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The World Bank’s Facilitation of Land Grabs

On April 16, 2015 The Guardian reported on The World Bank funding projects that led to millions of people losing their land and damaging their livelihoods for the past decade.¹ According to the report, most of these operations were to “boost electricity and water supplies and expand transport networks” in many developing countries.² Millions of people have been displaced as the World Bank has participated in land grabs; large-scale land acquisitions of land larger than 200 hectares, for completed projects such as dams.³ However, in most land grab cases the World Bank violated its safeguard policies, which state that the organization aims to avoid “involuntary resettlement” as well as provide “compensation and other resettlement measures.”⁴ In response to the unveiling of these “shortcomings,” World Bank President Jim Yong Kim stated

² Ibid.
that the organization “[hasn’t] done a good enough job in overseeing projects involving resettlement...[and hasn’t] implemented those plans well enough.” Furthermore, the World Bank released a statement noting that its anti-poverty goals can only be met if they make large adjustments to the current institutional failures. Despite forced resettlement complaints to inspection panels within the World Bank, many investigations were never opened.

The World Bank’s negligence with respect to resettlement highlights a pattern of past practices within the previous decades within the organization in the area of land grabs. The World Bank’s funded projects that require forced resettlement has gone from 8% in 1993 to 29% in 2009, indicating that the organization is benefiting from funding these types of projects. Furthermore, forced resettlements directly go against its Twin Goals of ending extreme poverty and “[promoting] shared prosperity by improving the living standards of the bottom 40 percent of every country.” Inequalities perpetuated by aid agencies have been seen in Sub-Saharan Africa, where in 1981 residents accounted for 11% of the world’s extreme poverty population as compared to 2010 where they made up 34% of the population. Despite seemingly good intentions, the World Bank has had decades of failed development policy in countries where it is needed most. The World Bank’s failed development policies were also demonstrated in Argentina during the 1990’s when the organization held a series of discussions about the Country Assistance Strategy (CAS). During these discussions, it became apparent that the already-approved CAS was based more on Washington’s interests rather than Argentines taking out the loans. Abiding by the Washington consensus has led to several structural adjustments within these countries that allow for deregulation and policy reforms to be implemented. This enables private companies to work with international organizations and governments to cheaply acquire land without giving residents compensation.

6 Op. Cit., fn. 1
7 Op. Cit., fn. 1
The critical issues that aid agencies supporting land grabs pose have important implications for international organizations. Despite the aid agencies’ seemingly good intentions, United States hegemony has led to flawed Washington consensus assumptions as to what development policies should be put into place. The World Bank and other aid agencies have continued with the same development policies marked by a flawed paradigm that only increases inequalities in developing countries. This leads many to question both international organizations’ ability to help those in need, as well as the way they choose to aid developing countries. This pattern of disregard for those in developing countries is apparent in a leaked memo by former World Bank President Lawrence Summers in which he stated, “shouldn’t the World Bank be encouraging more migration of the dirty industries to the LDCs [less developed countries].”11 Furthermore, Summers stated that it was merely “economic logic” to dump waste into low wage countries that are likely to develop further, instead of keeping it in developed countries.12 This reflects policies of the World Bank that are intended to aid developing countries, but instead disregard the world’s poor. With the updates in the World Bank’s Safeguard environmental and social policies, the World Bank has the opportunity to take responsibility for its actions and begin to enforce policies that will actually lift countries out of poverty with sustainable development.13 To understand why aid agencies and international organizations have continued to neglect large amounts of the world’s poor when implementing its projects leads me to ask the following research question: Why are aid agencies supporting land grabs?

Public Support for Aid Agencies

The conventional wisdom surrounding aid agencies is that they are helpful and bring about positive impacts. In a poll conducted by the Pew Research Center, nonpartisan research found that within developed countries such as Britain, France and South Africa, two in three people thought that international organizations, such as the World Trade Organization, are a good influence.14 In another poll conducted by Gallup, researchers found that out

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12 Ibid.
of 126 surveyed countries, 106 of these countries approved of the United Nations leadership, with a global median of 44% approval and a global median of 17% disapproval.\textsuperscript{15} These polls reveal that globally, most people approve of and support international institutions, and have the perception that these institutions bring about favorable effects. This further reflects that international institutions are thought of as helpful entities that provide aid to many countries in need.

