China
Involuntary Resettlement

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East Asia and Pacific Regional Office

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CURRENCY EQUIVALENTS
(As of April 16, 1993)

Currency Unit = Yuan (Y)

$1.00 = Y 5.7
Y 1.00 = $0.175

FISCAL YEAR
January 1 - December 31

WEIGHTS AND MEASURES
Metric System

ABBREVIATIONS AND ACRONYMS

GLF  Great Leap Forward
MWR  Ministry of Water Resources
OECD Organization for Economic Cooperation and Development
SOE  State-Owned Enterprise
TVE  Township and Village Enterprise
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This report was prepared by Lee Travers (EA2DR, Consultant) under the guidance of Yo Kimura (EA2DR, Task Manager) and based on missions reviewing resettlement preparation and experience under several Bank-funded projects as well as Chinese studies of their own resettlement experience. The final preparation mission took place in November 1992. Study team members included David Butcher (ASTHR, Anthropologist), Scott Guggenheim (ENVDR, Anthropologist) and Elisabeth Croll (Consultant, Anthropologist). Elisabeth Croll prepared case studies on two projects for the report, which are available in a separate working paper. Ms. Sun Chongwu and Ms. Zou Youlan of the Bank's Resident Mission provided valuable comments and assistance. Many Chinese organizations contributed to the study by providing data and discussing issues and options. Among these were: the Ministry of Finance; the Ministry of Water Resources; the Ministry of Energy; the State Land Administration Bureau; the Ministry of Railways; the State Planning Commission; Hainan Electric Power Bureau; Taihu Basin Authority; Yellow River Conservancy Commission; and various counties and bureaus under Hainan, Henan, Guangxi, Shandong, Fujian, Zhejiang, and Jiangsu Provincial Governments, and the Shanghai Municipal Government. The financial support of the Overseas Development Administration (UK) is gratefully acknowledged.


EXECUTIVE SUMMARY

Introduction

i. China's massive capital investments over the past forty years, coupled with a population density among the world's highest, have led to involuntary resettlement for well over 30 million people. Homes and jobs have been lost to reservoirs behind the larger of the 86,000 dams constructed since 1952; to the right of way for 30,000 km of railroad and 900,000 km of roads and to newly constructed canals, airports, factories, or urban redevelopment:

<table>
<thead>
<tr>
<th>Estimated Resettlement Impact by Project Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>(million people)</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Transport</td>
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<td>Reservoirs</td>
</tr>
<tr>
<td>Urban</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

ii. Bank-supported projects in China inevitably add to the burden of resettlement, with 36 of the 109 loans and credits made through FY92 requiring resettlement and leading to more than 500,000 people changing their homes or jobs. Involuntary resettlement in Bank projects ranges from the 14 people in 3 families moved from the site of the Beilungang Thermal Power Plant to the 67,000 displaced by the reservoir behind the Shuikou dam. The current portfolio contains most of the projects that have ever involved resettlement, with 32 projects involving 473,000 people. Of these, FY92 alone saw the approval of 10 projects that will resettle an estimated 123,000 people. Additionally, 15 projects in the pipeline for FY93-96 are expected to cause the involuntary resettlement of over 300,000 people.

Resettlement Experience Prior to 1980

iii. Prior to 1980, resettlers typically sacrificed for, rather than benefitted from, the projects that affected them. Only urban projects protected resettlers in that era. For reservoirs, careful planning and adequate funding of rural large-scale resettlement efforts in the early 1950s quickly gave way to demands for self-sacrifice in the Great Leap Forward that began in 1956. The recovery from that campaign was followed by the Cultural Revolution and for the twenty years to 1978, rural resettlers and their hosts were expected to rely primarily on extraordinary labor and their own savings rather than adequate compensation to recoup income and assets lost to development projects. Those caught in reservoir projects were left in most cases with
substantially less and ecologically more fragile land, and hard work alone was not enough to restore their livelihoods. A 1984 study of reservoir project resettlers showed over a third living in abject poverty and another third barely getting by. Only the remaining third were judged to have recreated sufficient and secure livelihoods for themselves. Rural transport and industrial projects generally took less land in any given village and therefore caused fewer long term problems, but inadequate compensation slowed recovery in those cases as well.

iv. The 1984 resettler survey simply confirmed for government the failure of much of the reservoir resettlement to that time. Problems in the larger projects such as Danjiangkou, Sanmenxia, and Dongpinghu were well known to the government, which had been coping with periodic resettler demonstrations and an exodus from the original resettlement areas back to the reservoir zones. With the return to household farming and the more relaxed political atmosphere of the late 1970s and early 1980s, dams, roads, and other rural projects began to face strong resistance from potential resettlers fearful of impoverishment. Over the past decade, the government has responded to the past problems and new pressures through a consistent effort to develop and implement improved resettlement practices.

Current Resettlement Law and Institutions

v. For transport, industry, and all urban projects, Chinese national and provincial law and regulation now substantially meet the requirements of both the Bank's operational directive on resettlement and the OECD resettlement guidelines. Taken together, the applicable laws and regulations for such projects call for full protection of resettlers and provide administrative and compensation mechanisms to facilitate successful resettlement. The reservoir resettlement regulation provides much stronger protection than previously enjoyed, but permits lower compensation levels than in other project types and a slower recovery to pre-project living standards.

vi. Coupled with strengthened and more transparent legal protection are features of Chinese political and economic organization that aid successful resettlement. Crucially, villagers share title to all village land. Such collective ownership facilitates efforts to resettle rural communities as a whole and averts the problems of rural landlessness and poorly defined, often uncompensated rights to commons that can so plague rural resettlement in other countries. In urban areas, entitlements include resettler rights to job and housing protection, rights that have long been key to successful urban resettlement. For both rural and urban resettlement, projects provide resettlement compensation, but local governments plan and implement the resettlement. Those governments have considerable experience in the management of major social change, an attribute that suits them to meeting the resettlement challenge.

vii. Successful resettlement entails moving people, reallocating land, making new social and production investments, and absorbing displaced labor, among other activities. Typically, in developing country market economies no local government or other agency will have had such broad experience. Yet the land, labor, and housing markets themselves are not sufficiently well developed to efficiently absorb displaced families, contributing to the resettlement failures so often seen. By contrast, although markets play an increasing role in China, local government still largely determines the pace and direction of local development through direct control of investment and other resources. Government administrative power has long been exercised through annual planning, techniques for which are readily applied to resettlement needs. Annual planning has been supported by a data collection effort that includes
a wide range of economic and social information, again providing the basis for information needed for resettlement. Although current approaches have some shortcomings, particularly in the practice of underestimating project costs and overestimating benefits, no new skills need be introduced to most counties or cities for them to effectively manage resettlement. Administrative mechanisms remain in place to reallocate land, move people, and create jobs. Those powers have been moderated but not eliminated by the reforms of the last decade. Indeed, Chinese resettlement success or failure is now determined not by structural causes, but by the nexus of local investment opportunities, compensation, and local administrative commitment.

Resettlement Strategies and Experience

viii. Resettlement law, project needs, and urban-rural differences lead to three distinct models of resettlement in China. The first applies to transport, canals, and industrial projects in rural areas. These take relatively little land in any given village and use siting flexibility to minimize their impact on housing. Affected villagers are expected to resettle within their original village and face more job opportunities than housing loss. The second model applies to reservoirs. Larger reservoirs in inhabited valleys inundate both village housing and lands, often affecting entire villages and causing both job and housing loss. Often, affected people must move to lands owned by other villages. The third model applies to all urban resettlement, regardless of project type. Urban projects rarely cause job loss but often require substantial replacement housing, although most projects provide that housing in the original neighborhood.

(a) Transport and Industry Resettlement

ix. In the 1980s, about 12 percent of overall Chinese resettlement was caused by the construction or upgrading of railroads and roads. No estimates are available for overall canal or industrial resettlement, although the latter clearly continued at a high level. Some 59 percent of Bank-financed project resettlement fell in these categories. Affected villages typically lose no more than 20 percent of their land and all villagers resettle within the original village boundaries. With income from land now contributing only 48 percent of average net villager income in China, typical village income losses from expropriation will be below 10 percent of total income. By law, projects must compensate expropriated assets of all types and, additionally, provide funds to create replacement jobs for villagers losing their farm land. For large projects, counties negotiate compensation packages on behalf of villages and village households and oversee the resettlement process. Counties and townships often supplement that resettlement budget through loans, grants, or policy measures such as tax holidays to further hasten recovery. Counties leave to villages responsibility for most planning and implementation tasks, after directly compensating villagers for crop and housing and other asset losses. Villages receive compensation to offset the loss of income from expropriated land and enterprises, which they use to create new jobs and restore or upgrade the productive and social service infrastructure of the village.

x. Despite the relatively low impact of this type of resettlement, the difficult task remains of creating enough income to at least match that lost. Few unexploited small scale opportunities for agricultural intensification remain. However, exemption from grain cropping requirements can often be obtained after resettlement, allowing specialization in high value non-grain crops, a strategy that has worked in many areas. Where that cannot create sufficient income, villages seek to do so through non-farm employment. If villages lack adequate investment possibilities, townships or counties take responsibility for job placement in exchange
Chinese villages do not escape the post-recession tension observed in large-scale resettlement. When the pandemic and business needs were less, people found it easier to return to their homes in rural areas. However, when those conditions changed, finding work became more difficult. Villagers, who were once used to working in the land, now face the challenge of finding work in the new economic landscape. This has led to a decline in the strength of the resettlement industry, as transport, cable, and industry projects have been affected.

