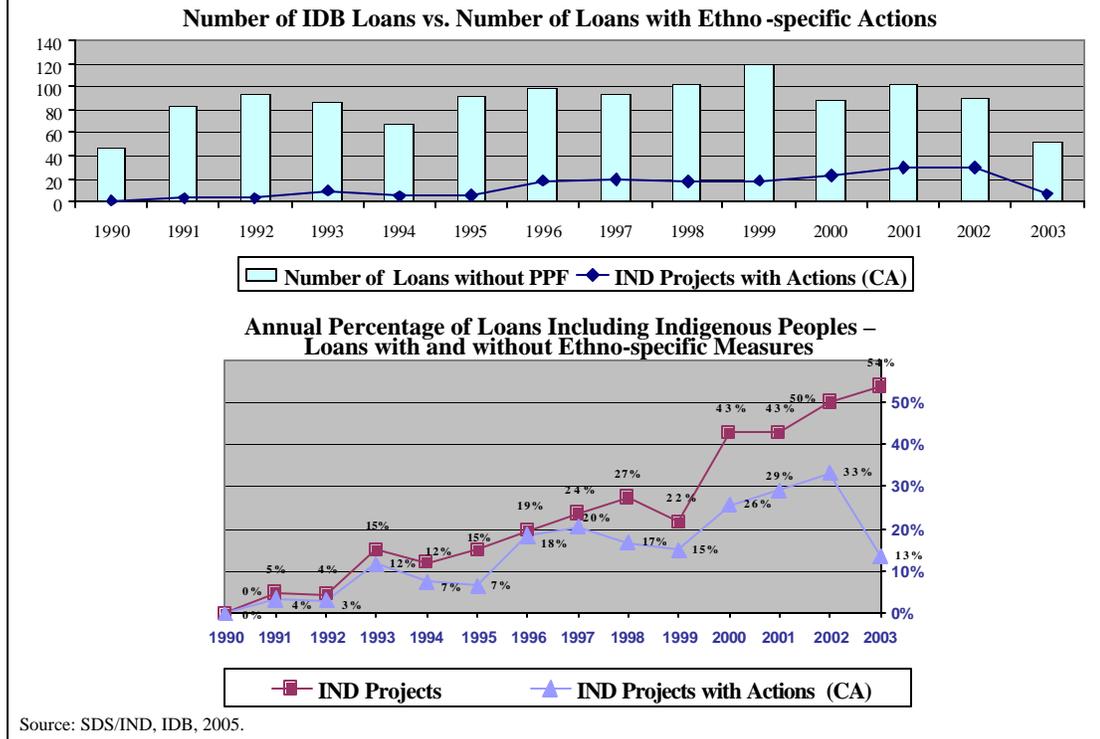
In 2001, the Bank adopted an Action Plan for Combating Social Exclusion Due to Race or Ethnic Background (CS-3362-3), which includes indigenous peoples as one of its target groups, thus reaffirming the Eighth Replenishment mandate with specific and measurable objectives and actions. In 2003, the IDB Gender Mainstreaming Action Plan (document GN-2249) included the commitments entered into as part of the Indigenous Women's Summit and other actions to promote the status of indigenous women. In addition, the Strategy for Promoting Citizen Participation in Bank Activities (document GN-2232-5, approved by the Board of Executive Directors in May 2004) emphasizes mechanisms for indigenous peoples' participation.

Box 5. Brazil: Project for the Protection of the Environment and Indigenous Communities (PMACI)

In 1985, the Bank approved a project to pave highway 365 from Porto Velho to Rio Branco, the capital of the state of Acre. The Project for the Protection of the Environment and Indigenous Communities (PMACI) established specific measures for indigenous communities, but was not implemented as planned. As a result of demands being made by local and international civil society, the Bank suspended disbursements in 1988 and facilitated the reformulation of the PMACI. The protection plan went from being a plan with a centralized focus and little participation, run from Brasília, to a highly participatory plan led by state agencies and local communities. Moreover, legal protection for indigenous and *seringueiros'* territories was strengthened and other measures to address social problems in the area of the project were instituted. Once redesigned, the program was very successful and became a model for other protection projects as well as for comprehensive development processes that receive Bank support (for example, the environmental and social technical assistance project (ESTAP) in Belize and Darién, in Panama). As a result of the PMACI program, the Bank created an environment division in 1990 and strengthened the committee that reviews the environmental and social quality of projects, specifically including the consideration of impacts on indigenous peoples.

⁴⁹ Redefined as the Social Entrepreneurship Program in 1997.

Figure 2. Loans Including Indigenous Actions vs. Total Loans



Evolution of the Project Portfolio

An analysis of Bank projects with an indigenous component or focus approved since 1990⁵⁰ shows a gradual and significant increase in the number of operations that implicitly or explicitly include the indigenous population as a target group (Figure 2). Over the past years, the percentage of Bank loans that include specific targeting measures or distinct sociocultural designs have accounted for approximately 20 percent of the annually approved portfolio. This percentage may be compared with the approximately 40 percent of Bank projects, which, because of their geographic coverage, include indigenous communities among their target population, but do not have differentiated strategies for indigenous and nonindigenous peoples.

Lessons Learned

Although the subject warrants further study, the report on the project portfolio prepared by the Indigenous Peoples and Community Development Unit (SDS/IND) concludes that in order to be effective in terms of access to project benefits, projects whose objective is to improve indigenous peoples' living conditions only reach this goal if specific measures exist to improve targeting, bring down barriers to access, adapt services to the sociocultural and linguistic characteristics of the indigenous peoples, and enable their active participation in the identification, planning, development and evaluation of the project activities. Thus, while significant progress has been made in the number of projects that specifically include indigenous peoples, a large percentage of projects lack distinct ethno-specific or socioculturally appropriate mechanisms despite the fact that they implicitly include indigenous peoples among the beneficiaries. As a result, in practice, they never manage to benefit the

⁵⁰ SDS/IND project database and report by Steven Geiger, et al., SDS/IND, 2004.

indigenous segment of the target population.⁵¹ The report concludes that these projects represent lost opportunities for benefiting indigenous peoples because, without ethno-specific measures, indigenous peoples face barriers to access or are subject to assimilation processes to the detriment of their own identity, culture, and well-being.

Specifically, the study found that the quality of project design has improved, particularly in cases in which the design was based on sociocultural assessments and consultation with and participation on the part of beneficiaries, or when experts on indigenous issues took part in project development and targeting of beneficiaries (Box 6). The study also found that very few projects include baselines or information systems broken down by ethnic group, making monitoring and evaluation difficult, and it noted that one constraint is the governments' limited institutional capacity to address indigenous issues despite progress made in recent years on legal frameworks and public policies. In general terms, the study found that environmental and infrastructure projects (in the case of the latter, because of plans to mitigate adverse impacts) tend to identify ethno-specific measures better than social projects to reduce poverty or reform the state, which tend to make no distinction between indigenous and nonindigenous peoples despite the fact

that it is precisely in those sectors where indigenous people face the most significant barriers to access. Another finding was that consideration of indigenous issues in projects depends upon how much progress has been made in terms of countries' public policies and regulatory frameworks and not on the relative numerical significance of a country's indigenous population. These preliminary findings are consistent with portfolio analyses⁵² and evaluation studies conducted by other donor institutions and by some indigenous organizations.⁵³

The limitations of sector projects (such as those in health, education, rural electrification, drinking water, microenterprise, etc.) in terms of reaching indigenous communities, as well as indigenous peoples' requests for more comprehensive and participatory approaches, have led to the development of a new generation of integrated local development projects that acknowledge the leadership role played by indigenous organizations and communities in project conceptualization, participatory planning, decentralized execution, and local capacity-building. Despite institutional challenges to breaking down the sector organization of public services, these projects appear to be more successful in providing greater benefits to the target population and more sustainable in the long term.

⁵¹ An evaluation study prepared by the Office of Evaluation and Oversight (OVE) shows that the outcomes of the 10 projects analyzed with respect to their impact on indigenous peoples indicate that the sample projects have generally been positive (see document RE-261), but does not analyze the differences between projects with or without ethno-specific measures.

⁵² The experiences of the IDB are consistent with those of other agencies, as has been demonstrated in periodic meetings of the Interagency Group on Indigenous Development (established by the IDB and the World Bank in 1991). See: World Bank. Implementation of Operational Directive 4.20 on Indigenous Peoples: an Independent Desk Review (Volume I); and Evaluation of Results (Volume II). Reports 25332 and 25754 of 2003.

