Report No. 17538

Recent Experience With Involuntary Resettlement
Overview

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Operations Evaluation Department

Document of the World Bank
Acronyms

AGR Agriculture and Rural Development Department
BP Bank Procedures
CEB Communauté Electrique du Bénin
CHESF Companhia Hidro Elétrica do São Francisco
ECIDI East China Investigation and Design Institute
EGAT Electricity Generating Authority of Thailand
ENV Environment Department
ERR economic rate of return
ESD Environmentally Sustainable Development
FY the Bank’s fiscal year (July–June)
GP Good Practices
GRRDO Guangxi Regional Resettlement and Development Office
ICR Implementation Completion Report
KIP Karnataka Irrigation Project
M&E Monitoring and evaluation
MCIP III Maharashtra Composite Irrigation Project III
MDOPS Operations Policy and Strategy Group
NGO nongovernmental organization
O&M operation and maintenance
OD Operational Directive
OEED Operations Evaluation Department
OP Operational Policies
OMS Operational Manual Statements
OPN Operations Policy Note
PCR Project Completion Report
Pólo Pólo Sindical do Submédio São Francisco
RAP Resettlement Action Plan
RRDP Resettlement and Reservoir Development Program (Kedung Ombo)
SAR Staff Appraisal Report
SDV Social Development Department
SRRO Shuikou Reservoir Resettlement Office
SWCU Satya Wacana Christian University
UK II Upper Krishna II Project (Karnataka)
VMT Verba de Manutenção Temporária

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MEMORANDUM TO THE EXECUTIVE DIRECTORS AND THE PRESIDENT

SUBJECT: RECENT EXPERIENCE WITH INVOLUNTARY RESETTLEMENT

Attached is the Operations Evaluation Department (OED) report entitled *Recent Experience with Involuntary Resettlement-Overview*. It is accompanied by six volumes presenting case studies of resettlement experience in China, Indonesia, Thailand, Togo, and Brazil.

The report evaluates evidence from eight Bank-financed projects relating to standards of compensation, physical relocation, and restoration of incomes. The case studies capture a wide range of experience, from projects which are out-performing Bank guidelines to projects which reveal serious lapses in compliance.

The overview report makes recommendations to strengthen resettlement policy and practice. The report confirms that effective monitoring of safeguard policies is essential to the credibility of Bank operations.

The Bank’s senior management prepared a detailed response to the recommendations outlined in the OED report. The text of the management response, as well as the ledger of OED recommendations and management responses to those specific recommendations, are contained in the supplement immediately following the executive summary of this overview volume. OED finds the management response satisfactory, and in some areas the management response goes beyond the OED recommendations.

The OED report and the management response were discussed by the Board of Executive Directors’ Committee on Development Effectiveness (CODE) on April 29, 1998. CODE endorsed the report and the response. A summary of CODE’s findings are included in the supplement. CODE agreed to make the report, the management response, and a summary of CODE’s findings publicly available as part of this volume.

Robert Picciotto by
Elizabeth McAllister
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This report was prepared by Edward B. Rice and Warren A. Van Wicklin III. William B. Hurlbut was the editor. Megan Kimball and Benjamin S. Crow provided administrative support.
Preface

This Overview reports on an Operations Evaluation Department (OED) study to assess the resettlement process of Bank-supported projects and to determine the impact on involuntarily displaced people. The report describes the purpose and objectives of the study; the methodology and selection of case studies; the history of resettlement in each project; and the principal findings, lessons, recommendations, and policy implications. Six separate impact evaluations assess the resettlement process of one or two Bank-supported projects to determine the impact on involuntarily displaced people in selected case studies in China, Indonesia, Thailand, India, Togo and Brazil. The six companion volumes contain detailed information on the resettlement process and outcome, and cover each of the topics of the Overview for their specific country.

The report is based upon a review of the project files, other relevant documents, and the results of a socio-economic monitoring program in five of the six countries, with repeating surveys of resettler households and communities, plus a follow-up survey for OED. Two OED missions visited each project area, one to design the 1997 survey and one to validate the survey results and for further investigation, except for the Togo project, which was visited once, did not have a socio-economic monitoring program, and for which no survey was commissioned.

The draft report was sent to the six country governments on November 8, 1997. No comments were received from the governments of Togo and Indonesia. The government of Maharashtra did not want to suggest any changes to the India report. Only minor comments were received from the government of Thailand. Comments on the cost tables were received from the government of Brazil, and OED took those comments into consideration in revising that report. Mainly editorial comments were received from the government of China, and OED took those comments into consideration in revising that report.

Edward B. Rice and Warren A. Van Wicklin III jointly prepared the Overview volume. Mr. Rice prepared the reports for China, Indonesia and Brazil. Mr. Van Wicklin prepared the reports for Thailand, India and Togo. OED was greatly assisted by the survey research teams in each country, members of whom accompanied the OED team. The survey teams were led in China by Mr. Gong Heping, East China Investigation and Design Institute (ECIDI); in Indonesia by Messrs. Tri Kadarisilo and Slameto, University Research Center of Satya Wacana Christian University (SWCU); in Thailand by Professor Supachai Suetrong, Khon Kaen University; in India by Mr. R.R. Mohan, Om Consultants (India) Pvt. Ltd.; and in Brazil by Ms. Rosa Maria do N. Amorim, Fundaçao Joaquim Nabuco (Fundaj); The OED team was also assisted by senior resettlement and social development experts that accompanied the OED missions: in China by Ms. Youlan Zou, World Bank office in Beijing, and by Mr. Youxuan Zhu, independent consultant; in India by Dr. Aloysius P. Fernandez, Executive Director, MYRADA; and in Togo by Mr. Komla Barthélémy Agouma-Ewomsan, founder and Executive Director, SYNORSEC. The field work of the OED team benefited from the cooperation of resettlement agencies, and agency resettlement officers accompanied all of the OED missions. OED gratefully acknowledges the assistance of all the above people, and their teams. Finally, OED would like to thank the many resettlers who shared their time and provided us their perspectives.
Executive Summary

Introduction

1. OED issued its report *Early Experience with Involuntary Resettlement* in June 1993. The evaluation it described was based on field work carried out during 1989–92 at four dam project sites in India (2), Thailand, and Ghana. All four projects had been approved before 1980, the year the Bank first issued guidelines for involuntary resettlement. The study found that three of the projects failed to apply fair eligibility and entitlement criteria, and that three failed to maintain pre-project family incomes. Although social infrastructure and services had improved, a majority of resettlers were dissatisfied with both compensation for lost assets and resettlement to new homes, farms, and other occupations. Subsequent reports on resettlement from the Bank's Environment Department (ENV) displayed an improving trend in planning for projects prepared and carried out since the guidelines and directives were introduced. However, ENV was unable to confirm significant progress in results on the ground, especially toward what the Bank's resettlement policy (OD 4.30) defines as the acid test of all these programs—the restoration of incomes and standards of living of project-affected people.

2. Among the development assistance agencies, the Bank led the way in the 1980s in establishing a resettlement policy to mitigate the impact of involuntary relocation. The Bank took steps to enhance its social science skills to implement the policy. During this period the advent of a global network of nongovernmental organizations (NGOs) put the spotlight on the failures of past resettlement practices and made resettlement a salient issue. NGO concerns about resettlement often focused on the predicament of families displaced by dams. These concerns have overlapped with a broader critique of big dams. The majority of the cases presented to the Bank's Inspection Panel have included resettlement issues. Most of them involve dams. Together with damage to the environment, allegations about mishandling of resettlement are among the challenges faced by the Bank in demonstrating that it is a responsible and caring development agency. This follow-up to OED's earlier study provided an opportunity to return to the field with a sample of projects twice the size of the original study, and 10 years more recent, to learn from experience and assess the relevance of outside criticism.

Design of the Study

3. This study selected projects from six countries (see map). All were appraised well after the guidelines were first issued and while they were being strengthened. Three of them repeat (India, Thailand) or closely match (Togo) the 1993 selection. The others expand that selection to cover countries with the largest portfolios of Bank-assisted projects with resettlement (China, Indonesia, Brazil). Two projects each were included from India and China, in a modest effort to assess the representativeness of the primary selections from the two countries that dominate the portfolio. Case studies have been prepared for each of the six countries. Each one is contained in a separate volume of this report. This study's authors visited each country twice between November 1996 and May 1997, except for Togo, which was visited once. In the other five cases institutions that had conducted earlier field surveys on the same projects were asked to conduct another field survey to update information on resettlement impacts and resettler incomes. In
Togo, OED itself carried out extensive household interviews. Project selection was limited to involuntary resettlement associated with the construction of big dams.

Principal Findings: Results

4. **Compensation.** The experience with compensation rates and schedules in the sample of eight projects ranges widely, but the trend appears to be toward improvements in fairness and timeliness. Pak Mun (Thailand) was unique in its exceptionally generous land compensation rates, which were seven to ten times prevailing market rates. This eliminated virtually all protests against land acquisition but not the criticism against the dam itself. In Karnataka (India), where overall performance has been poor, impressive strides have been made in the last few years toward establishing fair compensation schedules. Governments are moving toward acceptance of the principle that displaced families should be paid the real value of their lost assets. Whether this evidence is representative of the universe of resettlement projects remains to be seen. Comments on the draft report suggest compensation is still a major issue in many other projects. Even if the trend is genuine, there is no room for complacency.

5. **Relocation.** The record with relocation—the individual or collective movement of people up and out of the reservoir boundaries—was also uneven but on the whole quite satisfactory across this sample of projects. The tempo of relocation is generally driven by the advancing water, and, as in developed countries, families stay in the valleys as long as they can. In only one case—in Karnataka—did the water catch the people before the new sites were ready to receive them, so that emergency action had to be taken, including boats and helicopters, to evacuate a large number of people. At Kedung Ombo (Indonesia) a large minority of affected households refused to move. The government responded with coercive measures that provoked international condemnation. Elsewhere, relocation not only kept pace with the water but also did so with little controversy.

6. **Income Restoration.** Critics project a grim picture of the impact of dams on the incomes of the Bank's involuntary resettlers, the impoverishment and marginalization of affected communities. The Bank has acknowledged that the record on restoring—let alone improving—incomes has been unsatisfactory. The cases for this study show remarkable variation. In three of the 1997 case studies, regional growth and job creation buffered the impact of displacement and greatly facilitated the restructuring of resettler production systems. In none of these three cases—Shuikou (China), Pak Mun, and Kedung Ombo—did the planning for resettlement anticipate the impact of the regional economy. In each of them, the 1997 surveys show income levels restored and increased above pre-dam levels, at least for the majority of displaced families that resettled locally. Yantan (China) also increased incomes, but without the benefit of a growing regional economy. Two other 1997 cases—both in India—seem to be headed in the same direction, although the percentage of families with members in nonfarm employment is lower than the first three cases. At the other two project sites—Itaparica (Brazil) and Nangbeto (Togo)—there has been practically no shift toward a more diversified income pattern. At Itaparica incomes increased through the payment of monthly subsidies to resettlers rather than the restoration of productive activities. At Nangbeto incomes appear to have declined, but they have for non-resettlers in the area as well, so the decline is not due to resettlement alone.

7. **Social Infrastructure and Services.** This part of the resettlement program usually receives the best ratings. OED's 1993 report said, "social infrastructure services—water, health,
education, electricity, access roads—were, in general, much better in all projects than before resettlement.” A distinction should be drawn between the physical infrastructure and whatever supporting services are required to put that infrastructure to best use and maintain it. With respect to physical infrastructure, improvements are everywhere evident and welcomed by the resettler communities. However, with the exception of the three sites in China and Thailand, there are frequent complaints about the operation and maintenance of these structures, in particular the erratic or poor quality of human services and material supplies provided. Overdependence on government services is part of the problem. Greater involvement of communities is needed to achieve sustainability.

8. **Resettler Satisfaction.** OED’s 1993 report said the surveys found a preponderant sense of dissatisfaction in three of the four projects. The 1997 surveys show a similar sense of unhappiness at five of the eight sites. Attitudes correlate closely with the economic impact of the reservoir displacements. At the two sites in China, clearly positive economic impacts have been recorded and satisfaction levels are high. By contrast, for the majority of resettlers at Itaparica, Nangbeto, and the two Indian sites (in neighboring states on the Krishna River), economic benefits have been modest at best and minimal for most, and satisfaction ratings are correspondingly poor. The situation in Thailand and Indonesia is different. There the rapidly growing national economies lifted most resettler incomes above pre-dam levels. Slightly more than half the Thai resettlers still complain because they hope to receive even more compensation, while the Indonesian resettlers have left that struggle behind.

**Principal Findings: Performance**

9. **Bank Performance.** The scorecard is not as good as OED had anticipated. Projects appraised in the mid-1980s still suffered from underdeveloped resettlement components. The Bank played a less prominent role than expected, both in strengthening components during appraisal and in monitoring them in the first few years of implementation. The Bank’s expanding team of sociologists and resettlement experts were still advising from the sidelines in some important cases. The best news is a distinctive trend toward improved planning, including preparation of Resettlement Action Plans, in the early 1990s. But this shift came too late to influence the design of resettlement components of projects in the study, so more active Bank intervention only amounted to a salvage operation at Itaparica, Karnataka Krishna, and Kedung Ombo. Nevertheless, all signs indicate that performance across the portfolio has been better than during the previous decade, at least in the planning phase.

10. **Bank commitment** to the principles of resettlement is visible in the case studies. The problems are with the appropriateness of Bank intervention and with effective follow-through. The Bank was not able (in this sample) to establish a record of effective interventions to support income recovery. Neither did Bank supervision and Bank/borrower monitoring of field activity improve in tandem with the planning phase. The Bank only showed intermittent interest in providing follow-through support for resettlement operations after the completion of loan and credit disbursements, and then with limited success. Completion of disbursements is typically geared to completion of the major construction program. By that time the resettlement component is rarely through the compensation and relocation phases. Income recovery activities are just starting or, if under way, are too young to assess reliably. Thus the Bank exits the project before staff can determine the probability of reaching the Bank’s overarching objective of restoring or improving incomes and standards of living.
11. **Borrower Performance.** Borrower performance varies by project, ranging from better than the Bank's policy standards to unsatisfactory. Taken as a group they suggest an improving trend, which is confirmed by looking at subsequent projects in the study countries and efforts to put lessons to work. Increasing expectations and pressure by the Bank explain part of the improved performance, even where government was already on a successful course. China (Shuikou) again represents best practice, with Bank interventions consolidating an already commendable borrower record. If borrower performance on each of the three main activities of resettlement is rated, a pattern across all six countries is readily apparent. On compensation, ratings vary but are generally good, and poor performers appear to be improving. On relocation, the overall record is better, except for one project in India. On income restoration, the performance ratings are poor. Only one country—China—warrants high marks. Elsewhere, either deliberate attempts to enhance incomes have not worked anywhere near as well as expected, or no attempts have been made. In sum, improved assessment of borrower "ownership" and capacity to deliver on the objectives of the resettlement policy emerge as a key prerequisite of satisfactory resettlement outcomes.

**Other Issues**

12. **Participation by Resettlers.** With one striking exception, resettler participation in some aspects of project design and a broader set of implementation decisions was a common feature of the projects examined. Participation rates were surprisingly high: good to begin with in some programs and improving in others. This is a policy area where earlier lessons appear to have been absorbed. However, the extent of participation correlates only modestly with results, given variable modalities and contrasting means of involving beneficiaries and of securing adequate representation. Lack of mediation mechanisms to resolve disputes appears to be a major gap in many instances.

13. **Participation by NGOs.** The Bank has assisted many operations outside the study domain where NGOs were essential to organizing and supporting resettlers through a very difficult time. By contrast, in the sample projects, NGO involvement was far from optimal. The two cases where NGO involvement was most intense were characterized by adversarial relationships and NGO advocacy with minimum amounts of technical support. The Pak Mun and Kedung Ombo cases were damaged by virulent relationships with NGOs that polarized borrower-resettler relationships. Despite Bank efforts, these acrimonious relationships have endured. While it is clear that early and loud NGO criticism of plans and actions in these two resettlement operations had a profoundly positive impact on government behavior, only the Kedung Ombo project benefited from on-the-ground contributions, and then the NGO involvement was too brief and limited to have a substantial impact.

14. **Gender.** The projects were largely oblivious to the gender aspect of resettlement. Focus group interviews attempted to segregate groups of women to hear their comments undisturbed by the presence of their husbands and village leaders. Differences emerged, depending on the countries. The women at Itaparica shared the same perceptions about losses as the men, whereas the women at Narayanpur felt they had suffered disproportionately in terms of labor opportunities and disposable income. In Togo, women's deference to men made it difficult to get an independent opinion.

15. **Indigenous Groups.** Indigenous groups were barely an issue in this set of projects. Six of the eight projects did not have any minority group of significant size, and it made no
difference in the other two. There is a perception that Bank-supported big dams are concentrated in remote uplands frequently populated by ethnic minorities susceptible to mistreatment. That situation has been documented at other sites, but in this sample the problem did not arise.

16. **Host Communities.** Relations between resettlers and host communities were good in all but one project. Given the additional pressures and scarcities that an influx of resettlers produces, host communities responded with sympathy and understanding. As with the indigenous people issue, this finding does not support another part of the popular image of reservoir resettlement: host community hostility toward dam displacees. Poor outcomes have been documented elsewhere and the representativeness of the study sample on this score can be challenged.

17. **Monitoring and Evaluation.** Monitoring and evaluation (M&E) of this set of resettlement projects has been more intense than in other parts of the Bank’s resettlement portfolio, largely at the insistence of the Bank’s resettlement team. In five of the six countries, M&E repeating-survey systems were in place before the projects were completed. These had all been started only after prompting by the Bank. None of them had started when the Bank had expected them to start—early enough to provide a genuine baseline of the pre-dam situation—although several conducted a first survey early enough to capture the majority of the dam impacts. All but one of them stopped when Bank involvement ended. The Nangbeto implementing agency never conducted a survey, before or after relocation, despite repeated commitments to the contrary. The governments’ disinterest in the M&E activity was undisguised and tolerated by the Bank. The fact that none of the surveys will be repeated after the Bank’s departure—except at Pak Mun where the Electricity Generating Authority of Thailand (EGAT), Thailand’s power company, intends to send the university staff back for follow-on research—is an especially disturbing finding.

18. **Changes in Resettlement Policy.** Five of the projects led to changes in policy relevant for only that project. This was the case in Thailand, Togo, Brazil, and the two Indian projects. Even so, the changes appear to have influenced the treatment of other resettlers affected by that borrower, at least at the state, province, or power/irrigation company level. The Indian state governments of Karnataka and Maharashtra enacted laws and decrees that had broader impact, but these changes are only marginally linked to lessons from the projects under study. China and Indonesia passed national laws that can be more closely attributed to experiences in the case study projects—in China because of lessons accumulating throughout its large resettlement portfolio and in Indonesia because of the costly experience at Kedung Ombo.

**Comparisons Between 1993 and 1997 OED Case Studies**

19. Three of the case study countries were explicitly chosen to compare recent performance with performance evaluated by the 1993 OED report. Since the projects covered by the 1993 report were all planned, approved, and begun before the first Bank policies on involuntary resettlement were established in 1980, it was hypothesized that the projects covered in the current report would reflect the changes in Bank guidelines as well as lessons learned from earlier projects. Generally, that has not proved to be the case.

20. Most of the improvements have been quite recent—in the 1990s—during the implementation of the sample of projects, not during their planning. In India, planning improved for Upper Krishna II (Karnataka), but performance did not improve until 1993, and then it did not become substantially better until early 1996, after 19 years of inadequate performance during
both UK II and its predecessor (Karnataka I) projects. On the other hand, performance in Maharashtra III compared to Maharashtra II, far from improving, may be worsening. Because the earlier Thailand project, Khao Laem, was considered a success, Pak Mun began similarly and faced many of the same problems and complaints until EGAT made drastic improvements in compensation rates, resettlement options, and attentiveness to resettler concerns. The learning came in time and turned a potentially mediocre performance into a satisfactory outcome. But reading the 1993 OED report on Ghana Kpong, it is haunting how many of exactly the same mistakes were repeated at Togo Nangbeto. This happened despite the fact that planning at Nangbeto began almost immediately after Kpong was completed; an important lesson for evaluators is that OED lessons about Kpong came far too late to help Nangbeto.

21. In summary, these three projects (UK II, MCIP III, and Nangbeto) failed to demonstrate much learning from the previous generation of projects. Sufficient attention to resettlement was still lacking until the 1990s when OD 4.30, the Bankwide Resettlement Review, and outside pressure made it practically inescapable. Fortunately, lessons were learned during implementation and mid-course corrections were made.

Lessons

22. Overview. The main failings were not due so much to lack of Bank attention as to the difficulty in reaching Bank objectives using "plans" rather than "results" as the touchstone of quality management, relying on public sector agencies with limited capacities to handle resettlement, and promoting land-based solutions even where circumstances were unfavorable. First, governments had difficulty finding ways to compensate for losses of cultivable land by providing comparable farm holdings nearby, an objective that has proven almost impossible to achieve in resettlement from behind big dams (unless viable irrigated lots are available downstream or alongside the reservoirs). Second, governments had difficulty ensuring, with or without official support, other bases for productive employment. In retrospect, the two tasks are among the most difficult in development: big dam sites usually eliminate the only productive farming systems in the region, while the people in the flooded valleys have few skills easily transferable to other activities. One immediate conclusion is that the Bank should disregard the impractical demand, pressed by some NGOs, that it choose between land-for-land or no dam.

23. Despite the disappointments, the report is defined more by the surprisingly good outcomes in half the cases. China was critical, because its two projects show what can be done to make resettlement work when the executing agencies are prepared to do so with the tools and whatever opportunities are available, and the Bank is in a position to help protect and reinforce the commitment by government. What China does can be done by others. The Thailand and Indonesia cases, where resettlers were picked up and carried along by tidal changes in the regional economy, also help the generally good outcome. They suggest that planners can be more aggressive in designing compensation packages linked to non-land-based diversification strategies to put displacees back to work.

24. Planning. The weakest part of planning is on economic rehabilitation. The Karnataka, Itaparica, Nangbeto, and Kedung Ombo (transmigration assumptions) strategies were not viable for many resettlers. The planners either failed to address the operating constraints adequately or avoided the issue until it was too late to implement an optimal strategy. In both cases they were forced into second best or, worse, no solutions. Moreover, even though intelligent planning is
necessary—planning is not implementation. Reliance on “paper plans” can complicate everything else, sometimes hopelessly.

25. **Compensation.** Land compensation is the most difficult component of the compensation package to get right. Land prices spiral beyond all reasonable budget limits in situations where large numbers of resettlers take unrestricted cash packages and compete for the same limited land pool. The Chinese solve this problem by counting heads, identifying opportunities for land-based employment, and then broadening the search (to land-intensive or non-land-based alternatives) to reestablish the remainder. But cash options need to be on the list. The most enterprising resettlers do best on their own, and reduce the economic and management burden on resettlement activities. Tied-cash options, with installment payments, joint accounts and specialized training programs to steer some families away from the land are underused instruments.

26. **Rehabilitation: Income Restoration and Improvement.** In planning for land-based as well as non-land-based occupations, it is essential to be realistic about the resource base, the activities it can support, and especially, the skills and traditions of the displacees. Diversity of income generating schemes is important. Most of the successful resettlement experience in the study domain was either non-land-based or very land intensive (for example, mushrooms, fish cages). Almost all the self-resettled households moved toward non-land-based economies. Recreating existing production systems, though culturally superior, is rarely feasible for dam resettlement. But diversification after displacement—especially by big dams—almost always implies greater risks, harder work, and loosening of family and community bonds. Those interruptions to the previous lifestyle along the river—while they can and should be mitigated—are usually inevitable and characteristic of a modernizing economy. They do not mean the resettlement program has failed. Conversely, fairness and equity require that the disruption in the quality of life of affected communities not only be compensated but also be managed to their advantage. The emphasis should shift from *restoring* income levels, which suggests stagnation at pre-dam lifestyles, to *improving* income levels, which brings the displacees into the developmental process along with the project’s primary beneficiaries.