The strength of the resettlement industry is influenced by several factors:

1. The number of employed urban workers: The economic downturn has led to a decrease in employment opportunities. The availability of jobs under 35 years old has also decreased, leading to a decrease in the number of young workers entering the labor market.

2. The rate of rural-urban migration: The rate of migration from rural to urban areas has decreased, leading to a decrease in the number of people moving to cities for work.

3. The migration of rural youth: The migration of rural youth to urban areas has also decreased, leading to a decrease in the number of young people moving to cities for work.

4. The availability of housing: The availability of affordable housing in rural areas has also decreased, leading to a decrease in the number of people moving to rural areas for work.

5. The availability of education: The availability of education in rural areas has also decreased, leading to a decrease in the number of people moving to rural areas for work.

The study finds that when resettlement is not successful, the government and other organizations need to provide alternative sources of income to help villagers. This can be achieved through various means, including the provision of training and education, the provision of microloans, and the provision of subsidies for small-scale businesses.

In conclusion, the success of resettlement is dependent on various factors, including the availability of employment opportunities, the rate of rural-urban migration, the availability of housing, the availability of education, and the availability of alternative sources of income. To ensure the success of resettlement, it is important to address these factors and provide support to villagers in their transition to new opportunities.
in other countries. Income from all sources, whether field crops, animal husbandry, sideline enterprises or off-farm employment is threatened by the need to move to new environments often many kilometers from the original home. Rich bottom lands are lost and replacement land has less dependable water supplies and more fragile soils. New cropping patterns must be mastered. Land scarcity forces many more people to look for non-agricultural employment. And much more of the planning and implementation is of necessity done for, rather than by, the resettlers.

xiv. The project manager is required to employ a design bureau to plan and budget for resettlement. The plans must conform to quite detailed design regulations that require full restoration of living standards. The bureau works with affected counties in this planning and the counties subsequently implement resettlement. The basic strategy is to move villages as a unit to areas within the same township, or if that is not possible, the same county. Planners seek land-based resettlement, but avoid taking the best land from existing villages. Substantial investments in land levelling and irrigation, increased fertilizer use and better seeds form the package most often recommended to offset the lower quality of the new land. In most cases, displaced villagers are encouraged to cultivate both their new and original farms until the latter are inundated. Host villages are expected to use the land compensation payments they receive (from the resettling villages) to upgrade their remaining holdings or invest in non-farm enterprises.

xv. Even with supporting agricultural investment, the available land often will not support the resettling population. In that case, planners seek to reduce population pressure by encouraging individual household resettlement. This can be either rural-rural or rural-urban. In the former case households are permitted to become part of any village that will accept them in exchange for their pro rata share of collective resettlement compensation. In the latter, households with close relatives holding urban residence permits may be allowed to join them, and themselves become urban residents. Additionally, selected young people may be offered urban enterprise employment. Government restrictions on rural-urban migration, and the need to find urban jobs for such migrants, holds down the numbers offered that alternative. To cope with remaining employment problems, township and county leaders attempt to create new or expand existing enterprises to absorb the excess labor.

xvi. Only a concerted, well-funded effort can deal effectively with the problems posed by reservoir resettlement. An initial failure to recognize that fact led to the poverty detailed earlier and continues to require both funds and institutional energy to resolve resettlement problems that are in some cases 30 years old. To avert future problems, the government now insists on reviewing the resettlement plan developed in consultation with affected counties prior to approval of the project preliminary design documents. Unfortunately, the strong design requirements for maintaining standards of living are relaxed in the implementing regulations, which hold reservoir resettlement plans to a lower standard than in other types of resettlement, asking only that resettler livelihoods "gradually reach or surpass their previous standard." Complementing that lower expectation is a cap on resettlement compensation lower than that for other types of resettlement. Good planning can help hold down costs, but the inherent problems of reservoir resettlement, the long gestation period for dams, and meager price contingency allowances continue to cause resettlement problems. Bank-funded projects use much higher price contingencies than do domestically funded projects, yet even with higher initial budgets, three of the first four Bank-funded projects have required resettlement budget increases ranging from 40 to 100 percent. Unlike Bank-funded projects, to which additional funding has been quickly provided, evidence from Chinese projects suggests that even once resettlement budget problems
become apparent, several years may elapse before they can be rectified. In the meantime, it is
the resettlers and hosts, not the power generation, irrigation, or flood control that suffer.

xvii. The entire affected population is left much more vulnerable in reservoir
resettlement than in transport and industry resettlement. Although the formal village social
welfare system continues to function and will guarantee subsistence, members of informal
networks will all be sharing the stress of resettlement and therefore less able to provide
extraordinary assistance to one another. Older and less well educated people are particularly at
risk of losing status, as the off-farm job opportunities and new farm technologies are offered first
to those with junior middle school or above educations and in prime working years. The
endemic underfunding of resettlement places greater demands on family assets, demands to
which the poor have difficulty responding. Gender, age, and ethnic factors will influence
vulnerability in ways that vary with changes in the farming system and the adequacy of funding
those changes. Because farming system changes often are substantial in reservoir resettlement,
potentially vulnerable groups need special attention during the preparation of resettlement plans.

xviii. Despite, or perhaps because of, the recognized difficulties of reservoir
resettlement, the current policy opts for gradual, rather than rapid, restoration of resettler living
standards. Yet, where the standard of maintaining real income is followed, as it is for Bank-
funded projects in China, resettlement experts with broad international experience consistently
rate Chinese reservoir resettlement performance among the best in a difficult business. This
review argues if living standards are regained only after some delay, it should be through
circumstance, not design. The review recommends that the 1985 reservoir resettlement design
requirements, particularly that of maintaining real incomes, be made the new legal standard and
that compensation limits be raised to the level of other projects. Furthermore, planners should
be encouraged to seek a mix of collective and individual household resettlement, give a large
proportion of the resettling population the option to remain in the original cropping system even
if that is possible only through resettlement outside the county, and be open to funding any
commercially feasible labor-absorbing enterprise, be the ownership state, collective, or private.

(c) Urban Resettlement

xix. Urban resettlement, accounting for 79 percent of all Chinese resettlement, but
only 8 percent of resettlement in the Bank portfolio, differs substantially from rural resettlement.
The primary difference is that all urban land is owned by the state and therefore only land use
rights, rather than ownership rights, are lost to expropriation. The project must compensate lost
use rights for individuals by providing substitute housing of equal or higher standard and for
enterprises by providing alternative places for doing business and the means to replace lost
assets. Normally, the project fulfills its obligation by negotiating a resettlement compensation
package with the municipal government, which then plans and implements resettlement through
district government offices. If jobs are lost due to resettlement, the municipal government, using
project compensation, takes responsibility for finding new employment for the affected
individuals and pays them unemployment compensation until that happens.

xx. Urban resettlement numbers overstate the magnitude of the resettlement challenge
relative to other types of resettlement in the 1980s. Much of the building in the past decade
comes as part of urban upgrading efforts to improve housing. For example, in Shanghai fully
85 percent of projects causing resettlement are themselves housing projects or have a housing
component. Because of this, most people can expect relocation at or near their original housing
site following a stay in temporary housing. The nature of urban resettlement results in full protection of vulnerable urban groups, with the possible exception of the unregistered migrant population. That group lacks housing or job entitlements and must resettle themselves without compensation. Nonetheless, in both Bank and non-Bank projects, urban resettler’s housing standards tend to be much improved through resettlement, if occasionally at the cost of a longer commute. Enterprise failure as a result of expropriation is rare and affected individuals have heretofore been protected until new jobs are found.

Popular Participation and Grievance Resolution

Chinese resettlement efforts benefit from a well developed, familiar process of participation used to gain popular acceptance of political decisions and the measures necessary to implement them. Major development projects are announced through carefully orchestrated campaigns that work to establish the need for change, then lay out state decisions on how to implement the change. Building on a sense of larger social purpose, local governments conduct ever more specific campaigns dealing with the particulars of project impact on their area, speaking especially to the issue of how affected people will be protected. When properly run, this type of campaign provides affected people with a sense of ownership and helps gain acceptance for compensation approaches used. The information campaign is complemented by very active negotiations over project rationale, siting, expropriation, and compensation levels. Only governments at county level and above negotiate policy issues, and their disputes never enter the legal system but are resolved through negotiation involving a widening and ever more powerful set of actors. With policy issues resolved, counties turn to implementation negotiations with townships, villages, and households. Those negotiations absorb much of the conflict that might take a more open form in societies with different structures of public participation.

