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THE WORLD BANK GROUP ARCHIVES
ORAL HISTORY PROGRAM

Transcript of interview with

DANIEL R. GROSS

**April 30, 2008
Washington, D.C.**

Interviewed by: William Becker

Session 1
April 30, 2008
Washington, D.C.

[Begin Tape 1, Side A]

BECKER: Good morning. Today is Wednesday, April 30th, 2008. This is Bill Becker with the World Bank Oral History Project and The George Washington University. And I'm here today to interview Daniel R. Gross. So, Mr. Gross, it's very nice to see you, Dr. Gross.

GROSS: Thank you very much. It's a pleasure . . .

BECKER: Okay.

GROSS: . . to be here.

BECKER: Okay. Very good. Thank you.

I'm going to start with some obvious and easy questions. When and where were you born?

GROSS: I was born in New York City, Brooklyn to be specific, in October 1942.

BECKER: Okay. Very good. And if I may ask, what did your father do for a living?

GROSS: My entire family—father, mother, sister—were all social workers.

BECKER: Social workers. Okay.

GROSS: Un-huh.

BECKER: Okay.

GROSS: That's right.

BECKER: Very good. Now, from my research, I find that you went from New York to Atlanta.

GROSS: Yes.

BECKER: So, so what part of your youth was spent in Atlanta?

*Daniel Gross
April 30, 2008—Final Edited*

GROSS: Oh, most of my early childhood, from the age of four onward until I was 17, when I went to college.

BECKER: I see. I see. Okay.

Now, you say your family were social workers. Did that have some influence on your interest, one, in anthropology, or later, in development issues?

GROSS: I suppose it did, although I don't know if it was a direct influence or it was indirect, because I started out in college as a music major, and then I decided I wanted to be a philosophy major.

BECKER: This is University of Chicago?

GROSS: That's right . .

BECKER: Okay.

GROSS: . . at the U. of C., and then I really fell into anthropology as a discipline almost by accident.

BECKER: Mm-hmm.

GROSS: I was in the strange position of having a fellowship to use for my undergraduate education, but no place to use it. So I took the advice of a friend and decided to go into anthropology, and that was the way I got involved in it. But I find that actually I've done quite a bit of things, quite a number of things that in some ways mimic part of my father's career.

BECKER: Mm-hmm. Okay. Okay.

Now, your major at Chicago—I'm showing off here my research . .

GROSS: Mm-hmm.

BECKER: . . was in philosophy?

GROSS: Right.

BECKER: So, you did—did you take much anthropology at Chicago?

GROSS: No, very little.

BECKER: Very little.

GROSS: Very little; yes.

BECKER: Okay.

GROSS: Just—I took the minimum required in social sciences, and that included some anthropology.

BECKER: Mm-hmm. Okay. And so you went to Columbia for your . .

GROSS: For graduate work.

BECKER: . . Ph.D. . .

GROSS: Right.

BECKER: . . in anthropology. Were there members of the faculty—or first of all, at Chicago, who later influenced your interest. You said a friend. I don't know if that was a fellow student or a . .

GROSS: It was one of my . .

BECKER: . . a faculty.

GROSS: . . childhood friends . .

BECKER: I see.

GROSS: . . a friend I had grown up with in Atlanta, who was studying anthropology. And he suggested that I try anthropology, since I was in this funny situation of having a very nice national fellowship.

BECKER: Mm-hmm.

GROSS: And it turned out to have been a good suggestion.

BECKER: A good choice.

GROSS: Yes.

BECKER: Obviously.

GROSS: Mm-hmm.

BECKER: So who did you work with at Columbia?

GROSS: At Columbia, I think the major influence on my thinking and my career was a man named—the late Marvin Harris. And Harris, who is best known to anthropologists as the author of a very well known book on the history of anthropological theory and also a number of books and articles on a wide variety of topics, where he took on—he took a particular theoretical approach, which was—he later called it cultural materialism, and there was some basis of his approach in Marxism, but there was also a lot of neoclassical economics.

BECKER: Mm-hmm.

GROSS: He never admitted to that, but that—it was the case. And, basically, his view was that people make decisions rationally and adaptively. A lot of things that may appear to be irrational are actually—can actually be understood in rational terms if one understands the context properly. So he had—he did a very interesting, and it turned out to be influential, study on sacred cattle in India, for example, where he showed that the doctrine of not slaughtering cattle was actually, from an ecological perspective and from the perspective of adaptation, was really beneficial. It was a better use of that resource than to slaughter cattle for meat. That study was later extended and corroborated by a number of other studies, and people now regard it as a kind of a landmark.

BECKER: Mm-hmm. Did this influence your work on your . .

GROSS: Absolutely.

BECKER: . . dissertation?

GROSS: Oh, very heavily.

BECKER: Okay. Now, how did you select the subject, which was on Brazil, I guess?

GROSS: Yes.

BECKER: How did that come about?

GROSS: Well, Marvin Harris and Charles Wagley, who was Harris' mentor, were both my teachers at Columbia. Both of them had done extensive research in Brazil. I had the opportunity early in my graduate career to go to

Brazil. I visited an area in the northeast which fascinated me because of the history of violence, which had occurred mostly in the 19th century and which seemed to be somehow related to the environment, which is an environment in which there are periodic draughts. And just I was really quite interested in that and that history. So, I decided—I had decided to select a topic in that area.

BECKER: Mm-hmm.

GROSS: And I did. I went to northeastern Brazil, and I spent about six months touring the entire region, and I finally settled in one particular community for nearly a year, where I lived in a small village with agricultural producers. And that's where I learned to speak Portuguese fluently. I began to understand how people thought and how people considered things, and it had a huge influence on my life.

BECKER: Mm-hmm. Okay. So your dissertation was on violence and . . .

GROSS: No, it wasn't. It was really on economic change. It was on the introduction of a new crop, which occurred during the 1950s. I was there during the late '60s, and so I was able to see some of the impact of this crop introduction, both positive and negative. And my dissertation was on that topic.

BECKER: I see. Now, were these people indigenous people?

GROSS: No.

BEKER: Okay.

GROSS: No. These are people who are descendants of the three major groups that form the Brazilian population, which is some indigenous people, Africans and Europeans.

BECKER: Mm-hmm.

GROSS: So there were people—it was really a mixture.

BECKER: Un-huh.

GROSS: They all were Portuguese speakers, and they had—they were not—you could not identify them as any one of those three groups in terms of their origin.

BECKER: Mm-hmm. Okay.

GROSS: You could call them peasants, if you want.

BECKER: Yeah. The indigenous people I guess are in the southeast?

GROSS: No, they're all over the country.

BECKER: They're—oh, are they?

GROSS: Yeah. There's only one state in Brazil that has no indigenous people.

BECKER: I see. I see. Okay.

GROSS: Yeah. No, there's a lot of indigenous people who live in the Amazon region in the north, and then there's—there are indigenous people scattered really in all the other states in Brazil with one exception.

BECKER: Yeah. Okay.

GROSS: So out of the 27 states, 26 have indigenous people.

BECKER: Mm-hmm. Okay.

Now, what brought your interest—when did you become interested in indigenous peoples?

GROSS: Oh, that was a little bit later on. I had done some reading and some papers in graduate school on indigenous peoples, and particularly on a group or a—really a group of you could call them tribes in Brazil who speak languages which are part of the Gê language family. I was fascinated by some aspects of their social organization. So during the '70s, I began doing more reading, and then I organized a field team which went to Brazil. There were three American graduate students and one Brazilian, each of whom spent a year living in a tribal society in Brazil, all of whom were Gê speakers, and we carried out a comparative study jointly. During that time, I was a visiting professor at the University of Brasília.

BECKER: I see.

GROSS: So, I was able to go and visit them in the field and actually take at least three out of the four into the field. I had a very good experience of working with a team, which is unusual for anthropologists, who tend to be

loners, and also to work in these four different indigenous villages.

BECKER: Mm-hmm. Okay. I moved you ahead in the chronology.

GROSS: That's okay.

BECKER: So after graduation, you were obviously looking for a job. And you went to Hunter College or—there first?

GROSS: That's right. Yes. When I finished graduate school, I had two job opportunities, and the one in New York seemed to be the most interesting, and it was also—I was recently married, so I thought—my wife had—I had met my wife in Brazil. So it seemed to be a better choice from that perspective, too, because it wouldn't mean another transition to another place. The other job opportunity was actually in Canada. So I decided to accept the job at Hunter, and I was on the faculty at Hunter for 19 years. Although I spent a number of those years on sabbatical leave or on leave to—during the time I was a visiting professor in Brasilia, and then I spent two years here in Washington at the National Science Foundation, where I had a rotating post in the anthropology program.

BECKER: Okay. Now, what was the focus of your teaching and research while you were at Hunter?

GROSS: It was largely on topics related to my research, which I think you could broadly call human ecology. And my interest is—has been for really most of my career--on interactions between human populations and the natural and the built environment. I found that there's an endless set of questions, interesting questions, which are, I think, relevant to our current conditions, which arise out of that interest.

So, I did research, for example, on the nutritional—the impact of nutrition, diet and nutrition on behavior, on how people organize themselves. And the work that I'm best known for in anthropology, it—I'm not exactly a household word, but the work that, you know, work—articles that have been reprinted fairly frequently and used in teaching have been articles along those lines, along . . .

BECKER: I see.

GROSS: . . dealing with human behavior and diet and nutrition.

BECKER: Mm-hmm.

Hunter is part of the City University.

GROSS: That's right.

BECKER: So did you have doctoral students?

GROSS: Yes. I had the opportunity to teach undergraduates, masters students, and doctoral students. The doctoral program at City University is a combined, which combines faculty from all nine of the senior colleges in the system. So I was on the doctoral faculty and taught a number of doctoral students.

BECKER: Mm-hmm.

Are there any of them that stand out, I mean, you ended up collaborating with or . . . ?

GROSS: Absolutely. One of them is Nancy Flowers, who—she's about 90. She started her graduate work when she was in her 50s. Nancy has really distinguished herself as an ethnographer, as a photographer, and also as an expert in human ecology, dealing with the relationship between, I guess, mainly between disease and behavior in a particular society, which is the Xvante society of Central Brazil.

BECKER: Mm-hmm.

GROSS: Nancy was part of my field team back in the '70s . . .

BECKER: I see.

GROSS: . . . and she wrote her dissertation under my supervision. I was on her committee.

Another favorite student, Lucile Brockway, who is, in a way, very similar because she's a woman who started her career fairly late, after having had seven children. And she had a short career because she died, unfortunately, not very long after she finished her Ph.D. But she produced a book, which has become a kind of standard text, which was based on her doctoral dissertation. The book was called *Science and Colonial Expansion* [Brockway, Lucile H. *Science and Colonial Expansion: The Role of the British Royal Botanic Gardens (Studies in Social Discontinuity)*. Academic Press, 1979].

BECKER: Mm-hmm.

GROSS: Brockway studied the role of Kew Gardens in the expansion of the British Empire.

BECKER: Huh.

GROSS: She was able to show that Kew Gardens was not just a place where they collected interesting flowers and catalogued different kind of palm trees, but it actually was a major research and development institution in its time, and it permitted the transplanting of important economic crops, such as cinchona—the source of quinine—that allowed the British to—to colonize Africa, which would not otherwise have been possible without quinine because of the malaria.

BECKER: Right.

GROSS: Brockway also studied rubber, which the British transplanted from its native habitat in Brazil and the Amazon region to Malaya, which is now Malaysia, and which made possible, to a large extent, the Industrial Revolution. So she was able to show the significance of Kew Gardens in the expansion of the British colonial empire. Her book, *Science and Colonial Expansion* is—someone referred to it recently in an article in *The New Yorker* as a classic [Seabrook, John. “Sowing For Apocalypse – The Quest for a Global Seed Bank.” *The New Yorker*. August 27, 2007].

BECKER: Oh, really? Okay.

GROSS: Yeah. So I was very gratified to see that, and I was just sorry that Lucille was not able to see her book referred to in those terms.

BECKER: Now, in the course of your academic career, did you consult for the UN, or did you consult for the, you know, for the World Bank, for instance?

GROSS: Relatively late in my academic career, when I was actually a professor and was busy doing the things that professors do—getting grants, writing papers, giving papers at meetings, and teaching--I began consulting. And I did work with three or four agencies, mainly consulting firms working under contract to USAID [U.S. Agency for international Development], the Inter-American Development Bank, and then the World Bank.