27. **Bank Performance.** While Bank performance in several of these projects was unsatisfactory during the early phases, it improved significantly during project implementation in all cases except for Nangbeto, where Bank staff belief that an adequate job had already been done turned out to be wrong. Nevertheless, the fact that a 10-year lag separates the original policy prescriptions and acceptable Bank activity is not impressive. And there is no evidence that attention to resettlement during implementation and supervision has been mainstreamed. But where task managers—usually engineers—were aggressive in supporting the resettlement component, the experience was favorable. This suggests the obvious: that task manager (and senior manager) commitment is a crucial factor in Bank performance alongside specialist support. For too long resettlement was delegated to these experts, and often their suggestions were ignored or watered down. The sociologists, anthropologists, and other professionals comprising the teams of resettlement experts must be applauded for having persevered in this often frustrating crusade. Much harm could have been avoided by paying more and earlier attention to their ideas. Moreover, the study shows that the Bank has not used adequate instruments or displayed perseverance in supporting its policy. The Bank needs to be involved both upstream and downstream of the engineering project cycle. The adaptable lending instruments should be used now that they are available, and implementation of loan and credit covenants should be monitored until the loan or credit has been repaid.
28. **Borrower Performance.** Genuine borrower commitment to doing resettlement well is the key to success. Bland assurances conveniently forgotten guarantee failure. This requires the Bank to differentiate between genuine and false commitment, never an easy job. Equally, capacity to deliver should be appraised realistically and arrangements for independent monitoring and evaluation built in at the outset. Fortunately, governments do appear to be becoming more committed to good resettlement performance. In two of the six countries in the study, borrowers exceed Bank standards and are actually leading and teaching the Bank.

**Recommendations**

29. The Bank needs to *adjust its paradigm* for involuntary resettlement caused by big dams if it is to achieve its overarching income objectives for this subset of projects.

30. Currently, land-for-land is perceived by staff and borrowers to be at least the preferred solution if not the "unshakable tenet" that one expert has called it—although OD 4.30, the draft Operational Policy 4.12, and ENV’s reports all call for flexibility and a range of options. The land-for-land strategy should be treated as the starting point rather than the rule, and Bank as well as Borrower staff should anticipate that behind most big dams the percentage of displaced families that can be resettled on viable rainfed farms will be small. The Bank’s focus must therefore turn toward a *mixture of land-based and non-land-based strategies*, on one hand offering irrigated lots in the command areas (for irrigation projects) and elsewhere supporting land-intensive activities in addition to traditional dryland cropping, on the other hand shifting to diversification activities (supported by training) and making good use of tied compensation packages, joint accounts, and tranching payments to promote them. Experience with these options in the projects studied has been no more impressive than with rainfed resettlement, and the benefits have been equally elusive. But that only means the Bank has to put many more of its best development planners onto this task, not just resettlement experts. Resettlement must not be perceived as an inconvenient add-on, but integral to the project. The emerging concept of resettlement as a development opportunity rather than a burdensome obligation points in the right direction. Chinese officials have internalized this message. In the other five countries it is not yet accepted.

31. At the same time, the Bank should begin to *shift its emphasis from restoration to improvement of income and living standards*, opening the way for the displacees to move from their valleys to take a new place in the regional or national economy—as an integral part of the project’s developmental objectives. The infrastructure project must be designed not only to provide water and power and other conventional benefits below the dam but to be part of a regional development plan shaped to support the affected families above the dam. Enough benefits should be captured not only to justify the local social disruption, but to help establish a sustainable, progressive incomes policy for the displaced.

32. Consequently, the Bank has to find a way to *unbuckle itself from the standard infrastructure project cycle and traditional instruments*. Where standalone resettlement projects are not feasible, the Bank needs other instruments inside and outside the conventional investment lending program to influence upstream and downstream activities essential to resettlement success. On the upstream side, the recently approved Learning and Innovation Lending Instrument provides such a vehicle. Downstream, the Adaptable Program Loan—focused on medium-term resettlement outcomes—may provide a solution. Since M&E of resettlement impacts and resettler incomes tends to disappear when the Bank exits a traditional project,
continued Bank involvement through the resettler rehabilitation phase would facilitate improved
monitoring.

33. Moreover, *M&E has to be adopted by the borrowers as an integral part of planning and
implementation*. At present it is a Bank-inspired exercise that begins and ends with the Bank’s
presence. The borrowers’ undisguised disinterest must give way to their embracing these tools
not as accessories but as the basis for improved management and better results.

34. The Bank also needs to take *a new institutional approach* to reservoir resettlement. A
successful incomes strategy is—in most instances—too big a challenge for the Bank or
implementing agencies alone. Except for China—where decades of experience with community
development, allocating jobs, and planning for incomes produced the necessary institutional
capacity and political will—government agencies and bureaucracies lack the flexibility and
grassroots experience to creatively design income generating options well suited to resettler
capabilities and needs. Nongovernmental organizations should be called upon to make a much
greater contribution to field operations. The private sector should also be involved. Although
resettler participation is improving, often it is after governments (and the Bank) have reacted to
resettler resistance and corrected earlier shortcomings in resettler participation in establishing
compensation rates, resettlement options, and rehabilitation plans. Looking ahead, governments
and the Bank should take a proactive stance, soliciting cooperation and useful input from the
earliest stage. Successful resettlement will require a more innovative approach using a wide range
of public, private, community, and hybrid institutional partnerships.

35. As part of this renewal effort, the *definitions of “income restoration” and “income
improvement” must be refined*. What does “restoration” mean if the regional economy is
deteriorating (Nangbeto)? When should “improvements” be expected in remote valleys (Yantan)?
Clearer specification of objectives, alternatives, and the time horizon is required for planning,
monitoring, and evaluation purposes.

36. The Bank must be prepared to support its resettlement strategy by sending strong signals
to the borrower of its unwillingness to participate unless the essential elements are in place: the
primacy of resettler benefits and *demonstrable borrower commitment*. Paper plans must give way
to a *proven capacity* to deliver upstream of dam construction. These objectives must be
communicated clearly to clients and presented as the quality at entry standards by which the Bank
will determine whether the resettlement aspects of the project are satisfactory or not.

37. Given the complexity of resettlement and the unimpressive track record for both land and
non-land strategies, the Bank can anticipate difficulty applying any plausible design. Thus, the
first principle must be to reduce the number of people affected to the greatest extent possible,
until financial and economic returns argue otherwise. Work on *minimizing displacement*, one of
the pillars of present policy but hardly evident in the study, will also show that an analysis of
alternatives has been done and that planning is much more upstream and focused on the sector
and regional context of the infrastructure proposal.

38. Finally, the adjusted paradigm should be configured to private as well as public sector
sponsors. Private investment in big dams already threatens to outpace government activity. The
Bank policy should be formulated in a way to offer the private sector the same clear standards for
compensation, flexible tools for generating employment, and independent arrangements for
monitoring and evaluation, that apply to the Bank’s own portfolio.
Implications for Policy?

39. What are the implications of these recommendations for the Bank’s resettlement policy? Do they challenge the policy itself or its implementation? Management is about to complete a two-year exercise to “convert” the resettlement policy expressed in OD 4.30 on Involuntary Resettlement into the OP/BP/GP format. OED accepted the November 1997 OP/BP/GP draft as a full embodiment of present policy, procedure and practice, and assessed that document in the light of the study’s findings and recommendations. On that basis, OED believes there is a strong case for strengthening the OP, and for enhancing the BP and GP. At present, the draft does not inspire innovative thinking about how to respond to the development challenge of large-scale displacement in big dam projects. Neither does it force attention to implementation. Nor does it wield the instruments available for enforcement. The language should be improved and consideration should be given to adding an annex to summarize the special considerations that attach to resettlement caused by big dams. In the annex, references to a new “incomes” resettlement paradigm, land-for-land, improvement rather than restoration, upstream and downstream instruments, and innovative institutional approaches could be consolidated. By way of precedent, the Operations Policy and Strategy Group (MDOPS) has annexed a similar statement, devoted to “dam and reservoir projects,” to the BP on Environmental Assessment. In sum, the draft OP is unlikely either to encourage staff to rise to the challenge of “seizing a development opportunity,” or to embolden them to enforce remedies in the face of failed commitments. If the text of the OP is strengthened to deal with the issues enumerated above, and by reworking footnote 6, adding an annex on definitions, and adding also a short, well-crafted annex addressing the unique opportunities offered by the big dams, it would be fully compatible with the recommendations of this study and provide a useful and positive contribution to the World Dam Commission currently being formed. More work would eventually be needed to enhance the BP and GP to better serve as guides to improved planning and implementation, building on the Sourcebook on Resettlement in Asia prepared by the Asia Region.
Supplement

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Introductory Note

Feedback of evaluation results within the World Bank

Each study by the Bank’s independent Operations Evaluation Department is reviewed by the Bank’s management before being discussed by a committee of the Board of Executive Directors. Management provides a detailed response to the recommendations outlined in the study. This response is discussed by the committee, and together with a record of actions promised and taken, is recorded in a “policy ledger” accessible to all Bank staff. The Bank’s executive directors have requested that all published studies by the Operations Evaluation Department include a synopsis of the management response and the committee’s findings.
Management Response

Recent Experience with Involuntary Resettlement

I. Introduction

1. The Bank has taken a number of steps over the years to improve its performance on involuntary resettlement. This important report by OED shows that we still have a long way to go—especially on implementation. Management is committed to improving Bank performance in this critical area. To this end—and in conjunction with Management’s broader campaign to improve implementation of the safeguard policies1—it is improving the clarity of the Bank’s resettlement policy requirements, strengthening the accountabilities of Network and Regional management and staff, and providing enhanced resources for resettlement preparation, appraisal, and supervision activities.

2. The following measures are under way:

   • Senior management is strengthening the implementation of operational policies across the board. This effort is part of a larger exercise aimed at redirecting Bank energies towards improved portfolio implementation and results.2 Initially, management is focusing on implementation of the critical safeguard policies, one of which is resettlement.

   • Regional vice-presidents are giving increased attention to ensuring compliance with the safeguard policies (including resettlement). The Regions are allocating dedicated funds to resettlement planning and supervision. Regional social units will prepare annual plans to supervise the resettlement components of Bank-financed projects; these plans will be incorporated into Work Program Agreements with Regional management.

   • The ESSD Network will monitor Regional compliance with the safeguard policies by carrying out real-time, QAG-style audits of randomly selected Project Concept Documents, Project Appraisal Reports, and projects under implementation. The results of these audits will be key links in the Bank’s strengthened accountability chain.

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1 The 10 policies that set environmental, social, and international law safeguards for Bank projects are: OPN 11.03, Management of Cultural Property in Bank-financed Projects; OD 4.20, Indigenous Peoples; OD 4.30, Involuntary Resettlement; OD 4.01, Environmental Assessment; OP 4.04, Natural Habitat; OP 4.09, Pesticide Management; OP 4.36, Forestry; OP 4.37, Safety of Dams; OP 7.50, Projects on International Waterways; and OP 7.60, Projects in Disputed Areas.

3. The remainder of this draft note addresses some of the specific issues raised in the OED report. The attached ledger provides a point-by-point response to the recommendations.

II. Implementation Issues

4. The report’s key recommendations relate to implementation. The report also highlights a serious timing issue: construction of project infrastructure and disbursements are often completed—and supervision often ends—before completion of the resettlement activities.

5. **OP/BP 4.12.** A number of the implementation concerns raised by OED are covered by existing policy and have been addressed in draft Operational Policy (OP) 4.12. The OP requires that the Bank must establish the feasibility of resettlement plans, including income restoration strategies, before deciding that a resettlement plan is acceptable to the Bank. Further guidance will be provided to staff in terms of tools and methodologies to carry out this assessment. Draft OP 4.12 also requires that resettlement activities be included as an integral part of the “project.” This provision is intended to ensure that the project will not be considered complete—and that Bank supervision will continue—until the resettlement activities set out in the resettlement plan have been implemented.

6. Beyond this, however, Management intends to strengthen draft OP/BP 4.12 and operational guidance as follows:

- Project design should ensure the appropriate phasing and sequencing of resettlement activities and infrastructure construction, so that resettlement activities have made significant progress by the time construction commences. Disbursements should likewise be sequenced, to extend through the period of implementation of project resettlement activities. Bank-supported projects cannot be considered “complete”—and required Bank supervision will continue—until the resettlement activities set out in the resettlement plan have been implemented.

- Management endorses the OED recommendation that adequate borrower commitment to and capacity for carrying out resettlement must be assessed and found satisfactory before completion of project appraisal. Management will strengthen the institutional analysis of projects involving resettlement by including in the PAD guidelines a requirement to assess commitment and capacity specifically as they relate to resettlement and income restoration.

- For projects involving resettlement of more than 200 individuals, Bank staff, with the agreement with the borrower, will carry out a review of project resettlement

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4 See Guidelines for Project Appraisal Document on OCS’s Home Page.

5 Draft OP 4.12 incorporates the provision of OD 4.30 that resettlement involving fewer than about 200 individuals may not require as extensive documentation as larger and more complex operations.
planning and implementation during the early stages of project implementation. This review will allow a timely response to problems or opportunities that may arise with respect to resettlement.

- The project Implementation Completion Report (ICR) will address resettlement issues, including whether the main objectives of the resettlement program—restoration of incomes and living standards of affected people—have been realized. Normally, the assessment would be based on the results of a socioeconomic survey of affected people conducted at the time of project completion. Preparation of the ICR will provide the basis for the Bank to engage the borrower in a dialogue on follow-up measures, which will be included in the operational plan and serve the basis for continued Bank supervision, as appropriate. If the borrower has fully implemented the agreed measures but the project's resettlement outcomes have not been realized, the ICR will assess the appropriateness of the agreed measures and propose a future course of action.

7. **Regional Management.** Strengthened Regional review of projects involving resettlement will cover, among other things, the following aspects that are crucial to implementation of the resettlement policy:

- continued efforts to avoid or minimize resettlement under Bank-financed projects;

- discussion in the PAD of borrower commitment and capacity, the feasibility of alternative income restoration strategies, and the risks associated with resettlement implementation;

- inclusion of an appropriately wide mix of technical specialists in project design and supervision and the involvement of resettlement specialists as members of project task teams from the earliest stages of project preparation;

- adequate provision in borrowers' resettlement plans for competent, independent monitoring of resettlement activities, including, as necessary, continued monitoring after project completion to evaluate the effectiveness in restoring incomes; and

- appropriate attention to incorporation of gender analysis in resettlement preparation and implementation, and involvement of NGOs and other private sector organizations in resettlement operations.

8. **Network Actions.** The ESSD Network is developing measures to strengthen monitoring of compliance with the Bank's resettlement policy. In addition, the Network has the following initiatives under way to provide a sharper focus on implementation and outcomes in projects with resettlement components:

- producing implementation guidelines in the form of a "good practice" document (the resettlement sourcebook);

- reviewing the potential applicability of the new learning and innovation and adaptable program loans to all stages of the resettlement process;
building a knowledge management system emphasizing implementation;

- strengthening resettlement capacity in field offices, borrower agencies, and, as necessary, local organizations; and

- engaging borrowers in discussions and development of national or sectoral resettlement policies consistent with Bank policy objectives in selected countries, including India and Vietnam.

III. Policy Issues

9. The report recommends fine-tuning Bank resettlement policy. The most important recommendations are: to change the policy benchmark from restoration of incomes of affected people to improvement; to remove the apparent bias toward land-for-land solutions; and to introduce greater flexibility for facilitating application of the policy to projects involving the private sector. In Management’s view, Bank policies already establish high standards for dealing with involuntary resettlement; indeed, the concern expressed by NGOs and other observers has been for more consistent application, not for further refining Bank policy. Management sees the implementation of existing policy as the key priority.

10. Income Restoration. Bank policy requires that involuntarily displaced persons be assisted in their efforts to improve their former production levels, income earning capacity, and living standards, or at least to restore them to without-project levels. To this end, projects must include measures that in the best judgment of the Bank and borrower are adequate to at least restore incomes of people adversely affected by resettlement. This is the minimum acceptable benchmark against which the adequacy of Bank-supported resettlement activities is assessed. In Management’s view, this remains the appropriate policy. What is needed is more effective implementation to ensure Bank due diligence in assessing (upstream) during appraisal the likelihood of restoration’s being achieved and in assisting borrowers in making it happen (downstream during implementation).

11. Land-Based and Non-Land-Based Strategies. The report concludes that the “land-for-land” principle cannot be relied upon to ensure the economic rehabilitation of all displaced agriculturists. We agree, but with reservations. As the report correctly notes, a land-for-land strategy is not a mandatory element of Bank policy; rather, the policy states a preference for land-based options for persons displaced from agricultural settings. To be sure, it is not always feasible to absorb all affected persons in land-based strategies; nevertheless, occupational diversification can be risky, especially if growth is slow, employment is unstable, or if the affected people are old, infirm, or lacking in skills. Therefore, we believe that where possible—and as per current Bank policy—an option for replacement land should be provided along with non-land-based options whenever agriculturists are displaced. A useful lesson from the OED study, however, is that in appraising economic rehabilitation options (including land-for-land), Bank staff must thoroughly examine them for their feasibility and acceptability to the affected

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6 Starting in FY99, the Bank will carry out a study to compare and evaluate the effectiveness of land-based and non-land-based strategies in restoring and improving incomes of people resettled under Bank-assisted projects.
people; to do this, the Bank will need to draw on a wider mix of technical skills in preparing diversified and feasible income restoration programs and in supervising their implementation.

12. **Private Sector Involvement.** The Bank's resettlement policy applies to all projects irrespective of the public or private character of the borrower or implementing agency. IFC has recently accepted, with minor modifications, the Bank's draft OP 4.12 to apply to its private sector operations. In FY99, the Social Development Family, including IFC staff, will review the application of Bank policy to private sector projects.

IV. Conclusion

13. This is an important report, on an important development issue. It confirms many of the findings of earlier reviews of resettlement. Though the eight projects reviewed—all involving reservoirs—were appraised between 1984 and 1991, the report's findings are still relevant—especially on implementation issues. Indeed, its overarching message is that the quality of resettlement implementation is not satisfactory, and has not kept pace with improvements in the quality of resettlement preparation and planning. Management is committed to remedying this situation and bringing about the needed improvements in implementation performance.

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### Recent Experience with Involuntary Resettlement

**LEDGER OF OED RECOMMENDATIONS AND MANAGEMENT RESPONSES**

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<thead>
<tr>
<th>Major OED Recommendations</th>
<th>Management Response</th>
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<tr>
<td><strong>Ensure that the Draft OP/BP/GP deals adequately with the following points, and that other measures are available to address issues outside the scope of that document:</strong></td>
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<td>1. Consider adding an annex describing the special features and demands of reservoir resettlement.</td>
<td>An annex on reservoir resettlement is to be prepared as part of the resettlement sourcebook. The sourcebook will be the GP under the new policy format.</td>
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<td>2. Rewrite footnote 6, shifting the emphasis from the land-for-land strategy to income producing options.</td>
<td>Footnote 6 of draft OP 4.12 will be revised to be consistent with OD 4.30, which promotes preference for land-based strategies in agricultural settings, and provision of non-land-based strategies to expand the range of options available to those affected and to provide alternatives if sufficient replacement land is unavailable.</td>
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<td>3. Shift the emphasis also from restoring to improving incomes. The objective is not to add a few dollars, but to expand options, labor productivity, and income potential.</td>
<td>Current policy provides, as a requirement, that income restoration be the minimum benchmark against which the adequacy of resettlement is assessed. Improvement in the incomes of affected persons is an objective of the policy; it is especially important when the affected people are poor and/or vulnerable. Staff will assess resettlement plans based on a range of feasible options designed to ensure that resettlement arrangements are consistent with the skills and preferences of affected persons. The PAD will discuss the feasibility of alternative income-generating strategies.</td>
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<td>4. Encourage use of the widest range of interventions available to the Bank—including the new adaptable lending instruments—to support income programs before and after infrastructure development. The goal is to ensure that adequate funding is available to test, initiate, and conclude these programs, and that results are achieved.</td>
<td>The Resettlement Thematic Group of ESSD will assess the applicability of the new adaptable instruments for resettlement operations. Learning and Innovation Loans may be effective for piloting resettlement strategies, especially for projects with large resettlement components. Measures and instruments, including Adaptable Program Loans, are available for addressing any residual resettlement issues after completion of the infrastructure components of the project.</td>
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<td>5. Require that the Bank take steps upstream to test Borrower capacity and commitment to implement resettlement.</td>
<td>The PCD and PAD will explicitly assess for all projects involving resettlement of more than about 200 individuals the borrower’s capacity and commitment to resettlement. Risks associated with the borrower’s commitment and capacity will be highlighted.</td>
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<td>6. Attach a list of definitions, clarifying “incomes,” “restoration,” “improvement,” deadlines, etc.</td>
<td>A list of definitions is being prepared as a glossary in the resettlement sourcebook.</td>
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<tr>
<td>7. Recast the OP/BP/GP to make it suitable for use by private investors.</td>
<td>The Bank’s resettlement policy applies to all projects irrespective of the public or private character of the borrower or implementing agency. IFC has recently adopted, with minor modifications, the Bank’s draft OP to apply to its private sector operations. In FY99, the Social Development Family, including IFC staff, will review any issues that may arise in the application of the Bank’s policy to private sector projects.</td>
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The following recommendations are best addressed by tightening existing policies and rules for compliance. They require measures beyond the scope of the OP/BP/GP, where most of these points are already adequately dealt with. Since 1994, independent monitoring has been included in most projects with substantial resettlement. Bank staff should ensure that resettlement plans provide for monitoring of resettlement activities by qualified entities, including, as necessary, continued monitoring after project completion to evaluate the plan’s effectiveness in restoring incomes.
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<td>9. Strengthen use of remedies to help ensure compliance.</td>
<td>Formal remedies, such as suspension and cancellation, are among a range of options available to management to help ensure compliance. A key consideration in this regard is the need for the Bank to remain engaged with the project and its resettlement issues. Where the use of formal remedies is the most effective way to ensure compliance with resettlement covenants, the Bank does not hesitate to use them. The use of formal remedies should not be regarded as the sole indicator of the appropriateness of the Bank’s response. Other options available to management may be more suitable. Management has put in place a number of measures to identify deficiencies in, and ensure, compliance: (a) Regular supervision of resettlement components will be ensured through provision of dedicated funds by Regional management and preparation of annual supervision plans by Regional social units; (b) in agreement with the borrower, reviews of resettlement planning and implementation will be carried out during the early stages of project implementation. The Bank will engage the borrower in discussing and amending resettlement plans, if necessary, based on the findings of the resettlement review; and (c) Bank supervision of resettlement implementation will continue through project completion. At the time of project completion, the borrower will provide information on restoration of incomes and standards of living of the affected people. In the event that incomes have not been restored, the Bank will engage the borrower to achieve agreement on follow up measures, which will be included in the project operation plan prepared by the borrower.</td>
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<td>10. Ensure compliance with the language requiring minimization of resettlement impacts as part of project formulation.</td>
<td>Exploring alternative project designs to avoid or minimize the scale and impacts of resettlement is a requirement of the Bank’s resettlement policy. As part of project preparation, borrowers are required to include in project resettlement plans a description of the alternatives considered. Management will strengthen compliance with this requirement as part of its overall focus on compliance with the safeguard policies.</td>
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Summary of Committee on Development Effectiveness Findings

The Committee on Development Effectiveness (CODE) welcomed the important study and praised the very high quality of both the report and the draft management response on this critical and difficult subject. It was particularly satisfied with the incorporation of lessons drawn from the report’s findings in the revised operational policy statements currently under preparation. Management’s response on incorporating gender analysis in resettlement action plans was especially commended. The Committee was also encouraged by the measures outlined by Management to improve performance. The Committee agreed that strengthening implementation of the resettlement policy was the most critical issue that needed to be addressed.

The Committee underscored the vital importance of borrower ownership, commitment and capacity to implement resettlement policies and the need for the Bank to work with borrowers to help address performance constraints and build capacity in a timely manner.