The degree and type of participation vary by project. The transport, canal, and industry project practice of giving villages the authority to plan and implement resettlement maximizes participation. The village communities making these decisions average only some 45 families, many of them related, which further enhances participation. Because so much is left up to the village, the process strengthens rather than challenges village political traditions and leadership. Reservoir resettlement allows much less village control. When villages remain within the original township, village leaders may play a role in site selection, but that role diminishes when the village must move outside the original township. Nor are host populations given much choice about yielding land to the resettlers. Only after planners decide on resettlement sites do villagers become involved through site visits and village discussions. At that point, the resettlement office can, but does not always, facilitate participation by encouraging village review of the layout of roads, water supplies, irrigation systems, and housing areas. Once moved, villagers are expected to quickly resume self-governance. Only rarely will higher level authorities have their representatives take an active role in the village. Urban settlers benefit from a well-developed set of regulations requiring notification of and consultation on resettlement. The process is much more household specific than in rural resettlement, with little or no attempt to maintain community units. Traditionally, the lack of a housing market has given households few or no choices about either the type or location of replacement housing, although they do have the opportunity to negotiate for desired changes.

If the resettlement process leaves households sufficiently aggrieved over their treatment, they often refuse resettlement agency compensation offers. To induce agreement, the agency will attempt first to enlist the assistance of village leaders or the head of household’s
The Reform emphasizes government and enterprise financial responsibility.

A major strength of Chinese reformation is the clear distinction from the practice of previous policies.

Reform and Reformation.

Importance tool for reducing reformation performance while determining new project resources.
(b) A corollary to full and transparent costing is strengthened recognition of the time dimension of budgeting. Large projects involving resettlement typically take several years to implement. In an era of price reform and volatility, meager project inflation contingency allowances have too often resulted in rapidly falling real compensation levels over the project life. Supplementary budgets in non-Bank projects often take years to be approved, at great hardship to settlers. This problem is not limited to reservoirs, but has been felt most acutely in those projects due to their lengthy implementation. This review recommends that all project resettlement budgets include appropriate inflation adjustments and realistic contingency allowances from which to fund increased cash needs.

(c) The reforms have fostered a proliferation of enterprise ownership forms. However, resettlement implementation has not taken full advantage of private or household enterprises in generating employment for displaced labor. Local governments or villages control resettlement funds and direct them to enterprises they own, even when the costs of creating jobs in those enterprises are much higher than for private enterprises. To overcome an understandable local reluctance to yield control, this review recommends that on selected national projects the central government mandate and monitor experiments with loans or grants to foster job creation through private business. In these projects, too, private enterprise should be accorded the same favorable policies, if any, accorded other enterprise types. If, as expected, these tests show lower costs of job creation through a mix of private and other enterprise, such investment can be incorporated in standard resettlement strategies.

(d) The great success of agricultural policy reforms over the past fifteen years now allows the gradual elimination of cropping restrictions. However, this otherwise welcome development will have adverse consequences for rural resettlement in the many counties that grant exemption from grain and other delivery requirements as compensation to villages losing land to projects. The loss of this policy response to resettlement adds further importance to the practice of fully identifying resettlement costs and the benefits that offset those costs. As this benefit is lost, substitute policy benefits will have to be found or project resettlement funding increased.

(e) Finally, two reforms with a strong impact on urban resettlement are those in the labor and housing markets. The labor market reform will eliminate administrative intervention in the market, and hence traditional resettler job placement techniques. In response, the resettlement bureau must aggressively identify possible opportunities for resettlers and assist them in gaining any new skills they may need to be competitive. For those resettlers who continue to have difficulty finding employment, expanded use of the annuities will be needed to ensure incomes on which resettlers could base a decent living. Housing market reform will in the long run ease resettlement problems by broadening the available housing stock. In the short run, the government must be careful not to sacrifice resettler interests to the profits inherent in decreasing resettler entitlements. Rather, it must continue experiments with voucher systems, housing swap markets, and other methods that decrease resettlement costs through increasing resettlement choice.
Chapter 1 of the review draws on Chinese sources to describe how resettlement was handled in the thirty years up to 1980. Chapter 2 discusses the generally positive environment in which resettlement now takes place, highlighting issues common to all types of resettlement. Chapter 3 assesses the implementation and performance of resettlement in transport and industry, reservoir, and urban projects, including an assessment of the resettlement impact on vulnerable groups. Chapter 4 discusses the grievance process available to people affected by resettlement and Chapter 5 analyzes the probable impact on resettlement of structural reform underway in the economy. The details of Bank-funded project resettlement can be found in Annex 1.
I. CHINESE RESETTLEMENT: RECENT HISTORY

1.1 Over the past 40 years, tens of millions of Chinese have been forced to move their homes, farms, or jobs to make way for the new roads, railroads, dams, factories, housing and schools that have supported China's remarkable economic and social development. When the construction funds come from state or state-owned enterprise (SOE) sources, as almost all do, the government acquires the needed land through powers of eminent domain and the original users have no choice but to relocate. Some people have welcomed the chance to move—those affected by urban infrastructure programs, for example, are typically resettled in new, higher quality housing. Others have suffered when they had to leave rich farm lands to make way for reservoirs that left them little, and less productive, land. Indeed, a striking feature of the Chinese resettlement experience is that it has worked so well for so long in urban areas, while in rural areas only in the last decade has consistent attention to resettlement solved many of the problems that plagued it in earlier decades. After a brief review of the types and overall magnitude of resettlement, this chapter will analyze resettlement prior to the 1980s. Chapter II discusses the resettlement reforms during the latter decade, reforms that have much improved resettlement for rural projects and help guide resettlement under Bank projects.

1.2 Types and Magnitude of Resettlement. Chinese law and practice have long treated involuntary resettlement differently depending on the type of project that induced it. Transport and industrial resettlement, reservoir resettlement, and urban resettlement comprise the three main categories of project resettlement. As used in this study, transport and industry resettlement includes rural resettlement caused by road, railroad, or canal construction and state-owned industrial and commercial enterprise development. Reservoir resettlement occurs with dam construction and has a primarily rural impact. The third type of resettlement, urban resettlement, includes all urban involuntary resettlement, regardless of the type of project causing it. Resettlement impacts vary in consistent ways across project types. Transport and industrial projects are sited to minimize housing loss and most affected families lose farm land but not housing. Reservoirs take both farms and homes, occasioning the greatest dislocation of the three resettlement types. Urban projects move both housing and enterprises, but typically upgrade housing and rarely require job changes.

1.3 With the exception of some estimates on the impact of dam construction, the Chinese government has not compiled resettlement statistics. However, information on the magnitude of various types of civil works can be combined with the known resettlement impact of similar Bank-funded projects to estimate total involuntary resettlement over time. Those estimates total 31.5 million over the past 4 decades. A breakdown by decade and project type is given in Table 1.1.

1.4 Not surprisingly, changes in resettlement magnitudes reflect shifts in investment strategy over time. Road and rail construction has varied over time, with bursts of activity in the 1950s and 1970s leading to high rates of resettlement in those years. Unfortunately, the total
Table 1.1: Estimated Resettlement Impact by Project Type
(million people)

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<td>Total</td>
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<td>10.8</td>
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</tr>
</tbody>
</table>

Note: Details may be found in Annex 2. The resettlement impact includes people affected by involuntary change of either house or job due to development projects.

The lack of relevant statistics prevented estimation of industrial resettlement in rural areas, so the totals shown do not reflect such activity. China has built over 86,000 new reservoirs, including over 300 major reservoirs, in the past 40 years, with the most activity occurring from the mid-1950s to the late 1960s. During that period, China undertook the four largest development-related resettlement efforts on record (all reservoirs)—Danjiangkou with 383,000 resettlers; Sanmenxia with 319,000; Xinanjiang with 306,000; and Dongpinghu with 278,000. For urban areas, restrictions on population growth and a preference for investing in new, rather than rebuilding old, plant and housing kept resettlement low through the mid-1970s. Since that time, efforts to upgrade the existing housing stock and improve urban infrastructure have radically increased the amount of resettlement.

1.5 Chinese Resettlement Experience before 1980. One aspect of China’s guiding ideology that has fluctuated over recent decades has been the appropriate weight to give individual interests against those of the state. No event defines that issue more sharply than involuntary resettlement, where the state unilaterally sets the terms by which it compensates citizens for assets ceded to the state. During periods in which individual interests were given relatively more weight vis-a-vis state interests, such as a brief period before 1957 and increasingly after 1978, resettlement has been handled much more favorably than during the long years in which the state demanded extraordinary personal sacrifice to realize state goals. However, even during more favorable periods, the state commitment to individual well being has not been consistent across all sectors of society, and the interests of urban residents have at all times been better protected than those of rural people.