While many people believe that international institutions are helpful to developing countries, this conventional wisdom is wrong. It is apparent that these institutions are playing a large role in damaging people’s livelihood, despite being organizations that exist to assist the global poor. International organizations’ primary objectives in the past decade have been to promote food security, sustainability, and environmental conservation. While pursuing these seemingly positive goals, local people are often uprooted in order to make room for large agricultural production fields, thus negatively affecting indigenous farmers and taking away indigenous homes. Despite the positive goals that aid agencies have laid out, many bring about unfavorable effects, harming many of the developing countries most vulnerable citizens. Aid agencies encourage countries to relinquish land in order to meet the agencies’ goals, but do not consider or care whether the land is inhabited or not.

\textbf{Marxism to Answer the Research Question}

The theory that best explains and frames my research question is Marxism. In international relations, Marxism’s core assumption is that capitalism is exploitative and that change is system-driven.\textsuperscript{16} The founder of the theory, Karl Marx, stresses that the structure of world power is a hierarchy, and that the causal mechanisms are systems-based, such as the international division of labor and capitalism.\textsuperscript{17} Inequality is a core part of Marxism’s assumptions, where many of the world’s elite can profit from exploiting cheap land and labor in developing countries.\textsuperscript{18} As a result of Marxism’s core assumption

\begin{itemize}
  \item \textsuperscript{15} Timothy B. Gravelle and Julie Ray, “UN Gets More Approval Than Disapproval Worldwide,” \textit{Gallup} (May 31, 2011).
  \item \textsuperscript{16} Professor Shelley L. Hurt, “Theoretical Paradigms of International Relations,” POLS 426 course reader (Spring 2015).
  \item \textsuperscript{17} \textit{Ibid}.
  \item \textsuperscript{18} Chrystia Freeland, “The Rise of the New Global Elite,” \textit{The Atlantic} (January/February 2011).
\end{itemize}
that change is class driven, the “super-elites have two ways to survive: by suppressing dissent or by sharing their wealth.”

Given these assumptions, Marxism will help explain the answer to my research question and my research findings. Marxism’s theory that capitalism is exploitative will help to frame the drive that countries and businesses have to sell and buy large pieces of land, causing forced resettlements. Additionally, the assumption of power from global elites will help explain how aid agencies are suppressing dissent and exploiting the global poor. Furthermore, the theory of world power structured as a hierarchy will help demonstrate why developing countries abide by the Washington consensus and accept the continued practices of aid agencies.

Case Study: Promotion of Food Security

Development goals have a history of being grounded in food security. This was seen during the green revolution in which Norman Borlaug created a strand of wheat that produced high yields for developing countries. This policy of food security was reinforced after the 2008 food crisis, which became a pivotal moment in food security aid. After this initial crisis, international organizations reinvigorated their promotion of food security. The World Bank subsequently stated, “the world needs to increase investment in agriculture” in order to meet the agricultural production needs to feed the world’s increasing population. They responded with an investment of over $8 billion in 2013, much of which was through public and private partnerships. In addition to the World Bank’s policy approach of private/public partnerships, the International Monetary Fund (IMF) emphasized trade liberalization in developing countries to promote food security, reiterating the necessity of the private sector. Private sector interest is further reinforced by the high rates of return within developing world agriculture, making acquiring agricultural land more attractive. Aid agencies’ policies often

19 Ibid.
20 International Food Policy Research Institute, “Green Revolution: Curse or Blessing?” (online report, 2002).
22 Op. Cit., fn. 21
emphasize the incorporation of the private sector and increased productivity in order to drive down food prices and enhance food production. However, these policies encourage misconduct from private companies that lead to land grabs.

Developing countries, such as those in Africa, have critical agricultural land that has been recognized by international organizations as having investment value. In the past decade as the demand for fertile agricultural land has increased, people have turned to African countries because of their “abundant natural resources, exploitable yield gaps, and an improving investment climate.” Furthermore, private sector interest in African agriculture and agribusiness has been steadily increasing over the years, making acquiring land in the continent increasingly competitive as agriculture is projected to be a $1 trillion industry in Sub-Saharan Africa by 2030. Furthermore, in a World Bank Report on global interest in farmland, “foreign investors expressed interest in around 56 million hectares (ha) of land globally” with 29 million ha of this land in Sub-Saharan Africa. Additionally, The World Bank and other private entities have been planning for investment in underutilized land for staple crops. Citing the critical market for Maize, the World Bank has detailed the “5 million hectares of uncultivated land suited to maize production” in Zambia, which could lead to Zambia becoming “a breadbasket for the region.” This untapped land serves as an incentive for The World Bank and private companies to invest in the production of a highly demanded crop for a growing population.