And then there were sort of odd things here and there. I did a lot of consulting for publishers, particularly Harper & Row. At that time the anthropology editor was someone I got to know fairly well, and he relied on

me quite a bit to give a first screening of manuscripts or book ideas that he received.

So that was very interesting to me. That was very useful because it expanded my horizons beyond, you know, the focus of my own research, to look at people were doing on other topics in sometimes different regions of the world or different things that I had really not been—I hadn't done much work on. I used a lot of my general knowledge to write a textbook called *Discovering Anthropology* [Gross, Daniel R. *Discovering Anthropology*. McGraw-Hill Humanities/Social Sciences/Languages, 1992].

BECKER: Now, you also said that you had a grant, and you spent two years in Washington with the National Science Foundation.

GROSS: That's right.

BECKER: When was that?

GROSS: That was 19—mmm. I think it was from '83 to '85, if I'm not mistaken.

BECKER: Now, what were your responsibilities for NSF?

GROSS: I was the program officer for Cultural and Social Anthropology, which meant that I was responsible for the review of grant proposals, and I would convene a review panel twice a year for the two years that I had that job. We would also get peer reviewers, *ad hoc* peer-reviewers, to review each proposal, usually five or six reviewers, and the panel would review them all at once at a meeting and rank them. And then I would be responsible for determining the final size of the grant and sometimes making some relatively small changes within the ranking depending on various factors.

BECKER: Okay. Well, following that, you went back to teaching . .

GROSS: I went back to teaching . .

BECKER: . . and research.

GROSS: . . for another—well, I had a sabbatical year, and then I had another year of teaching, and then I made a decision that I had had a very rich career as an academic and a professor. I had enjoyed it very much. I had another couple of job offers that—in academic institutions, but I decided that I really wanted to do something different. So I changed careers, against the advice of most of my colleagues. I was—at that time, I was tenured and was a full

professor, so they all said, "You're crazy."

BECKER: Mm-hmm.

GROSS: But I just had this idea I wanted to make a change. So I became an independent consultant, and I was consulting then more heavily for the Bank and other agencies when I received an offer sometime in '89 to become a long-term consultant for the Bank.

BECKER: I see.

GROSS: At that point, there was something called the long-term consultant. So I accepted that, and then, I think, in December of '90, I was offered a regular position, a staff position in the Bank. And I accepted that.

BECKER: Now, in the consulting, what kinds of things for the Bank or for some of these other agencies, what kind of questions were you retained to deal with?

GROSS: I was dealing mainly with, I guess, questions, economic change issues. I did—I worked with a team doing a study of fishing, fisheries in the—in Cape Verde, for example. I did a study on rural roads in Guatemala, which was a fascinating piece of work there. But Guatemala really stands out in my mind.

I did some work on an IDB [Inter-American Development Bank]—a drainage project in the city of Belém in the State of Paraná in Brazil, which I was dealing mainly with the impact of this drainage project on the poor people who live in these stilt houses perched over areas that were flooded every day at high tide, and which—it's not very well known, but there were these—there was large areas of the city were occupied by these stilt house—this stilt housing, and really only about 20 percent of the area of the city was dry land all the time, because of the very low elevation.

And they built—they developed a drainage system under this project, which it actually took another 20 years to materialize—but from the time that I worked on it, it opened up a huge area of the city of Belém. And my concern at that point was to ensure that the people who lived there would not be the victims of real estate speculation. So that's the kind of work I did during that time.

BECKER: Okay.

Now, when you came to the Bank as a regular employee starting in 1990,

where were you assigned?

GROSS: I was assigned to the—I was—my entire career in the Bank was in Latin America. I was assigned to the Brazil Department, and particularly to the Agriculture Division [Latin America and the Caribbean Country Department I, Agriculture Operations Division], and I think the main thing that I was asked to do—which then I gradually branched out into other areas—but was to work with indigenous peoples issues. And they were particularly hot at that time, because the Bank was still involved in the financing of projects in the north—so-called Northwest Amazon. I say so-called because it's really the Western Amazon. It's not northwest at all. The Northwest Amazon is up there near Colombia.

BECKER: Mm-hmm.

GROSS: But it became known as Northwest, and the name stuck.

But the Bank was involved from '81 onward in financing projects in that region, in the states of Rondônia and Mato Grosso particularly. The Bank became involved in the financing of a paved highway—paving of a highway—and then four more projects, which had other objectives—one was a health project, and so on—and there were indigenous people all over this region, and I was asked to become involved in that.

After a hiatus, the Bank began to finance a new set of projects in the late '80s, which really didn't come into—they weren't actually approved until about '92. But these projects were—and to some extent, these were of sort of considered to be reparations for damage that Bank financing had allegedly done in the region earlier with the roads project. A great deal was made about that, about the so-called Polonoroeste projects. We referred to it as a "program," because it included five separate investment projects. You know, the Bank has a special way of saying everything.

BECKER: Yes.

GROSS: And so it was a—it was a set of five projects, and, therefore, it was baptized as a program. And there were—it had some programmatic aspects to it, and there was an integrated set of projects. But those projects became infamous in the environmental world as a giant mistake the Bank had made, as having caused damage, as having opened up that region to colonization and destroyed large areas of forest and harmed indigenous people.

There was a lot of misinformation involved in those criticisms and those critiques, but Barber [B.] Conable, I think, made the mistake of saying that—

he used some language like, "Well, there's some projects we're not so proud of, such as the Polonoroeste project"—because the criticism was so widespread, and it had become notorious, and to this day Polonoroeste is regarded as the Bank's donnybrook, the worst thing the Bank ever did, you know, from the environmental and social perspective.

Through my eyes, in my view—and not very many other people share this even inside the Bank—those projects were far from disasters. They did a lot of good. They did a lot of good in a situation where the alternative—no project—would have been much worse. I'm absolutely convinced of that.

So, I think most of the things that happened that were adverse, that were not good things, would have happened to a much greater degree—it would have been much more serious or adverse consequences, impacts of the colonization of that area.

And I can go into that if you'd like, because I think it's quite important, something that had a great deal of influence on policies and directions that the Bank took subsequently. That's when the Bank began getting very serious about safeguard policies. It tried to develop policies that would prevent the adverse impacts that the project—that those Polonoroeste projects had, and those were the so-called safeguard policies that we have now. We have ten safeguard policies, which are designed to prevent the—I insist on saying—the alleged kinds of harm that the Bank did, because I don't really feel that the Bank's projects had that much harmful effect, and I think that, in fact, there were many beneficial impacts, the most important of which was to have avoided even more serious harm to people and to the environment.

BECKER: The—so how many years did you spend on this? You started in '90, so . . .

GROSS: Right. I worked on those projects for a good five or six years.

BECKER: Un-huh.

GROSS: It was never my only focus. In '92 I was actually kind of surprised that I was asked to be the—become the task manager of a relatively new project that was almost dead in the water called the National Environmental Project in Brazil. And I've built a lot of my career in the Bank on a basis of that project.

BECKER: I see.

GROSS: And it's actually now in a third generation. You know, we're

preparing a third generation of it now, working on the team. I'm no longer the task team leader. But I was task manager of the Brazil National Environmental Project from '92 through my retirement in 2004.

BECKER: Now, what did that entail? Is that to work with civil society?

GROSS: That project was designed to be a project that would strengthen Brazil's capacity to deal with environment, and mostly at a federal level. And it was aimed mainly at the so-called green environment. A big chunk of it was designed to protect—help protect conservation-protected areas all over Brazil—federal protected areas. And gradually, through a series of changes that we introduced—in '94 there was a fairly significant amendment made to the project agreement. The project became decentralized, and it was focused—it began to focus much more on state-level environmental protection. And today, it's entirely decentralized. It's no longer focused on federal agencies and federal protected areas.

BECKER: Why did they decide to go with that project?

GROSS: Well, there was a general policy for decentralization that had really begun in Brazil during the military period when they decided that they needed to decentralize. Brazil is a large country, and centralized policy-making and implementation have not worked well.

BECKER: Right.

GROSS: It's a federal republic. The capacity of the federal government to manage and administer issues having to do with health, education, transport, urban transport, housing, and so on, which had been centralized in the federal government during the early years of the military government, from the . .

BECKER: '60s.

GROSS: . . mid-'60s onward they began to realize the capacity of the federal government was quite limited; that they could set policies, they could finance things, but they really didn't have the means to design and finance and implement projects and activities in all those areas, in all those sectors. It also was something that was financially non-viable. There was just—there never was enough money in the federal budget to finance so many activities. For example, at one point the federal government was financing urban transport all over the country. There was an agency that would finance bus systems, trains—urban commuter trains and so on—and which had some success and so, but it was just too little too late.

BECKER: Mm-hmm.

GROSS: So I think it was partly on that realization there were a lot of things that just couldn't be managed from the federal level. And environment was included in that. And very slowly, the federal government understood and began to act on this understanding.

BECKER: Now, what about the Bank's role? I guess that at this time the Bank is still at this time required to make sovereign loans. So were the loans made to the federal government, which then decided how to parcel them out to the states?

GROSS: The First National Environmental Project, yes. The first loans that were made that were—and this is now speaking generally, not . . .

BECKER: Yeah.

GROSS: . . just about the National Environmental Project—were made to be—to the federal government, which were then distributed to states. Later, states, well, became eligible to borrow from the Bank, with a sovereign guarantee.

BECKER: I see.

GROSS: And so there's still a number of loans that are open that—where the federal government gives its guarantee, but the state is responsible for the loan, and for amortizing the loan, also.

Now, the Bank has embarked, with the approval of the Brazilian government, on a new round of lending to states, in which there is no sovereign guarantee, in which the states that are considered credit worthy are able to borrow directly from the Bank. And the Bank has also begun lending to municipalities, but a sovereign guarantee is required. So the Bank has really moved fairly aggressively into this area in some countries where there's a fairly stable economy and where there are some sub-national units—states or provinces—that are credit worthy, and that are capable of taking on debt.

BECKER: Well, how does the Bank go about trying to deal with environmental problems? That's a very big question, but, I mean, from your purview and from the kinds of projects you were involved in.

GROSS: Mm-hmm. Well, I think—well, first of all, I think that there was—first of all, there was a very—particularly with regard to Brazil, but I think this is true of other countries as well—there was a very strong emphasis on

green environment and relatively little on industrial environments that were affected by industry and by urban development, urban growth, so that the Bank was concerned very much with the Amazon region of Brazil, with the deforestation, and that's reflected in the first National Environmental Project, where a great deal of the activity was focused on the rural environment . . .

BECKER: Oh, okay.

GROSS: . . green environment. And a lot of money was earmarked for conservation units for federal parks and reserves. It turned out that they did not have the capacity to absorb anywhere near the amount of money that had been earmarked in the loan for that purpose.

Another aspect of the Bank's approach to environment was that it started out very much with a do-no-harm kind of philosophy, that we're not—we're going to avoid causing damage, as opposed to we're going to try to enhance the Bank's impact on environment. We're going to try to ensure that not only do we not do harm, but we actually do good with our environmental lending, or our projects that involve environment.

The other big event that was occurring back then in the '80s was a heightened concern with the issue of resettlement. And so that became, along with the issue of deforestation and the destruction of rain forest in places like Indonesia and West Africa and South America, the issue of resettlement became very salient, and then—and that was also based on events that were occurring in Brazil and India and, to some extent, in Africa . . .

BECKER: Mm-hmm. These are related to dam projects?

GROSS: Dams. Dam projects most often. Yes.

BECKER: Mm-hmm.

GROSS: Although there are some other projects--such as big coal project, for example, in India--that had a lot of resettlement involved and which became very controversial and subject to Inspection Panel requests. But the Bank became very concerned with resettlement.

And then I think that these things almost merged, in terms of concern for them and—and they converged on the idea that the Bank was doing harm, the Bank was causing havoc in some places. And some heroes arose in the Bank, like Michael [M.] Cernea on the issue of resettlement and Bob [Robert J.] Goodland; they're both key, very pivotal, characters, and now Herman [E.] Daly, the economist, who I think is now at the University of Maryland.

BECKER: Mm-hmm.