1.6 The Chinese have published no analyses of their overall resettlement experience, but they have analyzed some of the effects of reservoir resettlement projects. That analysis came after certain of those projects caused poverty and social discord that in some cases continue to defy satisfactory resolution. The Chinese analyses of reservoir resettlement also provide some insight into other types of resettlement prior to 1980, and the following paragraphs draw on Chinese sources to describe the vicissitudes of resettlement work to that year.1 Box 1.1 summarizes the major resettlement policy shifts over the past 40 years.
In 1952, the first resettlement related regulations provided compensation guidelines for land expropriated for state construction projects. These were followed in 1953 by the first major policy statement of the new government on reservoir resettlement. The policy called for minimizing project-related resettlement; assuring that resettler standards of living did not fall below their original level; paying adequate compensation; protecting host communities from losses; and undertaking thorough preparatory work to ensure that resettlers were accepted in their new communities. Those policy principles were articulated well before, but accord closely with, those currently used by the World Bank and OECD. The Chinese policy environment at the time was supportive of such attention to resettler well-being. Land reform had just been completed, creating nearly universal rural land ownership. Urban job and housing tenure were increasingly strengthened. Those and other welfare gains increased popular support for the government and the 1953 resettlement policy sought to protect those newly won gains. Land reform helped in another way, for resettlement on smaller projects was aided by the relative abundance of land put under government control during the land reform, which could be allocated to resettlers and facilitated successful land-based resettlement. Few projects in these brief years resulted in continuing resettlement problems.

The largest dam planned during the 1950s in China was at Sanmenxia on the Yellow River. The Soviet Union aided in dam design as well as with resettlement planning for the 319,000 people to be displaced. Based on the 1953 policy, planners carefully surveyed assets of all types and made provision for their replacement. The planners anticipated difficulty in successfully resettling such a large number of people in the vicinity of the dam and therefore identified labor scarce areas of China to absorb some of the displaced. While most people would continue as farmers, as the dam neared completion the newly available electricity would speed industrial growth and some later stage resettlers were slated to share that benefit through urban, industrial resettlement. The Sanmenxia resettlement plan served as a model for other large scale resettlement efforts being planned in China at that time.

But the Sanmenxia plan failed badly, due both to planning defects and a catastrophic ideological change. The planning defects can be attributed to overoptimism about
both farmer adaptability and project outcomes. Experience in China, as elsewhere, has shown that moves to very different social and agroecological environments rarely succeed for farmers. The labor scarce areas chosen for Sammenxia resettlers included Ningxia, a lightly populated, arid province, where the largely ethnic minority rural population subsisted on a mixed crop and pastoral agricultural system not easily mastered by the Yellow River grain farmers. The industrial resettlement plans fell through when dam design defects left it seriously short of the planned power production. But neither of those problems so devastated Sammenxia and other reservoir resettlers as did the onset of the Great Leap Forward (GLF) in 1958.

1.10 The GLF grew in part out of the relative ease with which rural production was collectivized over 1955-57. With private land ownership abolished, the GLF sought millennial social and economic transformation through the substitution of well organized human labor for physical capital in construction projects. As construction accelerated, systematic planning for resettlement was cast aside. Government insistence on a communal approach to life at that time led planners to simply push resettlers into surrounding communities with little or no compensation for land and other assets lost. The big projects, such as Sammenxia, shipped large numbers of resettlers to either the far west, particularly Ningxia and Xinjiang, or the border areas of the northeast. The poor preparatory work for these moves left resettlers with scant means of survival, and many drifted back to their reservoir zones, where they scratched out an illegal existence until they were evicted once again.

1.11 During the GLF, a corollary to the emphasis on personal sacrifice for nation building was that careful budgeting for asset replacement and income maintenance in resettlement could be abandoned in favor of allocations just sufficient to move people and establish basic shelter. The Sammenxia budget suffered exactly that fate. In 1956, the Sammenxia resettlement plan budgeted Y 620 per capita for local resettlement and Y 800 for more distant moves. In 1958 the budget was reduced to an average of Y 429 per capita and in 1959 dropped again to Y 316, all in a time of rising prices. Other large projects experienced similar budget reductions and projects of all types and sizes called on affected persons to rebuild their lives through "self-reliance."

1.12 "Self-reliance" was often not enough to recover from the devastation of losing one's house and land. Many families caught in this process simply ended up as rural welfare cases, living on state grain and in temporary shelter (see Box 1.2). The destruction of the GLF went far beyond resettlement, and the widespread famine of 1959-61 overshadowed for some years the fate of those displaced by reservoirs. Not until early 1964 were resettler problems formally recognized in a Ministry of Water Resources and Electric Power report, a report that persuaded the State Council to order a special allocation of Y 100 million to help resettlers build houses and acquire land. Although the 1964 report advocated production-based resettlement, funds were not provided for production inputs and the subsidy program ended with the beginning of the Cultural Revolution in 1967.

1.13 The onset of the Cultural Revolution left resettlers from unsuccessful projects once again dependent on self-reliance to escape poverty, but the period from 1967 to 1978 showed that some of the lessons from the earlier experience had been absorbed. Most important, no new projects involving massive resettlement were initiated. While the early 1960s saw the ground breaking for two very large projects, Danjiangkou with 383,000 resettlers and Zhaxi with 141,000, by the 1970s the largest new projects resettled under 100,000 people. Second, resettlement allocations increased, as shown in Table 1.2. The compensation increases doubtless
Box 1.2: THE HIGH PRICE OF PAYING TOO LITTLE

Planning for the Sanmenxia Dam, on the Yellow River, began in the early 1950s. The early resettlement planning efforts underestimated the difficulties of resettling farmers into areas requiring new skills. Although the original resettlement budget was overoptimistic, when in 1958 when the Great Leap Forward called for personal sacrifice in the interest of building socialism, the government repeatedly reduced funds available for Sanmenxia resettlement.

When the first wave of resettlement finally ended in the early 1960s for the 280,000 resettlers from Shaanxi province, most had been moved to the north banks of the Wei River, still within the province but in its more arid western reaches. Nearly 40,000 people were moved even further west, to the equally arid Ningxia province, but most of those people soon migrated to the Wei river settlements. The Wei River resettlers faced much more difficult growing conditions than they had on the Yellow River, but resettlement funds were inadequate to construct the irrigation works needed to overcome those conditions (given the scarcity of water, the cost would have been very high indeed).

In the late 1960s, the operating rules for Sanmenxia were changed in response to unexpected, overwhelming siltation behind the dam, and a large backwater area became available for farming. That land was given to a state farm, a People's Liberation Army farm, and an experimental farm, but when they became aware of this the resettlers began campaigning to return. When their requests were turned down, they began agitating. Resettlers were supported by state farm workers who had been sent to the farms involuntarily from city jobs to which they wished to return. In 1985, this dissatisfaction culminated in such vigorous protest to the provincial party committee and government that the central government decided to code 20,000 hectares of PLA and state farm land to the resettlers (who with their children and grandchildren had then grown to number 430,000 people), and 150,000 of them were permitted to return to their land, with an allocation of 2/15 ha per person and the condition that they build their own houses. With the return of these people, 67 new villages were created for which the state provided social infrastructure such as schools and health clinics. A 1990 report states that most of the 150,000 continue to live in temporary shelter and that their lives remain difficult.

Indeed, the 1990 report estimates that half of the Sanmenxia resettlers, including those still on the Wei river, continue to live in poverty. Efforts to successfully resettle them continue. Some of these people are now slated to resettle into land irrigated under the Bank-financed Shaanxi Agricultural Development Project and others in recent years have been moved to marginal lands in rice cultivating areas of the relatively wealthy Jiangsu province.

The failure to adequately plan and fund Sanmenxia resettlement has been enormously costly in social, political, personal and financial terms. Thirty years on, families are still moving in search of adequate livelihoods and until those livelihoods are found the social welfare and poverty alleviation systems will have to devote extraordinary resources to their care.

helped, but the pressure to keep investment costs down was so great that inadequate compensation continued to be the norm. Typically, during the Cultural Revolution and continuing through 1978, land compensation equalled the value of three years output, rarely enough to open new fields and regain previous income levels. The government demand for local self sufficiency in grain production exacerbated the problem of restoring incomes, for it denied people resettling on poorer quality land the opportunity to increase income through specialty crop
Table 1.2: AVERAGE RESettlement FUNDING LEVELS
(yuan/capita)

<table>
<thead>
<tr>
<th>Period</th>
<th>Average funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>1953-57</td>
<td>319</td>
</tr>
<tr>
<td>1958-62</td>
<td>453</td>
</tr>
<tr>
<td>1963-65</td>
<td>n.a.</td>
</tr>
<tr>
<td>1966-70</td>
<td>642</td>
</tr>
<tr>
<td>1971-75</td>
<td>1,131</td>
</tr>
<tr>
<td>1976-80</td>
<td>1,945</td>
</tr>
<tr>
<td>1981-85</td>
<td>3,000</td>
</tr>
<tr>
<td>1986-88</td>
<td>4,000-5,000</td>
</tr>
</tbody>
</table>

Note: Ministry of Water Resources estimates. Funding levels are in nominal prices. If expressed in constant prices, percentage gains would be lower but still significant.

production. The Chinese estimate that in all reservoir resettlement through the early 1980s, about 1/3 of the 10 million reservoir resettlers reestablished their lives at satisfactory standards; another 1/3 settled into subsistence livelihoods; and the remaining 1/3 were mired in poverty. Although most people in the latter category were impoverished by projects in the 1950s and 1960s, reservoir projects with devastating resettlement impacts continued to be executed through the 1970s.