⁵³ See, among other sources: Después de la Década de los Pueblos Indígenas: Recuentos y Horizontes, Declaración de Tepoztlán, [After the Decade of Indigenous Peoples: Recount and Horizons, Declaration of Tepoztlán] October 12, 2004, signed by 21 indigenous leaders; Declaración desde el Centro del Mundo: Evaluación del Decenio Internacional y la Cooperación con los Pueblos Indígenas [Declaration from the Center of the World: Evaluation of the International Decade and Cooperation with Indigenous Peoples], Quito, October 2004; Balance y perspectivas de la cooperación con los pueblos indígenas de América Latina [Balance and perspectives on Cooperation with the Indigenous Peoples of Latin America]; Memoria de la IV Reunión de Agencias de Cooperación Internacional para el Desarrollo de los Pueblos Indígenas de América Latina [Report of the Fourth Meeting of International Cooperation Agencies for the Development of the Indigenous Peoples of Latin America], Santa Cruz, Bolivia, May 2004; Resultados preliminares de la V Reunión Interagencial sobre Cooperación con los Pueblos Indígenas América Latina [Preliminary outcomes from the Fifth Interagency Meeting on Cooperation with the Indigenous Peoples of Latin America], Quito, Ecuador, October 2004.

Box 6. Is the Community Development for Peace Program (DECOPAZ) a Good Model?

In 1996, the Bank approved the DECOPAZ program to support the rebuilding of indigenous communities in the wake of the armed conflict in Guatemala; this program was one of the first to take an integrated community development approach. Among the program's achievements are: the building of infrastructure in very needy communities, community participation in project management and execution, and the creation of income sources in the communities. However, the program also had its limitations, two of which stand out: highly ambitious objectives, making it similar to more general social investment funds, and problems with institutionalizing it. In the case of the latter, the program favored municipal agencies that, due to a lack of articulation with indigenous communities and organizations, made access difficult for the communities and created mistrust. The lessons learned from the DECOPAZ program influenced the design of other integrated community development programs for indigenous peoples, especially: CAPI (Argentina), PROPAIS (Venezuela), Darién and Bocas del Toro (Panama), Mesoamerican Biological Corridor, FISE III (Ecuador), PAPIN (Honduras), and Orígenes [Origins] (Chile).

V. Strategy Objectives

The objective of the strategy is to guide the programming and execution of Bank activities and operations⁵⁴ by developing lines of action and specific modalities in order to: (i) support national governments⁵⁵ and indigenous peoples in promoting *development with identity* and the capacity for governance and institutional articulation of indigenous peoples; and (ii) avoid or mitigate the adverse impacts that Bank operations might have on indigenous peoples and their rights. To this end, the strategy includes these objectives in Bank activities in a systematic and cross-cutting fashion, capitalizing on lessons learned, good practices, and the consultation process that helped develop this strategy.

In order to support *development with identity*, as defined earlier, the Bank plans to take action in three areas:

- (a) *Strengthening the lands, territory and governance* of traditional indigenous societies and economies in their territories and rural communities of origin, in a manner that is consistent with applicable legal norms and indigenous organizational structures, as the basis for ethnic and cultural identity and food security, as well as a safety net during crises.
- (b) *Reducing marginalization and exclusion* in national society and in urban areas to facilitate greater access to, and the greater quality and sociocultural relevance of, social and financial

services, labor markets, and development opportunities.

- (c) *Enabling the comparative advantages* of indigenous peoples based on their natural, cultural, and social capital to capitalize on an intercultural space to improve the quality of life of their communities, taking into account those national and global market niches where there is an increased demand for indigenous goods and services.

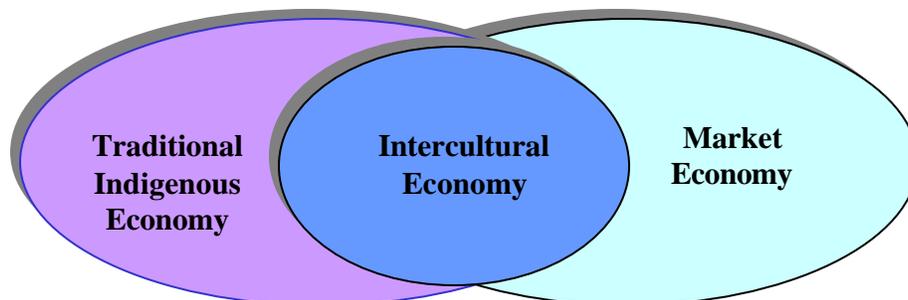
These three areas, which interact differently depending on each community's specific situation, degree of integration into the national society, and own development vision, apply to all aspects of the policies, programs, and projects targeting indigenous peoples, including health, education, natural resource management, productive development, legal safeguards, governance, and infrastructure projects. Figure 3 illustrates this concept in terms of economic development and reflects the dynamic among the traditional indigenous way of life, the local external context, and the challenges and opportunities for indigenous development that exist in each area. In this context, the strategy aims to support indigenous peoples' self-development, so that they may meet their own goals within traditional or intercultural spaces where they may develop their communities, organizations, and management capacity, free of external agendas. Development in such spaces helps to reaffirm the key importance of indigenous communities' sociocultural values, which in turn foster the trust needed to exercise autonomy and be independent in their intercultural relations with society and the state.⁵⁶ To that end, the major strategic focuses described below have been identified.

⁵⁴ In the context of institutional strategies approved by the Bank's Board of Executive Directors in 2003 and the set of international mandates (Millennium Development Goals, the Quebec, Guadalajara, Durban, and Johannesburg summits, among others) accepted by the Bank. The seven institutional strategy documents are: poverty reduction and social equity, sustainable economic growth, regional integration, competitiveness, social development, modernization of the state, and environment. Another important reference document is the strategy for promoting citizen participation in Bank activities (document GN-2232-5), approved by the Bank's Board of Executive Directors in May 2004.

⁵⁵ The references to "national governments" are understood to encompass all governmental entities within the national realm, including decentralized, as well as state and local entities.

⁵⁶ Center for Aboriginal Health Research, University of Manitoba. Best Practices in Intercultural Health-Interim Report. SDS/IND, February 2005.

Figure 3. Strategy for Indigenous Economic Development



Strengthening Territory

- Regularize ownership.
- Food security.
- Sustainability of cultural uses.
- Production and delivery of goods and services within the community.
- Access to services.
- Alternative financing mechanisms.

Capitalizing on Comparative Advantages and Market Niches

- Ethno-tourism.
- Management of heritage.
- Management of protected areas.
- Art, handicrafts.
- Medicinal plants.
- Environmental services.
- Organic products.
- Etc.

Increasing Inclusion

- Labor markets.
- Goods and services markets.
- Higher education and training.
- Social services.
- Financial and business services.

Source: SDS/IND, IDB, 2005.

VI. Major Strategic Focuses and Priorities for Bank Action

Greater Visibility for Indigenous Peoples and their Specificity

In order to achieve a systematic and relevant mainstreaming of indigenous issues in national development agendas and in its own operations portfolio, the Bank intends to:

- (a) Promote, in *censuses and household surveys*, the inclusion of variables and indicators to improve the information needed to develop policies and target resources to indigenous peoples, including a gender approach.⁵⁷
- (b) Include, in *poverty reduction strategies and assessments*, population data and poverty indicators, or processes for obtaining them, broken down by ethnic group, including, to the extent possible, indigenous concepts of poverty and well-being and participatory processes for data validation, as well as an analysis of specific indicators of indigenous poverty, broken down by gender, with the corresponding baseline data.
- (c) Systematically *promote inclusion in and the adaptation of civil registries* to indigenous peoples' unique characteristics, in order to make the exercise of their political and economic rights easier and better target government services, benefits, and other actions so that they are socioculturally relevant.
- (d) Promote, in order to meet *countries' development goals, including the Millennium Development Goals*, a breakdown of the relevant indicators and the adoption of socioculturally appropriate and specific indicators for ethnic groups and indigenous peoples.
- (e) Support national governments in designing *public policies* that reflect the recognition of indigenous peoples in accordance with most countries' legal frameworks, which incorporate multiethnicity and pluriculturalism.
- (f) Support the establishment of *measures for including* indigenous peoples in the implementation of socioculturally relevant methodologies, targets, and designs.
- (g) Support activities for *understanding and giving greater visibility to the rural-urban dynamic*, its challenges and opportunities, in order to promote more suitable and relevant indigenous development processes.
- (h) Promote knowledge about the body of *specific legislation for indigenous peoples* adopted by the countries of the region and international public law, as well as indigenous legal and regulatory systems, in the context of the region's legal pluralism.
- (i) Promote, at the local or national *institutional* level in the countries, as well as internally at the Bank, the institutional capacity of the Bank, national governments, indigenous peoples and their representatives, and relevant private sector and civil society stakeholders, including the hiring of specialists on indigenous issues and indigenous experts, the preparation and use of sociocultural analysis methodologies and participatory systems that recognize indigenous specificity, and the promotion of dialogue and good faith negotiation forums, policies, institutional mechanisms, strategies, plans, and projects that reflect these criteria.