The Committee agreed on the importance for the Bank to strengthen its internal systems and capacity to ensure effective implementation of resettlement including more effective use of sociologists and anthropologists, staff training, and guidance, monitoring and accountability systems along the lines outlined by Management.

The Committee noted that the Operational Directive on resettlement is currently being converted and a Source Book and other training materials on resettlement are being prepared. The Committee welcomed that these documents will take account of findings of the OED study, and noted that the Committee will have the opportunity to further discuss the Operational Policy on Involuntary Resettlement.
1. The Context and Purpose of the Study

1.1 Involuntary resettlement has rapidly become one of the most important and sensitive issues facing the Bank. Relatively little attention was given to the issue, either inside or outside the Bank, before 1980. Only a handful of people, mainly anthropologists and sociologists working in the field, even recognized the issue. NGOs and most Bank staff were silent on the issue, and Bank-financed projects involving involuntary resettlement operations were executed by borrowers with little input from the Bank. Among development assistance agencies the Bank led the way in establishing a resettlement policy, first issuing guidelines in 1980 (OMS 2.33). Progress on the issue was uneven, as revealed by the first review of Bank-financed projects with involuntary resettlement. That review confirmed the need to strengthen Bank policy and performance, especially compliance with the policy. Resettlement guidelines were strengthened in 1986 (OPN 10.08) and 1988 (TP 80) and were reformulated as an Operational Directive (OD 4.30) in 1990.10

1.2 During the 1980s the Bank faced increasing problems on involuntary resettlement in numerous projects—including several in this report. As these problems became evident to Bank management, the Board of Directors requested an OED study on resettlement. Field survey work started in 1989, but before the report could be completed the controversy over the India Narmada Sardar Sarovar Dam and Power Project erupted. The Bank approved a loan for the project in 1985, but by 1991 so many complaints and allegations had been lodged against the project, primarily claiming that the Bank was violating its policies, particularly those on involuntary resettlement, that the Bank took the unprecedented step of commissioning an Independent Review of the project. The Independent Review, led by former U.S. Congressman and UNDP Administrator Bradford Morse, started in September 1991 and issued its report to the Bank in June 1992. The findings were sufficiently troubling that senior management of the Bank ordered a review of the entire Bank portfolio of projects to determine the level of compliance with Bank resettlement policy. A task force within the Bank was mobilized in early 1993 to coordinate the Bankwide Resettlement Review and to report back to senior management and the Board of Directors.

1.3 The OED study ended just as the Bankwide review got under way, and thus served as an input. OED issued its report, Early Experience with Involuntary Resettlement, in June 1993. The evaluation it described was based on field work carried out during 1989–92 at four project sites in India (2), Thailand, and Ghana. The projects financed dams and related infrastructure for irrigation or hydroelectric power. These were completed projects, in contrast to the Bankwide review, which focused mainly on projects under implementation. All had been approved before

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9. The first review was completed in 1986 and covered all Bank-financed agriculture and hydropower projects approved between 1979 and 1985. It found greater project consistency with Bank resettlement policy for projects appraised in 1980–82, shortly after the policy was issued, than in projects appraised during 1983–84, when attention lapsed and consistency declined.

1980, the year the Bank issued its guidelines for involuntary resettlement, but these advances were too late to significantly affect performance on OED's sample of four projects.  

1.4 The objectives of OED's first study were to examine how resettlement was handled on these older projects, assess the outcomes, and draw lessons for satisfactory resettlement in the future. The study found that three of the projects failed to apply fair eligibility and entitlement criteria and that three failed to maintain pre-project family incomes. Although water, education, and other social infrastructure and services had improved, a majority of resettlers were dissatisfied with both compensation for lost assets and resettlement to new homes, farms, and other occupations.

1.5 The Bankwide review concluded with the April 1994 publication of its notable Bankwide Review of Projects Involving Involuntary Resettlement. During its preparation, all regions and many sectors contributed reports as inputs to the Bankwide report. Supervision of resettlement tripled, and Bankwide attention to resettlement reached unprecedented heights. The report displayed an improving trend in planning for projects, especially since 1990. On the subject of completed projects, however, the review found that "Though fragmentary, the weight of available evidence points to unsatisfactory income restoration more frequently than to satisfactory outcomes." The outcome problems were so severe that the Bank's senior management decided to give the operating regions six months to produce Regional Remedial Action Plans (RRAPs) to correct project-specific problems and devise processes to improve future preparation and implementation of resettlement operations. Furthermore, management mandated a special annex on resettlement for the following year's Annual Report on Portfolio Performance (ARPP).

1.6 Subsequent reports on resettlement from the Bank's Environment Department—including the RRAP, the ARPP special annex on resettlement, and the FY95 Report on Involuntary Resettlement (RIR)—found that the improving trends reported by the Bankwide review were continuing. The FY94 ARPP special annex was the first report to contain resettlement ratings. The ratings were based on reviews prepared by the operational divisions on projects under execution. The ARPP found that only 13 out of 103 active projects approved in FY93 or earlier had major implementation problems with resettlement activities or that project implementation was causing or threatening to cause a significant deterioration in the lives of the resettlers. All but one of these problem resettlement operations were in a project approved before FY91. Furthermore, appropriate actions were being taken by the implementing agency to...
address the problem in all but one project where corrective actions were about to begin. Another 30 projects were rated as having some problems, but they were not severe enough to pose a threat to satisfactory completion of resettlement. Slightly more troubling was that 9 of 20 completed or canceled projects were rated as having serious problems, but these were older projects exiting the portfolio before remedial action could take hold.

1.7 ENV produced one last annual follow-up report covering FY95, the RIR. Only 5 out of 124 projects were rated as having serious resettlement problems. Four of the five had been listed as problem projects in FY94 ARPP annex; the fifth, a new project, was a rollover of resettlement problems from earlier projects and was attempting a retrofit solution. Another 42 projects were rated as having moderate resettlement problems. ENV reported that resettlement issues were now mainstreamed in the Bank and suggested that the annual series of reports be discontinued. Nonetheless, there were some discordant findings. Some large resettlement operations were not supervised, projects that closed had poorer ratings than active projects, and very little was known about income restoration. Although the regional assessments and subsequent global statements continued to point toward general improvements in planning the resettlement portfolio, ENV was unable to confirm significant progress toward what OD 4.30 defines as the acid test of all these programs—the restoration of incomes and standards of living of project-affected people:

the key “outcome” question—income restoration for resettled people—remains to be fully demonstrated in the projects designed after the major revision of the relevant Operational Directive in 1990.16

1.8 That income restoration remains to be fully demonstrated is an understatement. Although OED and ENV reports from 1993 to 1996 repeatedly bemoan the lack of information on income restoration, the situation has not noticeably improved, at least as reflected by Project Completion Reports. The RIR surveyed completion reports of projects that had been completed in the previous two years and found that “Of the 17, only one...clearly reports having restored the incomes of the resettlers. Two others...report full compensation paid and no complaints outstanding. Of the 14 others, 10 directly report that all, or significant numbers of, the resettlers have suffered declines in their incomes or living standards.” The other four are silent on incomes and living standards. Updating ENV’s report for the past two years, a review of recent Implementation Completion Reports (ICRs) reveals practically no reporting on resettler incomes. Not one ICR for projects completed in FY96 or FY97 reports resettler income data. Only one ICR during FY94 and FY95 gave income data. In that case it was percentage change in income, not actual income levels. Most ICRs that report on income only say that it is better, the same, or worse. The vast majority do not report any trends in resettler incomes. Most report that resettlement had “no problems” or was “satisfactory.” Some ICRs deny resettlement, relabeling it with euphemisms like “migration” and “compensation.” OD 4.30 requires that “The project completion report submitted to the Operations Evaluation Department should evaluate resettlement and its impact on the standards of living of the resettlers and the host population.” Even this fairly minimal requirement is not being met in many ICRs.

1.9 Involuntary resettlement features in a growing share of Bank-supported operations. ENV’s records show 141 active projects at the end of FY95—almost 15 percent of the Bank’s


17. ENV, Report on Involuntary Resettlement for FY95, p. 11.
investment portfolio at the time—affecting an estimated 1.9 million people. FY95 is the latest year for which ENV data are available; the number of projects has undoubtedly increased since then. Thus, the importance of improving the management of resettlement is expected to grow. The expansion of the Bank’s resettlement staff, the elaboration of more detailed resettlement action plans, and the increased frequency of resettlement missions, show a Bank responding to the challenge. Yet despite the introduction of guidelines and directives, higher internal performance ratings, and the expansion of supporting services, public—and, in particular, NGO—criticism of the Bank’s handling of resettlement over the same period has become increasingly outspoken and international. The establishment of the Inspection Panel and a more open Bank information policy in 1993 contributed to the public debate on resettlement. During 1997, the criticism was aimed at the Bank’s ongoing exercise to reformulate OD 4.30, which NGOs worry the Bank will use to dilute the mandatory conditions agreed to in 1990.18

1.10 NGO concerns about the Bank’s resettlement policy have often focused on the predicament of families displaced by big dams. The organizations’ concerns have overlapped the broader critique of big dams that has been a dominant feature of the development debate in the 1990s.19 Six of the ten cases presented to the Bank’s Inspection Panel have included resettlement issues. Four of these involve dams and resettlement. Together with damage to the environment, some of which is caused by the projects requiring resettlement, the allegations about mishandling of resettlement are among the more formidable challenges faced by the Bank in demonstrating that it is a responsible and caring development agency.

1.11 OED undertook a separate desk-based study of large dams that examined economic, technical, social, and environmental issues. That report, The World Bank’s Experience with Large Dams: A Preliminary Review of Impacts, was issued on April 15, 1996. The criticism it drew, particularly from NGOs, especially the International Rivers Network (IRN), prompted 35 Bank, NGO, industry, academic, and other experts concerned about dam construction to meet in Gland, Switzerland, to discuss the large dams study and next steps. The April 1997 meeting, facilitated by the Bank and the International Union for the Conservation of Nature (IUCN), proved more fruitful than expected. Participants agreed to form a two-year, independent international commission (World Dams Commission) to assess the worldwide record, costs, and benefits of big dams financed from all sources; develop guidelines for assessing alternatives for energy and water resources development; and develop standards for planning, constructing, operating, and evaluating large dams. The remainder of 1997 was spent organizing the commission, which settled its membership in early 1998. This report is expected to be an input to the commission’s work.

1.12 This follow-up to OED’s earlier study provided an opportunity to return to the field five years later with a sample of projects twice the size of the original study to validate the global observations of improving performance and assess the accuracy of NGO criticism. The new sample is limited to projects implemented, and in most cases approved, since the guidelines were strengthened in 1986. At the time of selection, the projects were also either completed or

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expected to be completed by the end of 1996. This gave the evaluation team a window on a set of resettlement activities nearly or already finished yet almost 10 years more recent than the four projects examined in OED's Early Experience and presumably more responsive to the emerging policy. This study could not evaluate performance against many of the specific indicators of improvement referred to in ENV's reports—those indicators frequently refer to practices that have been widely adopted only during and since the exercise that culminated with ENV's report, Resettlement and Development—but the study does address the most important issues in the debate.

1.13 In short, the objective of this study was to assess whether the Bank was delivering on its promises in a policy area of strategic importance: whether results on the ground from a sample of more recent involuntary resettlement components had improved compared with the original sample of older reservoir projects, were consistent with ENV's recent global reports based on project reporting, and could satisfy the critics. The study's main focus is on progress towards the Bank's goal of restoring incomes, the dominant issue in today's debate. The second objective is to assess the Bank's interventions in support of income recovery—whether it was able to do what it wanted to do. Some other issues highlighted in OED's and ENV's 1993 and 1994 reports are also discussed, but the list has been deliberately restricted to keep this report short and relevant. The main products of the exercise are the lessons and recommendations and their implications for Bank policy.

1.14 The rest of this report describes the study and its findings. Chapter Two explains the design of the study, including the case study selection process. Chapter Three relates the eight case studies to the Bank resettlement portfolio as a whole. Chapter Four briefly summarizes each of the case studies. Chapter Five presents the main findings on compensation, relocation, income restoration, social infrastructure, and resettler perceptions about their resettlement. Chapter Six reports the main findings on Bank and borrower performance. Chapter Seven examines a series of other issues including participation, the role of NGOs, gender, indigenous groups, and host communities. Chapter Eight explicitly compares 1993 and 1997 OED case studies to show progress in specific borrowers and implementing agencies. Chapter Nine, the critical chapter for future work on resettlement, contains the lessons, recommendations, and implications for policy, procedure, and practice.

2. Design of the Study

2.1 The evaluation team selected projects from six countries. All were appraised well after the guidelines were issued and while they were being strengthened. Three countries repeat (India, Thailand) or closely match (Togo) the 1993 selection. Three of them expand that selection to cover countries with the largest portfolios of Bank-assisted projects involving resettlement (China, Indonesia, Brazil). Two projects each were included from India and China in a modest effort to assess the representativeness of the primary selections from the two countries that dominate the Bank's resettlement portfolio. Case studies following similar outlines have been prepared for each of the six countries. They are contained in separate volumes of this report. The evaluation team visited each country twice between November 1996 and May 1997, the first time on reconnaissance and to arrange field surveys with local institutions, the second time to review and validate the results (Togo was an exception; extensive household interviews were conducted during a single mission with no subsequent, formal survey). In each of the five cases with formal
surveys, institutions that had conducted earlier field surveys on the same projects were asked to conduct another field survey to update information on resettlement impacts and resettler incomes.

2.2 Project selection was limited to involuntary resettlement associated with the construction of big dams. The reasons for this were as follows.

- Dams are the classic, best known case of resettlement.
- The Bank’s resettlement polices were designed largely with dams in mind.
- Dams attract the bulk of NGO criticism.
- Dams generally have the largest, most difficult resettlement components.
- To be consistent with OED’s earlier study, which dealt exclusively with dams.
- To complement and support OED’s separate, recent study of big dams.
- To highlight income recovery (urban and transport projects causing involuntary resettlement usually require replacement of housing but not always incomes).
- To simplify the analysis without sacrificing key issues.

2.3 The surveys were critical to the study. Because the overarching objective of the Bank’s resettlement policy is income restoration, resettler incomes before and after their relocation need to be compared. The 1993 OED study was severely limited by the lack of baseline surveys of affected people’s pre-move incomes. The current study benefited from previous surveys of resettler incomes in all of the projects except Nangbeto (Togo). Because the evaluation team used the same survey institutes for the five surveys commissioned, up to 90 percent of the households surveyed were the same as those in previous surveys. Thus, incomes of the same households were compared over several years, reducing the bias introduced by comparing different samples of households in different years. Unfortunately, in several projects the first surveys with income data were not conducted until resettlement had already begun, so there are no baseline data against which to set targets for income restoration. Nonetheless, at least an income trend for the past several years can be determined. Comparing that trend with income trends among nearby, unaffected households that serve as a control group provides another measure of income restoration: whether resettlers are keeping up with local income trends. Besides incomes, the surveys also covered resettler sources of income, landholdings, expenditures, debt, household and farm assets, gender issues, housing, social infrastructure and services, compensation, relocation, rehabilitation, relations with the resettlement agency, and resettler satisfaction. The surveys were complemented by the usual other sources of information, including field visits, extensive interviews, and information from project files and other documents. Basic information for the eight projects is shown in Table 2.1, and IBRD map 29159 plots the locations.
Table 2.1 The Case Studies

<table>
<thead>
<tr>
<th>Country</th>
<th>Project Name</th>
<th>Loan/Credit Number</th>
<th>Loan/Credit (US$ million)</th>
<th>Approval Date</th>
<th>Closing Date</th>
<th>Families Affected</th>
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<tr>
<td>Brazil</td>
<td>Itaparica Resettlement and Irrigation</td>
<td>L2883</td>
<td>132.0</td>
<td>11/17/87</td>
<td>12/31/97</td>
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<td></td>
<td></td>
<td>L2883-1</td>
<td>100.0</td>
<td>2/20/90</td>
<td>12/31/97</td>
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<td>China</td>
<td>Shuikou Hydroelectric I &amp; II</td>
<td>L2775</td>
<td>140.0</td>
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<td>6/30/93</td>
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<tr>
<td></td>
<td></td>
<td>L3515</td>
<td>100.0</td>
<td>9/1/92</td>
<td>12/31/96</td>
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<td>Yantan Hydroelectric</td>
<td>L2707</td>
<td>52.0</td>
<td>5/29/86</td>
<td>6/30/94</td>
<td>8,900</td>
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<tr>
<td>India</td>
<td>Maharashtra Irrigation III (Krishna subproject)</td>
<td>C1621</td>
<td>160.0</td>
<td>7/16/85</td>
<td>12/31/96</td>
<td>7,250²⁰</td>
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<tr>
<td>India</td>
<td>Upper Krishna (Karnataka) Irrigation II</td>
<td>C2010</td>
<td>160.0</td>
<td>5/4/89</td>
<td>6/30/97</td>
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<tr>
<td></td>
<td></td>
<td>L3050</td>
<td>45.0</td>
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<tr>
<td>Indonesia</td>
<td>Kedung Ombo Multipurpose</td>
<td>L2543</td>
<td>154.6</td>
<td>5/16/85</td>
<td>12/31/93</td>
<td>5,400</td>
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<tr>
<td>Thailand</td>
<td>Third Power System Development (Pak Mun)</td>
<td>L3423</td>
<td>54.0</td>
<td>12/10/91</td>
<td>3/31/95</td>
<td>1,700</td>
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<tr>
<td>Togo</td>
<td>Nangbeto Hydroelectric</td>
<td>C1507</td>
<td>15.0</td>
<td>6/28/84</td>
<td>6/30/92</td>
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<td>C1508</td>
<td>15.0</td>
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</table>

3. The Case Studies and the Portfolio

3.1 As this study evaluated only 8 out of 141 Bank-assisted projects involving resettlement, how do the selected cases compare with the other 133 resettlement operations? For the reasons explained in Chapter Two, the evaluated sample consisted entirely of dam projects, a subset of the Bank’s resettlement portfolio. While dam projects made up only 27 percent of the Bank’s resettlement projects in 1993–94, they nonetheless accounted for 63 percent of all displaced people. Since the end of FY95, the latest year for which data are available, dams still accounted for 49 percent of all displaced people. Furthermore, dam projects displace more than three times as many people as non-dam projects. As the dominant cause of displacement, therefore, dam projects involving resettlement are not representative of all resettlement projects. The size of their impact, however, makes them the critical test case for implementing the Bank’s resettlement policy.

²⁰ The Krishna subproject affected 7,250 families. The entire Maharashtra Irrigation III project, composed of five subprojects, affected 36,100 families.
3.2 The resettlement issues surrounding dam projects are also inherently more difficult than those of non-dam projects. Dams and their related reservoirs usually require the acquisition of large consolidated pieces of land. Withdrawing this land from production eliminates the main means of livelihood for the owners, and that land often cannot be easily replaced nearby. Furthermore, dams are in rural areas where incomes are more difficult to restore, not least because the dams inundate fertile river valleys, pushing people into less fertile uplands that they lack the technical skills to manage.

3.3 Apart from the greater number of people they displace and the complexity of their resettlement issues, dam projects are otherwise fairly typical of the resettlement portfolio. Dams are concentrated in South and East Asia, where 85 percent of the people displaced by Bank-financed projects live. Dam projects also are not significantly different in terms of project cost, resettlement rating, or other dimensions of projects with resettlement.

3.4 The projects selected for study range widely in size. On average they displace about four times as many people as other projects with dams. The study includes big dams with major resettlement components. The dams, on average, were not significantly more expensive or larger in reservoir surface area, but they were in more densely populated areas. This study also reflects the roughly even split between dams built for hydropower and those built for irrigation, but it does not include any dams built primarily for drinking water supply or transportation, which make up almost a quarter of the dam projects in the Bank’s resettlement portfolio.

3.5 The evaluation team chose to study eight projects in order to carry out field survey work at least comparable in quality and detail to the earlier OED study. As four projects were chosen to match the original resettlement study, only four more projects could be selected. These were chosen from the three countries with the largest resettlement portfolios not included in the original study. China, Brazil, and Indonesia currently rank first, third, and fourth in number of people displaced by Bank-assisted projects. Although Africa offered a choice of five projects, three of them displaced fewer than 500 people, and the only other dam project with substantial resettlement was in Kenya, far from the Ghana project in the previous study. China, Indonesia, and Thailand had no other completed dam projects. Only India had a variety of dam projects, but the evaluation team decided to follow-up the Krishna River projects that were successors to those covered by the earlier OED study.

3.6 The two India projects are extraordinarily large both in size and in the magnitude of their problems, but they differ little from three other large irrigation projects implemented in India during approximately the same period. India also has numerous hydropower dam projects that have fewer problems. Hydropower authorities in India and elsewhere have a better resettlement track record than irrigation authorities. Hydropower dams benefit from usually being located in more mountainous areas, displacing many fewer people, and having the resources and capacity to execute resettlement more effectively. For example, in India the five irrigation dam projects each displaced 166,000 people on average, while the six hydropower projects each displaced 8,000 people on average. Still, not all hydropower projects perform well on resettlement. Karnataka Power I Project was suspended and finally canceled by the Bank in 1993 because of resettlement problems. Karnataka Power Corporation was unable to resettle fewer than 400 families or even acquire a mere two square kilometers needed for their relocation.

21. India, which ranked first until 1994, currently ranks second.
3.7 The projects selected have generally had greater resettlement problems than most Bank-assisted projects. Three are among the most controversial in the Bank’s entire portfolio. That the case studies were disproportionately plagued with problems is demonstrated by comparing resettlement ratings for the case study projects to those for the entire portfolio. The FY94 ARPP reported that 13 of 103 active projects had resettlement ratings of 3 or 4; two of the eight case study projects rated 3 and one rated 4 (three rated 1, one rated 2, the other closed before the rating system was adopted). The FY95 RIR reported that only 5 of 124 ongoing projects were rated a 3; one of these is a case for this study. That both Upper Krishna II and MCIP III were rated as 2s (moderate problems), even when UK II was in suspension for resettlement problems, calls into question the accuracy of the ratings. Nonetheless, it only strengthens the evidence that a higher percentage of the case study projects had resettlement problems than the portfolio as a whole. That is largely because more recently approved projects have generally had fewer problems. Nonetheless, without resettlement outcome data, it is difficult to compare the set of cases for this study with other recently closed projects, but outcomes ranged from among the best to among the worst of resettlement operations.

3.8 The purpose of this study is not to ascertain the extent of problems throughout the portfolio. Rather, it seeks to illuminate the range of experience in recently completed resettlement operations to determine what works well and what does not, to compare the 1993 and 1997 case studies, and to suggest means of improving performance. For those purposes, the sample is adequate; in fact, it is better than expected. Bank resettlement experts have verified that most of the findings (detailed in Chapters Five and Six) and lessons and recommendations (Chapter Nine) apply broadly to much of the resettlement portfolio.

4. Description of the Case Studies

China: Shuikou and Yantan

4.1 These two Chinese dams are quite similar. Both are in narrow valleys surrounded by hills and have reservoirs about 100 kilometers (km) long. The powerhouses at Shuikou and Yantan have installed capacities of 1,400 and 1,100 megawatts (MW), respectively. The projects were approved less than a year apart and have been critical in supplying energy fueling the development of their respective provinces, Fujian and Guangxi, on the southeast coast of China. Shuikou is in northern Fujian, on the Min Jiang River, whose valley has traditionally been one of the richest parts of the province, supplying rice, fruit, and fish. Guangxi, especially the northwestern part where Yantan Dam is located, is much more mountainous, isolated, and therefore less developed. This greatly affected the range of resettlement and income restoration options.