In response to the growing interest in African land, the World Bank, along with more than 200 companies, such as Bank of America, Merrill Lynch and Bayer, and 12 countries joined the Grow Africa agreement, that focuses on the commitment of public and private sectors to “specific policy reforms and investments…that accelerate implementation of African country food security strategies.” This agreement led to private companies intending to invest $4 billion in African agriculture, showing the high level of interest in African land.

26 Ibid.
27 Klaus Deininger, Derek Byerlee, Jonathan Lindsay, Andrew Norton, Harris Selod and Mercedes Stickler, “Rising Global Interest in Farmland” (online report, The World Bank, 2011).
28 Ibid.
29 Ibid.
30 “About Grow Africa” (online report, Grow Africa).
31 Op. Cit., fn. 20
Despite these deals encouraging food security, the underlying motive surrounds business deals within private and public partnerships. In the World Bank report titled “Doing Business,” the policies that are outlined encourage developing countries to employ policies that are more investment friendly, exemplifying the World Bank’s interest in deals with the private sector. The purpose of “Doing Business” is to implement “regulatory reforms” that make the conduction of business easier. Additionally, the World Bank ranks countries based on “the ease of doing business with them” encouraging developing countries to deregulate and reform policies in an effort to become more investor friendly. This allows private businesses to work with governments to promote fewer regulations in order for these companies to invest within the country. However, during this process, the reform policies lead to an environment that allows corporations to participate in land grabs. Specifically, the World Bank’s indicators of “registering property” encourage countries to reduce regulations on buying land so that businesses are more easily able to purchase land. The World Bank’s policies that promote food security are heavily reliant on satisfying the private sector and encouraging investments. Due to these practices, the World Bank is directly facilitating in corporate land grabs, as well as encouraging countries to allow fewer regulations for buying land, thus institutionalizing these practices.

While these policies may look good on paper to many governments, they continue to harm and reverse development. Many of these countries that fall victim to land grabs have had stagnant economies and slow development, so in order to help promote development and reverse their extreme poverty, they look at investors to bring in capital. Leaders in countries such as Sierra Leone emphasize that private investors are necessary to “ensure food security and sustainable development.” However, as a result of these companies taking over local people’s farmland, indigenous people not only struggle to feed their families but also fail to receive adequately paid jobs from the companies. Furthermore, the original landowners are often never compensated for the land and the natural

resources that are taken away from them. The promises that investors and governments make lead to lower paid jobs within these agribusinesses, which in turn does not help promote any food security. This is because the farmers, who were once self-sufficient, now have no land to farm their own subsidence, and lack sufficient income to pay for other food.

**Case Study: The Promotion of Biofuels**

In the recent decades, the demand for biofuels has been increasing as policymakers look towards alternative energy sources. Furthermore, the biofuel industry has been sourced as “an important driver for economic growth” in many developing countries, helping to create more jobs per hectare than other farming operations. Additionally, biofuels can have “significant greenhouse gas mitigation potential” leading to an 80 to 90 percent reduction in emissions. The positive economic and environmental prospects that biofuels pose correlate with both aid agencies and countries interests in reducing emissions and using alternative energy. In the World Bank’s attempt to mitigate the issue of global poverty, they have turned to biofuels as a way to increase revenue and employment in developing countries.

In pursuit of reducing carbon emissions, developed countries have had target goals of increasing reliance on biofuels, such as the European Union making 10 percent of transportation run on biofuels by 2020. Moreover, the World Bank has emphasized the biofuel industry, specifically palm oil crops, as being an important sector to provide jobs to millions of rural poor, meeting the institution’s goals of helping to mitigate global poverty. Given the opportunities that biofuel production can have for developing countries, aid agencies look towards this industry to meet its’ goals of generating job and income growth in developing countries. Additionally, biofuels could lead to a rise of “all agricultural

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commodities” due to an increase in competition for resources, which could help address declining agricultural prices in developing countries.\(^{41}\) The World Bank has also stated that biofuels “can benefit smallholder farmers” by increasing rural incomes and employment.\(^{42}\) The positive potentials of biofuels, including the prospect of combating poverty, have led the World Bank and International Finance Corporation (IFC) to release a report on their strategy for the palm oil sector. This plan engages private sector investment, along with IFC financing to strengthen the industry within developing countries.\(^{43}\) This investment strategy comes as a “response to private sector need and interest” leading to a bolstering of the palm oil industry in developing countries.\(^{44}\) With the financing of private sector investment, investors in developing countries have purchased several thousand hectares of farmland to produce palm oil, often taking the land away from local farmers.