Strengthening Governance

In order to strengthen, rescue, and promote, within applicable legal norms and national institutional frameworks, conditions that make it possible for indigenous peoples to freely determine their own

⁵⁷ This subject has been highlighted in various international forums on indigenous issues, including the Second and Third United Nations Permanent Forum on Indigenous Issues and in the "Todos Contamos" [Everyone Counts] conferences.

political, economic, and social future and participate in democratic and decentralized government processes, the Bank intends to:

- (a) Strengthen the capacity of indigenous peoples to *manage and govern their lands and territories*, in accordance with their worldview and traditional knowledge and their unique forms of socioeconomic organization and social control, moving beyond assistance models, be they State-run or managed by other intermediaries. Accordingly, it is necessary to keep in mind the need to protect their traditional ways of life, by attempting to maintain their own food security and by fostering activities that improve environmental and social stability based on the promotion of sustainable cultural uses of the land that are consistent with indigenous priorities and national regulations currently governing the protection of lands and ecosystems.
- (b) Pave the way, in *decentralization* programs, for the adoption of systems that encourage national governments to allocate larger shares of public funds to indigenous peoples, and promote access for indigenous authorities to national budget appropriations earmarked for local transfer: (i) promoting the consideration of systems to improve public budget management, both nationally and subnationally, in order to encourage effective, efficient, equitable, and transparent public investment in indigenous territories; (ii) promoting the recognition of indigenous peoples' traditional authorities and forms of organization so that they may assume the responsibility of managing their communities locally, including the management of public funds; (iii) supporting indigenous institutions to pave the way for the appropriate and equitable economic governance of those resources and of their economy in general; and (iv) supporting the institutionalization of socioculturally appropriate structures for the articulation of local indigenous authorities with authorities at different government levels, particularly municipalities.
- (c) Continue to support and strengthen *integrated community development* projects whose holistic, cross-sector, geographic, decentralized, and participatory aspects are consistent with the concept of development with identity, seeking solutions to institutional problems including articulation between communities and municipalities based on the lessons learned in projects already approved (Box 6).
- (d) Strengthen indigenous peoples' *economic governance* with respect to public resource management and the transparent administrative and technical management of indigenous companies and undertakings, including the reinvestment and distribution of profits from these activities and the monitoring and sustainability of these projects (Box 7).
- (e) Promote and strengthen the *institutional capacity* of indigenous peoples (particularly their own community based organizations), national governments, and other relevant stakeholders in order to respond to indigenous demand, with emphasis on building local and indigenous planning, management, and articulation capacity, and seeking additional outside support (NGOs, foundations, private enterprises, other indigenous groups, etc.) when necessary or socioculturally relevant.
- (f) Strengthen the capacity of indigenous peoples for *dialogue and negotiation* with States, private enterprises, and other intermediaries (NGOs, financial agents, etc.). To this end, it is necessary to strengthen indigenous peoples' capacity to plan their own development and design, submit, and execute projects.
- (g) Promote the *institutionalization of the information, timely diffusion, consultation, good-faith negotiation and participation mechanisms and processes* for indigenous peoples within each country's government structure, with a view to fulfilling the commitments made both nationally and internationally regarding consultation with and the participation of indigenous peoples in the issues, activities, and decisions that affect them. Such mechanisms and processes must take into account the general principle of the free informed and prior consent of indigenous peoples as a way to exercise their rights and "decide their own priorities for the process of development as it affects their lives, beliefs, institutions and spiritual well-being and the lands they occupy or otherwise use, and to exercise

control, to the extent possible, over their own economic, social and cultural development.”⁵⁸

Improving Access to and Quality of Social Services

In order for indigenous peoples to gain access to social services (including education and health) on an equal footing with the nonindigenous population, the barriers to access must be brought down and the cultural relevance of the social services must be reinforced.

- (a) To the extent possible and appropriate, the Bank will promote: (i) equity in public spending such that States invest in services targeting indigenous peoples, at least at the correspond-

ing average per capita value; (ii) the development of indigenous peoples’ own systems and the adaptation of services (such as bilingual and intercultural education and health services) to their unique cultural characteristics, as well as the cultural adaptation of infrastructure designs; (iii) access to communication infrastructure and information and communication technologies, particularly in isolated geographical areas; and (iv) the targeting of services to urban indigenous *barrios* via actions that reclaim and capitalize on the sociocultural capital of those communities, culturally adapt services to their needs and demands, and seek to eliminate the implicit or explicit factors that impede equitable access to health, education, housing, and sanitation services, etc., for those communities.

Box 7. The Bank and the Promotion of Indigenous Governance and Entrepreneurship

Economic governance. In the context of the Bank’s technical cooperation operations with indigenous oil companies in Ecuador’s Amazon region, there have been discussions about indigenous political leadership in managing these businesses. The lessons learned generated a consensus on the need to separate technical business management from political leadership, with a resulting proposal to create a trust for the transfer of the companies’ net profits, minus operating and reinvestment costs. Political leaders would participate in the trust, under rules established by the communities to invest in such areas as professional training, seed capital for new business undertakings, and cofinancing for redirecting public investment toward indigenous territories.

Indigenous entrepreneurship In a project for a highway corridor in northern Bolivia, alternatives were considered for managing the impact on the Aymará de Yolosá community. Instead of being limited to paying compensation, a decision was made to promote a system of entrepreneurial empowerment for the community. A component was designed to create a company to operate a stopping place along the highway that would include a service station, auto repair shop, restaurant, hotel, and booths for selling local products and handicrafts. The component includes training, agreements with communities and neighboring municipalities, a home relocation plan, the building of a school, and the identification of potential partners for using and transferring technology.

Articulation of traditional indigenous economies with the market. The project to develop the northern border of Ecuador includes a technical cooperation operation being executed with the indigenous organization CONFENIAE, in which three *qollqa* projects are being designed for indigenous communities located in Ecuador’s Amazon region in order to better articulate the market with traditional nonmonetary economies based on reciprocal exchanges, which are common among the indigenous peoples of the region. This consists of creating bulking centers to collect communities’ output to then sell it on the market and, with the profits, create a commissary that provides the communities with market products. The system is based on an evaluation of how money is used in the communities and on their reciprocal exchanges. It also includes an accounting system for calculating equivalences, secondary transformation and marketing projects in the bulking center, and the delivery of services by the system’s partners in order to offset potential deficits in their accounts.

⁵⁸ See ILO Convention 169 Concerning Indigenous and Tribal Peoples in Independent Countries, Articles 6.2 and 7.1.

- (b) In the area of *education*, the Bank will continue to support and foster primary bilingual or intercultural education as well as access for indigenous peoples to secondary and higher education. Accordingly, innovations and pilot projects for indigenous education systems will be promoted, as will the creation of bilingual and intercultural curricula that bear in mind cultural knowledge and practices. Schools in indigenous territories will also receive Bank support. These efforts take into account possibilities for distance learning via information and communication technologies. The Bank also plans to provide support to improve indigenous students' access to universities or post-secondary education centers, as well as for the development of alternative higher education models such as indigenous universities with intercultural curricula. And lastly, the Bank will fund awareness-raising measures and campaigns on indigenous issues.
- (c) In the area of *health*, to the extent possible or appropriate, the Bank will support specific activities aimed at narrowing the quantitative and qualitative gap in health services received by indigenous peoples, through affirmative and socioculturally appropriate actions that take into account the importance of strengthening indigenous traditional practices, breaking down cultural barriers that limit access to public health services, and coordinating allopathic and indigenous healthcare systems. In addition, special attention will be paid to maternal-infant health, maternal mortality, and the training of local indigenous staff in Bank-supported health projects.