4.2 Shuikou received substantial attention from the Bank and was the primary focus of the OED study of resettlement in China. The East China Investigation and Design Institute (ECIDI) joined with Fujian Provincial Electric Power Bureau and other provincial agencies in designing a detailed resettlement plan. Given the narrowness and fairly steep sides of the valley, people clearly had to be relocated from the valley floor. In order to not move them very far, resettlement villages were reestablished on newly created terraces and leveled hilltops. The almost total loss of level ground in the valley floor necessitated an income-restoration strategy tailored to the remaining natural resources. Only 700 hectares (ha) of plowable land was developed. Most
people had to be rehabilitated through a combination of using hillsides too steep for plowing for fruit orchards and other economic trees; intensive farm activities such as backyard mushrooms, duck and pig farms, and fish and pearl ponds; service activities such as shops and transport; township and village small- and medium-scale enterprises; and migration, especially by persons with special skills.

4.3 The original strategy synchronized relocation and rehabilitation so that assets were established and ready to produce by the time people were moved. A classic example is planting trees long enough before relocation that they would be mature by the time their owners moved. This scheduling strategy broke down in practice. Faced with funding shortages, local governments concentrated on completing the infrastructure necessary for relocation. Even so, actual relocation failed to keep up with the targets. Relocation began in 1988, but almost 70 percent of the 67,200 people evacuated from the valley floor were moved between 1990 and 1992. Another 17,200 in Nanping City, at the upstream end of the reservoir, had to be moved to make way for the construction of embankments to protect the downtown area and avoid the need for relocating any more of Nanping’s nearly 200,000 inhabitants. In fact the full supply level of the reservoir was set below the optimal economic level precisely in order to avoid massive displacement in the city. The resettlers were housed in 30 large apartment buildings constructed on sites scattered through the city, including immediately behind the embankments. Therefore, those people could continue their previous jobs. All relocation was completed by the end of 1992, and the reservoir was filled in 1993.

4.4 After the Shuikou Reservoir Resettlement Office (SRRO) completed the relocation and construction of resettler housing and community infrastructure, it turned its attention to completing the task of reestablishing resettler jobs and incomes. The SRRO, created by the provincial government, worked with provincial, county, and village governments to establish “arranged jobs” for the resettlers. Each arranged job could be a unit of cropland, for example either .5 mu (15 mu = 1 hectare) of paddy, 1 mu of plowable land, 1 mu of fish pond, 10 mu of citrus, 15 mu of fir forest, or combinations of these. For fishery, for example, SRRO developed pond fishing, netted areas in the tributaries and bays, and cages in the reservoir. Jobs could also be in services or manufacturing. As the limit of jobs that could be created from land-based resources was reached, SRRO and local governments became very innovative in finding alternative sources of income, including establishing factories for food processing, stonecutting, and producing calligraphy brushes, clothes hangers, and even precision-cast, ceramic mold, polished stainless steel golf club heads.

4.5 The acceleration of economic activity along the lake was not confined to the reservoir operation. It was part of a regional phenomenon, as Fujian Province had deliberately been left underdeveloped until the 1980s to comply with a defense strategy against invasion from Taiwan. Now Taiwanese money—along with funds from Hong Kong, Singapore, Korea, and Japan—is fueling explosive growth all along the Chinese coast. Average resettler real incomes increased 44 percent in 1995 and 1996, surpassing incomes of non-resettlers in several jurisdictions. Performance depends on the capability of local government personnel to design and implement successful and profitable income-generating activities. But Shuikou benefited from the extraordinary regional dynamic, and is considered by government as the best of its resettlement operations.

4.6 Total resettlement costs for Shuikou are not available. The official budget, including two major supplements in 1989 and 1993, is about US$200 million. SRRO reckons contributions by
county, township, and local governments would double this figure. Dividing this among the 17,000 families that were relocated yields an average of US$24,000 per family. Actual costs including all job creation would be higher.

4.7 The Bank played a much smaller role at Yantan. The project design was nearly complete when China approached the Bank for financing, and the Bank financed only 7 percent of the total costs. The Bank did not significantly contribute to the design of the resettlement plan, the appraisal mission did not include a resettlement expert, and resettlement was not identified as a project component in the appraisal report. Nonetheless, the Guangxi Electric Power Bureau, through its Guangxi Regional Resettlement and Development Office (GRRDO), competently designed and implemented the resettlement program.

4.8 The conditions and guiding principles were much the same as at Shuikou. The objective was to move people short distances, and into comparable occupations when possible. Again, it started with a land-based strategy. Yantan has a harsher topology, and plowable land is even scarcer than at Shuikou. Furthermore, Yantan is much farther from any large cities and farther still from the booming coastal economy. The average income level in Guangxi was about three quarters that in Fujian Province in the mid 1980s, and the gap has widened.

4.9 As at Shuikou, the focus at Yantan was on relocating people and building infrastructure first, and reestablishing incomes second. By March 1992 GRRDO moved 7,000 households with 43,200 people. An additional 19,200 people were affected. Those people did not have to move, but they did add to the task of income restoration. By March 1997 jobs had been arranged for 17,000 people out of a labor force of 25,000. The local resources, mainly land, were grossly inadequate to accommodate all the affected people. Also, early attempts to concentrate on citrus were later abandoned in favor of other more profitable tree crops, losing time in the process. Enterprises absorbed a limited number of people, mainly because of the difficulties of attracting outside capital to, and marketing from, such an isolated region. Therefore GRRDO searched for alternatives. In 1992 the agency relocated 3,600 people—with 1,000 arranged jobs—to two former state sugar farms near Guangxi’s own developing coastal center at Beihai. In 1997 GRRDO had plans to move 11,500 more people—with 3,000 arranged jobs—to another government farm in Binyang in central Guangxi.

4.10 Given the substantial obstacles, resettlement performance at Yantan has been impressive. Resettler incomes have nearly doubled pre-move levels, although significantly less than double after adjusting for inflation. Resettlers near Beihai have incomes two to five times higher than those near the reservoir. Numerous resettlers still do not have arranged jobs, but many have been able to find marginal slopes to plant crops unofficially. Almost all families have at least one arranged job. Examples include herding goats on steep hillsides; cultivating spice, fruit, and timber trees; providing transport services on the lake; and tending fish pens in small coves. GRRDO has supplemented compensation and income generation with a monthly food grain ration amounting to 150 kilograms (kg) per capita per year (a subsidy that was not provided to the Shuikou resettlers). While this is less than the 250 kg necessary to sustain an adult, it goes a long way toward providing food security and reducing the incomes needed for food expenditures. As resettlers pass above the “poverty line,” approximately $100 per year, they are to be phased out of the ration program, beginning in 1998.

Indonesia: Kedung Ombo

4.11 About 50 km southeast of Semarang, the provincial capital on the north coast of Central Java, the Kedung Ombo dam intersects a river system that once annually restored the fertility of the river valleys and part of the floodplains. The reservoir inundated most of this intensively farmed land. The surrounding Kedung Ombo hills are among the least suitable parts of the province for subsistence agriculture. The original survey found that 75 percent of the 24,000 resettlers indicated that they would join Indonesia's massive transmigration program and resettle to the outer islands. Later, Bank planners increased this estimate to 90 percent. During implementation, however, only 25 percent of the resettlers transmigrated.

4.12 The Bank's senior sociologist objected during appraisal in 1984 to what he recognized to be inadequate specification of the resettlement plans, especially for non-transmigrants. Nonetheless, resettlement planning proceeded unimpeded. The contract for monitoring resettlement was delayed for two years, and the first report was delivered in April 1988. The monitoring agency (a research institute of the Satya Wacana Christian University, SWCU) alerted the government and Bank that the government's previous estimates of the numbers of families that had already left the reservoir were exaggerated. The Task Manager did not supervise resettlement since the project began and had accepted government assurances that transmigration by resettlers was progressing adequately. SWCU's news confirmed reports by nongovernmental organizations (NGOs) that the resettlement was stuck at the starting gate and the project faced an imminent social disaster unless reservoir impoundment was delayed. The main NGO report, provided to the Bank in September 1987, reported incidents of physical violence and intimidation by local administration and military forces. The reservoir area contained a subdistrict (Kemusu) known for its leftist, antigovernment history. Furthermore, the land compensation rates were grossly inadequate for purchasing replacement land, which would have been much less fertile in any case, so resettlers were resisting relocation until they were satisfied with compensation.

4.13 The Bank at first ignored the report, but with SWCU's field survey evidence, it reacted quickly to limit the political damage and find a solution. The government relaxed its pressure on families to move out of the greenbelt area surrounding the reservoir, and about 600 have stayed. At stake were 9,000 ha, perhaps half of it prime cultivable land, and perhaps three quarters of that available for at least one crop during annual drawdown of the reservoir. The government also cleared three villages in Forest Department lands to create space for another 700 families. The largest number of resettlers, 2,800 families, accepted the compensation money and resettled themselves. Most of them settled in the hills above the lake, although many of them had to find off-farm employment to restore their incomes. Given the rapidly expanding economy of Central Java, this was a viable option.

4.14 In 1989 the government, with Bank prompting, prepared a Resettlement and Reservoir Development Program (RRDP) to facilitate income restoration and provide adequate infrastructure and services to support resettlers. An ambitious university research and demonstration program was launched to provide the knowledge base and institutional infrastructure perceived as lacking. An NGO was contracted in February 1993 to initiate microenterprise activities. The NGO was quite successful, but its contract lapsed with the closing of the Bank's loan at the end of the year. Unfortunately the larger RRDP, while generating much activity, produced few results. Fortunately, resettlers have been enterprising in restoring their own incomes. SWCU returned to the field in 1997 to conduct the OED survey. It found that a
majority of the resettlers in the reservoir area enjoyed improved incomes: the self-settlers had done the best, while only those still occupying the greenbelt fell short of pre-dam incomes.

4.15 SWCU estimates that about 1,250 families transmigrated to 17 sites on Sumatra, Kalimantan, and Irian Jaya. SWCU identified and visited the four largest clusters of transmigrant resettlers. The largest cluster, about 310 families, went to Muko Muko in Bengkulu Province on Sumatra. An inexplicable error in site planning placed many of them on land underlain by a medium to thick strata of peat, an almost impossible soil for irrigation. While the land could be salvaged for tree crops, and possibly even maize or other field crops, the government has stubbornly insisted that the resettlers grow rice, which becomes increasingly difficult after the first couple of years of harvests. Some Muko Muko resettlers were placed on non-peat or shallow-peat soil, and their farming system is viable. About 180 transmigrant settler families were reestablished at Kuamang Kuning in Jambi Province, also on Sumatra. The original plans to base their rehabilitation on food crops have been modified to include oil palm. This is working well for those who received oil palm that is now yielding, but other resettlers either have immature stands or have not even received their plantings. Many Jambi resettlers are not doing well with farming and have had to find off-farm employment to survive. The 86 resettler families transmigrated to an irrigation site on Irian Jaya are doing reasonably well, and the 193 families relocated to a site on East Kalimantan are doing the best of all with their 2 hectares of oil palm each.

4.16 OED cannot confirm total resettlement costs. Altogether about US$43 million was spent for resettlement, or about US$7,000 for each of the 5,300 displaced families. Most of this, about US$30 million, was for compensation. This is about 15 percent of total project costs. The fact that resettlers in most cases restored their former incomes does not negate the fact that resettlement was significantly underfunded, and the results of official interventions were unsatisfactory.

Thailand: Pak Mun

4.17 Pak Mun is in northeast Thailand on the lower reaches of the Mun River, just 5.5 km above its confluence with the Mekong, which forms the border between Thailand and Laos. The original design was modified to relocate the dam 1.5 km upstream to preserve the Kaeng Tana rapids, a popular tourist destination. Furthermore, the Electricity Generating Authority of Thailand (EGAT), the power company that built the dam, changed the design by lowering the dam height 5 meters, which reduced power benefits by one third, more than halved the reservoir length and surface area, and reduced the number of inundated families from 4,000 to 240. The resulting reservoir is only marginally larger than the river’s normal high-water level during the rainy season, and floods only 16 additional square kilometers, of which 9 are private land. All these changes were made in 1985, six years before NGOs launched a campaign against Pak Mun.

4.18 EGAT formulated its resettlement policy in the 1970s and already had one of the better reputations for resettlement performance. EGAT’s base policy in 1990 established land compensation rates above prevailing market prices. The generosity of the compensation may

23. More precise estimates are not possible because the provincial and regency offices of the Ministry of Transmigration only noted which regencies transmigrants came from, not whether they had been displaced by the Kedung Ombo dam. In fact, this was part of the reason for the failure to detect that many fewer resettlers than expected had actually left the reservoir area.
have contributed to the ensuing rapid inflation in land prices. NGOs organized resettlers to protest for higher rates, and in December 1991 EGAT quintupled the rates to US$8,750 per hectare. EGAT also agreed to provide a two-room core house or a US$5,400 housing grant in addition to house compensation. Later, families whose houses would be within 30 meters of the reservoir, excessively isolated by the reservoir, or inconvenienced by dam construction, were also offered compensation packages equal to those whose houses would be inundated. Therefore, another 670 households were resettled in addition to the original 240 being inundated. By May 1993 only two households had not yet consented to land acquisition.

4.19 The relocation was extraordinarily easy. Some households literally moved across the street. Most families moved less than a kilometer, many opting to move from riverside clusters to linear alignments along the significantly improved trunk road paralleling the left bank of the river. As most of the farm plots were already above that road, impact on agriculture was insignificant. Riverside vegetable gardens were affected. Only 6 percent of land compensation money was spent purchasing replacement land. Average landholdings decreased only 2 percent. The resettlers and NGOs then focused their complaints on alleged decreases in income from fishing once the dam was completed in April 1994. Several hundred villagers protested in Bangkok, and in June the compensation committee agreed to compensate 2,100 households for lost fishing income. Resettlers continued to protest the lost fish income issue, and—despite no evidence that fish populations had decreased in the reservoir, and doubts about the legitimacy of some of the claims—the committee agreed to pay US$3,600 to 2,900 households, one third in cash and two thirds in shares in income-producing cooperatives.

4.20 The result of these increasingly generous compensation policies has been to drive resettlement costs from US$11.8 million at appraisal to US$19.7 million, and the costs are still climbing. Most of this was for compensation. This works out to US$11,600 per family for the 1,700 families that lost land, their house, or both. Nonetheless, this is still well under 10 percent of the project costs. The project’s net benefits were reduced much more by lowering the dam 5 meters than by increasing resettlement costs.

4.21 Resettler incomes have increased 12 percent, basically keeping pace with inflation, in the two years since the dam was completed. They have nicer houses, more household assets, and better community infrastructure including schools, clinics, temples, roads, and piped water and electricity for most houses. Most households that suffered a decline in income did so for specific reasons: family members died, were sick or injured, or had left. Families that were largely dependent on income from fishing (and did not receive land or house compensation) are the only sizable group that may be worse off, but without pre-dam data on their incomes comparisons are not reliable. The majority are better off. In fact, potential resettlers at other dam sites under consideration have requested that they be treated as generously as Pak Mun resettlers.

India: Upper Krishna—Karnataka and Maharashtra

4.22 The Krishna River is one of the three main rivers of the Indian subcontinent, originating in the Western Ghats in the State of Maharashtra and flowing east through the States of Karnataka and Andhra Pradesh before emptying into the Bay of Bengal. It provides badly needed water to the drought-prone regions of these three states. In fact, state sharing of the Krishna’s water is a contentious issue and has played a significant role in Karnataka’s desire to complete the Almatti Dam and begin using the water by 2000.
4.23 OED examined resettlement at four dams, two in each state. Similar to the China case study, one project (UK II) was the principal focus of the study, with a survey of resettler incomes, and the other project (MCIP III) served as a comparator. UK II is the second phase of Bank assistance to development of the Krishna River in Karnataka. Construction of both dams, Narayanpur and Almatti, immediately upstream of Narayanpur reservoir, began before Bank involvement. The Bank assisted further construction, and resettlement of affected people, under the Karnataka Irrigation Project (KIP), which was covered by the 1993 OED report *Early Experience with Involuntary Resettlement*. Narayanpur was completed under KIP, but the reservoir was not completely filled until 1996. Almatti is still not finished, and resettlement is in the early stages. Narayanpur displaced 5,100 households; Almatti is expected to displace 33,000 households; another 2,600 households will be displaced by canals, drains, and roads. The total of 40,000 households, or about 240,000 people, is the largest resettlement operation in the Bank's history. This does not include another 150,000 to 200,000 people who will be displaced when Almatti is raised to its ultimate height, outside the Bank-financed part of the project.

4.24 Resettlement planning for KIP was inadequate. The first resettlement plan was not even prepared until July 1986, after completion of the first project. Slightly more than half the people at Narayanpur had still not been moved by 1986. Reservoir filling was stretched over 14 years, even though most people were compensated by 1983–84. People were reluctant to move because compensation rates were inadequate to purchase replacement land and the new villages offered practically no means of livelihood. Approval of UK II was delayed for three years, and even then there were no final estimates of the number of affected people. Furthermore, none of the preconditions for successful resettlement—political will, a legal framework, institutional capacity, adequate budget, comprehensive planning, a development program, and participation of the affected population—were present.

4.25 Implementation of the resettlement program was fraught with difficulties. UK II had moderate problems from the start. During 1990, for example, only 2 percent of the targeted resettlement work plan was achieved. Despite numerous warning letters from the Bank, the government of Karnataka failed to produce the necessary results, and the project was suspended on resettlement grounds in November 1992. The suspension was partially lifted in February 1993 and fully lifted in February 1994. Resettlement performance declined again, however, and the project was suspended a second time in September 1995. That suspension was lifted in December 1996, mainly to permit project extension. Otherwise the project loan and credit would have closed with many unresolved problems. When the government again violated commitments to the Bank by continuing dam construction and creating a situation that threatened the emergency resettlement of another 19,000 people and did catch 8,000 people—20,000 had been moved under such conditions in 1996—the Bank closed the loan and credit on June 30, 1997.

4.26 One of the main problems is that until 1995 the Irrigation Department was in charge of resettlement. The needs of resettlement were usually subordinated to irrigation priorities. Because the government of Karnataka must be using water, as demonstrated by completion of water storage facilities (the reservoirs), by the year 2000 to ensure its share of Krishna River water rights, dam construction and reservoir filling have proceeded regardless of progress on resettlement or even use of water in the reservoirs for irrigation or other purposes. Since the development of many command areas is behind schedule, not all the water stored in the reservoirs is yet used. Therefore not only have people been resettled poorly, but they have been displaced years before necessary and before the command area was ready to accept them, thus
completely vitiating the principal income restoration strategy and causing unnecessary additional hardships.

4.27 Despite this sad project history, resettlement performance has improved significantly in the past two years, following appointment of a dynamic lead resettlement officer. Land compensation rates, after adoption of a consent award system where higher rates are paid in exchange for resettler promises not to take their cases to court, are now approaching market prices. A combination of supplemental payments—for land and house compensation, and income-generating schemes—retroactive for all resettlers, is helping make up for past deficiencies. Resettlement is now much more participatory, fair, timely, and successful. Nonetheless, a generation of resettlers on the Upper Krishna has paid a high price.

4.28 More than two thirds of the resettlers report they are worse off now compared to before the dam. Because no income surveys were undertaken until 1991, when they were done at OED’s initiative, little evidence exists to challenge their perception. Landholdings continued to decrease up to the present. Nonetheless, incomes are finally stabilizing and in some villages, beginning to increase. Limited irrigation, off-farm income, migration, and better crop prices have all contributed to the beginning of income recovery. This is just at Narayanpur. It is far too early to make any judgments at Almatti, although the process appears much improved. Upper Krishna II has been a very unsatisfactory resettlement experience, and the recent improvements, while welcome, cannot undo decades of neglect and poor performance.

4.29 Resettlement costs during UK II reached $85.2 million when the credit and loan closed. This is about 11 percent of project costs. Because the resettlement is not yet complete, those costs are expected to reach $166.1 million to finish the resettlement of the people affected under the Bank-assisted part of dam construction. These figures are in comparison to an appraisal estimate of $100.8 million. Because this is a time slice of ongoing resettlement at both reservoirs, per capita resettlement costs cannot be computed, but they are less than $3,000 per family, so far.

4.30 The two dams in Maharashtra, Dhom and Kanher, are on the upper reaches of the Krishna. They are much smaller, each about one fifth the size of Narayanpur. Dhom displaced 3,390 families and Kanher displaced 3,860 families, for a combined total of about 40,000 people. Construction on both dams began between 1968 and 1972, before Bank involvement. Dhom was completed in 1976 and Kanher in 1986; both were part of the Maharashtra Irrigation II Project. Both reservoirs were filled within two years of completion. Neither dam was originally part of MCIP III, but in 1993 MCIP III was restructured and expanded to allow completion of economic rehabilitation of 36,000 families displaced by nine dams in five subprojects, including the Krishna subproject (and these two dams).

4.31 Since all the resettlers were relocated years ago, only a rehabilitation program was designed under MCIP III. The program had four components: civic amenities, house improvement grants, income-generation scheme grants, and irrigation for those settled in the command area to be supplied by the dam but not yet receiving it. Launch of the program was delayed by a year to 1996, and when OED visited in February 1997, only the civic amenities component was under way. The recently completed Implementation Completion Report (June 17, 1997) confirms that no budget has been spent for any of the three other components. Therefore, the resettlers remain unrehabilitated.
4.32 Although this study did not conduct an additional survey, a rapid rural appraisal revealed a less positive impact than suggested in OED's 1993 report, which called this project the most successful of the four studied. The previous study examined Dhom displacees only. As they had 10 more years to get established, and because they moved into the functioning, upper reaches of the irrigation command, they are generally doing better than the Kanher displacees, most of whom are in the lower reaches of the command, where property disputes have delayed construction of irrigation canals up to 10 years. Even if these people are eventually rehabilitated, some already have been waiting up to 17 years for irrigation they were promised in 1980. Even resettlers who do receive irrigation frequently find it insufficient to compensate for the decrease in land holdings they have suffered. While Maharashtra's strategy of moving people into the command area looked good on paper, the results are less than impressive.

Togo: Nangbeto

4.33 Nangbeto is the first hydropower project in Togo. It is on the Mono River, 160 km upstream of the coast and 80 km upstream of where it begins to form the border between Togo and Benin. The reservoir and resettlement areas are entirely within Togo, but the power is shared jointly with Benin, through the binational power company, Communauté Electrique du Bénin (CEB). The reservoir displaced 10,600 people. Of this total, 7,600 lost their houses and land and were moved to resettlement zones 30 to 55 km northeast of their former locations. The other 3,000 lost their houses but almost none of their land. Therefore, they were moved back a few kilometers from the reservoir and could continue to farm most of their former lands.

4.34 The project was approved without much resettlement planning. Because the reservoir would not fill for another three years, there was little concern for action at the time. The project had no income restoration strategy beyond moving the resettlers to a relatively unpopulated area and letting them rebuild their former agricultural economy. The Bank's senior resettlement expert visited the project in May 1986 and foresaw a "potential disaster" as the available land was insufficient for the extensive agriculture the resettlers practiced, and nothing was being planned beyond relocation. Even the CEB resettlement officer thought there might be a land shortage in 10 years.

4.35 The physical relocation went well without any incidents. The 7,600 people moved to the resettlement zones were relocated in two months, after their December 1986 harvest and in time to prepare their fields for spring planting. CEB provided two-room core houses and cash compensation to finish the houses according to individual needs and priorities. The resettlement zone was sparsely populated, the soils were fresh, and land had been easily obtained from host communities. Resettlement villages were provided boreholes with pumps and other community infrastructure. It is easy to understand why resettlement was perceived to be satisfactory at the time. The project summary a year later said it deserved special praise, and even the Project Completion Report (PCR) in 1993 said, "farmers were allocated land for cultivation, commensurate with the holdings they exploited prior to relocation. The resettlement operation was successfully completed prior to reservoir filling."

4.36 Ironically, that was precisely the problem. Resettlement cannot be completed two months after people move; at that point resettlers are just beginning to adjust to their new lives. As a February 1987 supervision mission said, "The problem seems to lie in the Project's conceptualization of resettlement as limited more or less to the construction of the physical infrastructure and the transfer of the affected population from their homeland to the new
resettlement zones. Perhaps as a result of that the resettlement division now perceives its role and responsibility as nearing completion.\textsuperscript{24} Land was allocated, not formally given, to the resettlers. The land tenure system was left ambiguous as CEB and the government of Togo did not want to expropriate land from the host communities, preferring to leave land tenure arrangements up to traditional chiefs. Furthermore, “allocations” based on exploitation presumably refers to land under cultivation, but people in the Nangbeto area practiced extensive (shifting) agriculture and depended on having secure access to five times as much land as they had under cultivation at any time.