GROSS: And these were people who took strong, some might even say radical, positions about the Bank. But they had a lot of influence. A fourth one would be Shelton [H.] Davis. So—and these people worked together in the same department for a while. Shelton Davis, Herman Daly, Bob Goodland, and Michael Cernea, they became the conscience—they became the conscience of the Bank. They became the watchdogs, each one with a particular issue in mind: Daly with—on the general issue of environment, and the dilemma of growth and harm to the environment; Shelton Davis, on the issue of indigenous people; Michael Cernea on the issue of resettlement; and Bob Goodland on the issue of tropical forests more than anything else. And this related to—a lot to their own individual experience. Sandy Davis had come out of an NGO activity. He was a one-man NGO, actually, for many years. And he had something called the Anthropology Resumé Center. A-R-C.

BECKER: Mm-hmm.

GROSS: And he published a newsletter, and he was kind of a muckraker, and then he was recruited in the Bank to help develop the Bank's first indigenous peoples policy back in the early '80s. Goodland was involved in the development of an environmental assessment policy. Cernea was involved in the development of the Bank's resettlement policy.

And so these men were—and, you know, from the perspective of the Bank, they were—I call them heroes or giants. They all had flaws . . .

BECKER: Yeah.

GROSS: . . . like most giants do. But they had a major influence. And they started from a position of do no harm, and they helped develop policies, and they did a certain amount of internal policing.

At one point, I had—there was a group that I have since called "Cernea's Raiders." They actually went into the Bank's information system—the records were available, were accessible, and they would do things like comb through Bank hydropower projects and look for any evidence that there were resettlement problems.

BECKER: Mm-hmm.

GROSS: And what they found was that, looking back into the '70s and '80s,

that there were projects the Bank was financing where there was either an unknown amount of resettlement, or it was mentioned but nothing was done about it, you know, where the Bank was financing projects which involved the displacement of hundreds or thousands of people without taking any special precautions.

Cernea developed some statistics in which he suggested that there were hundreds of thousands or millions of people around the world who were displaced by development projects, and the Bank was part of the problem.

BECKER: About what year was this that they went through it?

GROSS: I think it was in the—it was in the early to mid '80s.

BECKER: Mm-hmm.

GROSS: People like—Scott [E.] Guggenheim was involved in that. He was one of the raiders. Maritta [R. V. B.] Koch-Weser, who was—who later became a director . . .

BECKER: Right.

GROSS: . . in the Bank, was also involved in that, and there were—I think who else may have been involved; I think Maninder [S.] Gill, who is now a sector manager in the Bank—and all of them had a great impact.

BECKER: Yeah. How did this go over in the Bank? I mean . . .

GROSS: Oh, there was a lot of resentment.

BECKER: This is [Alden Winship "Tom"] Clausen and Conable's period, I guess. Yeah.

GROSS: Yes. Right. There was resentment. There was consternation. There was a feeling that this represented a kind of intrusion in the Bank by non-qualified people who were not interested in development but in pushing their own social agendas. There was quite a bit of resistance to that. Of course, these people, I don't think any of them was directly linked to the NGO world while they were in the Bank, but they had a lot of support from NGOs around the world, you know, but particularly in developed countries, particularly groups in the U.S. and U.K. and to a lesser extent in the rest of Europe.

BECKER: So what you're saying is that what comes out of this is the notion

in the Bank that you do no harm.

GROSS: Mm-hmm.

BECKER: Would you say that that's the upshot of their efforts?

GROSS: Absolutely.

BECKER: Okay.

GROSS: Yes. Absolutely. The—I think all of the safeguard policies that the Bank now has in place are policies that basically come out of the do-no-harm philosophy.

BECKER: Mm-hmm.

Now, was this your philosophy when you took over this program in Brazil on the environment, or had it moved—had the notion of do no harm moved to something else, of being more proactive in promoting environmentalism on the ground?

[End Tape 1, Side A]

[Begin Tape 2, Side A]

BECKER: We were talking about the Bank . .

GROSS: Right.

BECKER: . . and driving . .

GROSS: Right. Right.

BECKER: . . driving the Bank's attitude towards taking safety, you know, precautions. Do you see in the kind of work that you were doing with the—with your job, did you become something of an iconoclast in the way you looked at this?

GROSS: Oh, I think I started out that way. I was all—I was never very much of an organization man.

BECKER: Mm-hmm.

GROSS: Now, the interesting thing about these people who I just referred to is that all of them were to some extent—I'm not sure I'd call them iconoclasts, but they were people who were willing to buck the system and to really look at development from another perspective. But there were two aspects of the environment that I think that really can't be neglected to understand what they were doing. First of all, management was willing to have these people inside under the roof of the Bank, and I think that they perceived that that would probably be better than having people outside, you know, taking potshots at the Bank all the time. And, in fact, people like Goodland and Sandy Davis are widely admired by people outside the Bank as having been people who were in the Bank but who resisted a lot of what they feel is the Bank's foibles and mistakes.

The other aspect is something that is—that there was the rise of powerful, organized NGOs, like the Sierra Club, World Wildlife Fund, Oxfam, and Environmental Defense—which at that point was the Environmental Defense Fund—and so on, that were staunch critics of the Bank, and they enlisted people like members of legislatures in—certainly in Great Britain and in the U.S. and to some extent in Germany and France, and these are our biggest donors, you know, that we can't live without.

So I think in a—to some extent management's—management was responding to something that was out there that they could only ignore at their peril. I think that in that respect the managers understood better than some staff members that there was a risk that the Bank faced that, you know, some of the issues and areas where the Bank needed the support of its members, and particularly its Part I members, that it had better start paying heed to these external critics.

So one way of doing that was to have people in the Bank who were dealing with these issues, who might themselves have other views than, let's say, the mainstream view of the Bank, which is basically a kind of a, you know, an economist's view, kind of neoclassical economic view, you know, and a devotion to growth. I think now there's a much more nuanced view in the Bank. But not everyone shares it.

BECKER: Mm-hmm.

Now, would you say the change came with [James D.] Wolfensohn, who was or is . . . ?

GROSS: No. It came before Wolfensohn.

BECKER: It picks up before Wolfensohn.

GROSS: Yes, for sure. For sure. No, that was—you know, for example, the rise of these heroes, or if you want to call them iconoclasts or, you know, people who were—had a different perspective, comes way before Wolfensohn joined the Bank. And you might even say they had more influence then than now, than after Wolfensohn came.

Wolfensohn, I think, put emphasis on some things. He, for example, after Western China—there was the famous Western China affair [Qinghai Project, a component of the proposed China Western Poverty Reduction Project], which was almost like Polonoroeste in the sense that it was blown way out of proportion, you know—that Congresswoman from Georgia [Cynthia A. McKinney], who referred in many speeches and pronouncements to the Bank's investments in Tibet. They weren't in Tibet. They were in China, although they did affect ethnic Tibetans inside the traditional boundaries of China.

BECKER: Mm-hmm.

GROSS: And, you know, I was kind of surprised, in fact, that the—that the Bank always let that go by, you know, without correction, you know. But those investments were made in China.

And another point is that those investments were made—they were—the one that created the furor was actually the fourth or fifth operation of its kind, which involved quite a bit of migration of Han Chinese into an area which was not predominantly but substantially inhabited by people of Tibetan ethnicity now, you know, which is not to say that that ethnicity shouldn't have been taken into consideration. It should have. It was a mistake. We were wrong not to have considered it. But the nature of what happened and the harm that was allegedly done and so on has been blown out of proportion . .

BECKER: Mm-hmm. Okay.

GROSS: . . by the critics.

BECKER: Let me take you back to something that you said, and that I wanted to follow up on . .

GROSS: Okay.

BECKER: . . and that is the role of anthropologists in the Bank (and I meant to ask this when we first started talking about your coming to the Bank). What was the state of anthropology, or anthropologists, in the Bank when you

came to the Bank? And what is the history of anthropologists and an anthropological perspective . .

GROSS: Mm-hmm.

BECKER: . . in the Bank?

GROSS: Mm-hmm. Well, that's something that—since I wasn't here, you know, from the early '80s . .

BECKER: Right.

GROSS: . . I can't speak authoritatively about, but at the point I joined the Bank, there were probably a dozen or so anthropologists and maybe four or five dozen non-economist social scientists in the Bank. There were people who'd been in the Bank for some time. There were people like Gloria Davis and Scott Guggenheim and some people whose names I've forgotten.

BECKER: Now, were they anthropologists?

GROSS: They are anthropologists. Scott Guggenheim . .

BECKER: Oh, all right.

GROSS: . . and Gloria Davis both have Ph.D.'s in anthropology. And the—Gloria—I should say the late Gloria Davis, who actually founded the social development department in the Bank. There were relatively few. They were partly the product of a campaign that Michael Cernea waged to bring social—non-economist social scientists into the Bank. Cernea wanted to bring in people of high caliber, and he did, I think, to large extent he did that.

He believed that bringing non-economists, social science into the Bank would humanize the Bank, would make it more responsive to the issues that were being raised, the criticisms that were being raised on resettlement and indigenous peoples and on a host of other issues which are social issues but which don't have a convenient label like resettlement and indigenous people. But there are plenty of cases where there are important social issues which one has to pay attention to, which Michael believed that having social scientists in the Bank would greatly improve the situation.

I think probably his expectation was a little bit too high because I don't think Michael had a—you know, fully realized the degree to which the Bank can co-opt people and the degree to which people, you know, found themselves overwhelmed. Many, if not most of the social scientists in the Bank—and

this is still the case—are fairly junior. I think more than half of the social scientists in the Bank are not on regular contracts.

Now, junior people don't have as much fire power, and they can't be as bold as people who are on regular contracts and more senior people. And this is one thing I found in the Bank that I don't think it's unique to the Bank, but the Bank is a—as a corporate culture, it respects age and experience quite a bit. You know, I can say things now in meetings that I couldn't say back when I was a young 47-year-old whippersnapper.

BECKER: Yeah. Yeah.

GROSS: If you can believe there's such a thing as a 47-year-old whippersnapper, but . . .

BECKER: Well, comparatively speaking.

GROSS: Relatively—everything is relative.

BECKER: Yeah.

GROSS: But, no, I mean, now I find that there's a certain—there's a certain respect for age and experience as well as rank in the Bank, and so these younger people who Michael, I think, was, more than any other single person, was instrumental in bringing into the Bank, a lot of them are people who are relatively junior and who can, you know, are, like everybody in any organization, they are vulnerable. They're subject to being co-opted or convinced, you know, not to be quite so radical and so on.

And I think every single person who comes into the Bank, with the possible exception of Michael Cernea himself, has made some kind of accommodation: that they might have been very much iconoclasts outside the Bank; when they joined the Bank, they realized they were part of a very big organism, that they could not simply stand up and fight and tilt at windmills. They couldn't be Don Quixotes here in the Bank.

BECKER: Now, was there a champion somewhere up the line for social scientists in the Bank?

GROSS: Mmm. Something—you mean an upper-level official?

BECKER: Yeah, the upper—you know, that pushed this, or was sympathetic?

GROSS: The only one who comes to mind right off hand would be—he was a vice president of the Bank; he's retired now. He's now the head of the Alexandria Library. [M.] Ismail Serageldin.

BECKER: He was from—the champion of the NGOs and the relations . . .

GROSS: Right. And I think he was also champion, to some extent, of social science in the Bank and environmentalism in the Bank. I'm trying to think of anyone else who I can think of.

BECKER: Well, what about Koch-Weser?

GROSS: Maritta Koch-Weser. Well, she was fairly junior. She was—you know, when she was working with Cernea, she as a consultant, and then she joined the—she joined as a staff member probably in around '86 or '87.



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BECKER: But she was sympathetic?

GROSS: She's an anthropologist. She has a Ph.D. in anthropology.

BECKER: Yeah, that's what I was going to say. She's one of the people I had in mind.

GROSS: Oh, yes.

BECKER: So she was a champion of anthropology?

GROSS: But not as much as the other four that I've mentioned.

BECKER: The others you've mentioned.

GROSS: Not nearly as much. No, she came later, and she surfed on that wave, but she was not as nearly as much as a pioneer as Cernea, you know.

BECKER: One of the reasons . . .