1.14 Nonreservoir Project Resettlement. Resettlement caused by transport and industry or urban projects continued throughout the period under review. Neither type of resettlement has received the attention given to reservoir projects because they displaced fewer people and their localized effects lacked the national political repercussions of badly handled reservoir projects. As a result, almost no effort has been made then or now to document such resettlement. However, discussions with people involved with such resettlement prior to 1980 suggest that on the whole, industrial or commercial enterprises appear to have offered satisfactory compensation in the form of employment for some villagers and infrastructure improvement that benefitted many others. The siting flexibility inherent in these enterprises reduced the loss of housing and valuable farmland. Transport projects often produced less satisfactory resettlement outcomes, for they typically took land at compensation levels only three times the value of output calculated at the then artificially low state purchase prices and could offer no long-term employment. Although improved roads and railroads potentially lower transport costs and increase total trade, thereby providing benefits to resettlers that transcend their financial compensation, those benefits were not realized until the post-1978 policy changes encouraged increased commercial production and trade. In the period under consideration, affected collectives had few options for using the meager compensation funds to restore income. Nonagricultural production opportunities were extremely limited until the late 1970s, crop diversification was restricted by grain planting targets and agricultural inputs were allocated by administrative fiat rather than ability to pay. In some cases, collectives were able to bargain for
more favorable crop mixes or a higher input allocation, but they were usually left to cope as best they could. The collective system did, however, partially protect individuals by spreading the impact of income loss across the entire collective.

1.15 As with transport projects, only anecdotal evidence exists on the resettlement impact of urban projects executed before 1980. But discussions with people involved in urban resettlement prior to the 1980s suggest that it was well executed in comparison to reservoir resettlement. Much of this success can be attributed to the commitment the government has had since the founding of the PRC to maintaining urban welfare.³ In resettlement, this was done by protecting employment by rebuilding affected enterprises and subsidizing wages and benefits during any move. If urban residents lost housing to projects, replacement housing was immediately provided and was generally of equal or higher quality and no more expensive to rent than that previously held. Where urban expansion occurred through expropriation of suburban farm land, resettlement usually entailed absorbing affected farmers into new industrial or commercial enterprises and converting them to urban residence. While perhaps not always welcome, such a move allowed former farmers to enjoy the relatively privileged life of urban residents, with higher real incomes and the broad protection of the social welfare system.

1.16 The Third Plenum. In 1978, the Third Plenum of the 11th Congress of the Chinese Communist Party affirmed a major shift to a political ideology that increasingly recognized improving social welfare as a primary goal of the state. Sustained political attention to reservoir and other resettlement problems began at this time, attention which led to further increases in resettlement funding and, perhaps more important, systematic codification and dissemination of improved resettlement planning and implementation standards. The remainder of the paper will focus on those new standards and their implications for current resettlement practice.
Endnotes

1. The main source for the following discussion is Wu Longwen, "Jianguo Yilai Shuiku Yimin Zhengcode Yanbian Ji Deshide Shentao" (A Discussion of Accomplishments, Failures, and Changes in Reservoir Resettlement Policy Since the Founding of the PRC), May 1991, processed.

2. The World Bank guidelines were issued as Operational Directive 4.30 in 1990. The OECD guidelines were written by the Development Assistance Committee of the OECD and issued as "Guidelines for Aid Agencies on Involuntary Displacement and Resettlement in Development Projects," OECD/GD (91)201, Paris, 1991.


4. Wu, op. cit., p. 6. A lack of information prevents independent assessment of the adequacy of the original budget. Chinese sources indicate per capita incomes of about Y 80 in the mid-1950s, but this is generally thought to be a lower bound.

5. Box 1.2 is based on the discussion in Wu, op. cit., and Yao, op. cit.


II. CHINESE RESETTLEMENT LAW AND INSTITUTIONS

2.1 The preceding chapter described Chinese resettlement experience in the three decades prior to 1980, finding an often disastrous experience for reservoir resettlement; an experience for transport and industry resettlement with many fewer problems than reservoirs, but that often resulted in lower incomes; and a generally satisfactory urban resettlement experience. The discussion there linked the resettlement experience to the degree of national political commitment to resettler well-being, showed how that commitment changed over time, and asserted that the 1980s have seen radically increased attention to and funding of resettlement. This chapter begins by tracing the development of legislation and regulation that strengthened resettlement during the past decade, then describes the features of Chinese institutions that are most important to resettlement, and finally analyzes Chinese responses to a set of problems common to resettlement in developing countries.

A. LEGAL FRAMEWORK FOR RESETTLEMENT

2.2 The resettlement literature often cites the absence of an adequate legal and regulatory framework as a major constraint to the development and implementation of an acceptable involuntary resettlement program. Chinese resettlement officials, too, attribute the serious problems faced by many of their communities affected by resettlement before the 1980s in part to the lack of adequate legal guidance for resettlement work. This aspect of resettlement benefitted from the 1978 shift in national development strategy that placed increasing reliance on individuals and small groups working within a framework of law to motivate economic growth. A series of laws and regulations defining resettlement responsibilities now provides guidance for all types of resettlement projects. Taken together, the various laws and regulations affirm the protection of living standards long accorded urban resettlers; call for full protection of resettlers under transport and industrial projects; and provide much stronger support than previously given reservoir resettlers. With the exception of some remaining ambiguity in reservoir resettlement regulations (noted in para. 2.7), Chinese law and regulation now generally meet the requirements of both the Bank’s Operational Directive on resettlement and the OECD resettlement guidelines. The most important features of Chinese resettlement legislation will be described below.

2.3 General Resettlement Law and Regulation. In 1982 a new regulation on the acquisition of land for state construction projects finally changed the long used rule setting total land compensation at a very inadequate three times production value. By Chinese accounts, the change was forced by the growing difficulty of convincing rural people to yield land in return for such meager sums. The new regulation provided higher compensation limits based on the requirements of restoring income. The latter provision returned to principles first established in the 1950s, but since ignored. The 1982 regulation was targeted on transport and industrial projects, and exempted large and medium scale hydropower project resettlement.
2.4  Resettlers were further aided by the 1986 Land Administration Law and its 1988 amendments. That law clarified and accelerated land titling and the registration of use rights for state-owned land (the latter particularly important to urban residents). The law demands that incomes and assets be protected during resettlement and that affected localities be consulted during the project design stage. Also, for the first time in a Chinese resettlement law or regulation, resettlers are given the specific right to challenge resettlement decisions in the courts. The law gives affected cities, counties, and collectives responsibility for implementing resettlement and provides guidance on resettlement principles, organization, and compensation. Consistent with the emphasis on local implementation, provinces are required to draw up implementing regulations that conform to the national legislation. Provincial implementing regulations define more precisely resettlement procedures and compensation for various types of land and other property. Provinces may also give cities and counties the right to enact additional resettlement regulations conforming to national and provincial law. The provincial, city, and county regulations often include fees, payable by the project to local government, for such purposes as the protection of cultural relics or investment in new vegetable fields. Those local laws have gained added significance with the reported decision of the State Council to end in 1992 the previous blanket exemption of national projects from local resettlement regulations and fees. Where projects cross provincial or county boundaries and national or provincial legislation does not clearly define resettlement principles, variations in local law sometimes result in inequitable treatment. Examples of this can be found in compensation for private housing (see Box 2.1) and, in reservoirs, for the flood level to which arable land will be compensated. Problems with inconsistent provincial regulations reaffirm the importance of continuing to strengthen the Land Administration Law as the basis for contemporary resettlement activities. However, the Land Administration Law itself still exempts the most difficult type of resettlement, that in large and medium hydropower projects, from its compensation standards.

2.5  Reservoir Resettlement Law and Regulation. Rapid improvements in average rural incomes after 1978 failed to include many reservoir resettlers, and social instability persisted among that group. A 1981 regulation sought to address the problem by requiring all hydroelectric power stations to allocate Y 0.001 per kWh produced to a "reservoir maintenance fund." The fund could be used for any activity designed to improve the living conditions or productive infrastructure of reservoir-affected communities. Nationally, average income gains continued after 1981, but as noted in para. 1.13, a 1984 survey found reservoir resettlers still at high risk of poverty. Early that same year, the then Chinese Communist Party General Secretary, Hu Yaobang, announced the goal of "making people rich" and early the next year the Ministry of Water Resources (MWR) instituted a new set of reservoir resettlement design requirements that if followed would prevent the threat of impoverishment from this type of resettlement. The new regulations required resettlement planning to proceed in step with dam design. Among the critical design parameters, planners were required to (a) minimize resettlement; (b) maintain real income of resettlers; (c) compensate lost assets at replacement cost; (d) attend to the special needs of resettling minority peoples; and (e) design replacement housing to conform to local styles. Design responsibilities were to be shared between design institutes and local governments, with the latter responsible for planning and budget estimates for local resettlement. These design requirements continue in force, although unfortunately not all have been embodied in the reservoir resettlement regulations finally promulgated in 1991 (see para. 2.7).