4.37 In addition to the unresolved land tenure issue, two exogenous factors significantly altered the situation. First, conditions for resettlers, and indeed most Togolese, deteriorated precipitously after 1990. The entire economy collapsed, the government ceased to provide many services, the 1993 general strike paralyzed the country, the 1994 currency devaluation exacerbated conditions, and incomes fell until the economy began to recover in 1995. Second, immigration and normal growth steadily increased the population in the reservoir area, making it impossible to sustain the former extensive agricultural system. Therefore the project is difficult to evaluate because without data (no baseline or survey data, no M&E, and no NGO observers) it is hard to distinguish which effects are due to resettlement and which are due to other factors.

4.38 In-migration and population growth have increased land pressure. Agricultural yields, production, and income are reported to have declined (for both the resettlers and the hosts). The resettlement plan implicitly assumed that resettlers would intensify their agriculture, but people are generally too poor to afford fertilizers, improved seeds, and other inputs to maintain productivity. Input costs have increased as subsidies have been greatly reduced or eliminated. As land pressure increased, the host villages became increasingly reluctant to lease land to resettlers. The situation is now so bad that some resettlers are returning to their old villages to find land to farm. Moreover, CEB never compensated the resettlers for their lost trees, even though it said it would and undertook a census of trees. Insecure land tenure in the resettlement zones, as well as arid and rocky soils, make it difficult if not impossible to replant the palm oil and other economic trees they formerly harvested. The same factors also complicate livestock raising. The water pumps have broken down and are too costly for resettlers to keep repairing. Some of the CEB houses have deteriorated more rapidly than expected. Many resettlers are unhappy.

4.39 On the other hand, some resettlers are doing well. Those who are able to afford improved inputs (seeds, fertilizer, and pesticides) and to sell their crops at the time of their choice realize much higher yields and prices. Nonetheless, much more should have been done in the planning and implementation of resettlement to give more of the resettlers a better chance of prospering. The near-complete omission of follow-up is the greatest shortcoming. No Bank mission, even for the PCR, visited the resettler communities between 1987 and 1996, when the Bank began onsite review of a proposed downstream dam project. The Bank and CEB are now preparing a second hydropower dam on the Mono, Adjara, below Nangbeto, and plan to remedy problems currently faced by the Nangbeto resettlers as part of the new operation. While commendable, this should have been done much sooner, not as part of the preparation for Adjara.

4.40 Total resettlement costs increased only slightly during implementation, from US$10.4 million at appraisal to US$11 million by project completion, about 9 percent of total project costs. That is equivalent to about US$6,000 per family. Since no land compensation was given, most of

this was for housing and dislocation grants, the core houses, community infrastructure, and other relocation expenses.

Brazil: Itaparica

4.41 The damming of northeast Brazil’s São Francisco River at Itaparica began in 1979 and was completed in 1988. The Bank did not finance the dam, but it engaged the power company, the Companhia Hidro Elétrica do São Francisco (CHESF), in a dialogue on resettlement policy through the Bank’s 1986 power sector loan to Brazil and offered to finance a resettlement program offering irrigation to the displaced families. Itaparica is the largest of the case study reservoirs, 149 km long with a surface area of 840 square kilometers. It displaced 3,500 urban, 1,000 para-rural (people who moved to towns but retained rights to irrigated lots), and 4,900 rural families (including 400 families displaced by the new irrigation works). Another 1,000 families received cash compensation from CHESF and left the area. The Bank-financed project covered 8,000 of the displaced families.

4.42 Stage I, the construction of facilities and transfer of families into four new towns and 127 agrovilas (new villages), ranks among the quickest and most successful of any Bank-supported, large relocation operation. Private contractors worked under intense pressure throughout 1987 and the first half of 1988 to complete the works. Most families were still moving when the sluice gates at the dam were closed in February 1988, but the Bank agreed that ongoing relocation activities could keep up with the rising water and the residents were not at risk. The resettlers received much better houses (in most cases) with water and electric connections by the time the reservoir reached its full supply level in May.

4.43 Stage II called for the provision of irrigation water through pressurized pipes to sprinkler systems installed on 5,900 demarcated lots ranging from 1.5 to 6.0 ha, and totaling 20,500 ha. Stage II is still far from complete nine years after resettlers moved to the agrovilas and eight years after the deadline by which they had been assured all the schemes would be brought into production. By June 1997, 2,300 lots totaling 8,000 ha, or 40 percent of the total, were receiving water. Another 1,800 lots and 6,600 ha, about 30 percent of the total, were expected to be fully operational by end-1998. The other 1,800 lots, the final 30 percent, were still “under study,” but these lots have such marginal soils that they may never receive irrigation. Many of the farmers assigned to these lots may be assigned new lots, or helped to establish other forms of livelihood.

4.44 The immediate explanations for the delay are undisputed. The most important are that CHESF could not access anywhere near enough Bank and Brazilian government funds to maintain the construction schedule, and soil conditions were even less favorable than expected. To maintain resettler families while they waited for irrigated lots, CHESF paid families a monthly check (VMT) calculated then at 2.5 minimum salaries, now worth US$230. The VMT, hyperinflation, lengthy delays, and periodic demobilization of construction contractors have contributed to increasing resettlement costs. The 1987 appraisal estimate for per-rural-family resettlement costs was US$37,500. By 1989 that figure had escalated to US$63,270, and by 1997 it had reached a record US$185,000, of which 85 percent was already spent. Costs per irrigated hectare will reach US$54,000. Costs per urban family are about US$37,000. These figures are based on CHESF’s latest cost tables. By contrast, other irrigation schemes in northeast Brazil cost between US$20,000 and US$25,000 per family. CHESF estimates the average cost of cash compensation for families that left Itaparica in 1987 and 1988 at about US$5,000, only 2 percent of current per-family costs for those that stayed. Total costs through to completion are now
estimated at US$1.3 billion, almost as much as the cost of the dam. The 9:10 ratio of resettlement to dam costs is unprecedented in the Bank’s portfolio.

4.45 This kind of money should have bought a sterling resettlement program. Unfortunately, except for one of them, the towns largely lack economic activity as people subsist on their monthly VMT checks. The agrovilas on irrigation schemes still waiting for water are even worse off and, according to evaluation team interviews with settlers and staff, suffer from high levels of alcoholism and petty violence that have accompanied idleness. Some children are bused to schools in neighboring towns, most of them have grown up in an atmosphere of pervasive unemployment, and some know by now that the lots originally demarcated for their families are worthless. None of the eight community centers to serve the agrovilas have been completed—most have not even been started—although CHESF is still in principle obliged to complete that part of the original design.

4.46 The irrigation schemes already with water also have uncertain prospects. The mediocre production performance of irrigators has to be qualified in at least eight respects. First, farmers with 3 ha lots are getting by, but farmers with only 1.5 ha lots, about 15 percent of the total, would have a hard time without their VMT checks. Second, marketing channels are unorganized and precarious. Even the one “success” so far, tomatoes grown under contract on one of the schemes, can count on only another three or four years before it will have to be abandoned in the face of accelerating pest infestation and rising costs. Third, access by road and barge to these schemes has always been difficult and has recently deteriorated, further restricting the marketability of crops. Fourth, yields are dropping on all schemes, a normal response to continuous use. Fifth, manure and inorganic fertilizers (both are required) are expensive in this isolated region and present yields and incomes are too low to justify their purchase. Many farmers said it was impossible to escape from this low-productivity trap. Sixth, many schemes are highly prone to salinization. Drainage is essential, but in its infancy. Seventh, the farmers do not yet pay for irrigation water. Most Itaparica schemes are exceptionally high cost—US$40 per thousand square meters compared to US$10 to US$15 at other nearby schemes—and the irrigators cannot afford to absorb the costs. Eighth, any definitive improvement in farm incomes will depend on outstanding technical performance, but the resettlers were used to “low-input/low-output” farming in fertile river valley conditions and have so far demonstrated few of the necessary skills.

4.47 Resettlers are coping, for now. The VMT, combined with pensions, sales of livestock products and produce from farm holdings outside Itaparica, and a small inflow of migrant remittances, produces better incomes than before, and better than most small farmers in northeast Brazil. The constructive role of the farmers union, the Pólo Sindical do Submédio São Francisco (Pólo), helps explain these positive factors. Yet the 1997 OED survey interviews show that most resettlers are anxious about their future in the irrigation schemes and a large minority would leave if they could. Resettlers in the allegedly successful schemes are even more pessimistic than other resettlers. There are several explanations. First, they have become very dependent on the VMT over the past eight years and the thought of losing it is traumatic. Second, they are aware that they will have to start paying some, as yet undetermined, share of water and other operation and maintenance (O&M) costs. Third, they know marketing is risky and yields are declining. They have given up a predictable and relatively riskless subsistence economy associated with the low-input/low-output farming regime beside the river for a precarious high-input/high-output cash economy whose sustainability depends upon levels of technical competence and marketing
organization that most of them can only dimly perceive. The best hope might be for many resettlers to sell their lots to technically more proficient farmers, which they are now not legally permitted to do. Government and CHESF are aware of these limitations, and a recent accord has opened the way for additional finance, abandonment of some of the areas still under study, and trade or sale of lots.

5. Principal Findings: Resettlement

Compensation

5.1 The experience with compensation rates and schedules in the eight sample projects ranges widely, but the trend appears to be towards improvements in fairness and timeliness. Governments are moving toward broad acceptance of the principle that displaced families should be paid the real value of their lost assets. Whether the evidence is representative of the universe of resettlement remains to be seen. Comments on the draft report indicate compensation is still a major issue in many other projects. Even if the trend is genuine, there is no room for complacency. Compensation will continue to be an integral part of resettlement incomes policy, and in that arena progress is slow.

5.2 Resettlers did not complain in the interviews and presumably were satisfied with their compensation for lost houses and economic trees. Nangbeto, where people were promised payment for trees but never got it, was an exception. Elsewhere people got what their assets were worth and, in several cases, could keep the salvageable material from the old house without discount and/or were provided a new house or the two-room core of a house as well as compensation. One difficulty arose when many families used the funds to build at the same time, causing a shortage of materials and inflating labor as well as material costs. None of the projects compensated at enhanced rates in anticipation of this event. More frequently, a problem arose when families were paid cash in a lump sum long before the deadline for moving, so that the compensation funds were spent on other necessities and were no longer available when the families needed them. That is a scheduling problem, and extraordinarily difficult to avoid wherever responsibility for rebuilding is left with displacees who move at the last moment. A solution practiced in some countries was to make installment payments that accompanied the pace of building. But this had the effect of discouraging early movement. These problems usually emerged years after the project authority had agreed with the families about the house and home-yard compensation package, and would show up in interview responses as latter-day grumbling over compensation rates when it was really directed at the process.

25. The Region considers this characterization of the irrigators' losses and prospects as overly pessimistic. First, it says the pre-move conditions were less comfortable than those depicted here, especially for the majority who were landless and depended on insecure jobs as farmhands. Thus the resettlers' fond memories are swept by nostalgia and not to be trusted, a common feature of involuntary resettlement programs. Second, it says the "precarious" conditions on the new schemes are no different than small farmers face everywhere, and the support provided by CHESF, its "modern" technical assistance teams, and the new water user associations provides an institutional base likely to help most of the irrigators achieve viable farming systems. OED's response is that these commercial irrigation systems force on the irrigators financial risks, in addition to technical demands, never before confronted, and that the Region's claims about appropriate institutional support are themselves overly optimistic.
5.3 With the exception of Pak Mun, controversy over compensation involved payments for lost cultivable land. This affected only three of the eight projects, and in only one—Kedung Ombo—did the issue blow up. Here and at the two sites in India compensation rates that probably approximated market values when the properties were surveyed were hopelessly inadequate to finance replacement purchases when the displacees entered the land market in large numbers. Payment schedules were also inappropriate, for the same reasons as for house compensation: on one hand cash paid as a lump sum too long before the move was spent for other purposes, on the other hand tranching discouraged or limited purchases by those who wanted to move early. Adjustments were later made for displacees of the two dams in Karnataka, including an extra grant paid to all families sufficient to help them extend their property marginally. The authorities in that state have also provided an additional grant for house improvement. But, even though the total compensation in both cases may have been adequate, receiving it in two installments 10 years apart is obviously an ineffective second-best solution. Of the three projects where land compensation was intended to be invested in land, in two only a small amount used this way: 6 percent at Pak Mun, and 26 percent at Narayanpur (data are not available for Kedung Ombo). At Kedung Ombo the provincial government never significantly adjusted compensation despite overwhelming evidence that it should. That intransigence is arguably the defining factor explaining the intensity of the resistance that developed.

5.4 At Pak Mun, families in the vicinity of the reservoir—subsequent to compensation and physical relocation of homes and fields on exceedingly generous terms—came back to insist on compensation also for the impact on fishing in the river. Residents, regardless of whether their property had been affected, and supported by NGOs, claimed additional compensation for what they asserted to be a decline in the value of the fishery since the reservoir was created (an ongoing research program aims to verify that assertion). EGAT has already made additional payments for fishing losses, but the formula was unsatisfactory and meanwhile other claimants have appeared.

5.5 The last comment raises an issue that has troubled many other resettlement programs, the arrival in the reservoir area of pseudo-resettlers claiming project benefits for which they do not qualify. In the study domain this was not a serious concern. The field surveys revealed exceptions: latecomers to Itaparica hoping to get a free irrigation plot, transmigrants from the districts around Kedung Ombo who falsely claimed they were from the reservoir, and the bogus fishermen claiming lost fishing income at Pak Mun. But the scale of this deception was nowhere so great as to significantly dilute the packages aimed at genuine displacees.

5.6 Land compensation rates were not challenged at Itaparica, where all families were also eligible for an irrigated lot proportional in size to owned-land lost and where the landless were also given small lots. Maharashtra State government also awarded small irrigated lots to displaced landless families who elected to resettle in the command areas of those two dams.

5.7 Compensation for agricultural land inundated behind big dams is inherently contentious and can be expected to interrupt many otherwise agreeable negotiations. Large numbers of displaced farmers will not be able to find fields in surrounding hills with comparable fertility and ease of tillage as in the abandoned valley: except for small, scattered plots at inflating prices governments are unwilling to match. Controversy can be anticipated wherever the “land-for-land-nearby” policy prevails. Attempts to index compensation rates to land prices will not work in these hills simply because not enough land is available. Increasing rates will only provide resettlers with more money to chase the same amount of land, leading to the inflationary spiral.
Thus, a sense of having given up something better will forever shape many dam displacees’ attitudes and interview responses.

5.8 One generic category of assets rarely compensated (the Pak Mun fishery is the only example in the sample) is customary claims on common property: loss of access to flooded forests and other productive public lands. The surveys did not inquire specifically into this subject, but it came up nevertheless, occasionally, in discussions about overall satisfaction with the move. The projects in China and Togo are in a different category. There, all of the inundated land—cultivated, fallow, and forest—belonged to the community, not individuals, so the project authorities negotiated the compensation with village leaders, and the arrangement gave no cause at the time for complaint.

Relocation

5.9 The record with relocation—the individual or collective movement of people up and out of the reservoir boundaries—was also uneven but on the whole satisfactory across this sample of projects. The tempo of relocation is generally driven by the advancing water: here, as in developed countries, families stay in the valleys as long as they can. In only one case—at the Almatti dam in Karnataka in 1996 and 1997—did the water catch the people before the new sites were ready to receive them, so that emergency action had to be taken, including boats and helicopters, to evacuate a large number of “oustees.” When this happens it is a clear sign that the construction schedule for the dam was not synchronized with that for resettlement, and the dam took priority. Apparently, the authorities proceeded on a gamble that an exceptional flood would not occur before all the people were out—and lost the bet. There is, however, no excuse for losing this kind of bet twice. Flooding people out of their homes should not be allowed to become the de facto relocation method. This may be the most alarming departure from resettlement policy encountered during the study.

5.10 Elsewhere, relocation kept pace with the water. Kedung Ombo appeared to be heading toward disaster, but in this case the dissident families could have moved faster and the few that got caught had declined government transport out. Most of the dissidents moved with the water, building temporary shelters as they went. When the water stopped rising, many of them stopped moving too, settling in a restricted area zoned as a greenbelt and subsequently securing government permission to stay.

5.11 In the two cases where project authorities were responsible for constructing new housing, performance was very good. CHESF’s performance at Itaparica was excellent: it established four new towns and 127 agrovilas, fully equipped, within a year—all the time that was left without delaying the dam and just in time to avoid the water. At Nangbeto, the core houses in the new settlements were ready before the people were forced to shift. In the other cases, the authorities were responsible for constructing roads and the rest of the community infrastructure needed to prepare for housebuilding by the displacees. Here also, performance was satisfactory. At the two dams in China, the best example of this activity, government first leveled the terraces and created space—and built the infrastructure—for the new towns and villages. The families (except for the incapacitated) then built their homes on lots assigned by lottery. After some delays the construction and transfer were carried out expeditiously.

5.12 Pak Mun again is in a class by itself. EGAT financed the relocation of four times as many houses as were required and almost all of those 1,000 moves were short distance and
accomplished easily. EGAT financed families that wanted to move away from the noise, dust, and other disturbances of dam construction even though their homes were not threatened, and it financed other families that would have ended up in isolated positions or closer than they wanted to be to the river. EGAT also accompanied the movement of houses with earthworks to preserve some lakeside properties (mainly houseplots) that would have otherwise gone under, and by building schools, clinics, temples and roads. Pak Mun excels with respect to both compensation and relocation.

**Income Restoration**

5.13 Critics project a grim picture of the impact of dams on the incomes of the Bank’s involuntary resettlers: the “impoverishment and marginalization of affected communities.” The Bank has acknowledged that the record on restoring—let alone improving—incomes has been unsatisfactory. In its 1993 report, OED claimed that average households in two of the four case studies had improved their position, but in one of these (Thailand Khao Laem) the improvement was attributable to favorable changes in the economy rather than induced by the project, and in the other (Maharashtra Krishna) the sample was later shown to be biased. OED’s follow-up visit to Maharashtra in 1997 revealed that a larger number of displacees had probably suffered income losses. ENV’s recent reports, while not projecting an image of “impoverishment,” concede that successful interventions are in the minority:

> the core objective of resettlement planning, namely the restoration or improvement of incomes and standards of living, is still not being achieved, except in a few projects.

5.14 The accompanying case studies show a variation that is truly astonishing. Moreover, the evaluation team is persuaded that the favorable macro-economic influences referred to in OED’s 1993 Thailand example, and treated there and in other discussions as exogenous factors, are likely to play a major role in many future reservoir resettlement operations and have to be brought into program planning and retrospective analysis.

5.15 In three of the 1997 case studies, regional growth and job creation buffered the impact of displacement and greatly facilitated the restructuring of resettler production systems. In none of the three cases—Shuikou, Pak Mun, and Kedung Ombo—did resettlement planning anticipate the impact of the regional economy. The Chinese authorities at Shuikou were already well ahead of any of the other countries in building into the project plan alternative employment based on local jobs. When they later discerned the additional possibilities introduced by regional growth they were quick to jump in that direction as well. At Pak Mun the negative impact of the dam on employment and incomes was minimal in any case, because the households in that area had already started restructuring their economies away from cropping and because the slightly expanded river did not inundate much of the villages’ farm land. The booming Thai economy lifted the Northeast as well and protected the people along the river above the Pak Mun dam from most adverse impacts on the household economy. At Kedung Ombo, the impact of rapid developments throughout Java on the household economy of the displacees was also unanticipated, yet it provided timely relief to a situation that may have otherwise become untenable.

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5.16 In each of these three cases, off-farm employment opportunities gave jobs to heads of households and younger family members, replacing the components of farm income lost to the flood. In each case, the 1997 surveys show income levels restored and increased above pre-dam levels at least for the majority of displaced families that resettled locally. That finding is no surprise for anyone familiar with Shuikou. It is no surprise for anyone familiar with Pak Mun (and not distracted by the campaign against the dam). It is a major surprise for anyone who has followed the written record of protest at Kedung Ombo.

5.17 The diversification of household income streams and economies, with an increasing share of nonfarm earnings from live-at-home members and migrant remittances, is not restricted to resettlers, of course. But it allows them to escape a potential poverty trap waiting for them in the hills above the lake. Three other 1997 cases may be headed in the same direction, although the percentage of families with members in nonfarm employment is lower than the first three cases. At Yantan, a more remote location compared with Shuikou and unable as yet to attract the foreign and local investments in town and village industries that have invaded Shuikou, local nonfarm employment is nevertheless growing, albeit slowly. The authorities, however, are taking a different route to diversification, promoting the organized transfer of the poorest-endowed villages of displacees to subdivided large-scale farms in other districts, including two sugar estates near the coast. At the two projects in India, male family members are drifting off in increasing numbers to jobs in the city, from the Krishna River dams in Maharashtra to Pune and Mumbai (Bombay), and from the Krishna River dams in Karnataka to Goa and Bangalore. Remittances from even one member, at a low-paid industrial job in Mumbai, can have a substantial impact on a family's cash holdings. OED staff climbed to the roof of an elegant two-story home above the Dhom dam in Maharashtra, with glorious views of the lake and mountains, that had been built on the savings of a father over five years from a pitifully paid textile mill job in Mumbai. Given the low average annual household incomes reported from any of these four Asian countries, for example US$900 at Shuikou, US$1,600 at Kedung Ombo, US$2,800 at Pak Mun, and US$500 at Narayanpur, if only half the households send a member out to work his or her savings can substantially impact average incomes of the whole sample.

5.18 At the other two projects, Nangbeto and Itaparica, practically no shift toward a more diversified income pattern is discernible. For Nangbeto that is expected, since there has been little movement off the farms (except for minor local trading) and the whole Togolese economy was in decline from 1990 to 1995. For Itaparica that is unexpected, because outmigration to the cities is a tradition of the drylands of Brazil's Northeast. But the migrants that leave, as they have from the affected families of Itaparica, do not save money in the cities to send home, and thus do not play the same role in the household economies as they do in Asia.

5.19 Itaparica is atypical in all respects concerning income policy and income levels. The project was limited to resettlement, and irrigator income was the primary objective. Nevertheless, as explained earlier (paras. 4.41–44), the irrigation systems are incomplete, marketing problems have depressed incomes on the subschemes that have started production, and all rural families whether on irrigated lots or waiting for irrigation receive a monthly maintenance subsidy that is worth more than the irrigation income targeted at appraisal. The families have become so dependent on this subsidy that discussions of its withdrawal trigger bitter protests. Of the schemes studied, this one has the highest income levels (for irrigating families), both in absolute terms and relative to targets, yet it suffers from the greatest measure of discontent and threat of violence. Readers interested in this convoluted exception should review the Brazil case study.
5.20 Where it is not practical to provide displacees with irrigated lots next to the lake or below the dam, the land-for-land-nearby strategy has little applicability to reservoir resettlement, at least in already crowded regions. Land-for-land without the "nearby" tag is practicable where transmigration is feasible. But in crowded regions with no transmigration alternatives, the primary objective should be to encourage diversification.

5.21 As a first step this strategy could concentrate on alternate production opportunities in the agricultural sector. This is where the Chinese experience is valuable, because the authorities at Shuikou and Yantan tried first to exploit any subsector or niche activity on the land or water that remained underdeveloped yet might thrive on the resources that were left after the reservoir filled: orchards on terraced slopes, other economic tree crops like bamboo and tea on the steeper slopes, forestry on the steepest slopes, goats in the drier hills, integrated fish/duck/hog farms near the lake, pearl strings and fish cages in the lake, and pigs and mushrooms in confined spaces next to the houses. The intensity of this broad attack on available resources is remarkable, given the fact that none of the other countries came close to this performance. Fish cages at Kedung Ombo might have been an exception, but they have not been popular. The fact that nothing was organized for the families living in the agrovilas at Itaparica while they were waiting for water—and even though paid the subsidy—is hardly credible in hindsight, given the Chinese example.