GROSS: And I'll say all of this about Cernea, you know—and I'll say this openly—Cernea is not a Mr. Nice Guy. And I think maybe he might have even been more effective if had been a little bit more diplomatic. But Cernea

is the guy who did, I think, more than any other single individual bring social science into the Bank. And as I say, senior management, if they didn't always like what he did and how he did it, they realized they needed someone like him in the Bank because of the mounting pressure that was coming from outside.

BECKER: The reason I asked this question is that one of the themes that has developed—I've been doing this for 13 years—one of the themes more in the last few years is that the change of the culture to a much more economics orientation was at the expense of the technical people . .

GROSS: Right. Engineers, foresters, health and education specialists.

BECKER: What about the social scientists? I mean, they were there, you know, they were there, too. Did you ever have difficulty with economists *qua* economists?

GROSS: Oh, yes. Sure. No, I've had—you know, all of us who work as social scientists in the Bank have had some fun events, you know. And one of the things is that, to this day, I review a lot of project proposals for the Safeguards Advisory Team. It's a nice way of keeping up with what's going on, because I look at different projects. We have lots of development policy loans—DPLs—still, where the only objective is growth.

BECKER: Mm-hmm.

GROSS: And that's it. You know, there's no—not even lip service paid to the quality of growth or to the distributive effects of growth. The idea is that growth is good all by itself and it needs no justification or qualification.

So that's still right there, you know, and we confront that all of the time. And we need to, I think, particularly those of us who have acquired enough stature where we can stand up in a meeting and say something is amiss, we can bring these things to people's attention and get away with it, as it were.

BECKER: Mm-hmm.

GROSS: You know, and I've—personally, and I can't speak that well for other people, but I can certainly speak for myself--is I've had situations where clearly there were social issues that were being neglected or downplayed and where I could come up with something that was, you know, that was of significance, that should have been paid attention to.

There was one occasion that I—just to give an example--where the Bank was

preparing a development policy loan in Brazil that involved fiscal reform. And there was a very good analysis of the fiscal policy in Brazil, in which one of the conclusions was that taxation was regressive; that is, the poor paid more taxes than the rich, relative to their income. So, you know, then it went on to talk about, you know, fine tuning this and making that better and getting better information to this from this to that, you know, with the usual sort of policy recommendations or conditions that are attached to these DPLs.

And I was—I remember being at a meeting where the task manager, who had written this really very impressive project document, was there and the vice president was there; it was David de Ferranti at the time. I asked why is there—why aren't we on the side of a more progressive tax policy and why should we be supporting a tax policy which is basically regressive or which is, however slightly, tilted in favor of the wealthy. And, you know, there was this silence, you know, and then de Ferranti said, "He's got a point." That's, I think, the kind of influence that one can have. I don't think it made a huge difference, but I think that, you know, they certainly had to do some rewriting and re-thinking.

And that's happened to me a number of times where I've come in on a situation, usually too late. It's very rare that social scientists are called in far enough upstream in projects, and sometimes these are huge projects. This was a \$500 million DPL where social scientists who might be concerned with the things like distributive effects and distributive impacts, about minority groups and about participation and issues that economists don't deal with.

BECKER: Now . . .

GROSS: Not all economists do. You know, there's—they're . . .

BECKER: No. No. Right.

GROSS: . . . there are some economists who are much more with it, I think, as far as these issues.

BECKER: Okay.

Now, you said that while you were working on this project, which you've been working on through 2004 . . .

GROSS: Yeah.

BECKER: . . . you were doing other things.

GROSS: Oh, yeah.

BECKER: Now what other things were you—what are some of the other things you were doing?

GROSS: Well, I was participating in a lot of task teams that—where the issue of environment—of indigenous peoples was a factor, and resettlement was a factor. So I worked on a number of projects, and I was task manager of a number of projects where there were indigenous issues and resettlement issues.

BECKER: Now, what are the main indigenous people issues?

GROSS: Land.

BECKER: Mm-hmm.

GROSS: You could say land, land, and land. Consultation. You know, what the Bank has now come to say “meaningful” consultation, whatever that means, you know, but where—and that’s very tricky because a task team leader will say, “Well, we had a meeting with some indigenous leaders, and they said they’re in favor of the project, and so we’re home free.”

And a social scientist might say, “Well, yes. But, I mean, there are some dissidents who may not be considered leaders by, you know, by the government people you were dealing with, who maybe should be heard from, too. Or maybe there needs to be some meetings out in villages, where not just the so-called leaders, who are sometimes fairly autocratic and patriarchal, that—where women are not heard from, you know, you should be consulting at that level as well.”

And they say, “Well, you know, there are hundreds of villages. Well, yeah, we can just—we can go to a few to test public opinion.” So, that’s the kind of—those are some of the things that I would do as a team member or, in some cases, as a task manager.

BECKER: Mm-hmm.

Now, the indigenous peoples have different languages than Portuguese?

GROSS: In Brazil? Yes. There are hundreds of languages. In the Xavante, for example, most adult Xavante men speak Portuguese. Relatively few Xavante women do. The only ones who do are some older women who at some point worked as servants, house servants. But the rest of the women are

basically monolingual in Xavante.

BECKER: Mm-hmm.

GROSS: So, that's a situation you run into in, oh, in Mexico and in Argentina, in Venezuela, in Peru. You have Peru—well, all the Andean countries where—you know, Colombia, Peru, Ecuador, and Bolivia—where you have large communities that are substantially monolingual in Quechua or Aymara.

BECKER: Mm-hmm.

Now, as part of your teams, do you have people who can speak some of these languages?

GROSS: Well, one of my perennial recommendations is bring in someone who can speak the indigenous language in an individual case. We just—I just participated in a project, you know, I was kind of brought in at the last minute on a project where the lawyer raised a question. We're financing through the GEF [Global Environment Facility], we're financing a project to phase out incandescent light bulbs in Argentina and replace them with compact fluorescent lamps—CFLs. And there was a concern. There are 400,000 indigenous people in Argentina, but, you know, some Argentines deny it. They say there are no indigenous people in Argentina. But the question was, well, how many of them don't speak Spanish, you know? Well, no one could answer it.

So, you know, my recommendation is find out, and in those cases where you have a largely or substantially monolingual community and you want to promote the use of these CFLs, find someone who speaks the local language, who is bilingual, possibly a member of the group itself, and who can be your spokesperson and carry the message to those groups about energy efficiency.

BECKER: Mm-hmm.

GROSS: So, you know—and that's not so radical, although you should see, you know, the people who are involved with the electrical utilities; they say, "Oh, you know you can't ask a power company to do that." Well, in fact, you can, and then very often the clients are more adaptable than we think they are.

BECKER: Well, the other is that the power companies must have people who can speak the indigenous languages themselves in order to deal with them.

GROSS: Oh, very often. They have people who are linemen . .

BECKER: Yeah. Exactly.

GROSS: . . and so on, who are out there working on a daily basis.

BECKER: Mm-hmm.

GROSS: Sure.

BECKER: And the other is, I guess, just to get a women's perspective on things you have to have people who speak the—if, as you say, the women as a rule tend to be monolingual.

GROSS: And that's common in many minorities.

BECKER: Yeah.

GROSS: That where men may be bilingual, but women are not because women don't have an exposure to outside society.

BECKER: Now, what were some of the other projects, or efforts, that were made with indigenous people that you worked on?

GROSS: Well, I designed a project which was later taken over by Judith [M.] Lisansky—and managed very, very well, I might say—to physically demarcate indigenous lands in Brazil, because the Brazilian constitution requires that all indigenous lands that have been identified must be physically demarcated and registered as indigenous property; they're demarcated as federal property, but exclusively for the use of indigenous people.

And that project I started out back in—with—at the beginning of the Pilot Program for the Conservation of the Brazilian Rain Forest in '91, designing the project. And, basically, the project design that we developed at that time was put into effect, and an anthropologist named Judith Lisansky took over management of the project; did a very good job; in fact, did some things that I thought were quite innovative. She brought indigenous people to participate in the annual evaluation of the project and also in the review of priorities, because the project invested I think it was about \$25 million, and succeeded in demarcating 44 million hectares of land, an area bigger than Germany and Belgium put together, mainly in the Amazon region of Brazil.

BECKER: Now, was this controversial within Brazil?

GROSS: Not terribly, at the time. There are areas—what's happening in Brazil now—and this is again it's something that I think it takes someone who's got a social science perspective to—not only anthropology, but political science as well—to see what's happening. What's happening in Brazil is that large areas with substantial indigenous populations, almost all of them have now been identified and demarcated.

The problem comes when you start getting to the smaller areas where there's an indigenous population or a mixed population. There's one such area in the State of Roraima, for example, which is called Raposa Serra do Sul, and that area is now the object of major controversy because there's a large number of non-indigenous people living in it, along with some 10,000 indigenous people.

It was identified, and went through the entire legal process, and was demarcated as an indigenous land. It was approved by the president. But there are these big, non-indigenous settlements—there's an entire town. There's another town that's in effect isolated by—cut off from the rest of the world by this reservation. There are some large-scale rice producers in the area. There's 10,000 indigenous people, which is a substantial population for an indigenous population in Brazil, mainly of the Makushi ethnicity, who basically want this reservation all to themselves. They don't accept the presence of non-indigenous people. Non-indigenous people who have some political clout, particularly these large-scale rice producers, want to remain where they are. They want to continue producing rice. So there's a huge conflict which has erupted into violence already in the area. But it may get worse in connection with this because the policy of the Brazilian government is that non-indigenous people can't live on indigenous land. They must be removed. The Bank, I think wisely, didn't get involved directly in this, but this is a typical kind of situation which they're going to run into more and more in Brazil.

BECKER: Now, the indigenous people tend to be the poorest of the poor, or is that too much of a generalization?

GROSS: Too much of a simplification, simply because it's hard to judge poverty as a dimension of indigenous people's existence. Where they're living in a fairly non-monetized, non-market situation, they're neither rich nor poor. They're simply indigenous people.

Now, as they become more and more involved in a cash economy, and they begin raising cattle and, like some Xavante groups—I keep coming back to the Xavante, but they're a good example of a lot of things. The Xavante—some of the Xavante are producing bananas for sale. And as they become

more and more involved in the local regional economy, well, then there are rich and poor. And there are—you're starting to see things like nutritional problems among indigenous people, among the poor indigenous people. Sometimes indigenous leaders exploit their own people in one way or another.

BECKER: Now, in the issue of deforestation, is that related mainly to indigenous people or is that . . .

GROSS: No, no. It's a . . .

BECKER: That's a much larger . . .

GROSS: . . . broader environmental issue.

BECKER: Uh-huh.

GROSS: People have come—become—and this has motivated the Bank, even though it's a fallacy—people have come to think of the Amazon region as the lungs of the world. It's not. It produces as much CO₂ as it does oxygen, but it is also as a repository of this vast wealth of biodiversity. It is that. And a great deal of it has not been described. And there may be, as the popular belief goes, a cure for cancer out there in one of those thousands of uncatalogued plants.

So there's a general mystery and fascination with a vast wilderness or untamed land, which is the sort of popular view of the Amazon, you know, and people love to think of, you know, going—exploring, you know, remote rivers and seeing pythons hanging from trees and monkeys running around and toucans and parrots flying all around and so on. And you can see those things, you know, although perhaps not as frequently as in a film.

BECKER: Yeah.

GROSS: It's not a—you don't quite see them in the density you would imagine from the movies, but . . .

BECKER: Yeah.

GROSS: . . . you know, the *National Geographic* specials, but they're there. And people are fascinated with that. And people have—all over the world, particularly in Europe and North America, particularly in Germany, which is very concerned with tropical forests . . .

BECKER: Yeah.

GROSS: . . which has devastated—you know, there's not a single natural forest left in Germany.

BECKER: Really? I didn't know that.

GROSS: Yes, like the Black Forest. You didn't know that?

BECKER: Yeah.

GROSS: It's all artificial. It's planted. It's not a natural forest. It was clear cut at one point. And people all over the world have this sense that the Amazon forest has to be preserved.

BECKER: Mm-hmm.

GROSS: It's—Al [Albert J.] Gore [Jr.] once made a very unwise comment about how there ought to be some kind of international control over the Amazon. And this went down very badly in Brazil. And that comment is being used now, 25 years later, still as an excuse for a certain amount of chauvinism: exclude the foreigners, keep the foreigners out, hyper-nationalism. But people have this deep feeling for the Amazon, and there's a lot of deforestation going on. It's going on as the result of the expansion of cattle and soybeans; timber companies going in, opening up logging roads. Then settlers move down those roads and they settle in the forest. They begin clearing little pieces of forest until finally the aggregate result is large cleared areas. And that's very often when the cattle people come in.