Enhancing Opportunities for Economic Development

It is necessary to strengthen comparative advantages, break down and eliminate barriers to access, reinforce the cultural relevance of opportunities and services, and strengthen the management capacity of indigenous peoples so that they may participate in economic activities on an equal footing. Accordingly, the Bank will support:

- (a) Programs to facilitate the *identification and development of economic opportunities* for in-

igenous men and women, especially those activities that capitalize on the resources or comparative advantages of indigenous communities. In this context, the Bank will facilitate support for the creation of indigenous enterprises in areas that include (without being limited to): provision of products and services for self-sufficiency, environmental services, management of cultural heritage, ecotourism, art and handicrafts, forestry, mining and hydrocarbon products, agriculture and organic production, biodiversity-related intellectual property and knowledge, the public or private provision of goods and services within their communities, food processing, textiles, production and management of water and infrastructure (such as, electrification, sanitation, rural roads) and maintenance services, as well as articulation and access to markets for indigenous products.

- (b) *Reduced segregation and discrimination in the labor markets*, through the promotion of activities to strengthen and enforce the regulations and rights of formal and informal labor and financial markets in order to eliminate the discrimination and obstacles faced by indigenous peoples, particularly indigenous women, and promote indigenous peoples' access to technical and management positions in both the public and private sector. When relevant and technically feasible, initiatives of this type will aim to streamline procedures and conditions in order to make access to services and market opportunities more equitable, and to create affirmative systems of inclusion in the Bank's own labor practices. Such measures must focus on complementary training programs to eliminate barriers and preferential treatment with respect to suitable educational and economic opportunities, bearing in mind the sociocultural specificity of indigenous peoples.

- (c) The facilitation of *access to communication, information, and financial services*, including the adaptation of credit and other conventional financial services via personal and interest loan systems, financial and legal systems to eliminate constraints on collective territories guarantees, and equity interest models for indigenous businesses, including the creation of joint ventures, etc. Where possible, and in accor-

dance with the development and management perspectives of the indigenous peoples involved, the Bank will also support systems to complement conventional financial services, through the promotion of exchange mechanisms unique to traditional reciprocity economies and internal indigenous markets for renting out lands, trading products among different environmental zones, and other nontraditional methods of accessing credit and capital that take into account the unique situation of indigenous peoples (Box 8). With respect to financial services, as well as access to information in general and the facilitation of commercial and administrative procedures, the Bank will support innovative uses of information and communication technologies by indigenous peoples.

- (d) The *promotion of access to venture capital*, including the use of remittances sent by indigenous migrants to invest in communities of origin, and of savings and loan systems, by lowering transaction costs and creating opportunities for economic development that take into account the comparative advantages of indigenous heritage and the sociocultural ties between migrant communities and communities of origin.
- (e) *Indigenous co-management of natural resources* in their territories and in surrounding areas, including oil and mineral resources, pursuant to the standards established in Article 15 of ILO Convention 169 and national regulations with respect to: (i) indigenous participation in the administration and sustainable management of the resources; (ii) fair compensation; and

(iii) whenever possible, the indigenous peoples' enjoyment of the benefits generated by the use of those resources. Accordingly, the Bank will support governments and project proponents in designing and adopting systems to manage revenues generated by indigenous participation in order to include the direct and transparent transfer of resources to the indigenous peoples, using their own development plans as a key criterion in planning the investment of those revenues; the Bank will also support the internal strengthening of indigenous institutions for the effective management and social control of resources. Additionally, the Bank will support the development of indigenous peoples' own capacity for environmental management, as well as other indigenous initiatives in the areas of environmental management, enterprise and service provision.

- (f) The promotion of highly participatory and geographically targeted *integrated community development projects and components* that stress capacity-building for self-management, participatory planning, the incorporation of indigenous rights and traditional knowledge, and socioeconomic and productive development. In acknowledgement of how complex execution of these projects is, a systematization of multiphase project modalities or other alternatives that make it possible to adapt Bank instruments and processes to the realities of work with indigenous communities and organizations will be sought. In addition, sector projects and specific initiatives to complement these projects and strengthen the weakest areas will be used (Box 8).

Box 8. Toward a New Generation of Indigenous Projects

Sector programs	→	Integrated and cross-sector development
National coverage	→	Geographical focus
Planning by experts	→	Participatory planning
Culture as an obstacle	→	Culture as a means
Centralized service-delivery mechanism	→	Articulation between municipalities and communities
Intragovernmental decision-making process	→	Participation of NGOs and grassroots organizations (OTBs) in decision-making
Strengthening of government institutions	→	Training and strengthening of NGOs and OTBs
Imposed land-use planning	→	Land-use planning agreed upon with the community
Individual ownership titling	→	Option of having community ownership titling
State welfare	→	Self-management of resources with social control mechanisms
Four to six-year execution periods	→	Multiphase projects

Promoting Rights, Regulations, and Legal Safeguards

Indigenous peoples enjoy specific rights, both nationally and internationally, and have their own indigenous juridical systems (internal or customary rights), which are especially important with respect to their territories and natural resources. In order to guarantee legal safeguards for indigenous peoples and their lands and territories, the Bank intends to:

- (a) Support national governments and indigenous peoples in fostering the *enforcement of the applicable legal norms*⁵⁹ governing indigenous peoples and rights in each country. This will include, on the part of governments, the strengthening of government agencies responsible for indigenous issues, the articulation of *indigenous legal systems* with national legal systems in order to promote greater access to and quality of legal services, the elimination of discrimination in terms of access to other services, and the promotion of training and the institutionalization of suitable mechanisms for ensuring indigenous rights.
- (b) Promote, in *land registry and management projects*: (i) the regularization of indigenous territories, recognition of forms of collective ownership and land management as well as the concept of the cultural use of land; and (ii) the implementation of co-management systems where protected areas overlap with indigenous territories (Box 9). The Bank will also support indigenous efforts and initiatives to promote internal indigenous land rental markets and to facilitate the use of the land as equity or collateral for gaining access to credit or other forms of financing. The Bank will seek viable ways to support national governments in implementing processes to regularize indigenous lands that have been encroached on and protect those lands against new encroachment, including titling programs, internal land registries based on collective ownership of land, dispute settlement mechanisms, and effective monitoring systems, among others.

- (c) Promote *intellectual property* protection for indigenous peoples' knowledge and arts and handicrafts by supporting governments' efforts to strengthen the corresponding legal frameworks and include the necessary safeguards in relevant projects financed by the Bank.
- (d) Foster, in projects to protect or restore *historical or cultural heritage*, indigenous peoples' participation in managing these resources when they are related to their ancestral heritage. Additionally, in the case of tourism projects in indigenous territories, the Bank will ensure that indigenous peoples participate in the management of *tourism* businesses and share in the revenues and benefits generated by such businesses; this will include the promotion of indigenous companies and joint ventures.
- (e) In the case of projects that may have potential adverse impacts on *uncontacted indigenous peoples* (also known as "peoples in voluntary isolation"), require that these projects respect the right of these peoples to remain in isolation and to live freely according to their culture. Projects with the potential of directly or indirectly impacting these peoples, their lands and territories, or their way of life, will have to include the appropriate necessary measures to (i) safeguard the collective and individual physical, territorial, and cultural integrity⁶⁰ of these peoples; (ii) recognize, respect and protect their lands and territories, environment, health and culture; and (iii) avoid contact with them as a direct or indirect consequence of the project. To this end, the Bank will support governments' efforts to regularize the territories of the uncontacted peoples and establish buffer zones, limit access to such territories, and develop the necessary monitoring and emergency response measures, making avoidance of contact a priority.

⁵⁹ Refer to paragraph on indigenous rights in section II of this strategy.

⁶⁰ See footnote 1.

Box 9. Incorporation of Traditional Knowledge in Land-use Planning

The **Integrated management of ecosystems of Central American indigenous peoples** financed by the Global Environmental Facility (GEF), seeks to strengthen indigenous communities as a way to help sustainably manage the buffer zones of the Mesoamerican Biological Corridor. One of the project's strategies centers around developing territorial management plans based on the identification of cultural land-use patterns, a determination of land sustainability, and adjustments to the indigenous laws needed to guarantee the sustainable management of the six ecosystems included in the project using the CLAN (cultural land use analysis) methodology developed by the Bank.