5.22 China’s next lesson is that the authorities found this agricultural-based employment strategy insufficient to absorb the displaced workers. They therefore had to look outside agriculture for a second generation of employment opportunities to accommodate the full work force. Shuikou moved into local industry; Yantan transferred the excess population out. What is even more remarkable about Shuikou is that when these new industries fail, as many have done, the town and village authorities work with the entrepreneurs to restructure the business and bring it back to profitability, a follow-through to a third-generation strategy.

5.23 What best explains China’s unique performance is its system of government—and vision. The provincial authorities there, for historical and cultural reasons discussed in the China case study, but familiar to all students of that country, look upon a resettlement recovery program as an opportunity rather than a burden (an unavoidable cost of the dam). ENV refers to the Chinese phenomenon in its FY94 update, after showing that China had 27 projects with a 1 rating on resettlement:

Favorable policy and planning frameworks, and local institutions that have high stakes in the continuing productivity of their citizens, combine to produce resettlement operations with very high ratings.28

5.24 Some of that grander vision of opportunities for development accompanied the planning stages for Itaparica, but the vision dimmed as the plans for irrigation gelled and disappeared during implementation.

5.25 Another disappointment in income recovery performance is that the special incomes strategies promoted by the Bank in two countries to reinforce the faltering land-for-land programs—strategies conceived and implemented long after appraisal—have been uniformly

ineffective. These include the Resettlement and Reservoir Development Program at Kedung Ombo and the more recent income generating schemes in both states in India.

Social Infrastructure and Services

5.26 This part of the resettlement program usually receives the best ratings. OED's 1993 report said: "social infrastructure services—water, health, education, electricity, access roads—were, in general, much better in all projects than before resettlement." The 1997 surveys suggests that conclusion needs more careful phrasing, and the qualifier "much" should be removed. A distinction should be drawn between the physical infrastructure and whatever supporting services are required to put that infrastructure to best use and maintain it.

5.27 With respect to physical infrastructure, improvements are everywhere evident and welcomed by the resettler communities. This is especially true for roads, which have been extended and hard-surfaced and have substantially increased the level of accessibility in all cases. Electric and water supply connections to individual homes and community fixtures have been expanded to a large number of households; these facilities are particularly appreciated where none existed before. The number of medical clinics and primary schools has also increased, and to a smaller extent, the proportional equivalent of secondary schools. These improvements also invite favorable remarks. The expansion of educational infrastructure, along with roads, is most often noted in interviews.

5.28 With the exception of the two sites in China, however, people frequently complain about the operation and maintenance of these structures, in particular the erratic or poor quality of human services and material supplies provided. This can be location-specific. For example, in the Itaparica agrovilas and towns, resettler complaints about inadequate medical services and supplies and provision of sewer systems and sanitation varied by location. More often, the complaints were generic and indicated a failure of the local authorities to operate the services at a level commensurate with the structures built or to fund adequate upkeep. Indian and Togolese respondents complained about these shortfalls. Itaparica has had a continuing problem supplying the primary schools with teachers, most of whom are recruited in towns and are unhappy living in the remote agrovilas. In Indonesia, although comments were usually positive, the resettlers in the three government-built villages near the reservoir suffer from inadequate maintenance of the water supply systems, and most transmigrants had to rely on traditional sources of water supply and are not connected to electricity. The most serious failing in the whole study was the inability of the Karnataka government to arrest the spread of malaria on the right bank of the Narayanpur reservoir despite building clinics. The incidence of infection has reached epidemic proportions, increasing from 262 cases in 1991 to 3,990 cases in 1996. All right bank villages reported deaths in 1996, when the reservoir was at a record level and reached closer to the resettler villages than ever before.

5.29 Another serious failure was reported at Nangbeto, where a general collapse of the borehole pumps interrupted water supply to the new communities. These project-provided water supply systems attracted the host population to such an extent the pumps were overworked at a time when the project authorities expected the resettlers to take over responsibility for O&M.

costs. Most of the pumps are now out of action and the majority of the resettlers are worse off than they were before the dam because they now have to walk farther to get water.

5.30 The problem here is that local authorities who must staff and maintain service facilities after the project authorities withdraw are faced with competing demands from non-project communities. The civil administrators are less prone than the project managers to treat the resettlers as a privileged group. CEB made that point about people in the new villages at Nangbeto: that preferential treatment for the involuntary migrants in the midst of similar communities of hosts and voluntary migrants was not sustainable. That problem shows up in all public services, including, for example, the agricultural extension services. Resettled ex-paddy farmers in Karnataka and Kedung Ombo require expert support to create a dryland cropping system. Their traditional farming skills are ill suited to the new environment. But the local agricultural service is unable and usually unwilling to give them special attention. At Kedung Ombo, the extension agents are trained to concentrate on paddy, putting most resettlers outside their circuit.

5.31 In short, although the social infrastructure in the resettlement communities is invariably lavish compared with that of unaffected communities, the costs of O&M revert to local administrations that have typically been unable to maintain them at full capacity. The continuing success of this relatively good side of the resettlement operation cannot be taken for granted. Greater involvement of the communities themselves is needed to achieve sustainability. All too often, however, the trend has been in the opposite direction. Resettlement has engendered in the displacees a sense of dependency on public institutions.

Resettler Satisfaction

5.32 OED’s 1993 report said the surveys found a pervasive sense of dissatisfaction in three of the four projects. The 1997 surveys show a similar sense of unhappiness at five of the eight sites. Attitudes correlate with the economic impact of the reservoir displacements. At the two sites in China, clearly positive economic impacts have been recorded and satisfaction levels are high. By contrast, for the majorities of both rural and urban resettlers at Itaparica, and for the farmers at Nangbeto and each of the two Indian sites, economic benefits have been modest at best and minimal for most and satisfaction ratings are correspondingly poor. These complaints override the generally positive reactions to the supply of social infrastructure. The resettlers seem to be saying that household income levels mean more to them than the services amenities. This is particularly striking in the agrovilas still waiting for irrigation water at Itaparica, where much-improved facilities and substantial monthly income subsidies have not been able to offset the families’ distress at having nothing much to do.

5.33 Economic benefits and employment also correlate better than compensation rates with satisfaction levels. Two of the case studies reveal unusual associations between resettler satisfaction and the adequacy of compensation payments. At Pak Mun, EGAT compensated for affected houses and land at exceedingly generous rates but nevertheless finds a disproportionately high percentage (almost 60 percent) of families claiming they are unsatisfied—even though on average they have not suffered any decline in income since the dam was completed. This incongruous result has several explanations: a genuine concern that losses to fishery have not yet been adequately compensated, reluctance to admit improvements until the compensation controversies have been pushed as far as they can go, the much less attractive resettlement options that EGAT offered at the beginning of the project, and the many years of
high-profile NGO protests, the last two factors having left a bitter taste despite favorable economic outcomes.

5.34 The other counterintuitive response comes from Kedung Ombo, where controversy over compensation payments reached epic proportions yet most resettlers now seem to have put that episode behind them and want to get on with advancing their already-improving household economies. This outcome is the exact opposite of Pak Mun, even though both areas are benefiting from dynamic regional growth that owes nothing to the developments at the reservoir. The difference may be that at Pak Mun the resettlers were asked if they were satisfied, and at Kedung Ombo if they were satisfactorily stabilized. The latter formulation may be better at cutting through wishful thinking to get to a more realistic appraisal.

5.35 Nevertheless, any question comparing satisfaction before and after the dam is bound to call forth those good memories about the former lifestyle down on the river. Then there was little sense of land pressure or scarcity, or long hours of work under difficult conditions. Farmers could practically throw their seed at the earth and be assured of a reasonable harvest. Fruit, vegetables, and other foods were readily available along the fertile valleys (“picking from the lower branches”). The rivers were also filled with fish that were relatively easy to catch. With resettlement, all of these people have been forced into more difficult agronomic conditions that require much better farming skills, a more intense daily work routine in order to prosper, and especially, the risks that the rainfed crops would fail or their prices would fall. These differences weigh heavily on their minds when asked if they feel happier now.

6. Principal Findings: Performance

Bank Performance

6.1 A primary objective of this study is to see whether Bank staff have responded to developments in Bank policy on involuntary resettlement since 1980, leading to better outcomes for the eight projects appraised since the mid-1980s than for the four projects appraised before 1980 that were discussed in OED’s 1993 review. As discussed below, the scorecard is not as good as OED had expected. Projects appraised in the mid-1980s still suffered from underdeveloped resettlement components. The Bank was less prominent than expected in strengthening components during appraisal and monitoring them in the years of implementation immediately following effectiveness of the loans and credits. The Bank’s expanding team of sociologists and resettlement experts was still advising from the sidelines in some important cases, and their warnings were often being ignored. The best news is a distinct trend toward improved planning, including preparation of Resettlement Action Plans, in the early 1990s. But this shift came too late to influence the design of many resettlement components of projects in the study (although it had a major impact on more recent projects), so that more active Bank intervention only amounted to a salvage operation (for example, in Brazil, India and Indonesia). Nevertheless, all signs indicate that performance across the portfolio has been better than during the previous decade, at least in the planning phase. The policy initiative that had taken shape in 1980 began to make real progress—after a 10-year lag.
6.2 Bank interventions in the resettlement components of each project, starting with the only best-practice example, were as follows:

- Shuikou: substantial and well-directed Bank involvement during appraisal in 1986 and subsequently during supervision, with an equally dedicated government and excellent results.

- Yantan: minimal Bank involvement during appraisal in 1985/86 and during supervision, but with a dedicated government and good results.

- Kedung Ombo: negligible Bank involvement and indifference to warnings by the Bank's sociologist during appraisal in 1984 and during supervision through 1989, followed by rapidly accelerating Bank involvement in corrective measures that nevertheless proved inadequate and ineffective.

- Pak Mun: responsible and adequate Bank involvement during appraisal in 1990 and supervision to support a dedicated project authority, with excellent results contrary to NGO perspectives.

- Karnataka Krishna I and II: minimal Bank involvement in the first project, followed by constructive support during appraisal of the second project in 1988–89 and continuous interventions during supervision to improve conditions around the Narayanpur reservoir and to influence impacts on future resettler conditions around the Almatti reservoir. These were accompanied by two suspensions, however, triggered by noncompliance on resettlement at Almatti, growing prospects of a potential disaster there, and closing of the loan in mid-1997.

- Maharashtra (Krishna subproject) Irrigation II and III: minimal Bank involvement in the first project and during appraisal of the second project, followed by late inclusion of the Krishna subproject in that second project (MCIP III), ineffective attempts at retrofitting the earlier operation, and closing of the loan in late 1996.

- Nangbeto: indifferent Bank involvement with the resettlement component during appraisal in 1983, inadequate response to warnings by Bank sociologists in the early years of supervision, satisfaction with a successful relocation, and no follow-up on the status of the resettlers after relocation until long after closing of the credit during preparation for a later project.

- Itaparica: Bank sponsorship, intensive involvement, and rapid appraisal of a risky project design in 1987, followed by continuous and competent supervision but insufficient leverage to ensure adequate counterpart finance to maintain momentum of the construction program.

6.3 Bank commitment to the principles of resettlement is visible across this ledger. Even in Nangbeto Bank supervision missions would not have admitted to any lack of commitment: they felt that a dedicated project resettlement authority would succeed with plans for relocation despite doubts raised by the Bank's team of resettlement experts. The problem here was that supervision staff mis-estimated the long-term prospects of the resettlers' reestablishing their agricultural
economy. The only unchallenged example of inadequate supervision was at Kedung Ombo. There, once NGOs asked the Bank to shift course, it did so with commendable speed.

6.4 Rather, the problems revealed in this ledger are with the appropriateness of Bank intervention and with effective follow-through. Those subjects have to be treated separately. The Bank was not able in this sample of resettlement components to establish a record of effective interventions to support income recovery. On first look, Itaparica seems to be an anomaly. There Bank staff did one of the things it usually does well: planning for smallholder irrigation. Other factors intervened to weaken the design and ultimately condemn it. But Itaparica has another face. Neither the implementing authorities nor the Bank paid any attention to income options while displacees awaited irrigation. Resettlers in more than half the agrovilas have waited for nine years with no other job options offered them. This was a prime candidate for the government, the Bank, and Pólo (the farmers union) to step forward with proposals for cooperative fisheries, for small-scale industry, or at the least, for crash programs in dryland cropping and livestock. Nothing of the sort was offered or organized until 1997. Why not?

6.5 The more important examples were where the Bank did intervene to establish or strengthen income-based activities. In each case the efforts proved feeble. Kedung Ombo is the most disappointing because so much attention was paid (after 1988) to getting it right. Ultimately the university study-cum-action programs faded away. The one activity that began to take hold at Kedung Ombo—for small village businesses—was terminated upon credit closure after only nine months. Along the Krishna reservoirs in India, the Bank encouraged project authorities to activate broad-scale income-generating schemes. In both cases the programs have been limited in scope—herds of sheep and goats are the only components of note—and without any significant impact. Nothing of this sort was even considered for, let alone served up to, the families in the new settlements at Nangbeto. The unimpressive results underline what ENV and many others in the Bank have been saying all along, that organizing income-generating activities for reservoir displacees is an exceptionally difficult policy to implement.

6.6 This is one of the most important reasons the record of this sample of eight projects fails to impress. Later projects will not do much better unless the Bank and its borrowers learn how to make these income-generating components work.

6.7 The other subject is the Bank’s inability and apparent disinterest in providing follow-through support for resettlement operations after the Bank’s “projects” have been completed. These limitations severely restrict Bank interventions on behalf of resettlers in most of its dam-building projects. Completion of disbursements is typically geared to the completion of the major construction program. By that time, the resettlement component is barely through the compensation and relocation phases. Income recovery activities are just starting or, if under way, are too young to assess reliably. Thus the Bank exits the project before staff can claim anything about the probability of reaching the Bank’s overarching objective of restoring and improving incomes and standards of living. Follow-up projects and retrofits are the only reliable ways to avoid this problem, but those routes are often not open or taken. Self-standing involuntary resettlement projects can also avert the problem, because the project schedule is then determined by the resettlement program, not by dam construction. But the study shows that even in this subclass of projects that outcome is not guaranteed. The Bank’s first self-standing project, Itaparica, was included in the study. Even here, because of implementation delays the Bank may be forced to exit this project long before progress toward income objectives can be realistically projected.
6.8 A rating of Bank performance on any particular project will be diminished by the extent of the disconnect between what the Bank hopes would be accomplished and what it would not be around to help accomplish. In the sample of eight projects reviewed here are four identifiable subgroups:

- only two whose success with resettlement is assured without continuing Bank involvement (Shuikou, Pak Mun);
- one whose ultimate success is probable because of government commitment to make it work even without the Bank (Yantan);
- four that are along a spectrum of unlikely to uncertain outcomes because of questionable government commitment and no further confirmed Bank activity (Kedung Ombo, Karnataka Krishna, Maharashtra Krishna, and Nangbeto); and
- Itaparica.

For Itaparica the Bank is considering continuing supervision beyond project completion, an action that, if taken, will be a first for the Bank. For two of the four projects in the other doubtful category, there are no plans at all for further Bank involvement, whether or not the prognosis is poor (Kedung Ombo and Maharashtra Krishna). The Bank is discussing resuming assistance to Nangbeto under a retrofit component of a new dam project, but there is no assurance that this new project will take place. The Bank has proposed returning to Almatti, but this seems unlikely in the absence of a government holdup on works to raise the dam the extra 15 meters. In short, the Bank is badly positioned to help apply its incomes policy across the majority of its projects with problematic resettlement components. That is an unsatisfactory characteristic of Bank performance in this fragile portfolio.

**Borrower Performance**

6.9 Borrower performance varies by project, ranging from ahead of the Bank to deficient. As a group the projects suggest an improving trend, which is confirmed by looking at subsequent projects in the study countries and efforts to put lessons to work. Increasing expectations and pressure by the Bank explain part of the improved performance, even where government was already on a successful course.

6.10 *Shuikou, Yantan, and Pak Mun* exceeded Bank standards. Although all three projects undoubtedly benefited from Bank assistance and are better than most non-Bank projects in China and Thailand, the majority of the credit has to go to the borrower. Shuikou and Yantan set new standards in preparing for income restoration; Pak Mun set new standards in minimizing impact through redesign and in maximizing compensation rates. These projects show what committed borrowers are capable of and dispel any argument that resettlement cannot be done to meet Bank guidelines.

6.11 Three projects show mixed performance. *Itaparica*, although a depressing story and headed toward an uncertain outcome, also shows how far a borrower is willing to go to meet Bank standards. Compensation and relocation were handled efficiently. After 10 years, the government still aims to complete the irrigation schemes. It would bankrupt most borrowers to do so in such an expensive way, but the striking level of commitment to completion at any cost—
even if strongly encouraged by the Bank and Pólo—must be recognized. Nevertheless, delays in construction, primitive marketing arrangements, and lack of vision on how to handle the non-viable subschemes indicate that commitment was not translated into sound design and implementation. A project with a dam and irrigation scheme recently negotiated by the Bank and Bahia state government—one of the two states involved at Itaparica—has a more flexible and feasible resettlement component, allegedly designed intentionally to avoid the mistakes of Itaparica.

6.12 **Kedung Ombo** is another mixed case. Borrower performance during the project was generally unsatisfactory. The few positive steps, such as the establishment of three new villages near the reservoir but outside the original design, and the waiver on clearing families out of the greenbelt, are more than offset by the failure to manage the compensation program to anybody’s satisfaction. Borrower inattention and indifference to the resettlers’ concerns led to serious conflict, and the overall atmosphere of coercion and intimidation is antithetical to Bank policy. Also, some transmigrant communities have been waiting 12 years for promised benefits. Nevertheless, the lessons of Kedung Ombo have guided subsequent resettlement operations by the irrigation authority, and the packages offered displaced families in new projects are fairer and more flexible. The authority now claims to have fully caught up with Bank standards. This suggests that even one of the worst-case scenarios in the sample has been put to good use.

6.13 **Nangbeto** is a difficult case to judge. CEB, the power company, did a fine job of relocation and had every expectation of successful resettlement at the time. Although there were some warning signs of future population pressure, they were far enough away that they did not figure in resettlement planning. It was the lack of follow-up and attention to income restoration that mars a satisfactory performance in many other regards. Yet it is precisely because of that lapse in attention to the overriding income objective that the resettlement component ultimately must be rated unsatisfactory.

6.14 The two projects in India are even more troubling in terms of borrower performance and are treated here as a special category of failure. Resettlers from the Narayanpur reservoir in Karnataka are finally getting some retrofit rehabilitation, but the damage has been done and a generation of displaced persons has paid the price. Significant progress has been made in the past two years, especially in preparing for the early rounds of resettlement from the Almatti reservoir. In fact the project authority’s recently installed computerized cadaster and evaluation program is the most impressive mechanism for defining individual compensation packages of any encountered by the study team. However, the previous years of neglect caused irreparable harm. People at Narayanpur cultivate significantly reduced land holdings of poorer quality, with lower yields, production, and incomes as a result. Although some have found other sources of employment, and irrigation might yet improve their lives, they should not have been left in such a desperate position. The government of Karnataka’s continued routine reliance on emergency transport and metal transit sheds to relocate people is not acceptable. That the government raised the Almatti dam again, forcing the sudden evacuation of 8,000 more people, is deplorable just as the Bank’s Upper Krishna II project is completed.

6.15 While **Maharashtra** had a commendable resettlement strategy, and the initial program for implementation was cited in OED’s 1993 report as the only unqualified success in that four-project review, a broader sample and subsequent events have turned that trend around. The irrigation program was never completed. Farmers have waited up to 15 years for irrigation they were promised as a condition of resettling. They may yet be fully rehabilitated. But a generation
of displaced persons at this site too already has paid a stiff price. Moreover, the Bank-promoted retrofit program intended to bring them some relief has stalled in the state bureaucracy, and with MCIP III now completed, there are no assurances the program will ever be implemented. These two projects in India illustrate better than any others in the study the impact on resettlement of a failure of commitment at the highest level of government. This is not a comment on the dedicated teams that were appointed to execute the two, now-closed, projects—and which accompanied the study team on its missions. They were as frustrated as the missions by a lack of funds to execute badly needed rehabilitation programs.

6.16 A rating of borrower performance on each of the three main activities of resettlement reveals a pattern across all eight projects. On compensation, ratings vary but are generally good, and poor performers appear to be improving. On relocation, the overall record is better, except for the emergency atmosphere engendered by Karnataka State's hurry-up water storage construction program. On income restoration, the performance ratings collapse. Only one country—China—warrants high marks. Even this applause must be restrained. In its comments on the draft study, the government asked that OED recognize the operation in Shui kou as exceptional, and not imply that such high standards prevail throughout the country as to leave little room for improvement. EGAT's successful management of Pak Mun did not have an income component nor did it need one: that aspect of resettlement was managed by the resettlers, supported by the booming economy. Elsewhere, either attempts to enhance incomes have not worked anywhere near as well as expected, or no attempts were made.

7. Other Issues

7.1 The previous two chapters covered the principal subjects of the study. A number of other popular issues related to the management of resettlement were investigated during the OED missions and field surveys as time permitted.

Participation by Resettlers

7.2 With one striking exception, beneficiary participation in some aspects of project design and a broader set of implementation decisions was a common feature across the sample. Households targeted for resettlement in no cases were invited to participate in the decision to build the dam, although at Pak Mun EGAT made a substantial concession to minimize anticipated protests by moving the dam upstream and lowering its height (sacrificing 33 percent of its power, but also reducing the reservoir size by 60 percent and the number of flooded people by over 90 percent). At the two projects in China, and at Maharashtra and Nangbeto, affected farmers were brought into discussions of compensation rates, relocation, and (China) employment options from the beginning. In the other three projects, the authorities began with a heavy hand and relative insensitivity toward resettler preferences, but all have become conscious of the issue, moved toward participatory action, and benefited from doing so. This was the case in Itaparica, where the farmers union, Pôlo Sindical, was established even before Bank involvement to force CHESF, the executing power authority, to accommodate resettler interests. Although relations between Pôlo and CHESF were often strained, both sides agree that the results were positive and Pôlo's contribution to developments at the site was significant. Participatory relations at Karnataka Krishna also started slowly, with minimal involvement of displaces from the Narayanpur reservoir but increasingly positive contacts at Almatti. At Pak Mun, after an initial difficult and
confrontational period lasting two years, starting in 1992 EGAT became very responsive to resettler demands to modify the resettlement options. The increases in the compensation packages that followed, raising average levels above the original rates by a factor of five, were all negotiated with the affected families.

7.3 The exception is Kedung Ombo, at least in the district of Kemusu where the fight over compensation rates was concentrated. There interaction between government and resettlers remained tense through and beyond the project period. Whether better participation was even feasible in that situation is questionable given the historical and political bases for the confrontation.

7.4 The polar examples of participatory action—total immersion at Shuikou and exclusion at Kedung Ombo—match the overall ratings of the two projects, with Shuikou the best performer in the sample and Kedung Ombo one of the worst. But the rest of the set does not present such a comfortable relationship. Participatory involvement can be rated high at Itaparica and uneven but generally good at Nangbeto, while outcomes are rated low. The results are in line with expectations however: participation contributes to good outcomes but cannot guarantee it. Since the extent of participation revealed to the study team correlates only modestly with results, attention turns to the modalities and contractual means of involving beneficiaries and of securing adequate representation through elected and proxy leaders. The study did not examine these varying approaches. However, lack of effective mediation to relieve disputes does appear to be a major gap in many instances.

7.5 The Itaparica case study discusses the only instance where participatory activity became dysfunctional. Pólo’s invasive presence in the unfolding drama around that lake contributed to the poor outcome of the irrigation schemes. Pólo demanded land for land, and near the reservoir, from the beginning of its challenge to CHESF, the government, and the Bank. In fact that was its primary platform and battle cry (*terra por terra no margem do lago*), and both can in hindsight be described as intransigent and unsound. The shift to high-tech irrigation systems on soils that Pólo knew were risky was not a sensible solution for a large number and maybe a majority of Pólo’s constituency. Flexibility on this point, and a willingness to explore with CHESF other solutions, would have been preferable. Pólo shares responsibility for having pushed doctrine beyond the long-term interests of its clientele.