BECKER: Mm-hmm.

GROSS: Ah . . .

BECKER: Now, was the Bank involved, in terms of promoting growth and so on, and policies that led to deforestation or . . . ?

GROSS: Well, it is. It was and it is. But it's an ambiguous, ambivalent policy. The Bank has recently—the IFC [International finance Corporation] has recently made a loan to the largest soybean producer in Brazil—in the world, for that matter. And soybeans have been part of the expansion into forested areas in the Amazon. And it also made a loan to—IFC also made a loan to the second largest meat packer in Brazil, which is a huge company. And these loans are seen as extremely negative, adverse from the perspective of preservation of the Amazon rain forest, I think particularly the cattle—the meat packer's loan. The Bank has done sector work. Sergio Margulis has the

latest report to come out about four years ago, in which he showed convincingly that the expansion of cattle is the major cause of deforestation in the Amazon.

BECKER: Huh.

GROSS: Expansion of cattle. Cattle is expanding because there's a huge demand for beef in many countries, and because Brazil is gradually extending control over these areas where there is hoof and mouth disease, and to eradicate the disease. And so there's certain regions of Brazil from which the U.S. and Europe can now legally import beef. Until this eradication had taken place, that all beef from Brazil and, as a matter of fact, all meat products from Brazil were . . .

BECKER: Banned.

GROSS: . . . embargoed because of the risk of hoof and mouth disease, which is extremely contagious.

So the Bank, on the one hand, has made a major contribution, not just in Margulis's study, but in other studies, to exposing the risk of expansion of cattle, to exposing the risk of road expansion, to exposing the risk of timber exploration to the rain forest. And at the same time, we're financing—you know, with our right hand, we're doing that—we've also financed a number of projects as part of the pilot program, which was a program that was initiated back in 1990 by the G-7.

In 1990, when [West German Chancellor] Helmut Kohl saw that he was losing support among the Green Party, he proposed the pilot program without any preparation at the 1990 Houston Meeting of the G-7 presidents. And the Bank became the manager of it. Most of the money that went into it was German, but it had a number of projects attached to it. One of them was the indigenous lands project that I just mentioned.

BECKER: I see.

GROSS: And other projects were designed mainly to reduce the rate of deforestation in the Amazon. That was the intention, although there was a lot of waffling over stating that very clearly. And the reason was—there was a good reason for that. The reason is that the Bank can't promise—in fact, couldn't promise—that—nobody could promise that a program—not with \$350 million and not with \$350 billion—to arrest the progress of deforestation. With soybeans at \$10 a bushel and higher, and with beef prices the way they are, with China starting to consume . . .

BECKER: Right.

GROSS: . . large amounts of beef, and Japan and other countries as well, there's a huge worldwide demand for beef. You know, those economic forces are much greater and more powerful than the Bank and the European Union and the, you know, the G-7 countries and they're—you know, this may seem silly to say it, but they're investing a piddling \$350 million.

BECKER: Yeah.

GROSS: You know? It was—and particularly under the circumstances that exist in the Amazon. And these are things that, you know, it's really hard for someone who thinks at the macro level to understand.

BECKER: To look at. Yeah.

GROSS: You know, well, you put in so much money, you get a result. You know, how much land do you put into preservation?

BECKER: Okay. Well, I think we're going to take a break right here.

[End Tape 2, side A]
[End of session]

**Session 2
April 30, 2008
Washington, D.C.**

[Begin Tape 3, Side A]

BECKER: This is the afternoon session with Daniel Gross at the World Bank, April 30th, 2008. And this is Bill Becker again.

GROSS: And Dan Gross.

BECKER: Okay. You mentioned to me that there was something that you had talked about earlier that you wanted to follow up on, and also that you have a minority view about?

GROSS: Yeah. Well, I think the perceived wisdom about the Polnoroeste projects is that they were the Bank's donnybrook, that they represent poor judgment, and a project that caused a great deal of environmental and social damage. I think what's forgotten are a few important facts.

One is that the road that the Bank allegedly built was actually—existed since 1972. It had been built by the army, and it was part of a more ambitious scheme to integrate the entire Amazon into the country, which was one of the goals of the military regime. And the road was combined with a very, very strong, powerful inducement to migrate into the—this region of Brazil, which is basically western and northwestern Mato Grosso and most of the State of Rondônia, which at the time, in the 1970s, was still a territory. It was not yet a state.

And actually, before the government of Brazil's Polonoroeste project was implemented, there was a tremendous amount of advertising and inducement to go to—from the southern states of Brazil, which were becoming densely populated, particularly the state of Paraná, where a transition was underway from coffee, a relatively labor-intensive crop, to soybeans and other crops, which require less labor. There was a lot of farm consolidation. Many small coffee farmers were being bought out by larger, better-capitalized farmers. Paraná lost about a million people in population during this period. Contrary to what happened in most of Brazilian history, they did not migrate to cities, but rather many of those migrants moved to Mato Grosso and Rondônia, and they remain there to this day. That's why you see so many people with German and Italian surnames, whose ancestors had migrated from Europe to Brazil and settled in Paraná, then they moved to the so-called Northwest. More than half of the people who migrated to that region were already there

when the Bank came on the scene. That's pretty clear from the data.

So the story is not that the Bank built a penetration road, and that it was subsequently settled. The road was in place since 1972, and by 1981 more than half the settlers had arrived. What the Bank did was to finance road paving and bridge building. There were about 60 rivers which had to be crossed; previously, they had been crossed by ferries.

The biggest problem of the region was not an environmental problem. It was a social problem. It was a human problem. And that was that settlers were growing rice at that point, and they were unable to get their product to market because of road conditions.

And there was a lot of malaria in the area, so there was also a health crisis. People had no income, and many people were afflicted with malaria in the area, which is typical of a newly settled area in the humid tropics.

In addition to that, there was encroachment on indigenous lands, and there was a fair amount of deforestation going on as a result of all these hundreds of thousands of small-scale settlers moving into the area receiving free land grants from the government.

Part of the advertising campaign was "Trade 10 hectares in Paraná for a hundred in Rondônia." And that was the case for many people. They built many, many settlements in Rondônia with minimum infrastructure and particularly with poor road infrastructure, so that during the rainy season, when they were trying to move crops out of the region, there was a monumental problem. There would sometimes be lines of trucks carrying rice to markets further south lined up for miles and miles while they waited for ferries to cross rivers. And, as I said, there were about 60 crossings.

So the Bank came in largely as a—at the request of the Brazilian government to help resolve a crisis. And the Bank—staff of the Bank went there. There were people who were dead-opposed to the project. They thought that there would be a risk to the Bank, and there was a reputational risk. But there were many people who felt that because of the human situation that was going on there and the really serious problems—there was a lot of mortality and morbidity associated with malaria and hunger—that the Bank should go in and try to make the best of a bad situation. So, you know, the attitude that, I think, prevailed at the time was: "Terrible without us; better with us." And I don't think anyone ever thought that we could turn the sow's ear into a silk purse, but I think people thought that we could ameliorate the situation.

What did happen was that some of the encroachment went on, and some of

the—and a lot of the deforestation went forward because of this huge crush of people. But the Bank established, through its influence and through the project, more than 20 different indigenous reserves, which I do not believe would have been established without the Bank's intervention.

BECKER: This was before the law?

GROSS: No, no. The constitution was adopted in 1988—well, it was before the constitutional provision, but there was already a legal basis for establishing indigenous reserves . . .

BECKER: I see.

GROSS: . . . in Brazil. And many had already been created elsewhere in Brazil. But in this region—Matto Grosso and Rondônia—very few of them had been legally established and demarcated, giving them effective protection.

Using Bank funds, and sometimes without Bank funds, the federal government identified and demarcated more than 20 reserves for a total of probably eight or nine million hectares of land. And at this point today, 99 percent of the indigenous people who live in Rondônia live on protected areas, and areas that are set aside for their exclusive use. That's not to say that there's not encroachment on indigenous lands. There is, but nowhere near the scale that was occurring prior to the Bank's intervention. The Bank also supported the creation of numerous—probably 15 or 16—natural protected areas for nature protection in these states of Rondônia, to a lesser extent in Matto Grosso.

The Polonoreste program also included a separate malaria prevention and control project. It also supported projects that were designed to help provide infrastructure, not just roads, but also social infrastructure, such as schools, community centers, health posts and so on, in the region to serve the people who had migrated into the region.

So the Bank was really chasing after what was clearly going to be a bad situation. And it caught a lot of flack and a lot of criticism, much of which was very unfair because of the—what was frequently stated or implied, which was the Bank had opened up a . . .

BECKER: An area.

GROSS: . . . an area to migration, which was absolutely not true, and that the Bank had contributed to deforestation, which was partly true, in the sense

that paved roads made it easier for people and goods to move in and out of the area. That may have contributed to some of the deforestation that went on. But it also established the protected areas, both nature protection areas and protected areas for indigenous people, that I do not believe would have been established without the Bank.

BECKER: Mm-hmm.

GROSS: So, that's basically what I want to say.

BECKER: Okay.

GROSS: And this became a huge issue. There were hearings in the U.S. Congress, for example, in which Polonoreste was cited as an example of the Bank's wanton destruction of this precious Amazonian environment. And there was a lot of rhetoric, a lot of saliva, a lot of ink spilled over this.

BECKER: Mm-hmm. When were these hearings? Late '80s?

GROSS: No, the mid-1980s.

BECKER: Mid-'80s?

GROSS: Yeah. Early to mid-'80s. There was—I can't remember the name of the congressman who, with the assistance of some U.S. NGOs, held hearings on the topic, brought some Brazilians up who were opponents of the Polonoroeste scheme. But most of what was said and done was way too late, because the army had built this road back in the '70s. The migration had already begun, and it was a massive migration.

BECKER: Yeah.

GROSS: It was not a few thousand people. It was hundreds of thousands of people who were moving into Rondônia with the hope of a better life.

BECKER: Mm-hmm.

Now, who, by the way—to back up a little bit—who had pushed the switch from coffee to soybeans, and was that simply the market, or was that the government or . . . ?

GROSS: Two things. I happen to know a little bit about this topic because one of the studies I did as a consultant prior to joining the Bank was the study of agricultural higher education in Brazil.

Brazil developed a very effective plant breeding program during the '70s, and—actually starting in the '60s, in about 1965. From 1965 'til 1980, there was a USAID program which established four post-graduate courses in agriculture in four different universities in Brazil, one of which became the leader in the development of short photoperiod soybeans. Soybeans had previously been planted mainly in Southern Brazil, which has a temperate climate. But what they developed was a soy variety which could thrive in a more tropical, low latitude climate, and so soy began creeping northward. It went into Paraná. World prices of soy were rising. China was importing soy. The U.S. was unable to supply all the markets. And now, of course, there are many U.S. soy producers who regard this USAID program as treason, because it did help create this enormously successful soybean industry in Brazil.

BECKER: Competitors.

GROSS: Competitors.

BECKER: Yeah.

GROSS: Absolutely. So it's an interesting case, and this is that it was a development aid that helped to sponsor this—the development of this very effective plant breeding program in Brazil, particularly at the Federal University of Viçosa and also the State University in São Paulo at Piracicaba, where the plant breeders were working. And these guys were excellent plant breeders, and they helped develop the breeds that allowed soy to be creeping northward.

BECKER: Mm-hmm.

GROSS: And now, it's within four or five degrees of the equator. It's even above the equator. They're planting soy in Roraima. So there's an interesting international angle to that whole story.

You know—but market forces were the main factor that led to the expansion of soy. The coffee was exhausting the soil. There was a lot of competition. The Brazilian government established a policy, back in the '70s, to decentralize coffee because Paraná was subject to occasional frosts which caused large crop losses. So they began encouraging farmers, and providing incentives for farmers further north, out of the frost zones, in the states of Minas and Bahia particularly, to grow coffee. So coffee was de-emphasized in Paraná. Soybeans was emphasized. And there was also—there were also major government programs to subsidize fertilizers and tractors. Fertilizer purchases were subsidized by federal assistance. And those were necessary

ingredients for successful soy cultivation in Paraná.