2.6  The reservoir resettlement process received continued attention in 1986 with a MWR regulation requiring projects to include resettlement funding in the overall project budget,
In China, national law often establishes general principles, leaving detailed implementation regulations at either the national or provincial level to determine actual practice. In some cases, the national law itself fails to be clear about the principle and provincial implementing regulations can then be at substantial variance with one another. This has happened with regard to compensation for private housing lost in resettlement. The Land Administration Law of the People’s Republic of China stipulates that provinces shall determine the compensation standards for attachments to the land (which includes private housing), without giving guidance as to appropriate standards. The results of this lack of guidance can be seen in the quite varied treatment accorded private housing in various provinces. For example, in Sichuan the regulations simply specify that the “losses shall be compensated rationally according to the actual conditions” and leave counties to decide standards. Yunnan calls for either direct replacement of lost housing or reconstruction by the owner with compensation for labor and construction materials at current prices. Hebei uses a variation of the Sichuan approach, leaving compensation standards to the cities that in Hebei are an intermediate structure between the province and counties. Henan specifies fixed compensation ranges at the provincial level, for application in all projects in the province. Among those provinces, only Yunnan clearly demands replacement value for private housing. Henan’s compensation ranges were designed to do so, but were quickly left inadequate by inflation. In each of the other cases the provincial regulations themselves do not provide clear guidelines and reference must be made to other, even more local, regulations. The failure to clearly specify compensation principles in this area at the national level both compounds the difficulty of resettlement project design and budgeting, and leaves resettlers with no recourse against local regulations that fail to provide full replacement value.

guaranteeing that one would not be funded without the other. A subsequent 1987 MWR regulation insisted that the design requirements noted in para. 2.5 be followed, and forbade approval of any design not containing adequate resettlement plans. Both of these regulations also stressed the importance of incorporating economic development plans in resettlement strategies, rather than simply providing consumption subsidies to resettlers. Both the 1986 and 1987 regulations laid great stress on making legitimate use of resettlement funds and the need to avoid social unrest, suggesting that an earlier problem of resettlement money being diverted to nonresettlement uses was continuing in some places.

2.7 The most recent, 1991, reservoir resettlement regulations restate most of the principles contained in the 1985 design standards, but also contain a notable contradiction. Despite insisting on resettlement plans compiled "according to the relevant rules and regulations of the state" and therefore presumably maintaining real incomes throughout resettlement, when directly discussing compensation the regulation asks only that it be adequate "to ensure that the life of the relocatees will gradually reach or surpass their previous standard" (emphasis added). The compensation standards in the same regulation make quick recovery difficult by providing lower compensation levels than those given in transport, urban, and other projects (see Box 2.3). Thus, the regulation fails to recognize the generally more difficult nature of reservoir resettlement (for more on this point see paras. 3.39 to 3.43). It also contrasts vividly with the provision in the Land Administration Law for compensation sufficient to "maintain the original standard of living of the peasants needing resettlement." These weaknesses can be remedied only if the 1985 reservoir resettlement design requirements, particularly that of maintaining real
Box 2.2: MINIMIZING RESETTLEMENT

Regardless of project type, the burden of resettlement is most effectively reduced through project design that minimizes the need to move people. Chinese law encourages project design to minimize resettlement in two ways. First, the agency whose project causes resettlement must compensate those needing resettlement, with such compensation based on restoration of previous standards of living. Forced to internalize the costs of resettlement, planners seek to minimize it. Second, the agency is required at the design approval stage to consult with affected communities. The consultation requirements give affected communities the opportunity to influence projects at the time when changes are most easily made. The result of these requirements is that project designers have become extremely sensitive to resettlement.

In recent years, Bank missions have found that Chinese project managers consistently anticipate and minimize resettlement problems during design. As testimony to the power of the imperative to reduce resettlement, Bank missions have identified three projects in which design changes to further reduce resettlement have been made subsequent to approval of expropriation and compensation plans. Those three are Beiluneng Thermal, where transmission line corridors were altered, reducing resettlement from 1,500 to 288 people; Zouxian Thermal, again where transmission line corridors were altered, reducing resettlement from 200 families to 5 families; and Taihu Basin, where flood control dikes were redesigned, reducing resettlement by 1,867 people. Indeed, the Taihu dikes in Jiangsu were redesigned to cut resettlement after compensation had been paid, with no prospect of recapturing the funds.

incomes, become the new legal standard and compensation limits are raised to or above the level of other projects.

2.8 Urban Resettlement Law and Regulation. The generally superior performance of urban resettlement allowed less urgent legal treatment of this type of resettlement. The first new national regulations were published in 1984 and laid out administrative procedures for urban land acquisition and compensation. They also served as enabling regulations for municipalities, which then developed resettlement procedures and compensation arrangements appropriate to their situation. In 1991, the government published updated and more comprehensive regulations for urban resettlement, codifying best practice developed in the preceding years. This regulation is notable for its consultation requirements, which call for public announcement of the proposed project, to be followed by individual consultation with affected households. Grievance procedures (which are addressed more fully in Chapter 4) receive much fuller treatment in these regulations than in any previously issued. Most important, the regulations maintain the principle of full replacement value for expropriated housing, whether owned or rented.

B. ADMINISTRATIVE AND SOCIAL FRAMEWORK FOR RESETTLEMENT

2.9 Well written laws and regulations alone do not guarantee a good resettlement outcome. But China has coupled those laws with increased concern for social welfare and reliance on state power and collective ownership to develop an institutional environment that goes far toward assuring that resettlement does indeed maintain the standard of living of affected people. In very important ways, the current Chinese system far outperforms those in most other developing countries in protecting the interests of resettling communities. Some weaknesses
### Box 2.3: Compensation for Collective Land Expropriation

**Reservoir vs. Nonreservoir Projects**

Chinese law and regulations require compensation for collective land expropriated for state construction projects. The compensation has two components. First, "land compensation" is paid. That compensation is a multiple of the three-year average annual output value of cultivated land, negotiated within guidelines stipulated in the relevant laws and regulations. Uncultivated land is compensated with reference to the value of cultivated land. For reservoirs and irrigation projects, compensation guidelines are 3 to 4 times the output value, while for nonreservoir projects they are 3 to 6 times. Thus, within-guideline land compensation for nonreservoir projects can be up to 50 percent higher than for reservoirs. Second, a "resettlement subsidy" is paid. This subsidy is again based on the average annual output value of cultivated land. For reservoirs, the subsidy guidelines are 2 to 3 times the output value, while for other projects the guidelines are more ambiguous, giving a standard of 2 to 3 times output value but allowing up to 10 times that value if needed. Thus, regulations allow resettlement subsidies for nonreservoir projects that more than triple those for reservoir projects.

For both types of projects, regulations permit, with special provincial or higher approval, additional compensation if the guideline sums prove inadequate. For reservoirs and irrigation projects, the guideline multiples sum to a payment range of 5 to 7 times output value. The regulations allow Ministry of Water Resources approval of up to 8 times output value where average cultivated land exceeds 1/15 ha per person, 12 times where it ranges from 1/30 to 1/15 ha per person and 20 times if it is below 1/30 ha per person. For nonreservoir projects the guidelines sum to 5 to 13 times output value. Without the reservoir limitations as to average land holding, the law permits provincial approval of increases to 20 times output value.

While actual compensation will depend on both economic need and local negotiating skills, the laws and regulations allow a much more flexible and generous approach to nonreservoir resettlement compensation than to that for the inherently more difficult reservoir resettlement. Chapter 3 will discuss some of the difficulties arising from underfunding of reservoir resettlement.

remain and will be discussed, along with possible remedies, in this and succeeding chapters, but those weaknesses should not obscure the fact that China now treats resettlement in a way that offers substantial protection of settler interests.

2.10 The state plays a more intimate role in daily life in China than it does in most other countries. Although that role has changed constantly, and over the past fifteen years in the direction of less intervention, it continues to provide the basis for effective handling of resettlement challenges. A brief description of the organization of Chinese life will help clarify why China has a comparative advantage in implementing resettlement.

2.11 Rural China. The rural Chinese are organized into collectives, usually called production groups, that own the land they work (see Box 2.4). Production groups allocate use of their land to member families under long-term contract. With the land use right comes the obligation to meet a proportionate share of the mandatory grain and tax delivery quotas and the obligation to produce and deliver other crops as may be ordered by the township government. Families are not free to convert cultivated land to other purposes, although trading of land use rights is possible in some areas. Even where use rights may be traded, collective
land ownership rights are lost only by those leaving the village and shifting their household registration to a new area. The inability of individuals to buy or sell land ownership rights ensures that all collective members, whatever their economic circumstances, have an equal share in the key asset if resettlement comes.

Box 2.4: The Organization of Rural Life

The Chinese rural population lives and works within a very well organized institutional hierarchy, the main features of which are outlined below:

Production Group. Most rural residents belong to a production group, the basic collective unit which consists on average of 35 families with 60 laborers owning 20 hectares of land contracted to the families. The production group may be a single, small natural village or a neighborhood of a large natural village. Production group collective income is usually quite modest.