Participation by NGOs

7.6 The Bank has assisted many operations where NGOs were critical to organizing and supporting resettlers through a very difficult time. By contrast, the group of projects surveyed was far from optimal in its use of NGOs. The two cases where NGO involvement was most intense were characterized by adversarial relationships and NGO advocacy with minimum amounts of technical support. Pak Mun and Kedung Ombo were damaged by virulent relationships with NGOs that polarized borrower-resettler relationships. Despite Bank efforts, these acrimonious relationships have endured. While early and loud NGO criticism of plans and actions in these two resettlement operations had a profoundly positive impact on government behavior, only the Kedung Ombo project benefited from on-the-ground contributions, and that NGO involvement (by an operational NGO, not the advocacy NGOs) was too brief and limited to have a substantial impact. Of the two cases, NGO behavior at Pak Mun is most unreasonable: they continue to criticize EGAT despite the steps it has taken to accommodate resettler interests. The fishery issue is still unresolved, but that does not warrant the abuse directed at EGAT (and
the Bank). NGO behavior at Kedung Ombo is easier to justify, since the government took few accommodating steps.

7.7 India is the clearest case of missed opportunities. In Karnataka, an NGO based in Bangalore developed several good resettlement plans, but the state government used them to a very limited extent. Given the NGO's reputation for effective grassroots work, this was unfortunate. Other NGOs were to assist in monitoring and evaluation, but that input has also been very limited. In Maharashtra, the state government used NGOs to develop rehabilitation plans for the retrofit operation, but the key income-generating scheme component has effectively not yet begun even though the Bank has completed its part of the program. Both state governments could have used NGOs much more effectively, especially in soliciting resettler participation and in designing and implementing the income-generation components. On the other hand, the two states and their Krishna River projects have escaped the massive protests NGOs organized on the Narmada River.

7.8 Some observers refer to Pólo Sindical as an NGO, and take credit on behalf of NGOs for Pólo's involvement at Itaparica. Moving Pólo from the list of NGOs to the section above on participatory action removes the only example of significant grass roots involvement in the study area. China and Togo did not have NGOs at the time of resettlement, so it was not an option or issue.

Gender

7.9 The projects were largely oblivious to the gender dimension of resettlement. Therefore the study team found it difficult to get a grasp on the gender issue. The OED-sponsored focus group interviews attempted to segregate groups of women to hear their comments undisturbed by the presence of their husbands and village leaders. Differences emerged, depending on the countries. In Togo women's deferential treatment of men made it difficult for the study team to get an independent opinion, and there was no supporting field survey.

7.10 The most vigorous contribution females made to a resettlement operation was in China, where women played an equal role with their husbands in discussing policy issues and selecting the families' new production systems. The rapid development of township and village industries to augment hillside cropping and other land-based employment has often depended on the dexterity of younger women, for whom many specific jobs are set aside and who dominate the production lines at equal pay with men.

7.11 Interviews in Brazil and India revealed two contrasting behavioral patterns. At Itaparica the women’s responses differed little from the men’s and showed that they shared the same perceptions regarding the impacts of resettlement: the irrigators claimed the work in the fields was now harder, the women of families still waiting for irrigation said it was difficult to find alternative jobs, the urban women said they were now unemployed or, in fewer numbers, had found a town job. Satisfaction rates were low. Since these profiles almost exactly match the changes in lifestyles and moods of the husbands, they do not indicate any special gender impacts. The response in India was very different. At Narayanpur, the women were as unhappy with the move as the men (both groups presented four unsatisfied respondents for every one satisfied respondent), yet they felt they had lost on grounds particularly important to them including labor opportunities and their own disposable income. The availability of fuelwood and fodder decreased. Livestock had to be sold. Vegetables were more scarce and had to be bought at
markets at high cost. Some women sold their jewelry. In short, women felt they had to bear a disproportionate share of the burden of the decline in income and living standards during the difficult years after relocation.

Indigenous Groups

7.12 Indigenous groups were barely an issue in this set of projects. Six of the eight projects did not have any minority group of significant size. At Itaparica, 190 of the 5,900 rural families were Tuxá Amerindians and were treated apart from the other resettlers. They split into two groups, and neither has prospered. A case can be made that they were disadvantaged in the selection for irrigation sites, but one group chose its own remote location and the other is no worse off than most of the other resettlers in that section of the lakeside. Only Yantan had substantial numbers of minority nationalities. There the Zhuang and other non-Han peoples make up 80 percent of the resettlers. They were treated no differently than the Han Chinese in the group, and the study team detected no lack of government attention to developing this site compared with the Han-monopolized site at Shuikou.

7.13 There is a perception that Bank-supported big dams are concentrated in hilly country of the interior populated more often than not by disadvantaged minorities susceptible to mistreatment. That situation has been documented at other sites. But here is a sample, selected without considering this factor, where the problem does not arise.

Host Communities

7.14 Relations between resettlers and host communities were surprisingly good in all but one project. Given the additional pressures and scarcities that an influx of resettlers produces, host communities responded with sympathy and understanding. Geography helps explain this benign outcome, because the inundated villages lay in a string pattern along the rivers, usually with few other villages above them. That association breaks down of course when the resettlers are transported long distances to other fertile areas, but this happened only with the transmigrants from Kedung Ombo. A conflict with hosts appeared in one of four transmigration sites visited for this study. The only significant exception in terms of resettler-host conflict in the vicinities of the reservoirs was at Nangbeto, and that was only after years had passed. Furthermore, the Nangbeto conflict can be partly attributed to inadequate efforts by the borrower to facilitate a smooth transition. CEB and the government failed to provide any incentives to the host communities. Even so, the hosts accepted the resettlers and provided them with land for cultivation until they themselves began to run short of land and suffer during the economic crisis.

7.15 As with the indigenous issue, this finding does not support another part of the common perception of reservoir resettlement: host community hostility toward dam displacees. Here again, poor outcomes have been documented elsewhere and the representativeness of the sample can be challenged.

7.16 There are also no signs that hosts felt left behind by advantages provided resettlers. At Pak Mun unaffected people have clamored for inclusion in the generous EGAT compensation packages on the flimsiest of excuses, but these are neighbors and lifelong friends of the affected people and not hosts to inbound migrants.
Monitoring and Evaluation

7.17 Monitoring and evaluation of this set of resettlement projects has been more intense than in other parts of the Bank’s portfolio, presumably because of the insistence of the Bank’s resettlement team. In five of the six countries, and five of the eight projects, M&E repeating-survey systems were in place before the projects were completed. These had all been started only after prompting by the Bank. None of them had started when the Bank had expected them to start—early enough to provide a genuine baseline of the pre-dam situation—although several ran a first survey early enough to capture the majority of the dam impacts. All but one of them stopped when the Bank called the project completed. Nangbeto never conducted any survey, before or after relocation, despite repeated commitments to the contrary.

7.18 The M&E resource was an important asset for the study team in its field investigations. In each of the five cases, OED recruited the same outfit to return to the field to update its most recent survey—up to three years earlier—concentrating on income variables. But that is no reason to be satisfied with the M&E work that was carried out. Government’s disinterest in the M&E activity was undisguised and tolerated by the Bank. That none of the surveys will be repeated after the Bank’s departure—except at Pak Mun where EGAT intends to send the university staff back for follow-on research—is an especially disturbing finding of this study’s review. The report of the Bankwide Resettlement Review makes a similar comment:

Although Bank Policy defines a measurable goal for all its resettlement operations—restoring pre-move income levels—very few projects have included sufficient measures or methods to assess whether income restoration is being achieved.

Changes in Resettlement Policy

7.19 Most of the projects led to changes in policy relevant for only that project. This was the case for Pak Mun, Nangbeto, the two projects on the Krishna, and Itaparica. Even so, the changes appear to have influenced the treatment of other resettlers affected by that borrower, at least at the state, province, or power/irrigation company level. The Indian state governments of Karnataka and Maharashtra enacted laws and decrees that had broader impact, but these changes were only marginally linked to lessons from the projects under study. China and Indonesia passed national laws that can be more closely attributed to experience in the sample—in China because of lessons accumulating throughout its large resettlement portfolio and in Indonesia because of the ugly experience at Kedung Ombo.

Costs

7.20 Average costs expended by the project per resettled family are shown in Table 7.1. These are very shaky figures, and certain to understate total costs because expenditures by non-project agencies—from the provincial agricultural services’ regular budgets, for example—are excluded, as are out-of-pocket costs to the resettlers. The table has an apples and oranges quality, because of the very different profiles of expenditure categories. Nevertheless the orders of magnitude of

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30. OED’s 1993 report Early Experience also found that EGAT was the only one of four project authorities that “regularly undertakes ex-post evaluations of its projects several years after completion” (op. cit, p. 16).

all but the Itaparica scheme are within the range usually projected. Shuikou is higher because most of the towns and villages had to be completely rebuilt, some on platforms carved out of hillsides. It would be higher still if all the investment costs of the town and village industries were included. This would be the appropriate course to take to classify this scheme—as it should be classified—as a regional development program. Nangbeto has the lowest costs precisely because nothing was done to help establish alternative production systems and there were no land compensation costs. Itaparica is an extraordinary exception. It stands out because it includes large expenses unique to the sample, such as nine years of income supplements, the costs of periodic demobilization and remobilization of crews and equipment, and adjustments to contracts to try to match the raging inflation. To find out about this outlier the reader should refer to the Brazil case study.

<table>
<thead>
<tr>
<th></th>
<th>Resettlement Costs per Family (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shuikou</td>
<td>24,000</td>
</tr>
<tr>
<td>Kedung Ombo</td>
<td>7,000 (assumes $5,000 per transmigrant family)</td>
</tr>
<tr>
<td>Itaparica</td>
<td>185,000 (excludes the urban resettlement program)</td>
</tr>
<tr>
<td>Narayanpur</td>
<td>(undeterminable)</td>
</tr>
<tr>
<td>Nangbeto</td>
<td>6,000</td>
</tr>
<tr>
<td>Pak Mun</td>
<td>11,600 (excludes compensation for lost fishery)</td>
</tr>
</tbody>
</table>

8. Comparisons Between 1993 and 1997 OED Case Studies

8.1 Three of the case study countries were explicitly chosen to compare recent performance with performance evaluated by the 1993 OED report. Since the projects covered by the 1993 report were all planned, approved, and begun before the first Bank policies on involuntary resettlement were established in 1980, it was hypothesized that the projects covered in the current report would benefit from Bank guidelines as well as lessons learned from earlier projects. Generally that has not proved to be the case. Most of the improvements have been quite recent—in the 1990s—during the implementation of the current set of projects, not during their planning. The experiences vary significantly by country and cannot be reduced to a single story.

8.2 India is the most explicit case of comparing performance between two generations of projects as the two current case studies are successor projects to the projects covered by the 1993 OED study. In fact, the India case study of this report discusses much of the history of resettlement in the earlier projects, so the comparison is intrinsic to this report. Because MCIP III had not undertaken any rehabilitation at the Krishna subproject other than infrastructure repair by the time of the OED visit, few comparisons can be made between the MCIP III and Maharashtra II irrigation projects. So far, borrower performance appears to be worsening, not improving. Comparisons can be made, however, between the Upper Krishna II and Karnataka I irrigation projects. UK II continued to perform poorly on compensation of lost land and houses, apparently learning little, until recently. Beginning in 1993 Karnataka began to pay land and housing ex-gratias—supplemental compensation payments—to make up for inadequate earlier payments. In 1996 the government adopted the consent award system, which, combined with ex-gratias, has led to nearly sufficient compensation. The compensation payment process is finally improving as well, with fewer delays and less corruption. The relocation process has become more
participatory but was still carried out under emergency conditions the past two monsoon seasons. Planning for income restoration improved, but did not improve much in implementation. Practically no resettlers moved into the command area and the income-generating activities did not materialize as envisioned, and were very limited in scale and vision. Income has only recently stabilized, and then due to migration, irrigation, and a number of other efforts by the resettlers themselves. India cannot be held out as a lesson in learning from previous failures.

8.3 Thailand is the next closest comparison of projects. Although Khao Laem and Pak Mun are dams on opposite sides of the country, they were both implemented by EGAT. Since Khao Laem was considered a success, EGAT approached Pak Mun in much the same way. While in some ways that was adequate, in other ways it was not. Just as the rising Thai economy lifted most Khao Laem resettler incomes, it did the same at Pak Mun. Although Pak Mun resettler incomes are just holding even in real terms, their housing and other assets are clearly better now. Considering that Khao Laem resettlers shifted from agriculture to non-agriculture as their main source of income, one wonders why EGAT centered Pak Mun’s resettlement strategy around farming. That plan, to relocate resettlers to a single, land-based resettlement zone, was doomed from the start and was not necessary anyway. Like their Khao Laem counterparts, most Pak Mun resettlers spent practically none of their compensation money on replacement land. Pak Mun, like Khao Laem, also faced extensive protests, demonstrations, and resettler dissatisfaction with compensation rates. EGAT relations with resettlers got better only after drastic improvements in compensation rates, resettlement options, and attentiveness to resettler concerns. Therefore EGAT did not learn from Khao Laem so much as during the implementation of Pak Mun itself. The learning came in time and turned a potentially mediocre performance into a satisfactory performance.

8.4 Togo is the least strictly comparable situation, as the 1993 OED report evaluated a dam in Ghana. Nonetheless, CEB was closely watching other West African power companies’ experiences with resettlement operations associated with hydropower dams, including Ghana Kpong Hydro. Kpong itself was supposed to have been an improvement based on the lessons the Volta River Authority learned at the massive Akosombo Hydro project just 24 km upstream of Kpong. Unfortunately Kpong repeated many of the same mistakes as Akosombo, if not in the planning, then in the implementation. Reading the 1993 OED report on Kpong Hydro, it is haunting how many of exactly the same mistakes were repeated at Nangbeto Hydro, despite the fact that planning at Nangbeto began almost immediately after Kpong was completed. Both projects originally attempted to minimize change and replicate the existing extensive agricultural system. At Nangbeto, like Kpong, not enough land was allocated because the need for fallow land to support the existing extensive agricultural system was not recognized sufficiently. Kpong attempted to shift to a land intensification strategy, but the necessary technical packages and support services were not introduced. Nangbeto tried to make the same shift and partially failed for the same reasons. Nangbeto did not provide any incentives to host communities just as Kpong had failed to do in many instances, with the same results—deteriorating host-resettler relations and land disputes. Nangbeto repeated Kpong’s resettler dissatisfaction with land and house compensation despite similar apparently fair rates. Again, promises were not fulfilled, and much of the resettler dissatisfaction stems from unmet expectations, not necessarily the power company actions themselves. It is most unfortunate that OED’s lessons learned about Kpong came far too late to help Nangbeto—itself an important lesson for evaluators. But CEB and the governments of Togo and Benin should have been able to infer most of these lessons at the time.
8.5 In summary, the three case study countries failed to demonstrate much learning from the previous generation of projects. Sufficient attention to resettlement was still lacking until the 1990s, when OD 4.30, the Bankwide Resettlement Review, and outside pressure made it practically inescapable. Fortunately, the projects were able to learn lessons during their implementation and make midcourse corrections.

9. Lessons and Recommendations

Overview

9.1 This study of a group of eight Bank-supported dam projects with resettlement programs, all of them started while the Bank was strengthening its resettlement policy in the mid- to late-1980s, found less improvement than anticipated. The biggest impact has apparently been recorded by the programs started somewhat later (and too recent to have been in this study)—in the early 1990s—that is, 10 years beyond the original formulation of Bank policy in 1980. While the belatedness of the progress is unfortunate, widespread improvements, especially at the planning stage, are apparent now. Still, many shortcomings remain.

9.2 The percentage of problem resettlement components in the eight projects evaluated for this study is higher than average for the Bank’s dam resettlement portfolio, and higher still than the average for the entire resettlement portfolio. This was not intentional; it was the result of the case study selection criteria. Despite the disappointing resettlement results found, this report is defined more by surprisingly good outcomes in half the cases. The sample, therefore, yields a rich selection of useful lessons.

Lessons

9.3 The principal failings of the projects studied were due not so much to lack of Bank attention as to the difficulty in achieving Bank objectives. Three major lessons account for most of the shortcomings.

9.4 Results, not plans, are the appropriate touchstone for quality management. In the cases examined, planning received disproportionate attention in comparison with results. This is the downside of the progress with planning noted above. While in other parts of the portfolio better planning usually translates into better implementation, this assumption has not held up for involuntary resettlement. As a subsidiary operation, resettlement continues to receive inadequate attention during implementation from the executing agency and from Bank supervision.

9.5 Public sector agencies, for the most part, are limited in their capacity to handle resettlement. In most of the study’s eight cases, public sector agencies mishandled or, worse, ignored resettlement. But the two projects in China show how resettlement can work when executing agencies are prepared to use any tools and take whatever opportunities are available and when the Bank is able to help protect and reinforce the government’s commitment. What China does can be done by others. The Pak Mun and Kedung Ombo cases, where resettlers were picked up and carried along by tidal changes in the regional economy even without planning, are also helpful to the analysis. They confirm that planners can be more aggressive in designing
compensation packages linked to non-land-based diversification strategies to put displacees back to work.

9.6 Offering resettlers land-for-land is an option for income restoration but not the only one. Pursuing land-for-land where the circumstances are unfavorable will only produce unsatisfactory results, as they did at Itaparica. Governments have had difficulty finding ways to compensate for losses of cultivable land by providing comparable farm holdings nearby. The alternatives have been equally disappointing. Governments had difficulty establishing, with or without donor support, other bases for productive employment. In retrospect, the two tasks are among the most challenging in development: big dam sites usually eliminate the most productive farming systems in the neighborhood, while the people in the flooded valleys have few skills and less motivation to shift to other activities. While land-for-land should be given due consideration and appropriate analysis, it should not be adopted at whatever the costs.

9.7 Other lessons learned can be categorized by subject. These are discussed in the remainder of this section.

Planning

9.8 Economic rehabilitation of resettlers is the weakest aspect of resettlement planning. The Karnataka, Itaparica, Nangbeto, and Kedung Ombo (the transmigration assumptions) strategies were not viable for many resettlers. The planners either failed to address the operating constraints adequately or avoided the issue until it was too late to implement an optimal strategy; in both cases they were forced into second-best solutions, or worse, came up with no solutions.

9.9 Intelligent planning does not necessarily imply micro-planning. A general structure of plausible income opportunities is enough to establish a basis for budgeting and initiating interactive implementation with the resettlers in a regional context, after which the real lessons about feasible and popular options can be documented and fed back into the cycle.

9.10 Relying on the regional economy to take up the slack is risky, especially where overall economic prospects are uncertain. Planners have to present plans with land and non-land options, flexible models, and fall-back positions in case the regional economy cannot quickly absorb the excess displacees. Planners should aim for a viable package, adequately managed and funded, that by itself can establish the necessary and sufficient conditions for restoring full employment—even when the economy is stagnant.

Implementation

9.11 Although intelligent planning is a prerequisite to sound implementation, excessive reliance on “paper plans” is dangerous. The 1993–94 Bankwide Resettlement Review recognized a growing disconnect between improved planning and sluggish implementation. Hence that report’s emphasis on action and results on the ground, the same message sent by this report. As the evaluation team for this study was trying to identify the recommendations that followed from its analysis, it recognized that the point of attack for portfolio improvement had clearly shifted from policy and planning to procedures and practice.
Compensation

9.12 Land compensation is the most difficult component of the dam-related compensation package to get right. It needs to be handled early. Land prices spiral beyond all reasonable budget limits when large numbers of resettlers take unrestricted cash packages and compete for a limited land pool. China does this job right by counting heads, identifying opportunities for land-based employment, then broadening the search to take up the excess. This is a flexible program: China is prepared to set aside original plans if they prove inadequate.

9.13 Cash options need to be on the list. The most enterprising resettlers do best on their own and reduce the economic and management burden of the resettlement operation. Tied-cash options, with installment payments, joint accounts, and specialized training programs to steer the excess families away from the land are underused instruments. The Indian authorities have tried these methods, so far without much success. Clearly they will not work everywhere.

Rehabilitation: Income Restoration and Improvement

9.14 In planning for land-based as well as non-land-based occupations, it is essential to be realistic about the resource base, the activities it can support, and especially, the skills and traditions of the displacees. At Itaparica the Bank hoped to settle the families that chose the rural option on small lots irrigated by sprinklers and dependent on unfamiliar, high-input/high-output farming practices. Results on other irrigation schemes in the São Francisco River valley suggest that well over half these families will eventually ask and have to be replaced.

9.15 Diversity of income generating schemes is important. Market saturation and exhaustion of the resource base are of prime concern. Also, marketing channels must be identified and, if possible, assured before venturing into new crops, products, or services, or significant expansion of existing ones. An income generating scheme is only as good as its weakest link.

9.16 Most of the successful resettlement experiences in the study projects were either non-land-based or very land intensive (for example, mushrooms, fish cages). Almost all the self-resettled households moved toward non-land-based economies. Re-creating existing production systems, while it sounds culturally superior, is often not feasible for dam resettlement. However, because many families are likely to opt initially for maintaining their previous lifestyle, alternatives must be thoroughly researched, well organized, and presented and discussed to the families’ satisfaction.

9.17 Diversification after displacement—especially behind big dams—almost always implies greater risks, harder work, and loosening of family and community bonds. Those interruptions to the previous lifestyle along the river—while they can and should be mitigated—are usually inevitable and characteristic of a modernizing economy. They do not mean the resettlement program has failed. Conversely, fairness and equity require that the disruption in the quality of life of affected communities not only be compensated but also be managed to their advantage. The emphasis should shift from restoring income levels, which can suggest recovery to—but stagnation at—pre-dam lifestyles, to improving income levels, which brings the displacees into the developmental process along with the project’s primary beneficiaries. Restoration must be treated as the minimal acceptable outcome, even though for some programs that target will be difficult to achieve.
Social Infrastructure and Services

9.18 At some point the Bank will also have to decide how to deal with local administrations, in jurisdictions much larger than the resettlement community, that are disinclined or unable to continue to favor resettlees with special services. Those administrative units have larger constituencies to serve, including many other poor families and sometimes including families suffering from structural adjustment and other Bank-supported programs that do not offer compensation or safety nets.

9.19 Nevertheless, the social infrastructure created under the program has to be accompanied by adequate staff and supplies. Schools and clinics without teachers, nurses, textbooks, and medicines are useless.

Participation by Resettlers

9.20 Earlier lessons on resettler participation appear to have been absorbed. Participation rates were surprisingly high: good to begin with in some programs and improving in others.

9.21 Yet the Bank should focus even more on strengthening local organizations. The impact of aggressive interventions by representative self-help authorities can be astonishing. This is where China excels: the village leadership does just that—leads the way in employment creation—and the leaders that fail are removed. Pólo's contribution at Itaparica is another example. A little-noticed success story emerged under the worst conditions for participatory behavior at Kedung Ombo. There villagers surprised all observers by defining the rules and organizing the cultivation of the drawdown area—an asset that had not been anticipated—and helped cushion the impact of the dam. By contrast, the failure of Indian villagers to organize for recovery of incomes, in particular their inability in Maharashtra to press for the completion of the promised irrigation canals, stands out as an example of missed opportunity.

9.22 But participants have responsibilities too. The example cited for Itaparica—where the often-applauded farmers' union guided the membership to an inappropriate package—shows that resettlers can misjudge their own interests and press for the wrong solution. Participatory action has to be tempered with realism.

Participation by NGOs

9.23 NGOs are logical choices for doing baseline socio-economic surveys, organizing resettler participation, and intervening at the grassroots level. The main problem in the sample of projects studied was NGO underuse at that level.