BECKER: Now what did they think or what did the Brazilian government think would happen to the people who were basically accustomed to the labor intensive kind of coffee cultivation? Did they really think through the consequences of the kinds of population shift that would come?

GROSS: No. They did not. They didn't provide adequate infrastructure for such a large population. They provided the incentive, which was land that was essentially free. It was, you know, distributed to the, you know, first comer, and a minimum amount of infrastructure for people to get there—dirt roads—and a lot of advertising. There was a lot of advertising for "Move out of Paraná. Move to Rondônia. You can trade 10 hectares for a hundred, and of good land. And the land is good. It's fertile land. It's . . ."

BECKER: So what do people grow up there?

GROSS: Coffee, rice, cocoa—cacao—and subsistence crops.

BECKER: Coffee.

GROSS: They've started growing cacao, but there was a disease that intervened, and now it's soybeans, pasture, cotton, and subsistence crops.

BECKER: Mm-hmm.

Now, the indigenous people in this area, were they—you made a distinction earlier—involved in the market, and others were more or less, I guess, living a life of subsistence farming?

GROSS: Correct. Right.

BECKER: When you say these lands are set aside by the government, do the indigenous people in those lands grow coffee? Do they grow cotton?

GROSS: In some cases, there were lands that had been occupied by encroachers where coffee had been planted and in some cases, like on the Sete de Setembro Reserve, indigenous people actually began harvesting the coffee that had been planted previously, after the encroachers were removed. There is no indigenous tradition of intensive agriculture using tree crops, for example. They practice a more itinerant form of agriculture known as slash and burn. And—but in some cases, indigenous people did begin, if not cultivating, at least harvesting coffee.

More often, they became involved in other activities, sometimes manioc production for market, and unfortunately a number of groups were lured into the drug trade. There are airstrips on most indigenous lands, and some of these airstrips were used by smugglers for drug shipments from Bolivia, which is just a few hundred kilometers away to the west . . .

BECKER: Yeah.

GROSS: . . into Brazil, Bolivia being a major source of cocaine. And to this day, there's a lot of cocaine that is imported into Brazil through this route, through—they've also become involved in diamond and gold mining. Interestingly enough that in some cases, it's very rarely that indigenous people themselves exploit diamonds and gold. But they have benefited from diamond and gold miners that they permit to enter their reserved areas to mine. And these are very environmentally destructive.

BECKER: Mm-hmm.

GROSS: We had one situation where—when we resumed lending to Mato Grosso in 1989, we had prepared a project in the state of Mato Grosso, which became known as PRODEAGRO, which had two different names: in Portuguese, it was called the Program for the Development of Agriculture, and in English, it was called the Mato Grosso Natural Resource Management Project. So you can see the way there were different spins: one that satisfied what Brazilians were interested in, and one which satisfied what the Bank was interested in.

But there was a situation that emerged just as the new project was about to become effective. There had been an invasion of some 6,000 wildcat gold miners onto the Sarare Indigenous Reserve in Mato Grosso, and it became—it was widely reported in the press. It was a massive invasion of these gold miners who were camping there and really degrading the environment in a serious way. They brought high pressure pumps, and they were using mercury to extract the gold from the ore. And it was just a mess. And the Bank made it a—this was in about 1991 or so—the Bank made removing the miners a condition of disbursement that the authorities remove these gold miners from this indigenous land. And I was told to go and verify that the miners had been removed.

BECKER: Oh, I see.

GROSS: So there I had one of my more interesting World Bank experiences, where I went into the mining area escorted by six federal policemen armed to the teeth with Uzis. And it was hard to tell them apart from desperadoes,

except for the vests that they had on . .

BECKER: Yeah.

GROSS: . . that said federal police. But I—we walked into one of the mining camps that had been moved just outside the reserve. And needless to say, we were not a welcome presence there.

BECKER: Yeah. Yeah.

GROSS: But we went in to verify that the miners were, in fact, outside the reservation.

BECKER: Okay. Okay.

What other kinds of projects you were involved in. I mean, I'm aware of this project on sustainable world development [Pará Integrated Rural Development Project in Support of the First Phase of the Pará Rural Program]. Were you involved in that? I know you were involved in the report.

GROSS: Pará. Oh, that was the last project I prepared as task manager for the Bank. The project was approved by the Board, I think, in December of 2006, if I'm not mistaken. I may have that date wrong.

BECKER: Okay.

GROSS: But, yeah, I had begun the preparation of that project in 2003 really, you know, more than a year before I retired.

BECKER: Mm-hmm.

Now, were you still working on these other . . . ?

GROSS: Some of them, yes.

BECKER: Some of them.

GROSS: I was still the task manager of the National Environmental Project. I was still involved—I was getting involved—I had been involved actually for two or three years in a community forestry project in Mexico, which I—was a great opportunity for me to work outside of Brazil for a change. And I had also been involved in a—I was task manager for two or three years of an irrigation project, which the Bank financed, which was another kind of—it's another project that's widely thought of as having been a big failure, but it

was not . . .

BECKER: Was this in Brazil or . . . ?

GROSS: Yes, it was called the Itaparica.

BECKER: Now this was in the '90s, still?

GROSS: Yes, in the '90s.

BECKER: Okay.

GROSS: Right.

BECKER: Could you tell me a little bit that, the irrigation project?

GROSS: The Itaparica project was a project that was developed by—Maritta Koch-Weser was actually the person who designed it, and then it was handed over to me—which was an irrigation project to provide a means of survival, a basis for subsistence for people who had been relocated from the basin that was flooded of the São Francisco River to make way for a dam, a hydropower dam, which the Bank did not finance, that is called the Luis Gonzaga dam, but it's known popularly in Brazil and in the Bank as Itaparica.

The Bank had made a large sector loan to the power sector in Brazil, which led to Bank supervision of major power projects in Brazil. The Bank did not finance the dam itself. Maritta Koch-Weser found out that the Itaparica project was underway, that there was no real resettlement plan. At Maritta's instigation, the Bank offered to finance the resettlement. Planning is the bedrock basis of the Bank's safeguard policy, which is to plan ahead, which is to know how many people that are involved and so on. And so the Bank financed a project that started out at a value of about \$130 million to provide irrigation infrastructure. And for some—I'm trying to remember—it was something like 10,000 families.

The deal that was struck between the Brazilian government and a group of unions representing the resettled families came at a moment of relative weakness for the Brazilian government. It was at the moment where the government was moving from a military government to an elected president, selected by the military to run. It was a period of democratization.

And the combination of the Bank's involvement and pressure from these unions led the power company to accept a deal, which was very generous for the resettled families. It basically said that any family that had an

agricultural "tradition" was entitled to at least one-and-a-half hectares up to as many as six hectares of irrigated land as compensation for resettlement, in addition to housing in so-called "agro villas," or villages of from 40 to 80 houses, each with full infrastructure: health posts, school, water supply, and so on.

This was in 1986. The dam was already under construction. The Bank came in and financed this resettlement project. We did not finance the housing, which was already practically done, but we did finance the irrigation infrastructure.

But there were major problems with it. There were at least three kinds of problems, and it was—in this case, the Bank was partly at fault. First of all, we used outdated information on the areas where there were suitable soils for irrigation, so there was a technical problem that some of these areas were, if they ever had been, or if it had adequate soils for irrigation, they didn't at the time that the project began. And it took years to realize that.

The second problem was that the project was underfunded. The Bank had low-balled the cost estimate. We had—and for this I claim no credit, because this was done by irrigation engineers who should have known better that the project was going to cost a lot more than the estimate. There was one place where the—where the water had to be raised a total of 160 meters, which is—I don't know if you know much about irrigation, but it's fabulously expensive to raise water even one meter, you know, large volumes of water, and—but 160 meters, and then put it into canals and transport the water through canals and pipelines to the irrigation perimeter was incredibly ambitious, and we had not done the cost estimates properly.

And finally, we really didn't know enough about resettlement in those days to recommend to our borrower that they have adequate controls over who was going to be entitled to this benefit. The concept of a family having an agricultural tradition could mean that a family that—where someone has spent a summer picking tomatoes would be entitled to one-and-a-half hectares of land. Having access to six hectares of irrigated land is almost an absurdity because there's no family that's large enough to work that much irrigated land.

BECKER: Mm-hmm.

GROSS: It's a—it sounds like—it doesn't sound like much. It's about 16 acres, so it sounds like a small amount of land. But irrigated crops, you know, are usually fruits and vegetables or fruit trees or some crop that's quite labor intensive. And these people did not have—none of them had family

labor adequate to work that much land.

So the entitlements under this resettlement plan were too ambitious and too generous. In addition to that, the power company that was managing the process kind of looked the other way when a number of people came in who are basically rent seekers, you know, just some people were—people that had migrated to São Paulo 10 years earlier. They heard about this land giveaway. They came back and claimed that they were . . .

BECKER: Given their agricultural backgrounds?

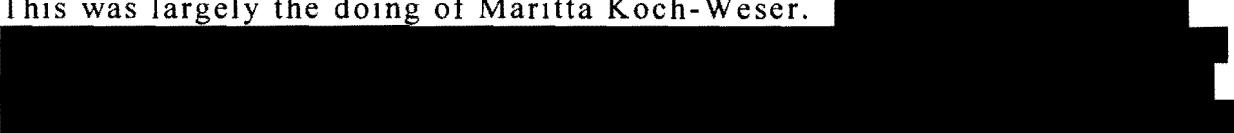
GROSS: Right, that they were farmers and that they—you know, they'd always lived in the area and so on. And I even photographed people who have been making bricks and roof tiles to build new houses in the flood area. There was some construction built deliberately knowing that it would be flooded the following year. And so there was a lot of this of what I call speculative squatting. So there was a lack of control over the number of people, a lack of control over the kind of entitlements that were provided, and the result was that there were—in addition to the technical problems I've alluded to—there were huge cost overruns.

BECKER: Now, what were the positives of this?

GROSS: The positives were that really for the first time in that region of Brazil, there was adequate attention being given to people who are involuntarily resettled. There had been a tradition of a project—there were—there are now a total of five hydro-powered dams on the San Francisco. The most recent dam that had been built there is one called Sobradinho, which is much larger and which had flooded several cities in addition to many, many rural properties, and in which the resettlement planning and execution was very poor. And there was a diaspora of tens of thousands of people.

In the Sobradinho project, the urban populations were fairly well attended to, as they tend to be in Brazil. The rural populations were basically given a small payment, a cash payment, and sent on their way. And there was virtually no resettlement of rural populations, so many of these people ended up living in urban slums somewhere.

So there was a—with that as a background, the Bank came in and established really a much higher standard for resettlement in the power sector in Brazil. This was largely the doing of Maritta Koch-Weser.



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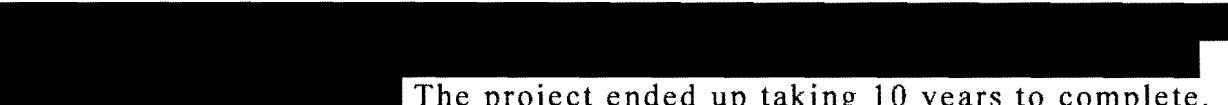
Daniel Gross
April 30, 2008—Final Edited

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The project ended up taking 10 years to complete.

So—and during that time, there was a lot of conflict. The power company put all the people who were living in these villages, but had no means of subsistence, on a dole, on a maintenance payment, which was actually pretty generous at the time. It was more than a minimum salary, which in that region is enough for a family to live on. And there was no—nothing to stop people from doing dry land farming and herding—grazing animals and other activities. So they could still work.

BECKER: Yeah.

GROSS: But many of them didn't. And they spent 10 years just living on this dole. And, I mean, if you go into any community that subsists on welfare, you'll know what I'm talking about when I say this created a sense of dependency, of depression, and a lot of alcoholism, a lot of internal community conflict as a result of this long period in which people lived on this maintenance payment.

BECKER: Yeah.

GROSS: So that was something I think the Bank—no, we can say, you know, we goofed. We made a big mistake.

BECKER: Okay. So the Bank got a black eye from this?