Administrative Village. A collective organization comprising on average 8 production groups. Often a single natural village, but may span several small natural villages. In some areas, the production groups have been abolished and the administrative village is the lowest level of organization. In 1991, the 804,000 administrative villages owned 1.1 million nonfarm enterprises employing 23 million people, or 5.5 percent of the rural labor force. Village enterprise profits partially fund village social services.

Township. The lowest level of formal government, overseeing on average 15 administrative villages. In 1991, the 56,000 townships owned 382,000 nonfarm enterprises employing over 24 million people, or 5.5 percent of the rural labor force. Township enterprise profits help fund township social services and new investment.

County. The politically and economically most powerful level of rural governance. The 1,900 counties each control an average of 29 townships and have large staffs in both the economic and social sectors. May own enterprises and collects taxes on economic activity within its jurisdiction. The locus for planning and implementing rural production, investment, education, health and other activities.

2.12 As the discussion of resettlement strategies in Chapter 3 will show, the ability of administrative villages and townships to create nonfarm employment for resettlers plays a large role in resettlement performance. Between them, village and township collective (nonagricultural) enterprises employ about 11 percent of the rural labor force, but the distribution of those enterprises is very uneven. In wealthier provinces, village enterprises alone employ over 10 percent of the village labor force, while villages in poor provinces are able to generate such employment for less than 2 percent of the villagers. Township enterprise employment follows the same pattern, with townships in the top provinces placing more than 10 percent of their labor force in such enterprises while those at the bottom place no more than 3 percent. The profits of township and village enterprises together provide an important source of rural public
finance, equalling about 34 percent of total rural collective income captured for government or social services.\textsuperscript{16}

2.13 Counties and their subordinate townships make crucial decisions about the direction of local economic and social development. The Chinese government estimates that some two thirds of 1991 total investment originated in the state sector, as did 76 percent of investment for production.\textsuperscript{17} Counties plan and direct the use of state funds for the building of rural roads, bridges, schools, factories and other elements of the rural economy. Counties have substantial autonomy from higher levels of government and equally substantial control over lower levels. Given the continued importance of public investment in the Chinese economy and the central role of counties in both investment and routine public expenditures, this level of government plays a key role in the rural economy.

2.14 Although markets play an increasing role, local government rather than autonomous individual actors still largely determines the pace and direction of rural development in China. That power, particularly with regard to resettlement, has been moderated but not eliminated by the reforms of the last decade. Local government officials have considerable experience in all of the areas needed to implement a resettlement program. In the economically more developed areas of China, all of which have seen massive infrastructure development over the past decade, local governments have had extensive direct experience of transport, industry and urban resettlement. Rich or poor, many counties in hilly or mountainous areas have also had chastening involvement in one or more of the unsatisfactory resettlement efforts connected with the 2,700 medium and large dams constructed over the past 40 years.

2.15 Urban China. Urban residents respond to a different set of institutions than do rural people. Almost all work in tenured jobs assigned to them by their local labor bureau (although recent labor and enterprise reforms promise to change that over time, see paras. 5.12 to 5.15). Enterprises themselves, whether state owned or urban collective, take direction from the city bureau responsible for their sector. The work place provides employees not only a salary, but often many other essentials of daily life, such as housing, medical insurance and child care. Smaller urban collective enterprises are unable to provide those facilities directly, so their workers depend more heavily on the municipal government. Whether served by their work place or the municipality, urban residents have now by tradition gained tenure rights to their rental housing as well as their jobs. The recognition and protection of those rights has provided urban residents the high level of social welfare they currently enjoy (but see Chapter 5 on possible effects of reform). The municipal government exercises its powers through district governments and neighborhood committees as well as through municipally owned public service companies. Although roles are changing as markets and private enterprise develop, between them urban collective and state owned enterprises and municipal governments control 94 percent of the urban jobs, almost all of the education, medical and other social service facilities, and 77 percent of the housing stock.\textsuperscript{18} Like counties, municipalities have considerable autonomy in their work and control most of the investment in the local economy.

2.16 Social Organization and Resettlement. The hierarchy of political, social, and economic organization described in the preceding paragraphs plays a critical role in the effective management of resettlement. The project manager contracts with the county or municipal government to undertake detailed planning of and then implement resettlement. Each county works through its townships, they through administrative villages, and villages through production groups to reach affected individuals. Municipal governments typically ask district
governments to undertake the work. Requests for information go down through these levels and responses are aggregated at each level, so that information flows remain manageable in China’s paper-bound system. But the structure is flexible. If only a few administrative villages in a county are affected by resettlement, the county may deal with them directly in most matters, simply keeping intervening levels informed. By using these intermediaries, even in very large resettlement projects the project manager will communicate directly with a manageably small number of counterparts, rarely more than 15. Where numbers threaten to be larger than that, as in multi-province projects, the project manager works through provincial level project management offices. These arrangements have proven to be very effective, in large part because of characteristics of local government in China analyzed below.

2.17 The Planning Culture. The pervasive involvement of local government in the social and economic life of the community has long been sustained by what might be labelled a "planning culture." Every level of government develops annual plans for social and economic development and measures its success against plan targets. In the past, political upheaval often made a mockery of long-term plans, and more recently market influences rather than administrative command determine the success of short-term plans, but it remains the case that government leaders and staff have substantial practical experience in developing and implementing plans that cover topics as diverse as health, education, consumer marketing, cropping patterns and industrial investment. The reduced importance of plans over the past five years, as less regulated markets developed in many goods and services, has not vitiated local government ability to plan and implement specific development actions. This capacity becomes crucial when local governments are asked to plan resettlement.

Box 2.5: Chinese Data Collection

The development of plans as pervasive as those used in China has required the compilation of large statistical series. In both urban and rural areas these include complete enumeration of residents of any given neighborhood or village, a careful accounting of land in various uses, of housing ownership and the ownership of private assets that may be bound to the land, such as trees. Through sample surveys, cities and counties track rural and urban personal incomes by source, expenditures by category, durable consumer good holdings and private savings. Special surveys are mounted for many purposes. For example, in 1987 counties in Sichuan completely enumerated all poor rural families, listing their family structure, education, employment, income, assets, and cropping patterns. Social service sectors and production sectors keep their own detailed records on assets, production, income, expenditures, and service provision, records which are aggregated at the local level and summarized for transmission to higher government levels. Records are becoming less accurate as markets rather than administrative fiat increasingly determine resource flows. Nonetheless, a wealth of information and the means to collect it remain in place, providing the basis for good resettlement planning.

2.18 The Information Culture. Plans founder if not based on good information, and China has developed an information gathering capacity sophisticated for a country at China’s income level (see Box 2.5). Their attention to record keeping has allowed the Chinese to avoid perhaps the most common problem during the identification and preparation stages of a resettlement effort—the gross underestimation of affected people. In only two of 36 Bank projects in China has there been any significant increase in affected population after appraisal,
and in those cases the problem was underestimates of population growth rates and local economic effects, rather than inaccurate estimates of the population at the time of appraisal. This performance is explained both by the comparatively accurate registration process and by the fact that local government, which must both count and resettle the affected people, knows that population helps determine the resettlement funds that will be made available. However, the failure to adjust the registration system in step with labor market reform now puts China’s commendable record at risk. Resettlement rights go only to registered residents of an area, but registration rights are not connected with length of residence and are not held, for example, by some 30 million migrants identified in the last census as having been resident for a year or more in a place away from their registered domicile. Migrants resident in an area for years, but without formal registration, may be denied resettlement rights, forming a group vulnerable to substantial, uncompensated losses in resettlement (see Box 2.6).

**Box 2.6: The Migrant Worker Dilemma**

During preparation of the Xiaolangdi Project, township officials in Changtou Township, Xin’an County, Henan, complained that 5,000 migrant laborers in their mines were being denied resettlement benefits. Many in this group are long-term residents, some of whom have been resident for more than 20 years but have not been given permanent residence status. Lacking legal permanent residence, they are not being considered for the employment guarantees provided people with much less tenure but who were born in the area. Township officials are attempting to assert rights for this group, but are not being supported by the project design office, which continues to adhere to current regulations protecting only permanent residents.

Concentrations of migrant workers in reservoir resettlement will be found only in mining districts, a circumstance not common to reservoir areas. Migrants working in enterprises affected by rural transport and industry or urban resettlement are at less risk than those in reservoir areas. In nonreservoir resettlement, enterprises are almost never closed down but are simply relocated locally with full replacement costs borne by the project. In those situations, jobs are not threatened. However, two other problems may still affect migrant workers in such resettlement. First, the stock of rental housing may be affected by the project. The informal rental market is not well understood by local governments and they may have difficulty identifying migrant rental housing. Second, informal or self-employment opportunities for both the migrant and resident populations may be affected. This type of employment may not be captured in official statistics and that fact may lead officials to deny its importance.

2.19 The Sociopolitical Culture. Several aspects of Chinese sociopolitical culture help make local leaders more responsive to local needs. First, the Chinese administrative system rarely transfers county or municipal officials to new jurisdictions. Therefore, local leaders can expect to directly enjoy or suffer from the consequences of their decisions. Second, local leaders have lost many tools of direct control over the population, such as travel permits and ration coupons, and are quickly losing others such as mandatory production quotas. They must increasingly rely on persuasion rather than administrative means to induce compliance with difficult policies. Third, with increasing fiscal and political autonomy, the ability to foster local economic well-being has become the primary criterion for evaluating local leaders, wedding their interests to those of local residents. And local interests and government revenue sources are
rarely more threatened than in resettlement, giving local leaders strong incentives to negotiate and implement good compensation packages.