However, to meet the minimum demand of biofuels such as palm oil, an additional 6.3 million hectares would be needed for production, leading to the increased demand for agricultural land.\(^{45}\) Additionally, the world would need to at least double the annual harvest of biofuels to meet the energy demand by 2050.\(^ {46}\) As a result, the world has little room for biofuel crops and many developing countries must turn to forced resettlement in order to meet production demands. As demand for agricultural land for biofuels increases, many subsistence farmers no longer have access to land for food production. The lack of access to farmable land has led rural farmers in Guatemala to go so far as to plant their crops in highway medians in order to feed their families.\(^ {47}\) Despite these negative impacts, the World Bank is still a large player in facilitating investment and land acquisition, and has tripled investments in agriculture “from $2.5 billion in 2002 to $6-8 billion in 2012.\(^ {48}\) The increase in investments played a vital role aiding in direct financial support for

\(^{43}\) Op. Cit., fn. 34
\(^{44}\) Ibid.
\(^{45}\) Ibid.
\(^{48}\) Op. Cit., fn. 3
investments in land, allowing for several large land acquisitions. In many of these purchasing operations, such as in Honduras and Sierra Leone, private sector investment has led to local farmers being pushed off their land with inadequate compensation.\textsuperscript{49} Although there is a lack of compensation for indigenous people, developing countries are still encouraged to invest in biofuels to help them produce new cash crops and use their abundant land resources. For example, in Liberia 30\% of the country’s land was put into the hands of investors between 2006 and 2011.\textsuperscript{50} Additionally, foreign land investors have been paying lease fees “from as little as seven cents,” leading many rural poor without land, perpetuating poverty.\textsuperscript{51} Despite the appearance of good intentions, the World Bank’s strategy of investment in biofuels in developing countries lacks proper oversight to guarantee that local people are compensated and are not forced to resettle.

Biofuels are increasingly becoming a popular energy alternative, as the world becomes more concerned with the impact of traditional fuels as well as the cost of oil. The projected positive effects of biofuels on job and wage growth in developing countries makes them an important investment for many countries, private companies and aid agencies. However, “the lack of secure land tenure” and property rights in developing countries have led to an “astonishing buying spree across Africa.”\textsuperscript{52} Furthermore, international interest in switching to biofuels has led to local subsistence farmers’ land being acquired for economic crops such as palm oil fields and sugarcane. The proposed positive environmental impacts of biofuel and the international interest in the sector have led aid agencies to look past the negative effects land grabs pose for the rural poor.

**Case Study: The Promotion of Carbon Credit Programs**

In addition to the influx in biofuels as a response to growing concern over climate change, carbon credit programs were established as a result of the Kyoto Protocol’s Clean Development Mechanism in an attempt to mitigate carbon emissions. Carbon credit programs allow countries with an “emission-limitation commitment…to implement an emission-reduction project in developing

\textsuperscript{49} Op. Cit., fn. 34
\textsuperscript{51} Op. Cit., fn. 3
\textsuperscript{52} Op. Cit., fn. 49
countries” giving both countries and companies an opportunity to obtain certified emission reduction credits to meet their emission targets.53 Furthermore, the IFC arm of the World Bank has been strongly supporting carbon-financing programs in developing countries. This support comes from their assessment of the $95 billion market that has developed between 2005 and 2010 for carbon credits.54 Carbon finance’s lucrative market and the perceived environmental benefit have made aid agencies and international organizations advocate for projects in developing countries to help mitigate extreme poverty. This has led to multimillion-dollar projects in countries such as Argentina, Brazil and Kenya that require vast amounts of land for projects such as wind farms and hydropower, leading to large-scale land grabs.

The World Bank has been a key player in financing carbon-offset programs as well as creating carbon-auctioning events. Using the carbon offset program that was outlined in the Kyoto Protocol, the World Bank has been able to “scale up emission reductions…increase access to energy in least developed countries, and reduce emissions from deforestation and forest degradation.”55 Carbon offset programs support environmental efforts, while also providing the World Bank, private corporations and countries investment opportunities in the new market. In addition to the so-called environmental benefits from carbon trading programs, carbon finance has become a “key component of the IFC climate business strategy,” providing huge financial benefits to the World Bank.56 As carbon finance has become a more central part to the IFC, international interest has led to the vast growth of carbon offset programs. The World Bank has also led an initiative that led to more than 1,000 companies and investors supporting carbon finance, showing the global interest in investing.57 In addition to the large investor interest in carbon finance, “since 2000, $4.36 billion has been raised through the World Bank’s 18 carbon funds and initiatives” revealing that carbon finance is an incredibly lucrative and important sector to the World Bank.58 As a result of the large amount of money that has