GROSS: Yes, it did. Not as much as Polonoroeste, though. One of the things that you find out is that in the Bank, you know, some people say as a joke, but it's almost not a joke, and—that no good deed goes unpunished. You know, I think we made fewer mistakes in Polonoroeste than we did in Itaparica, but I would—the biggest black eye we got is from Polonoroeste.

BECKER: Mm-hmm.

GROSS: Even in the Polonoroeste project, the local NGOs, which made it into such a *cause célèbre*, were the NGOs that were created, whole cloth, by the foreign NGOs, by World Wildlife, by Oxfam and so on. They were just—they were literally recruited and established and equipped and financed from outside.

The biggest problems that emerged in that project were not in Rondônia. They were in Mato Grosso. But the organizing, where we had—where the

NGOs had their surrogates, as it were, was in Rondônia. So all the problems that were brought to—into focus were in Rondônia. And Mato Grosso was relatively neglected.

BECKER: Yeah.

GROSS: And so, you know, there again, you know, the focus was really not on where the greater problems were. So, you know, Rondônia was where the NGOs could manipulate the situation.

And manipulate they did. Let me tell you the NGOs—it'll give you a very, very different view of the NGOs than the one that they projected themselves, when you see the kind of manipulation that they engaged in. Just as one really dramatic example: I went to a meeting in Rondônia of a mid-term review of the Rondônia Project, which is one of the successor projects to Polonoroeste. The Rondônia Project was called PLANFLORO. This was a—this was a big deal. The review was publicized, and NGOs came as observers; you know, they had their own local surrogates there in Rondônia. One of the representatives of Oxfam gave an interview to the *Guardian* in which she declared that the purpose of this meeting was for the Bank to pull out of the project and walk away from it after having created this huge mess.

BECKER: Yes.

GROSS: She made that declaration before the meeting even began, and I don't know whether she, you know, thought that the *Guardian* wouldn't run the story so early, but, you know, I pick it up on the newsstand and—in an airport—and when I got there, I was reading it, and this woman shows up at the meeting. And I said, "What is this nonsense? You're already announcing the outcome of the—and the purpose of the meeting and the Bank's intentions." And, you know, needless to say, she was embarrassed, and we used to talk, and then she never called me again. But it was an example of how some of these NGOs are really unscrupulous.

BECKER: Mm-hmm. What is their goal? Why would they be unscrupulous?

GROSS: Because the Bank is a very convenient enemy. The Bank is the biggest kid on the block when it comes to the multilateral development banks. If you want to attack anybody, go after the World Bank. Forget the Asian Bank, the IDB, the African Development Bank. You know, these are small fry. And if you want to make a big spectacle, and you want to get a lot of attention, you go after the World Bank. And then you want to show how the World Bank is a very poor steward of the environment; that it's exploiting indigenous people and poor peasants and so on; that—and this is not saying

that none of that happens. I'm not saying that. I'm not saying that there haven't been some terrible things that have happened in Bank projects. And sometimes it was because of the Bank's neglect, and the Bank's failure. But the NGOs, to further their own environmental and social goals, have many—in many cases exaggerated and distorted the picture, very often as part of their fundraising activity.

You know, one really flagrant example was someone from Environmental Defense sent out a letter when Chico Mendes—the labor leader, who became the sort of environmental hero of the 1990s—when he was assassinated, someone from EDF sent out a letter saying that he would personally convey the condolences of anyone who contributed a certain amount of money to EDF to the widow of Chico Mendes, you know. And I thought that was pretty poor taste, fund raising on a man's death.

BECKER: Yeah.

GROSS: And it became even more so when the widow of Chico Mendes denounced . . .

BECKER: Yeah.

GROSS: . . . the gentleman who did that and said that he was a—what—she described him as a *picareta*, which is kind of a petty con man in Portuguese.

And so that—you know, the Bank was involved in this kind of war with NGOs, which was, in many ways, it was a kind of shadow war, you know. We weren't really fighting each other. We had some of the same goals, but they found it convenient always to attack the Bank. And the Bank, I have to say, is and has been inept in presenting its case to the . . .

BECKER: Yeah.

GROSS: . . . outside world.

BECKER: Yeah.

GROSS: It is amazing how again and again and again the Bank does not know how to present itself.

BECKER: Now . . .

GROSS: And getting all this bad press.

BECKER: . . to jump ahead a little bit here.

GROSS: Yeah. Maybe I'm going on too far about this thing?

BECKER: No, no. I want to come back, because there are a couple of other questions, but you're talking about just precisely this.

One of the things you said about Wolfensohn is that he did at least begin to address the way the Bank was being . .

GROSS: Viewed.

BECKER: . . portrayed.

GROSS: Mm-hmm.

BECKER: Do you think that's true?

GROSS: Yes. Yeah, I think it's true.

BECKER: And . . .

GROSS: He—they formed a group that—well, he put Mark Malloch Brown at the head of the . .

BECKER: Yes.

GROSS: . . the EXT [External Affairs], who then went on to become head of UNDP [United Nations Development Programme] and I forgot, what, he's—I think he's a minister of state now in the UK . .

BECKER: Is he? I don't . . .

GROSS: . . [inaudible]. Yes, I think so. He became a minister. And he strengthened EXT, and he brought in a number of people. I don't think they've done a good job. I mean, I can give you chapter and verse about that.

BECKER: Mm-hmm.

GROSS: But I think they've—again and again and again, they've—they don't know how to present themselves. You know, I've heard like debates between critics of the Bank and someone from the Bank trying to defend the Bank, and they put up some inarticulate macro economist who can't speak clear English, you know, can't—certainly can't speak in a language that you

and I can understand easily and who stutters and stammers through a defense of the Bank that has nothing to do with the criticism that's being made. And it's just amazing. I found it just to be astounding how poorly we've done.

[Interruption]

BECKER: Okay. We're back on after our short break. Do you have some further reflections about NGOs and working with NGOs and the Bank's relationships with the NGOs?

GROSS: I had a colleague say to me once about a complaint that the Bank had received from an NGO about these projects in the Northwest Amazon; the colleague said, "What the hell do they have to do with this? You know, this is not their business. It's not their country. And where—what legitimacy do they have to be criticizing us?"

At that point, the NGOs were saying, and not entirely without foundation, that the Bank was not effectively subject to controls from outside the Bank, that—and it was a self-contained organization. It had its Board of Directors, of course, and theoretically it was under the control of its directors, but in fact we all know that there are—that the linkage between decisions being taken by the Bank, you know, and the opinions of the member countries is not a close one, and that, in fact, the president and the staff of the Bank have a great deal of latitude. And to a large extent, at that point, there was relatively little accountability.

But I can remember some of my colleagues feeling that there was no legitimacy to this kind of criticism, and so I think that what Wolfensohn recognized was that (something that a number of people in the Bank had already recognized) is that these guys, whether they're well-intentioned or not, have a capacity to impose costs on us. They could, for example, make it very difficult or impossible to get the IDA [International Development Association] subscription renewed. They could oppose the Bank in certain kinds of projects in certain countries. They could give the Bank a bad name. They—a lot of these NGOs, they have all the fax numbers of all the Executive Directors and all the ministers of finance of the Part I countries, and they can release a barrage. They have quite a bit of fire power and one heck of a lot more, I think more, communication capacity than the Bank has. So I think Wolfensohn recognized that, and he realized we'd better start talking to these guys, and he reached out to them. And that's all good.

You know, he was a bit naïve about it. I think he thought, you know, like if we just talk and talk and talk, that everything will be fine. I don't think he recognized that you take a group like International Rivers Network; they

basically don't want any hydro development at all—zero, you know? And so the Bank, which finances a great deal of it in the world, is automatically *ipso facto* a bad guy, you know? And so they oppose, you know, any kind of hydro power project that you can think of or even an irrigation project. They're against it.

You know, it's not just Three Gorges. It's everything. You know, I haven't seen yet where a hydro project that they thought was a good one. And you got to recognize that. That's where they're coming from. That's what they're going to do. You can talk to them, but they're not going to like what you do.

You know, you could try to explain it. You can try to say, "Well, we've weighed the negative and the positive. We're going to try to mitigate some of the adverse impacts and, but, you know, this is, let's say, electrical power for hundreds of thousands of people. And so we feel that that benefit outweighs the impact that this project will have on 2,000 people," let's say. But if you talk about the benefits to the IRN [International Rivers Network] about that, they'll—you know, to Mr. [Glenn] Switkes of IRN . . .

BECKER: Yeah.

GROSS: . . he'll tell you, "No way."

BECKER: Yeah.

GROSS: You know? And he'll bring up all the horror statistics that he can think of, you know, some of which may be true and some may not be true.

BECKER: Mm-hmm. Okay.

GROSS: I'd say some of the other groups are much more mature now. Environmental Defense has really matured quite a bit. They're no longer a Bank hater. They're no longer the Bruce Rich kind of, you know, just knee jerk Bank haters. They're much more measured, I think, in what they say and what they think now. World Wildlife probably is too. Even Green Peace is now, you know, they're still, you know, out there boarding whaling ships and so on and trying, you know, to capture headlines, but they're not rappelling down the building across the street anymore the way they did once . . .

BECKER: Yeah.

GROSS: . . you know, with unfurling huge banners about the World Bank destroying rain forests. So, you know, I think, you know, it—maybe it had to happen that way, that the Bank reached out.

We got a lot of people in the Bank who are supposed to be civil society specialists. Some of them—I've heard this in a number of countries and I have personal experience with this—identify a little too closely with the NGOs, and as a consequence they became less than objective in the Bank. And they were—some of them were playing both sides. They were playing little games. And so they were not well managed.

In some cases, managers—senior managers—felt that these NGO specialists were not producing anything of value to the Bank. They wanted them to sell the Bank to the world, and to, in some ways, quell or—what's the word I want?—not necessarily to annul, but to certainly reduce the impact of a lot of this negative publicity the Bank got. To some extent, I think they missed the boat; more emphasis should have been placed on outreach to universities in the developed and developing world. Many of them are hotbeds of criticism of the Bank and of the development paradigm often followed by the Bank. Many faculty members take this line and attack the Bank, the Fund, the World Trade Organization, and other institutions no matter what they do. So the attack presses on indiscriminately against large dams and antiretroviral—HIV—treatment, schooling for girls, and highways.

[End Tape 3, Side A]

[Begin Tape 4, Side A]

GROSS: It is helpful to draw a distinction between CDD Projects—Community Driven Development Projects and integrated rural development.

Integrated rural development was largely a failure in the northeast of Brazil because almost all the resources were swallowed up by the bureaucracy. The plant breeders, the agriculture research people, the extensionists all got tremendous value of this—out of these projects. And there were nine of them. And actually altogether, if you count up all the ones including the repeater projects, there probably have been 30 or 40. And the early integrated rural development projects were much too technocratically oriented and rarely were the benefits actually coordinated; you know, that is to say, focused or concentrated on a given community or a given area or sub-region. So one community got selected seeds, while another got crop storage.

And there were few successes. And they disbursed poorly. They didn't disburse well, and that's always a bad thing in the Bank.

BECKER: Now how is this project in—is it Pará?

GROSS: Pará.

BECKER: Pará.

GROSS: Right.

BECKER: How does that . .

GROSS: How is it different?

BECKER: . . differ from these other projects?

GROSS: Okay. It combined the—what I think are the best things from both the CDD approach and the integrated rural development approach. First of all, it was not necessarily community-based but based on a group of producers who have a product or more than one product that they produce and that is marketable. So it is driven by the interests and demands of producers who are linked to markets. In that sense, it's like CDD projects, but it's not using the small rural community as the base. It's using any group, any agglomeration of people who form an association as the basis. So they could be, let's say, people in a single river valley who are producing, let's say, manioc, or hearts of palm, which is actually a product that's been developed in Pará.

From the integrated rural development side, it adopted the idea that you can't just make a small grant to a community, walk away from it, and say, "Okay, now they're developed because that was done." There is—the evidence from the northeast of Brazil is that these little CDD grants, which are—have a limit, usually a ceiling of \$20,000, which is enough to buy, you know, half a tractor or an old truck or something, you know, or put in a little well for the community to have drinking water, they don't contribute to sustainable economic growth for the community. They don't raise incomes. There's not enough technical assistance associated with them. Sometimes they actually do damage. And there's not enough—or there—also they're one-shot. They're one off projects that are done for a year and then . .

BECKER: Go away.

GROSS: . . and then *ciao*.