- (f) In projects that do not target indigenous communities but that might have adverse impacts on them, the Bank will strengthen the *tools for identifying, avoiding, mitigating, and offsetting direct, indirect, and cumulative adverse impacts*. Accordingly, it will be necessary to ensure the effective participation of the peoples affected in the evaluation of operations that might cause them harm, in developing and executing mitigation and compensation programs, and, when possible, also ensure they receive a share of the benefits generated by the projects. Before approving operations with particularly significant potentially adverse impacts, the Bank will demand evidence that the project proponent has reached satisfactory and duly documented agreements with the peoples affected, or has obtained their consent. Such documentation must support the sociocultural feasibility of the project according to the Bank in the terms set out in subsection (c) of the paragraph on safeguards in section VII of this strategy. In light of the vulnerability, institutional weakness, and frequent comparative disadvantage in terms of negotiating power of indigenous peoples, the Bank will endeavor to support the evaluation, consultation, and good-faith negotiation processes necessary for enforcing these safeguards with the mechanisms and resources necessary to ensure the quality of the process and the creation of conditions that
- foster good faith negotiations aimed at reaching an agreement or obtaining the consent⁶¹ of the indigenous peoples or groups affected. Each project's proponents will be responsible for carrying out those processes, subject to quality verification by the Bank, and the parties should plan for and allow the necessary lead time to ensure the effectiveness of the process.
- (g) In regional or transnational initiatives or operations, the Bank will take into account potential impacts on *transborder indigenous peoples*, ensuring, as the case may be, specific consideration of their concerns via consultation and good faith negotiation processes during the initial stages of a project and throughout the project cycle. The Bank will promote special projects and measures for identifying issues related to transborder peoples and will foster binational and multilateral agreements that promote the regularization and legal safeguarding of land ownership and resources, territorial control, and other culturally suitable programs related to rights and priorities. These measures will promote free movement and trade, health, economic, social, and cultural integration among peoples, and the safeguarding of these peoples' rights with respect to the landscape, biodiversity, cultural heritage, traditional knowledge, and riverside, coastal, and marine resources.

⁶¹ Refer to footnote 9.

VII. Implementation Activities

This strategy will be implemented through: (i) Bank mechanisms for dialogue with countries; (ii) country strategy preparation and negotiation processes, and, when relevant, Bank portfolio programming processes as needed; (iii) project identification, design, execution, monitoring, and evaluation processes; (iv) training and raising awareness among the staff of the Bank, government agencies, particularly the executing agencies of Bank projects and those specializing in indigenous issues, and indigenous organizations, communities and traditional authorities, about the objectives, scope, and instruments of the operational policy and the strategy; (v) the implementation of safeguards to prevent, mitigate, compensate or offset the potential adverse impacts of Bank operations on indigenous peoples and their rights; and (vi) the adoption of consultation, good faith negotiation, and participation processes for indigenous peoples with respect to the mechanisms for implementing this strategy and the Operational Policy on Indigenous Peoples. Management's Programming Committee will approve the operational guidelines necessary to help Bank staff implement this strategy and the operational policy.

Country Dialogue

The Bank will support the strengthening of intercultural spaces for dialogue and good faith negotiation at the national, regional, and international level among indigenous peoples, national governments, the private sector, and the remaining sectors of civil society for the adoption of policies, legal frameworks, plans, and projects that promote development with identity, facilitate dispute resolution, and help create a culture of greater knowledge, mutual respect, and cooperation. Accordingly, the Bank will:

- (a) Capitalize on existing dialogue mechanisms and forums and improve internal subject-matter *coordination* among its units, as well as coordination with external organizations on indige-

nous issues, by conducting the necessary studies and consultations.

- (b) Promote, in the context of its support for *regional* trade and infrastructure, *integration initiatives* (such as the Puebla–Panama Plan, the Initiative for the Integration of South American Regional Infrastructure (IIRSA), the Andean Community, and free trade agreements), the adjustment of procedures to identify and manage direct and indirect environmental, social, and cultural impacts to match international standards (Box 10).
- (c) Intensify its efforts to help harmonize *its criteria and procedures with those of other international agencies*, and coordinate and support *regional institutions* that promote dialogue and coordination between governments and indigenous peoples, such as the Fund for the Development of the Indigenous Peoples of Latin America and the Caribbean.
- (d) Promote culturally appropriate work structures in the various levels of government to respond to the needs of indigenous regions and peoples.

Strategic Measures (mainstreaming)

In the context of the country studies, poverty assessments and dialogue and negotiation processes with national governments, the Bank will promote, where relevant, a more systematic inclusion of indigenous peoples' specificity and greater targeting of their needs and demands in order to:

- (a) *Conduct studies and enter into dialogues with national governments in an attempt to boost the presence in the loan portfolio* of activities targeting indigenous peoples or culturally relevant activities, including innovative entrepreneurial and integrated development projects, taking into account the Bank's limitations and comparative advantages and the development context of each country and its indigenous peoples.

Box 10. Indigenous Participation at a Regional Level: the Indigenous Consultative Council for Dialogue on the Puebla-Panama Plan

In 2002 and 2003, with Bank support, the Central American Indigenous Council (CICA) held a consultation to develop a strategy for indigenous development in Central America. With this input, the CICA presented a strategy known as the *Abya Yala* document (which means “America” in the Tule-Kuna language), which includes conditions for indigenous peoples’ participation in the Puebla-Panama Plan (PPP), as well as proposed measures for mitigating adverse impacts and several proactive initiatives in the areas of legal safeguards, higher education, protection of rights, and raising awareness in nonindigenous society so as to build pluricultural societies. The CICA proposal to incorporate an indigenous commissioner was rejected and failing that, the *Grupo Asesor de Pueblos Indígenas y Etnias* [Advisory Group for Indigenous and Ethnic Peoples] (GAPIE) was created with advisory functions; it was comprised of government institutions without direct indigenous representation. After nearly two years of negotiations, an agreement was reached by which indigenous peoples would form an autonomous consultative council, thereby allowing discussion of the *Abya Yala* document and other indigenous proposals to be renewed and the subject of the institutional articulation of the planned initiatives to be raised again.

- (b) Seek the *mobilization of additional nonreimbursable or contingent financial resources* for demonstrative or high impact pilot projects, by prioritizing resources and creating strategic partnerships with private institutions (foundations, businesses, etc.), including indigenous organizations from nonborrowing countries.
 - (c) Overcome the time and continuity constraints characteristic of conventional projects. Where possible and relevant, *the project instrument will be adapted* to the idea of indigenous development as a process, using multiphase and innovation projects from the Project Preparation Facility, as well as Sector-Wide Approaches (SWAs), Conditional Credit Lines for Investment Projects (CCLIP), and others.
 - (d) Identify or create specific mechanisms for indigenous peoples, specifically to facilitate direct financing for communities, such as strategic associations with the private sector, issue-specific financing, and bridge capital loans.
- (a) Procedures and criteria to be included in project design, execution, and evaluation processes, especially in: (i) the early identification of projects that may pose risks or offer opportunities to indigenous peoples; (ii) *sociocultural assessments* done with the participation of the affected community; (iii) the geographical, institutional, or issue-related targeting of *pilot initiatives in emerging areas*, such as indigenous joint ventures, support for intercultural health systems, the use of information technology, access to higher education, and the articulation of urban-rural networks, among others; (iv) the inclusion of sociocultural relevance, by, among other things, building the capacity of indigenous organizations, professionals and leaders for the preparation and presentation of projects; and (v) *impact and risk assessment* and the mitigation of possible adverse impacts potentially generated by Bank operations on indigenous peoples and their rights.

Project Design, Execution, Monitoring, and Evaluation

Where relevant, the Bank will systematically include indigenous issues in all phases of the project cycle. In order to improve project quality, the Bank

- (b) *Further the cross-cutting and socioculturally appropriate inclusion*, where relevant, of indigenous peoples' needs and demands in sector projects to support production, environmental management, basic infrastructure (electrification, water and sanitation, local roads), and basic services (education, health, housing), including institutional adaptation and intercultural articulation.
- (c) *Adaptation of procedures*, where possible and technically feasible, so that execution, eligibility, and hiring reflect the social and economic realities of indigenous peoples, make information available to indigenous peoples regarding the availability of financial resources they might be able to access, simplify accounting and management processes, and promote affirmative action to ensure a level playing field for indigenous peoples as project beneficiaries, suppliers, and contractors, in accordance with Bank bidding procedures.
- (d) *Performance evaluations* of Bank operations and activities with respect to this strategy's objectives, the requirements of the Operational Policy on Indigenous Peoples and, in general terms, the "development with identity" goals, in accordance with the specific indicators set out in section VIII of this strategy.