56 Op. Cit., fn. 53
57 The World Bank, “Pricing Carbon” (online report).
been raised from carbon finance, the World Bank has responded by attempting to “increase climate financing up to $29 billion annually by 2020,” showing their long-term interest in carbon financing, and the amount of money they are willing to spend on future carbon offset programs.\(^5^9\) As the market for carbon finance has steadily increased, the amount of land needed to support this growing industry must also increase, which has led to the extension of World Bank carbon offset programs into more than 75 countries.\(^6^0\) Furthermore, the World Bank has shown their continued investment and interest in the sector, which means that the institution will support companies that are able to facilitate carbon-financing programs.

Seeing the potential in carbon finance, the World Bank has been a large investor in carbon trading companies, such as the New Forests Company (NFC), which buy up rural land to plant forests, then sell the carbon credits they have earned to polluting companies hoping to meet their carbon cap. From 2005 to 2015, NFC has planted 24 million trees, taken over 37,000 hectares of land, and has amassed $128.3 million in assets from their forests.\(^6^1\) The World Bank’s investment in NFC and the company’s success shows how profitable this market has become and how much land is required to continue making a large profit. Furthermore, NFC has cited their projects in Africa as supplying jobs, increasing incomes and mitigating poverty levels.\(^6^2\) NFC and other carbon trading companies fall in line with promoted policies of aid agencies, such as the World Bank, and lead to both interest and investment from these organizations. Carbon offset programs appear to be a sound investment for aid agencies because not only are they able to provide perceived environmental benefits, but they are also sourced as being an incredible growth opportunity to countries with extreme poverty levels.

However, the vast amount of land needed to support carbon finance operations has led to a series of forced resettlements by companies supported by the World Bank, such as NFC. While NFC was beginning operations in Uganda, Oxfam reports that the company forced more than 20,000 people from their homes to make room for new forest plantations.\(^6^3\) To meet the

\(^{59}\) Ibid.

\(^{60}\) Op. Cit., fn 54


demands of NFC’s large operation in Uganda, they needed a vast amount of fertile land, and as a result of the expected profit from the plan, it was easy for the Ugandan government to be complacent in forced resettlements of indigenous people. It was particularly easy for the government to support the World Bank and NFC’s project in Uganda when it was projected to earn up to $1.8 million a year. With the potential to make aid agencies, private investors and the country a large amount of money, giving up fertile land and allowing forced resettlements to occur is necessary to generate profit. Carbon finance’s expanding market throughout the world requires fertile land to be put in the hands of investors, but without proper oversight often leads to forced resettlement without proper compensation.

So What? The Implications of My Research Findings

The research presented comes at a critical point where global poverty levels are only increasing, despite aid agencies continued efforts to mitigate these issues. These research findings are compelling because they show the complicated reasons why aid agencies often have good policies on paper, but are unable to execute strong results. Despite the seemingly good intentions of many aid agency projects, there are often ulterior motives and a lack of government oversight in countries where these projects are occurring. These findings are innovative because it reveals the contradictions within organizations such as the World Bank, which continue to ignore its safeguard policies, but is currently increasing investment to these three types of projects throughout the world. Furthermore, this research is important because it shows that the global poor are continually suppressed by even the organizations that were established to lift them out of poverty, showing that it is of extreme importance to restructure how aid agencies design and implement their projects.

These findings have a number of implications on international organizations. Despite public opinion that aid agencies are generally beneficial and helpful, this research shows that there is clearly a conflict between aid agencies’ safeguard policies and the actions they take to meet certain development goals. Aid agencies have the opportunity to restructure existing policies and take a more hands on approach so that they can continue to work towards meeting the millennium development goals. As aid agencies, such as the World Bank, have had repeated accusations of forced resettlements and facilitating land

64 Op. Cit., fn. 62
grabs, these research findings will reveal that aid agencies are driven by a Washington consensus of increased investment and the involvement of the private sector. However, the implications of forced resettlements as a way to mitigate food insecure nations shows aid agencies neglect for the actual livelihoods of indigenous people. Furthermore, as the countries and aid agencies address the issue of alternative fuels and climate change, this research shows that they are more concerned with the potential economic prosperity which comes with private investment, and less concerned about the well being of the people that inhabit these lands. Aid agencies have interest in helping indigenous people and mitigating extreme poverty in developing countries, however the research shows that they need to closely monitor their projects and better enforce safeguard policies to avoid pursuing economic interests over human rights.