And so the idea of—behind the Pará project is that you need a multi-year involvement. You need technical input. If people want to produce something, then it has to be produced up to a standard or a level that markets demand. And you have to have good financial management. You have to do proper economic and financial analysis, you know, feasibility analysis of the

product and the process that you want to use to produce it.

So these are not giveaway projects. These are not welfare projects. They're not—not supposed to be politically motivated projects. So—and so the idea was that maybe 100 or 130 of these projects would be developed in the state of Pará, which is nothing like the scale of the CDD projects which are done in the northeast, where they finance several hundred a year, and on a very small scale. Little tiny grants here and there to give them.

BECKER: So this was for how much?

GROSS: \$60 million.

BECKER: \$60 million.

GROSS: The loan is—it's 60/40, the Bank as contributing \$60 million and the state government of Pará \$40 million.

BECKER: Mm-hmm.

Now, this leads me to a question I wanted to ask before—you alluded to early on—and that's the question of the capacity of recipients to, you know, to actually make good use of the funds that they receive. Over your time, obviously, there's been a change in attitude and a greater understanding of that. I mean, where did you see that happening in Brazil in the projects you worked on?

GROSS: In the projects I worked on, things worked where there was a combination of demand from a community and adequate technical inputs and over time. Not one-off kinds of inputs.

You know, that—one of the great phrases that's being used for the community driven development projects is “the people know.” They know what's best for them. They know what they want. They know what they need. Well, it happens that they don't know how to operate an irrigation system. They don't know how to maintain a pump. They don't know about irrigating at night to save on electricity charges. These are not things they're born knowing or that they have—they know from their agricultural tradition because they've always farmed as rain fed farmers and they've used the kind of slash and burn agriculture—even—not just in the Amazon, but all through the northeast.

So yes, the people know. They know—there's a lot they know. There's a lot they don't know. And they need people to work with them who are qualified

technical people and who are willing to go out and get their boots dirty-- which is not common; it's becoming more common, but it's not common over large areas of Latin America and, from what I understand, Asia as well . .

BECKER: Yeah.

GROSS: . . that people with, you know, who have university degrees or even technical courses are not particularly willing to go out into the countryside. And so, it's a special—it's a kind of cadre of people who have a commitment, who have the right level of income, salary, and who—and have the training to go out and work with groups of poor farmers to impart what they know and to help them get on their own feet and establish a viable economy. It's hard as hell to do.

BECKER: Yeah.

GROSS: The Bank's been trying to do this for years, you know, through various formulas, various approaches, you know: integrated rural development and CDD, micro-finance, irrigation, rangeland management, watershed management and lot of other, you know, fine, well-intentioned approaches.

But it's hard for a host of technical reasons. You know, it's hard because of the market conditions. And it's hard for a lot of social reasons. It's hard in India because of the caste system. It's hard in Brazil because of the class system. It's hard in Peru and Bolivia because of the fact that so many of the poor are non-Spanish-speaking indigenous people. They are Quechua speakers or Aymara speakers.

So there are barriers and problems everywhere. There's all kinds of problems with elite capture, that projects that are intended to provide benefits for poor people are actually captured and turned to the benefit of elites, not necessarily the top elites of the country, but the local elites managed to get like the milk subsidies in India, managed to get the lion's share of these milk subsidies or rice subsidies, you know, the rationed rice, where they don't have any need for it.

BECKER: Yeah.

GROSS: So there's all of these problems, and it's not—you know, we can't force countries to adopt, let's say, our own view, what might be our view of social equity, of how things ought to proceed. We can't force people to recognize that poor people sometimes have good ideas themselves, and because I've seen again and again and again that people have--and people

who are, in some cases, just a notch, a small notch, above the very poorest people feel that they—that poor people, you know, because they're illiterate, for example, know nothing. There's no way they could know anything that's of any value because they can't read. So there's this—there are these enormous social barriers that create difficulties in development. And there is where social science can benefit.

BECKER: So this is an issue of the whole capacity of the society to deal with the kinds of . . .

GROSS: Right.

BECKER: . . . expertise, and also money that's coming from the . . .

GROSS: Right.

BECKER: . . . outside.

GROSS: So there has to be the right combination, and, you know, god knows, I don't have the sort of . . .

BECKER: Yeah.

GROSS: . . . of technical expertise, of things that people learn in universities, of things that people learn in technical schools and the common, on-the-ground know-how of how things can be done.

BECKER: So it's fair to say that a lot of the things you're talking about is that there—oh, it's not that there aren't general rules that can be applied to notions of development or so on, but that there are a lot of specific circumstances in a particular place that have to be paid attention to. So . . .

GROSS: Yes. Although I don't go as far as Wolfensohn went when he discovered, you know, international development and came out with this Comprehensive Development Framework . . .

BECKER: Yeah.

GROSS: . . . where everything was important.

BECKER: Yeah.

GROSS: You know, I certainly don't—in fact, I think one of the problems that we've had with some projects is that they attempted to do too much, and

they've opened too many doors and boxes. And we have many, many projects still in the Bank which the operational staff know, refer to as Christmas trees because they have all of these ornaments . .

BECKER: Yeah.

GROSS: . . you know, and because people have succumbed or, you know, agreed to put in a little component about X or Y or Z that ends up distorting the whole project and making it unmanageable.

BECKER: Yeah.

GROSS: So a general lesson can be drawn is that it's foolish to think that something that works in India is going to automatically work in Brazil.

BECKER: Yeah.

GROSS: Local knowledge is fundamental. And that includes knowledge of the people and the social structure, of gender relations, and of the language.

And the Bank still downgrades the importance of speaking the local language. We—very often, you know, you see people being appointed to management positions in a region where they don't speak a word of any language that's used in that region. Now clearly, in some cases like Eastern Europe, you know, you can't learn Bulgarian and Polish and Hungarian and Albanian . .

BECKER: Right.

GROSS: . . you know, but it sure as hell helps to know one of those languages, or maybe one that many people know, such as Russian.

BECKER: Right.

GROSS: And it wouldn't hurt to say to managers, "Go out and study Russian," because that's the most commonly used language in that region, you know, and don't rely so heavily on translators and interpreters.

BECKER: Yeah.

I want to turn—we've just got a few minutes left here—to a couple of big questions that you have been focusing on, these nicely focused questions about a specific area.

GROSS: Mm-hmm.

BECKER: There's been a lot of talk since Wolfensohn and [Paul D.] Wolfowitz, and I don't know where President [Robert B.] Zoellick is on this, but the whole question of corruption. Do you see that as an issue in the areas that you've worked?

GROSS: Sure, it's an issue. And I've seen a really interesting kind of conflict arise, and that is that some people think that the term corruption has been expanded to be—to take in just about anything that doesn't involve some sort of totally transparent, completely equitable, competitive system where all players, you know, have a place at the table. And so there's been a kind of—a view of competition that probably exists in places like Norway and Finland. And that everything else is corruption.

There has to be a little bit more—a sense—a little bit of a sense of proportionality in this. And sure, there's a lot of corruption in developing countries. And there's a lot of cases where—you know, I mentioned elite capture--there's a lot of cases of when there's bidding on big projects, which is something that interests the developed countries particularly. You know, all of our procurement rules are really designed, in part, to benefit the developed countries, because huge amounts of World Bank funds go into the pockets of consultants, contractors, and manufacturers from developed countries, and nowadays increasingly from China.

BECKER: Right. Who then . . .

GROSS: Well, you know, it looks good because it's development aid, but it's going, you know, to buy Toyotas. It's going to pay for hydrologists, and it's—you know, and so on, who come from, you know, Part I countries.

Now I'm not saying that's wrong. You know, I think it's necessary in many cases. But I think that we need keep our eye on the ball, which is development. And I think sometimes we lose sight of it, and we get really, really upset and excited about things that look corrupt and which, you know, in a certain sense are corrupt, but which, for certain purposes at certain times, can be overlooked in the interest of having a project function and produce the results that you want.

So, no—so I think that this single-minded micro-focus on corruption as an issue can be a bit of a distraction, and it can be unsettling to a country such as India where there is corruption. There's bad corruption. You know? You know, there are countries with much worse corruption than India, and it's intolerable for most of the resources from a World Bank loan to go into the pockets of a few rich people. That's terrible. We can't allow that. But we

also have to be, you know, measured enough to understand that there's going to be some leakage. There's going to be some elite capture. And, you know, and so we have to be a little bit discriminating and say how much can we tolerate if we can achieve some kind of development.

BECKER: Yeah.

GROSS: And so I think that, you know, that the issue has become divisive between Part I and Part II countries. It's something that resonates with the general public in many countries because what they imagine is that developing countries are a gang of thieves. And, I mean, if you go out on the street and you ask the average person out on the street here on Pennsylvania Avenue, "What's the World Bank?" they'll respond, "Oh, it's an American agency that makes loans to countries that never pay it back."

BECKER: Yeah.

GROSS: You know. You say, "Well, wait a minute; it actually belongs to 183 countries."

They answer, "Oh, yeah? Oh, I didn't know that."

"And actually they pay it back. They pay every penny back."

BECKER: Yeah.

GROSS: You know, "Really?" And people are amazed at that. And people say, "Well, how much of the money that you give out—give away actually gets to poor people?" which is a reasonable question. But it's said with the—with the hidden text behind that is that, you know, all of these developing countries are full of corrupt people, and that's why they don't develop: because they're full of corrupt people.

It's based on an old sociological concept that was developed by Talcott Parsons, and it became very popular in the United States and in Europe that, you know, that there were two phases of modern society. One is kind of a, you know, a patrimonial state, when everything was ruled by oligarchs; everything was clientistic, and everything was ruled by sometimes benevolent, but usually very self-interested despots; whereas, a modern society totally—fully modern—allows transparency, voice, representation, rational conflict resolution, et cetera . . .

BECKER: More rational.

GROSS: . . where everything is rational and decisions are made—all the decisions are made in a rational basis.

BECKER: I have one last question that I always ask, and that is: given the fact international capital markets have changed so much, does the Bank remain relevant?

GROSS: Mm-hmm.

BECKER: What do you see as the continued relevance of the Bank in this, in fact, changed international economic environment?

GROSS: Mm-hmm. Well, there have been some areas of economies around the world, such as telecom, where the private sector has come in and has provided services so well, so completely, so efficiently that there's really no role for the Bank anymore. There's cell phones in just about any country you can name . .

BECKER: Yeah.

GROSS: . . and there's no real point in the Bank being involved in that sort of thing. If the Bank is going to continue to be involved in telecom, then it needs to find its niches very—define its niches very carefully.

The same thing is true of infrastructure. There's a renewed emphasis on infrastructure in the Bank now . .

BECKER: Right.

GROSS: . . which is good, but again, because of the capacity of the private sector to provide infrastructure in, let's say, the 20 most developed—under-developed—developing countries—the Brazils, the Mexicos and so on—that there the Bank's role should probably be limited more to one of providing advice and a limited kind of technical assistance but not trying to finance. We're not going to build roads that will satisfy the demand in Mexico or pipelines that will, you know, be adequate for Sudan. So I think that's where we also need to be very selective.

In other areas, in every country, every developing country, even the so-called advanced developing countries like China, India, Russia, Mexico, and Brazil, and Argentina, there are very big pockets of poverty. And there I think we should be focusing like northeastern Brazil, to a lesser extent the Amazon, and urban pockets—pockets of urban poverty, where local policies are not contributing to reducing poverty. There again, we need to be judicious about

where we intervene and how we intervene, you know, but I think we need to get away from the idea that we are going to provide the infrastructure that countries need.

On the other hand, I don't believe that we should get out of infrastructure. We just need to shift from a provider role to a planning and optimization role, introducing new modalities of financing, technology, right-sizing, demand management, et cetera.

And then there are the poorest countries, mostly the IDA countries, where there's no question that the Bank's assistance is needed across the board . .

BECKER: Yeah.

GROSS: . . in all sectors, you know, in health and education, in urban development, in agricultural development, in, you know, in power generation and distribution.

So, you know, I think that there's still—the Bank's role is still quite relevant. It's silly to say that it's just closing your eyes to say that the private sector is able to, you know, and private lending agencies are able to take up all the slack. That's mainly true for the advanced developing countries, and not altogether in them. It's not true for the majority of developing countries.

[End Tape 4, Side A]

[End of interview]