Training and Awareness

The Bank will implement dissemination and training measures, including financial support, to raise awareness about indigenous activities within the institution and in the public and private sectors in the countries of the region, and to raise the level of awareness and sensitivity to the issue of indigenous peoples' cultural diversity among its own staff and its counterparts' staffs. This will include:

- (a) *Training indigenous peoples* for dialogue and negotiations and to take part in raising the awareness of the nonindigenous population so that they may better understand indigenous peoples' reality, demands, and perspectives.
- (b) Strengthening the *Bank's internal capacity* by diversifying its human resources, providing its personnel with adequate background on indige-

nous issues, strengthening the technical capacity of the Country Offices, improving the monitoring and evaluation systems for the project portfolio, providing incentives to staff, hiring indigenous people for technical and management positions, among others.

- (c) *Technical training* programs, via the Inter-American Institute for Social Development (INDES), for government, indigenous communities and organizations, and private sector staff, with the participation of indigenous instructors whenever possible.
- (d) Activities to *promote cultural exchanges* and improve the mutual relations between indigenous and nonindigenous peoples at a local, national, and international level, including mass media (radio, publications, web pages, among others) and the promotion of exchanges between the indigenous peoples of Latin America and the Caribbean and those of nonborrowing countries.

Safeguards

In order to be eligible for Bank financing, operations need to comply with applicable legal norms, satisfy the safeguards established in the Operational Policy on Indigenous Peoples, and be consistent with other Bank policies. Consequently, the Bank will adopt the measures necessary to ensure that its activities and operations do not jeopardize or undermine indigenous peoples and their rights. Therefore, in accordance with the requirements of the Operational Policy on Indigenous Peoples, the Bank will implement the following actions:

- (a) In the context of the social and environmental quality review of its projects, strengthen *standards and guidelines* on sociocultural relevance and feasibility in order to avoid, mitigate, compensate or offset adverse impacts and safeguard indigenous peoples' legitimate interests and rights. Such standards and guidelines will take into account the points of view of indigenous peoples, and will be incorporated into the Bank's safeguards and environmental procedures using specific operational guides approved by Management's Programming Committee.

- (b) Establish mechanisms and criteria to safeguard uncontacted indigenous peoples, also known as “peoples in voluntary isolation,” transborder peoples, and those in other especially vulnerable situations, and their respective rights.
- (c) Implement consultation, good faith negotiation, and agreement or consent mechanisms under the terms set out in the paragraph on consultation and participation mechanisms below. As part of these processes, the Bank will adopt specific procedures and guidelines for: (i) identifying operations whose potential positive or negative impacts on indigenous peoples require obtaining their support, agreement or consent regarding the activities involved; and (ii) establishing a procedure by which project proponents and Bank staff must obtain, verify, and demonstrate that such agreements or consent are enough to support the Bank’s determination as to the sociocultural feasibility of each operation. In this context, the sociocultural viability of a project will require: (i) verifiable records demonstrating that negotiations were conducted in good faith; (ii) evidence that applicable legal norms, including the constitution, as well as Articles 6 and 7 of ILO Convention 169 have been observed;⁶² (iii) evidence of a net flow of benefits to the affected indigenous communities; and (iv) wide support by the indigenous peoples affected.

Consultation and Participation Mechanisms

The Bank will implement mechanisms that ensure the early and effective participation of indigenous peoples in the relevant stages of Bank operations and activities that may potentially and significantly impact them. Additionally, measures will be taken to ensure that those peoples are not intentionally or involuntarily excluded from projects or activities that might potentially benefit them significantly. Accordingly, the Bank will:

- (a) Require assessments, expert screenings, and whenever possible, *early* and socioculturally appropriate *consultation and good faith negotiation processes*, designed to identify the in-

digenous peoples affected and their genuine representatives, and identify and evaluate the potential benefits for and impact on indigenous peoples or groups.

- (b) In keeping with the new strategy for civil society participation in Bank activities, which pays special attention to opportunities and requirements for indigenous peoples’ participation, promote the *inclusion of indigenous representatives in consultations during the early stages of the project cycle*, including the formation of councils and spaces for dialogue with indigenous peoples’ representatives when relevant (Box 11).
- (c) For independent operations specifically targeting indigenous beneficiaries, require agreement or consent from the indigenous peoples or groups affected.
- (d) For operations with specific measures for indigenous peoples (mainstreaming), require socioculturally appropriate consultation and good faith negotiation processes with the indigenous peoples involved.
- (e) For operations that may have a particularly significant adverse impact, require agreements demonstrating the project’s sociocultural viability.
- (f) Depending on the nature and intensity of the potential benefits or impacts, use the appropriate consultation, good faith negotiation, agreement or consent, and participation procedures in subsequent project development stages, such as the design of the project and alternatives, the incorporation of mitigation, compensation, or indigenous development plans, as the case may be. The Bank will also use the implementation, monitoring, and evaluation of the project to promote common criteria with indigenous peoples regarding the projects and have them take ownership of the processes and outcomes being promoted.
- (g) In a manner that is consistent with its policies and procedures, facilitate financing for indigenous peoples to conduct their own consultation processes.

⁶² As in force in each country.

Box 11. Stakeholder Analysis, Consultation and Participation

In 1998, for the Darién sustainable development program, the Bank designed a strategy to identify social subjects via an analysis of cultural uses of the land and sociocultural dynamics; it found 12 different cultural groups of indigenous peoples, afrodescendants, and *campesinos*. Such an analysis made it possible to identify their types of authority, target the consultation workshops with their representatives, design participatory territorial management plans consistent with their patterns of use, and design a demand-driven program execution system, thus empowering the benefiting communities. The cost of this process accounted for only 8 percent of the total cost of program preparation.

Over time and based on the Darién experiences, the Environment and Natural Resources Division in Region 2 (RE2/EN2) has been fine-tuning this methodology in other projects, such as the Panama Canal Basin, Bocas del Toro, Trifiño, Sixaola, Huetar region, and Maya Biosphere Reserve Region development programs.

The methodology gives order to an early stage for the sociocultural assessment of the social stakeholders, their representatives and their agendas, community consultation, participation and good faith negotiation opportunities, and the articulation with institutional stakeholders during project execution.

Project or activity proponents will be responsible for meeting these requirements.⁶³ Proponents as well as affected indigenous peoples may request logistic, financial, or other Bank support, in which case the Bank will seek to prioritize resources and incorporate rapid response programs as part of the Project Preparation Facility, issue-based funds, and other new or existing sources of support. In this process, the Bank will take into account the need to eliminate power and resource imbalances among the parties. Bank staff in charge of the operation or activity will be responsible for guiding, supporting to the extent possible, and verifying to the Bank's satisfaction, the quality of the processes and the legitimacy and feasibility of the outcomes and agreements reached. The quality of processes and outcomes, and conclusions regarding the satisfaction of viability criteria will be validated by the general and social and environmental institutional quality control mechanisms established by Bank Management.

The Bank will promote the institutionalization of indigenous participation in its projects and pro-

grams; this will include the creation of an *Indigenous Advisory Council* at Bank headquarters that is to meet periodically in order to monitor the implementation of this strategy and the Operational Policy on Indigenous Peoples. The Bank will also promote, where relevant, the creation of indigenous councils or other spaces for dialogue in the Country Offices in order to monitor projects that may benefit or significantly impact indigenous peoples. These advisory councils in each country may be complemented, as necessary, by other types of participation that support the preparation and execution of specific operations. In the case of regional programs, the Bank will promote the creation of consultation mechanisms to facilitate dialogue between indigenous peoples and the countries involved. These mechanisms will be primarily composed by representatives designated by indigenous organizations from borrowing member countries. Nevertheless, the councils can also include indigenous experts and professionals who are not affiliated with traditional authorities whose knowledge and experience can contribute to the issues under consideration.

⁶³ In countries that have government agencies specialized in indigenous issues and on the protection of indigenous rights, the project proponent will seek the participation of these agencies in all stages of the consultation process.