9.24 At the management level, NGOs should not deliberately create a confrontational or abusive relationship with resettlement agencies where accommodation may yet succeed. All sides must be more responsible and recognize the distinction between advocacy and operational NGO activity. Frustration with advocacy should not prevent the Bank and borrowers from valuing NGOs as useful sources of information or having productive relationships with NGOs. The resettlement programs in this study suffered from too little voluntary, constructive grassroots activity by NGOs. The success stories, China and Thailand, succeeded without it, but the other programs could have benefited substantially.
Monitoring and Evaluation

9.25 M&E is essential not only for verifying income restoration but also for resolving the unexpected problems of implementation and rehabilitation. M&E activity was inadequate at the beginning of most projects but improved significantly after the late 1980s.

9.26 Because donor funding for projects tends to end with completion of civil works, M&E closes down as well. Governments have not taken ownership of these important management tools. For resettlement, however, rehabilitation is just beginning when works are completed, so M&E needs to continue for several years. At present, the Bank has no means to extend M&E without government support.

9.27 Also, resettlement M&E has to be acted upon, guiding the evolutionary resettlement process. What appears to be working may fail, and vice versa. That OED compared the Maharashtra program favorably with the Karnataka program in its 1993 report, and now reverses that rating, is a good example of the changing fortunes of resettlement priorities in state and country capitals, or specific projects.

Bank Performance

9.28 While Bank performance in several of these projects was unsatisfactory during the early phases, it improved significantly during project implementation in all cases except Nangbeto. There, Bank staff believed an adequate job had already been done, but it turned out they were wrong. Nevertheless, the 10-year lag separating the original policy prescriptions and acceptable Bank activity is disappointing.

9.29 ENV's 1994 Bankwide Review of Projects Involving Involuntary Resettlement listed three areas where the Bank had made “significant” progress between 1986 and 1993. This study's findings of the current study are not as robust.

9.30 On “assisting borrowers in improving the circumstances of resettlers and their ability to restore their income,” the record is mixed but improving. An encouraging sign is that even in China, with its exemplary policy framework, Bank supervision staff made major positive contributions to successful implementation, especially in helping the resettlement authorities secure crucial budget additions from the central government earlier than would otherwise have been possible.

9.31 On “assisting borrowers in avoiding unnecessary resettlement operations or reducing the scale of unavoidable displacements,” this study found no evidence that these eight projects support ENV's finding. The one case where an initial design was radically downsized to avoid displacement was at Pak Mun, and that decision was made independent of the Bank. At Shuikou, the full supply level was dictated by the need to minimize the impact of flooding on Nanping City (but not on the smaller riverside communities). The Bank was not involved in that decision either. Elsewhere, whatever positive influence the Bank may have had is presumably hidden in pre-project files, when initial designs may have been influenced by Bank engineers. It is doubtful that the Bank’s resettlement experts were involved at that stage. One major disappointment is the Almatti dam. Karnataka authorities have set minimization aside in their drive to create reservoir

32. Ibid., p. 8.
capacity before the end of 2000. The Bank, ineffective in persuading the state government to reverse course, closed the loan and credit. It should be noted that resettlement experts in the Bank claim that the sample used in this study has not picked up what they perceive to be an improving trend in the record on minimization in recent years.

9.32 On “influencing the resettlement policies of borrowing countries,” this study found excellent results. The Bank can take satisfaction from the broad acceptance of its resettlement policy. The gradual move in Indonesia toward more responsible resettlement, at least by the water authority, is a good result of a bad experience. The Indonesians recognize the Bank’s role in promoting that reform. The Bank has indeed provided the “equity compass” that its pioneering expert struggled so hard at first to sell to a dismissive audience.

9.33 Yet there is no evidence that attention to resettlement during implementation and supervision has been mainstreamed. Where task managers—usually engineers—were aggressive in supporting the resettlement component, the experience was favorable. This suggests the obvious: that task manager commitment is a crucial factor in Bank performance alongside specialist resettlement support. For too long the resettlement components were delegated to these experts, and often their suggestions were ignored or watered down. A few of them were criticized for arrogance or poor teamwork, but they may have seen no other outlet for being heard. As a group, the sociologists, anthropologists, and other professionals comprising the teams of resettlement experts must be roundly applauded for having persevered in this often frustrating crusade. Much harm could have been avoided by paying more attention to them in the past. Much harm could also have been avoided if the Bank had seen fit to staff these missions also with agriculturalists and other subject matter specialists in the relevant production categories comprising the income programs, as it does routinely for voluntary resettlement programs. That was rarely done.

9.34 The study shows also that the Bank has not used suitable instruments or displayed perseverance to support its policy. It needs to be involved both upstream and downstream of the engineering project cycle. It is impossible to cover involuntary resettlement “concurrently.” By the time the engineering plans are appraised, the initial plans for resettlement should already be on the table. The orchard seedlings should be ready for planting about the time the project is negotiated. The agencies responsible for implementation of resettlement should have been tested in the field and government’s commitment to follow through confirmed. The Bank must accept responsibility for ensuring that these preliminary conditions are met before the construction program begins. Later, when the dam is finished, the project is nearing completion, and the Bank prepares to exit, the most important phase of resettlement is about to begin. A different mix of lending and non-lending instruments is needed to extend Bank involvement in both directions. In particular, the adaptable lending instruments should be used now that they are available, especially in testing institutional capacity and technical viability. Further, implementation of loan and credit covenants should be maintained until the loan or credit has been repaid.

33. OED’s 1993 report emphasizes this finding about the need to extend the project cycle both upstream and downstream to handle resettlement adequately (op. cit. pp. 24-5).
Borrower Performance

9.35 Genuine borrower commitment to doing resettlement well is the key to success. Bland assurances conveniently forgotten guarantee failure. This requires the Bank to differentiate between genuine and false commitment, never an easy job but one for which the Bank is accountable. Equally, capacity to deliver should be appraised realistically and arrangements for independent monitoring and evaluation should be built in at the outset.

9.36 Fortunately, governments are becoming more committed to good resettlement performance. In two cases among the six countries in the study, borrowers exceed Bank standards and are actually leading the Bank and teaching the Bank.

9.37 Even when a borrower has made major progress in the past, that cannot be assumed to continue. New administrations or personnel may not have the same convictions. The government of Maharashtra appears to have had at least some temporary loss of resolve in implementing rehabilitation comprehensively and effectively. The evaluation team expects that this is an isolated incident and that the government will move quickly to restore its reputation as a leading Indian state on resettlement issues.

9.38 There are many levels of commitment. Sometimes there is commitment at higher, more policy-oriented levels but relatively less at the resettlement officer level, where the resettlement posting is sometimes viewed as an undesirable two-year career step. Other times dedicated individuals in the field are frustrated by indifference at higher levels, which robs them of the resources and other needs to perform effectively. Another problem was highlighted at Kedung Ombo, where the provincial and regency governments never accepted full ownership of the resettlement program after the central government authorities disengaged. At Nangbeto, too, responsibilities could not be successfully transferred as planned to local government services.

9.39 In all circumstances, adequate resource allocations are essential to creating an enabling environment. That environment must outlast the construction period. Government’s commitments on the budget side have to be maintained; that is the arena where the Bank and borrowers must come up with imaginative ideas if resettlement is to work in all cases.

Recommendations.

9.40 The Bank needs to adjust its paradigm for involuntary resettlement caused by big dams if it is to achieve its overarching income objectives for this subset of projects.

9.41 First, the Bank should dismiss the demand that it choose between land-for-land or no dam, as some NGOs have proposed. The demand is impractical and land-for-land has never been mandatory Bank policy. The proper approach is to explore an offer of cultivable land as the most attractive of the possible options, where technical viability, profitability, and the aspirations of the displaced have all been considered in assessing priorities and determining a least-cost budget. Land-for-land should be considered first, but the challenge for most resettlement projects is to develop the other options before the land runs out.

9.42 Currently, staff and borrowers perceive land-for-land as the preferred solution even though OD 4.30, the draft Operational Policy 4.12, and ENV’s reports all call for flexibility and a range of options. The land-for-land strategy should be treated as the starting point rather than the
rule. Some recent experiences in India have shown that there is still plenty of room for acquiring additional land for distribution through marketplace mechanisms: the supply may be far less static than commonly assumed. The potential of the land-for-land solution has rarely been fully tested. But Bank and borrower staff should anticipate that behind many big dams the percentage of displaced families that can be resettled on viable rainfed farms may be small.

9.43 The Bank must therefore turn toward a mixture of land-based and non-land-based strategies. On one hand it should offer irrigated lots in the command areas (for irrigation projects) and elsewhere support land-intensive activities and traditional dryland cropping. On the other hand it should shift to diversification activities (supported by training) and use tied compensation packages, joint accounts, and tranching payments to promote them. Experience with these options in the study projects has been no more impressive than with rainfed resettlement, and the benefits have been equally elusive. But that only means the Bank has to put many more of its best development planners onto this task, along with the resettlement experts. Resettlement must not be seen as an inconvenient add-on but as integral to the project. The emerging concept of resettlement as a development opportunity rather than a burdensome obligation is a step in the right direction. Chinese officials have fully internalized this message; the other five countries have not.

9.44 At the same time, the Bank should begin to shift its emphasis from restoration to improvement of income and living standards, opening the way for those displacees who are motivated and capable of moving from their valleys to take a new place in the regional or national economy—as an integral part of the project’s developmental objectives. The design of the infrastructure project must not only provide water, power, and other conventional benefits below the dam but also be part of a regional development plan shaped to support the affected families above the dam.\(^4\) Enough benefits should be captured to justify the local social disruption and to help establish a sustainable, progressive employment and income for the displaced. The aged, infirm, and unmotivated may not welcome the opportunity to “modernize,” and should not be forced into it. But the resettlement strategy as a whole should reflect the more ambitious aspirations.

9.45 The shift in emphasis requires that the Bank clarify what it means by income restoration and income improvement. What does “restoration” mean if the regional economy is deteriorating (Nangbeto)? When should “improvements” be expected in remote valleys (Yantan)? Clearer specification of objectives, alternatives, and time horizon are required for planning, monitoring, and evaluation. Many unresolved issues on this point invite multiple choices. Among them are the following:

- What is adequate restoration if the entire region is booming, or conversely, is deteriorating?

- What percentage of resettlers can be expected (can be permitted) to fail, given that there was a spectrum of household predispositions before the dam?

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\(^4\) For an exposition of the developmental approach to resettlement, see Michael M. Cernea, “The Risks and Reconstruction model for Resettling Displaced Populations,” World Development, October 1997. This paper articulates eight major impoverishment risks and, by turning each negative risk into a positive development objective, points the way to a developmental strategy.
• Similarly, what percentage of farmers can still be below the threshold if the average has already moved above?

• If immediate restoration is impossible under any practical scenario, as appears to be the case, what is an acceptable horizon?

• Do short-term fixes, such as the monthly supplement paid at Itaparica, ever count?

• Does a resettlement program succeed if the plans do not work but incomes are lifted anyway, even up to the level of non-affected families, by coincidental developments in the regional economy?

9.46 The study suggests, however, that too much concern for standards to measure the restoration of incomes may give the wrong signals about the purpose of involuntary resettlement, at least when associated with big dams. In most instances, the upheaval attending relocation should be managed as a development opportunity and funded accordingly. Restoration is an appropriate short-term objective, but improvement of the productivity, living standards, and lifestyles of the displacees is as valid a long-term objective of the project as are the improvements planned for the project’s primary beneficiaries.

9.47 Consequently, the Bank has to find a way to unbuckle itself from the standard infrastructure project cycle and traditional instruments. Where standalone resettlement projects are not feasible, the Bank needs other instruments inside and outside the conventional investment lending program to influence upstream and downstream activities essential to resettlement success. On the upstream side, the recently approved adaptable lending instruments provide such a vehicle, especially for training and testing new agencies. Downstream, other devices may be necessary. Since M&E of resettlement impacts and resettler incomes tends to disappear when the Bank exits the project, continued Bank involvement in supervision through the resettler rehabilitation phase would facilitate improved monitoring. Further finance may also be necessary. Retrofitting older projects that failed to accommodate all the displaced can be expensive: Karnataka is a dramatic example.

9.48 Moreover, M&E has to be adopted by the borrowers as an integral part of planning and implementation. At present it is a Bank-inspired exercise and enters and exits with the Bank’s presence. The borrowers’ undisguised disinterest must give way to their embracing these tools not as accessories but as the basis for improved management.

9.49 The Bank also needs to take a new institutional approach to reservoir resettlement. In most instances, a successful incomes strategy is too big a challenge for the Bank or implementing agencies alone. Except in China—where decades of experience with a command economy, allocating jobs, and planning for incomes provides the necessary institutional capacity and political will—government agencies and bureaucracies lack the flexibility and grassroots experience to creatively design income generating options well suited to resettler capabilities and needs. NGOs should be called upon to make a much greater contribution. The private sector can also be drawn into Bank-supported programs. Although resettler participation is growing, often it improved only after governments (and the Bank) reacted to resettler resistance and corrected earlier shortcomings in resettler participation in establishing compensation rates, resettlement options, and rehabilitation plans. Looking ahead, governments and the Bank should take a proactive stance, soliciting cooperation and useful input from the earliest stage. Successful
resettlement will require a more innovative approach using a wide range of public, private, community, and hybrid institutional partnerships.

9.50 The Bank has to be prepared to support its resettlement strategy by sending strong signals to the borrower on the Bank's unwillingness to participate unless the essential elements are in place, including demonstrable borrower commitment. Also, paper plans must give way to a proven capacity to deliver. These objectives must be communicated clearly to clients and presented as the standards by which the Bank will determine whether resettlement performance is satisfactory or not. The recommendation will go nowhere, however, unless the Bank improves its own capacity to provide a candid analysis of borrower capacity and commitment, and unless it defines the necessary conditions for a "go-no go" decision. But analysis is not enough; it must be followed by upstream actions preparing the executing agencies for resettlement roles and testing the government's will to commit resources over time. The overriding objective is to maximize the conditions favoring compliance.

9.51 Given the complexity of resettlement and the unimpressive track record for both land and non-land strategies, the Bank can anticipate difficulty applying any plausible design. Thus, the first principle must be to reduce the number of people affected, until financial and economic returns argue otherwise. Work on minimizing displacement, one of the pillars of present policy but hardly evident in this study, will also show that an analysis of alternatives has been done and that planning is much more upstream and looking at the sector and regional context of the infrastructure proposal.

9.52 Finally, the adjusted paradigm should be configured to private as well as public sector sponsors. The Bank policy should offer the private sector the same clear standards for compensation, flexible tools for generating employment, and independent arrangements for monitoring and evaluation, that apply to the Bank's own portfolio. This study did not investigate projects where the private sector was responsible for dam construction and resettlement. Yet the private sector is expected to take the lead in dam construction in the future. This will increase the pressure on government to intensify upstream activities that ensure resettlement components are adequately prepared and specified. Post-construction responsibilities also have to be defined and anticipated in the contracts. Failure to assign responsibilities and accountability on actions essential to resettlement could have terrible consequences. Private sector projects also raise new legal issues, for example the limits to invoking eminent domain for private profit. The International Finance Corporation is already engaged with private clients in projects with resettlement impacts. The Bank can anticipate also getting involved with its borrowers in developing rules and procedures that encourage as well as shape private sector interventions.

Implications for Policy, Procedure, and Practice

9.53 What are the implications of these recommendations for the Bank's overall resettlement policy? Do they challenge the policy itself, or its implementation?

9.54 Management is about to complete a two-year exercise to "convert" the resettlement policy expressed in OD 4.30 into the OP/BP/GP format. In 1995, ENV decided not to use this conversion as an opportunity to reevaluate and revise the policy. Although the latest draft OP/BP/GP 4.12 (November 1997) has some changes of language that could be interpreted as nuanced shifts in policy, the conversion faithfully renders the original policy directive in the new format. Therefore, OED takes the November OP/BP/GP draft to be a full embodiment of present
policy, procedure, and practice. The following comments, with a few exceptions, are based on that draft.

9.55 The Incomes Paradigm. The Bank needs to exercise intellectual leadership, explore all available options, and mobilize the energies of development partners to achieve better resettlement results. This mandate applies especially to projects involving substantial movement of people, the definitive loss of present occupations, and the complicated task of generating new jobs and livelihoods. Big dams are the quintessential example of this “incomes” resettlement paradigm. Many resettlement components in other projects, by contrast, will continue to be primarily concerned with reestablishing houses and community infrastructure after urban, highway, and other dislocations, while maintaining jobs rather than creating new ones. This “shelter” paradigm may not need radical redesign: this study’s investigations show that in all six countries compensation for lost houses and construction of new ones has been reasonably well handled.

9.56 The draft OP accommodates both the incomes and shelter paradigms, though it does not call attention to their different demands. Nevertheless, some adjustments in language are warranted if the directive is to have a substantial impact on overall resettlement performance. The current version is unintentionally biased in favor of planning instead of results. The policy does not highlight institutional capacity as a necessary condition for approval. The policy should also be strengthened with respect to independent and timely verification of performance. It should make clear that delivery on commitments to resettlement carries as much weight as delivering on commitments to infrastructure development. These adjustments would recast the OP as a proactive tool of policy, aimed at impact on the ground.

9.57 Land-for-Land. The total flooding of prime valley land is the only category of involuntary displacement where substitute cultivable land in quantities large enough to accommodate the displacees usually is not available, except through long-distance relocation, or expensive irrigation, or both. The draft OP says that all resettlement planning for post-project employment must offer choices among feasible alternatives (para. 5 (a)), and the GP calls for “innovations” (para. 6), implying flexibility while also hinting that the land options may be only the starting point of the analysis. That position cannot be faulted. However, an unnecessary bias toward land-for-land solutions is conveyed in footnote 6 of the draft OP:

For people displaced from agricultural settings, Bank experience shows that the objectives of this policy normally cannot be achieved without land-based resettlement strategies. Therefore, for those losing land, the Bank encourages borrowers to offer replacement land.

9.58 As presently stated, this generalization is not supported by the evidence of the case studies and appears even less flexible than the existing directive:

Preference should be given to land-based resettlement strategies for people dislocated from agricultural settings. If suitable land is unavailable, non-land-based strategies built around opportunities for employment or self-employment may be used.

9.59 Targeting Income Improvement Rather than Restoration. The draft OP prefers improvement over restoration (para. 4, etc.), but accepts the latter as a minimum benchmark. This study’s recommendation is stronger, and aims at making displacees beneficiaries of the project.
Aiming deliberately at restoring standards of living and lifestyles common to isolated river valleys can be a dead-end development strategy. The opportunity must be taken to establish new and dynamic sources of sustainable growth. In non-reservoir cases, that impulse may be less compelling, because communities are usually not so thoroughly disrupted. The recommendation applies especially to big dams because they involve major social dislocations and therefore require special arrangements. Many families are likely to be apprehensive about "dynamic growth," and their legitimate concerns can only be addressed by excellent preparation of the most cost-effective alternatives with the families' full participation.

9.60 Using New Instruments. The recommendation refers to Bank interventions both upstream and downstream of the standard infrastructure project cycle. Upstream, the new adaptable lending instruments should be considered across the whole spectrum of resettlement programs. They are just as useful to urban renewal projects as to big dam projects. The draft OP says nothing about instruments. Since this is a process initiative of substantial importance, it should be referred to in the OP and fleshed out in the BP and GP to demonstrate that the Bank is vitally concerned with the fate of displacees and is willing to use all the instruments at its disposal to help achieve results.

9.61 The character of reservoir resettlement has a built-in disconnect between investments in infrastructure and resettlement. In no other important subset of resettlement programs are the two operations in practice so far out of phase. The recommendation that innovative downstream (that is, post-completion) supervision and even financing devices are appropriate is therefore especially relevant to reservoirs. This is another process issue of substantial significance. The draft BP says the Implementation Completion Report should identify cases where post-completion surveillance is warranted (para. 8), but in light of evidence gathered in the case studies that is an inadequate and untimely response to the requirements of resettlement behind big dams.

9.62 Monitoring and Evaluation. Strengthening M&E is relevant across the entire spectrum of resettlement components. Better baselines, monitoring of socio-economic change, and formal evaluation of program impacts are essential to the implementation of all resettlement programs. This study reviewed every Implementation Completion Report submitted in the past two years on projects with resettlement components. The quality of information on resettlement impacts was deplorably low. Next to nothing can be gleaned from the evidence in most ICRs about income change. This process issue is mentioned in all three of the OP/BP/GP sections (paras. 5(g), 8, and 11, respectively). Adding emphasis is unlikely to enhance compliance. Disregarding M&E directives is a portfolio-wide problem. The issue is not limited to monitoring per se, but refers as well to the intensity and composition of Bank supervision of resettlement components. Both are still unsatisfactory. What is missing is commitment to results, provision of resources for fulfilling the M&E obligation, and arrangement for independent verification.

9.63 Using New Institutions. Shelter planning and implementation does not require the panoply of institutional allies and hybrids mentioned in this report. For income restoration to displacees on non-dam projects, some institutional innovation may be needed, for example in the more complicated urban renewal programs. However, this is again especially appropriate for large-scale movements of people whose livelihoods have to be reconstructed. The draft OP is silent on this matter, except in an annex on the resettlement "plan," where it calls for "studies" to identify local institutions available to help (Annex A, para. 2(d)(v)). The GP says there may be scope for involving NGOs (para. 1). A stronger statement about the timely mobilization of
partners is warranted. The potential for strong support from the NGOs, both as independent monitors and as change agents, deserves explicit attention.

9.64 **Refining Definitions.** The Bank should eliminate ambiguity over measuring “incomes,” “restoration,” “improvement,” etc., the time horizons for assessing performance, and other basic terms. It can be covered in an annex, just as the Operations Policy and Strategy Group (MDOPS) has drafted an annex on definitions for the draft OP 4.01 on Environmental Assessment.

9.65 **Demonstrating Commitment and Capacity.** The Bank should support programs only where it is satisfied government intends to carry out its commitment to meet the objectives of the Bank’s resettlement policy and has the capacity to do so. That applies throughout the resettlement portfolio, but it is not well articulated anywhere in the draft OP. A forceful statement is needed. Just as important, staff need guidelines—go-no-go criteria—for determining when that condition is satisfied. This calls for imaginative modifications to the GP. The Quality Assurance Group’s ongoing work to develop guidelines for the draft OP 4.01 on Environmental Assessment brings timely support. Tough enforcement provisions should back up the conditionality. The current posture of using suspension of disbursements as the remedy of choice is unresponsive to situations where the loan is directed to the infrastructure investment component and where resettlement requires “post-completion” actions.

9.66 **Minimizing Displacement.** The recommendation deals with one of the pillars of present policy (OP para. 3, BP para. 5). This study suggests minimization was not stressed as a necessary condition of Bank support, starting early in the preparation period. The language has already been reinforced in the draft OP. What is needed now is compliance.

9.67 **Recasting for the Private Sector.** The recommendation states that the draft OP/BP/GP should be reviewed to make it a more flexible instrument and a suitable guideline for private investors. IFC has prepared its own policy statement on involuntary resettlement, parallel with the Bank’s exercise. The Bank can expect to play a role as well: in encouraging, facilitating, and steering private sector dam activity.

9.68 **Overview.** Based on the findings of this study, there is a powerful case for strengthening the language and enforcement of the Bank’s policy on involuntary resettlement. Neither present policy nor the draft OP/BP/GP inspire innovative thinking about how to respond to the challenge of bringing development benefits to those affected by big dam projects. Neither can they, by themselves, force compliance during implementation. Other incentives and remedies are required. In sum, the draft OP/BP/GP is unlikely either to encourage staff to rise to the challenge of “seizing a development opportunity,” or to embolden them to enforce remedies in the face of failed commitments. If the text is strengthened to deal with the issues enumerated above, the OP/BP/GP will be fully compatible with the recommendations of this study. This work would provide a useful and positive contribution to the World Dam Commission currently being formed. Continuing work will be needed to enhance guides to improved planning and implementation, building on the *Asia Resettlement Sourcebook* now in preparation under the leadership of the Resettlement Thematic Group of the Social Development Family (SDV) and its Asia resettlement team.
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