VIII. Performance Indicators

Output, outcome, and impact indicators to measure how successfully this strategy is being implemented should be coordinated with development effectiveness measurement tools being developed by the Bank, including the strengthening of project monitoring and evaluation processes. At the same time, the indicators related to this strategy should include those that are tailor-made to take into account the reality of each indigenous community or group in its respective national context, and be tied, as relevant, to measurements of progress being made in achieving the Millennium Development Goals and incorporated into the medium-term action plan for development effectiveness (MTAP). These indicators will include quantitative and qualitative measurements that take into account methodological difficulties, such as attributing outcomes to Bank activities and the causal relationships between inputs, outcomes, and impacts.

Output indicators that measure progress made by the Bank in generating the outputs needed for the implementation of this strategy may include:

- (a) The adoption of an *action plan* to implement the Operational Policy on Indigenous Peoples and the Strategy for Indigenous Development in which the baseline, process, and frequency for measuring the indicators are set out.
- (b) The inclusion in the *country strategies'* development process, where relevant, of studies to assess and analyze indigenous issues in the country.
- (c) A measurement of the *evolution of the project portfolio*, in quantitative and qualitative terms that reflect greater inclusion of indigenous issues.
- (d) An increase in *nonreimbursable resources*, for both technical cooperation operations and cofinancing projects targeting indigenous peoples.

- (e) The increased participation of indigenous peoples in *forums for consultation, dialogue, and participation* created by the Bank in the countries of the region.
- (f) An increase in indigenous participation in the presentation of proposals, design and execution of projects.
- (g) The creation or broadening, in the relevant Country Offices, of *spaces for dialogue* between the Bank and indigenous peoples in order to monitor projects and measures that may either benefit or adversely impact these peoples.
- (h) The creation, at Bank headquarters, of an *Indigenous Advisory Council* responsible for advising the Bank on the implementation of the Operational Policy on Indigenous Peoples and the Strategy for Indigenous Development.

Indicators of the direct outcomes of Bank activities that measure the effectiveness of Bank outputs in meeting the strategy's objectives will include:

- (a) Systematic data, through logical frameworks or similar instruments, that reflect progress made in meeting the objectives and major strategic focuses identified in section VI of this strategy.
- (b) Information on projects with potentially adverse impacts on indigenous peoples that demonstrate the effectiveness of the safeguards' guidelines set out in the strategy and the operational policy.

Impact indicators that measure the progress made in each country toward the strategy's and the operational policy's end goal, namely "development with identity," will provide data on key variables that indicate improvements in the living conditions of the target population, and will include indicators in terms of access to and cultural adaptation of services, the safeguarding of cultural integrity, and ar-

articulation between “development with identity” and national and regional development, such as: (i) increased food security and indigenous agricultural production in general; (ii) improved health indicators and more programs that recognize traditional indigenous medicine and seek to include it alongside allopathic medicine; (iii) access to and the quality of (bilingual and intercultural) education in general, particularly higher education; (iv) territorial security, including recognition, demarcation, regularization, and the enforcement of rights; (v) the creation of profitable indigenous businesses and articulation and access to markets for indigenous products; (vi) improved access to justice and the articulation of indigenous juridical systems with national legal systems; (vii) quality and control of, and access to natural resources in areas of indigenous interest; (viii) access to spaces for indigenous spiritual practices; (ix) the creation of financial and business instruments suitable for indigenous peoples’ traditional and intercultural economies; (x) innovations in the intercultural economy; (xi) the safeguarding and promotion of traditional knowledge; (xii) creation of indigenous development and research organizations in borrowing countries, with active and effective indige-

nous participation; (xiii) the quality of social capital within indigenous peoples communities and organizations; (xiv) the institutionalization of indigenous participation in decision-making processes that affect them; (xv) actual investment and benefit distribution among indigenous and nonindigenous groups in projects in indigenous areas; and (xvi) achievement of the Millennium Development Goals, broken down for the indigenous population where possible and relevant.

This strategy will be evaluated five years after its approval in all aspects related to the development with identity of indigenous peoples, by means of independent evaluations that will include consultations with national governments, indigenous peoples, the private sector and civil society. The Bank will adopt evaluation instruments and procedures that support the adequate participation of indigenous peoples in the identification of indicators and in the evaluation processes related to the implementation of the policy and strategy. The results of the evaluations will be presented to the Board of Executive Directors and disseminated in accordance with the Bank’s Policy on the Disclosure of Information (OP-102).

Annex

Socioeconomic and Poverty Indicators

Indigenous Population

Estimates of the number of indigenous people vary depending to the data source. National censuses tend to underestimate the indigenous population (some more than others) because of problems associated with geographic isolation, methodological limitations in the design and use of census tools, and a lack of trust in census agencies. Table 3 provides estimates for the indigenous population per country based on a combination of sources.

**Table 3. Estimated Indigenous Population in Latin America
(in thousands)**

Population	National Population	Indigenous Population	Percentage
Bolivia	8,329	5,914	71
Guatemala	12,640	8,342	66
Peru	27,013	12,696	47
Ecuador	12,920	5,556	43
Belize	250	47	19
Honduras	6,250	938	15
Mexico	100,350	14,049	14
Chile	15,211	1,217	8
El Salvador	6,123	429	7
Guyana	697	56	8
Panama	2,808	168	6
Suriname	431	26	6
Nicaragua	4,813	241	5
Paraguay	5,586	168	3
Colombia	39,686	794	2
Venezuela	23,543	471	2
Costa Rica	3,644	36	1
Argentina	36,955	370	1
Trinidad & Tobago	1,075	12	1
Brazil	166,113	332	0
Uruguay	3,278	1	0
Total	477,715	51,971	11

Sources: Roldán, R. 2003, ILO, IDB, Amazon Cooperation Treaty (TCA), and others.

Poverty Indicators

According to IDB and World Bank studies, poverty rates for indigenous peoples are much higher than those for the nonindigenous population, and, in most countries for which there is data, poverty levels have remained high over the past decade. Additionally, indigenous peoples are less vulnerable to crises. Table 4 shows that for Ecuador, Guatemala, Peru, Mexico, and (urban) Bolivia the percentage of people of indigenous descent living below the poverty line is far higher than for nonindigenous people, and that over the past decade, even though in four out of these five countries the poverty rates for the nonindigenous population have remained constant or have improved slightly, poverty rates for indigenous peoples have remained the same (or risen slightly). The gap, therefore, between indigenous and nonindigenous peoples in four of the five countries has widened. Indigenous women, in particular, are among the poorest and most marginalized, with lower levels of schooling and income, and higher rates of morbidity and mortality and maternal and infant mortality (Table 5).

Table 4. Poverty Rates of Indigenous and Nonindigenous Peoples

	Previous Year		Following Year	
	Indigenous	Nonindigenous	Indigenous	Nonindigenous
Urban Bolivia (1989-2002)	62	58	57	52
Ecuador (1994-2001)	80	58	80	60
Guatemala (1989-2000)	95	78	81	61
Mexico (1992-2002)	90	52	90	51
Peru (1994-2000)	62	61	63	62

Source: Patrinos, H. and Hall G. Indigenous People: Poverty and Human Development in Latin America, 1994-2004. Preliminary report, World Bank. Data based on national poverty lines.

Table 5. Ratio of Average Wages per Main Job

Country	Wages	Women	Men	All
Bolivia	Indigenous/nonindigenous	41.4	42.9	42.4
Guatemala	Indigenous/nonindigenous	50.3	48.5	50.0
Peru	Indigenous/nonindigenous	53.7	62.7	56.7

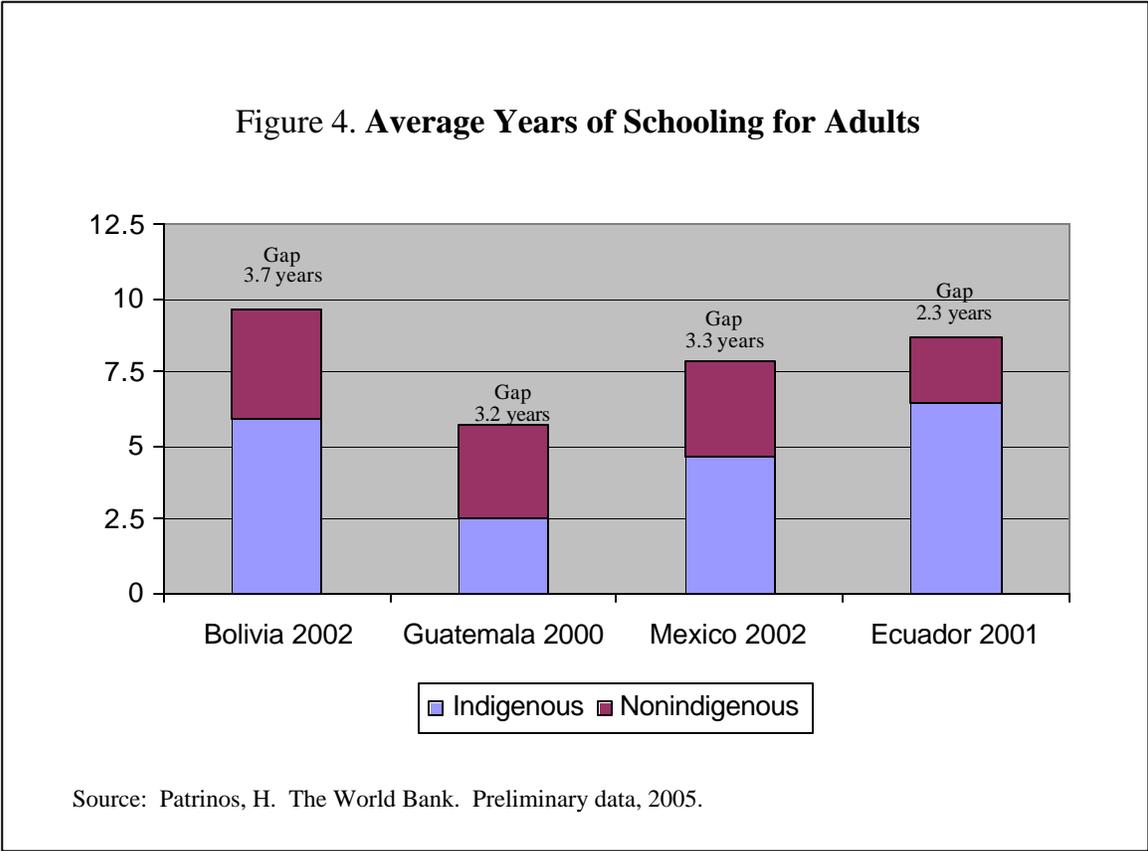
Source: Duryea, S. and Genoni, M. E.. Ethnicity, Race and Gender in Latin American Labor Markets. IDB, 2004, based on household surveys from 1998 and 1999.

Education Indicators

As the figures below show, some progress has been made in terms of access to education. For countries with reliable data, this reflects improvements in enrollment rates indicators as well as basic public education coverage for the indigenous population (Figure 4). Bilingual education services began to expand in the 1980s and have been adopted, with very few exceptions, as public policy in the countries of the region.⁶⁴ In fact, by 2004, 18 countries had intercultural bilingual education, compared with only six coun-

⁶⁴ Equality with Dignity, annual report, UNICEF, 2004.

tries in the 1970s.⁶⁵ Despite improved enrollment rates for indigenous and nonindigenous peoples, differences in schooling levels between the two groups continue to be significant, although in some countries progress has been made in narrowing this gap (Figure 5). Nonetheless, high repeater and dropout rates persist and teachers continue to be poorly qualified; these problems are more serious in the case of indigenous children than nonindigenous children. The disproportion is even greater among indigenous men and women, who, despite significant progress in some countries, generally show higher rates of illiteracy and have few years of schooling.

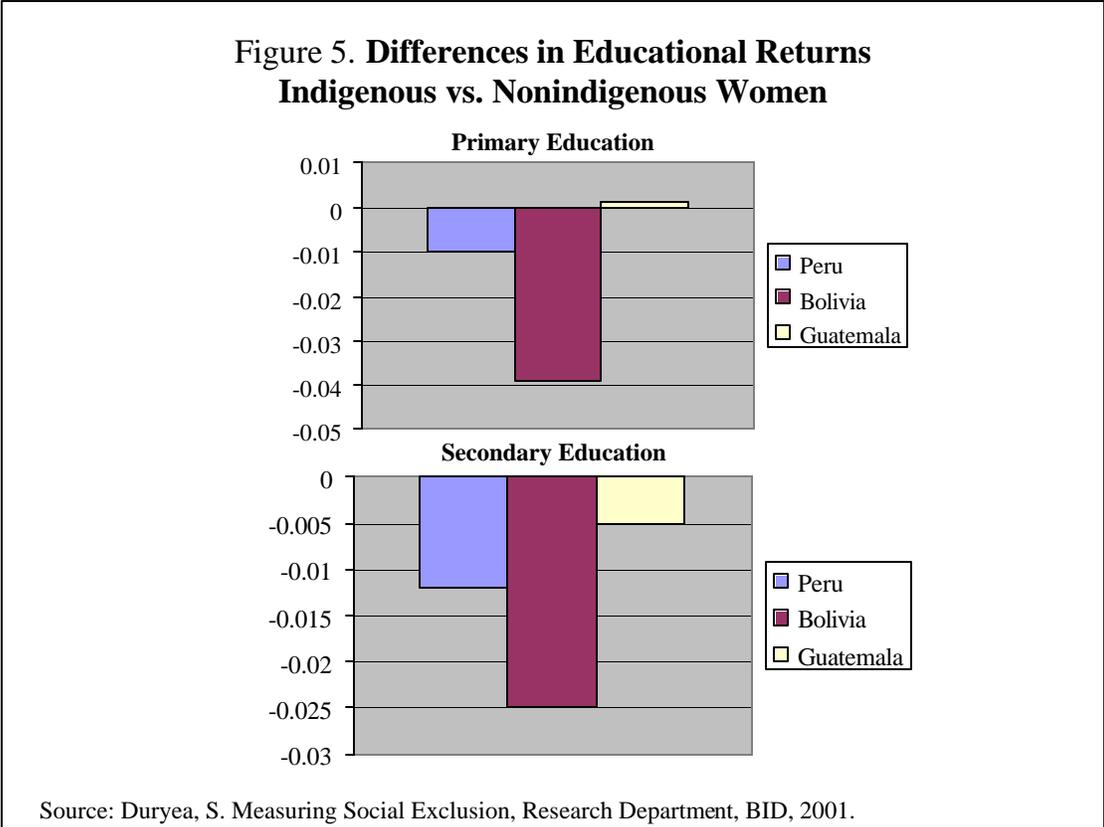


Health Indicators

Indigenous peoples are worse off in terms of health than other sectors of the population, with mortality and morbidity rates that far surpass those of the nonindigenous population. The gap in access to public health services is equally high, and only three countries (Bolivia, Mexico, and Peru) have recognized and provide government support for traditional indigenous medicine.⁶⁶ Infant mortality is especially high among the indigenous population. With the exception of Chile, in all countries with an indigenous population of more than 5 percent, mortality rates range between 26 and 62 per 1,000 live births (compared with an average rate of 25 per 1,000 for the entire population of Latin America). In countries like Mexico, Bolivia, and Ecuador, indigenous infant mortality rates are approximately double those of nonindigenous peoples. Of equal concern is the high indigenous maternal mortality rate, which is much higher than that

⁶⁵ Abram, M. Estado del arte de la educación bilingüe intercultural en América Latina, versión preliminar [Status of the Art of Intercultural Bilingual Education in Latin America. Preliminary version], SDS/IND, August 2004; Patrinos, H. and Hall, G., Indigenous People: Poverty and Human Development in Latin America, 1994-2004. Preliminary report, World Bank.
⁶⁶ UNICEF, Equality with Dignity, 2004.

of women who are not of indigenous descent (for example, maternal mortality in Honduras ranges between 190 and 255 per 100,000 in communities with a high concentration of indigenous people, compared to a national average of 147 per 100,000; in Peru and Bolivia, those rates are between 270 and 390 per 100,000 in indigenous areas, compared with an average rate of 125 per 100,000 for the region).⁶⁷ Infant malnutrition rates are also high. In Ecuador, malnutrition among indigenous children is 1.7 percent higher than among nonindigenous children. In Guatemala, chronic malnutrition affects 67.8 percent of indigenous children compared with 36.7 percent of nonindigenous children.



⁶⁷ PAHO, 2004 Bulletin; UNICEF, Equality with Dignity, 2004.