2.20 The foregoing highlights of China’s institutional structures offer a very important clue as to why, once China decided that improving household welfare should be a major criterion for the success of socialist development, resettlement has been handled well in comparison to most other developing countries. Successful resettlement requires the management of major social change. Local governments in China have a long history of using planning tools to manage discontinuous change. Through participation in political and economic campaigns, county and township governments have experience reallocating land, moving people, making new social and production investments, helping the labor market to absorb new entrants, and other key elements of a major resettlement effort. When those actions took place with scant regard for individual welfare, as they did at times during the Great Leap Forward and Cultural Revolution, they inflicted great harm, but the record in the last decade shows how well the tools can work when applied to the goal of maintaining well being.

C. COMMON RESETTLEMENT PROBLEMS AND CHINESE RESPONSES

2.21 Analysis of experience from World Bank and other projects has revealed a set of problems common to unsuccessful resettlement operations. Four of the major issues include: (a) underestimating the population affected by a particular project; (b) inadequately identifying losses caused by resettlement, particularly job losses endured by people employed on farms owned by others; (c) failing to help affected people find and acquire replacement assets; and, (d) a lack of agency capacity to carry out the complex set of operations that successful resettlement requires. The following paragraphs draw on the preceding institutional discussion to show how these problems are addressed in China.

2.22 The special features of Chinese administrative culture that have helped avoid population enumeration problems, yet now place a newly emerging population at risk, were discussed in para. 2.18. Unlike the issue of population enumeration, the Chinese definition of resettlement losses is not threatened by reform. A common problem in resettlement internationally is that "losses" tend to be defined purely in terms of lost physical assets. Compensation strategies then value and compensate for those physical losses. The difficulties of identifying even physical assets are sufficiently daunting to divert attention from social and cultural losses, as well as, for the poorer members of the community, the biggest loss of all: employment. Whether employment comes through sharecropping (rare in China, but common elsewhere) or wage labor, resettlement plans often assume that incomes can be maintained through similar jobs found in the resettling community or elsewhere. All too often, new jobs come only at lower wages or after extended unemployment. However, China, with its emphasis on public or collective ownership of capital, frames the resettlement problem in terms of the number of jobs that must be created to ensure employment of all displaced workers. The village, township, county or municipal government must find jobs for displaced workers and, if project supplied compensation is inadequate, they must draw on nonproject sources of support. Although all expropriated assets will be compensated, the commitment to replacing jobs often leads to additional compensation being given and boosts China’s chances of achieving resettlement success.

2.23 Identifying and acquiring replacement assets is most challenging in reservoir resettlement projects. In other projects, affected enterprises are usually relocated very close to
The very substantial improvements in Chinese resettlement...
Endnotes


2. The World Bank guidelines were issued as Operational Directive 4.30 in 1990. The OECD guidelines were written by the Development Assistance Committee of the OECD and issued as "Guidelines for Aid Agencies on Involuntary Displacement and Resettlement in Development Projects," OECD/GD (91)201, Paris, 1991.


10. Article 4, State Council, "Da Zhong Xing Shuili Shuidian Gongcheng Jianshe Zhengdi Buchang He Yimin Anzhi Tiaolie" (Regulations Regarding Compensation for


13. Obviously, the institutions and governance of rural China are much more complex than can be fully represented in a few paragraphs. For example, state farms, which control less than 5 percent of the cultivated land and have less than 1.5 percent of the farmers, are organized differently and treated akin to state-owned enterprises in resettlement.

14. When land was initially distributed under the household responsibility system in the late 1970s and early 1980s, most collectives grouped their land by quality, then distributed all land within each group to households on a per capita basis. Occasionally collectives report weighting distribution by family labor power as well as population. However allocated, the use rights are vested in the family, represented by the registered head of household, and not its individual members. Although land is generally under long-term contract (15 years or more), many collectives redistribute land either annually or once every three years in response to changes in family composition. Other collectives do not redistribute during the contract period, and in those collectives children who marry and wish to establish separate households must continue to depend on the original family allocation (under the control of the family head) or rent land if that can be done.


16. SSB, ZGTJNJ 1992, p. 388-390. The contribution of township and village enterprises (TVEs) was calculated as the ratio of TVE net profits to rural collective funds (jiti tiliu). The remainder of the rural collective funds come from taxes on villagers. These funds are used by both collectives (production teams and administrative villages) and townships to provide schools and other social services, as well as to cover administrative costs.

17. Ibid., p. 148.

18. Ibid., p. 92.

III. RESETTLEMENT STRATEGIES AND PERFORMANCE

3.1 The sheer magnitude of resettlement in China, averaging nearly 800,000 people per year for the past 40 years, insures that it will be characterized by diversity in strategy and performance. Despite that diversity, successful efforts over the past decade to codify and implement best resettlement practice make it possible to illustrate current resettlement trends through three models that encompass all types of development with resettlement impact. The three models correspond to categories of treatment under Chinese law, and include, as described earlier, (a) transport and industrial projects, (b) reservoirs, and (c) urban development projects.

3.2 The resettlement strategies used in the three models grow out of the legal and institutional environment described in the previous chapter. For that reason, they share some common features, particularly in design strategies to minimize resettlement, but they also have pronounced differences. The nature of resettlement in each of the situations and the effectiveness of Chinese responses to the challenge of resettlement will be investigated below. For each model, a brief description of context and strategy will be followed by a summary evaluation of contemporary resettlement experience. That, in turn, will be followed by a detailed description of the process of resettlement under the model.

A. RURAL TRANSPORT, CANAL, AND INDUSTRIAL RESETTLEMENT

3.3 The first model applies to transport projects such as railroads, roads, and canals, as well as industrial or commercial enterprise projects in rural areas, or to any other project leaving enough land in affected villages to sustain agricultural operations as an essential element of people’s livelihoods. In any of these projects the loss of land, and hence resettlement, in a single village may be small, but for transport projects in particular, the cumulative impact may be quite large. For example, the 594-km double tracking of the Zhegan line under the Railway V Project required the resettlement of nearly 26,000 people and the Sichuan Provincial Highway Project will displace over 22,000 people while building 445 km of roads. The Chinese government does not maintain centralized records for this type of resettlement, but Bank estimates based on construction statistics suggest that no less than 7.4 million people have been displaced by such projects in the past 40 years.

3.4 Transport, canal, and industry projects are permitted to expropriate land—and force resettlement—only after meeting a number of conditions. First, the underlying investment must be included in the government investment plan controlled by the Planning Commission and approved by the People’s Congress (at the central, provincial, or county level). Second, the proposed land acquisition must be separately approved by the government, with acquisitions below 0.2 hectares of cultivated land needing county approval, 0.2 to 66.67 hectares needing provincial approval, and over 66.67 hectares needing State Council approval.¹ The land approval requirement explicitly aims at reducing land use in projects. With those approvals, the project managers then approach county Land Administration offices, which identify the exact
land to be taken, guarantee that compensation requirements have been met, then transfer title to the land. In a transport project covering many counties, the project managers must commit substantial time to county-level negotiations even in the absence of highly contentious issues.

Strategy

3.5 The government resettlement strategy in cases where some of the original village land remains unexpropriated is to keep all affected people resident within the boundaries of their original village, while replacing lost household and village assets and creating jobs sufficient to replace those lost with the land. The project manager expropriating land provides compensation negotiated within the framework of the resettlement laws discussed in paras. 2.2 to 2.4. Households are directly compensated for lost housing, wells, trees, outbuildings, and other household assets. Using project compensation, villages are expected to rebuild village owned infrastructure, including village enterprises; to create new jobs for displaced village labor; and to reallocate and upgrade cultivated land to maintain agricultural production. If higher levels of government own assets on the affected land, as might a township enterprise, they will be separately compensated and make separate relocation arrangements. Higher levels of government will also share in job creation efforts if the village will have difficulty creating jobs itself. Primary responsibility for planning and implementing resettlement rests with the affected villages, but the township and county provide administrative oversight on village work.

Evaluation

3.6 Field work in resettled communities has confirmed the effectiveness of the resettlement strategy used for transport, canal, and industry projects. Collective land ownership and the ability to reallocate that land in response to expropriation play a key role in protecting the social and economic interests of affected people. By resettling people in their original village, social, economic and political relationships are sustained and the loss of cultural inventory minimized. Problems of integration with unfamiliar host communities are avoided and traditional patterns of participation are maintained. Resettlement performance is easily monitored and affected people, by remaining in close association, form a more effective political force. Village social welfare institutions continue to function normally throughout resettlement. In fact, in villages studied, there was typically a heightened attention and assistance to the vulnerable group of households lacking labor power.

3.7 The village-bound strategy minimizes the need for detailed higher-level resettlement planning and implementation. Counties and townships normally limit their role to negotiating and channeling resettlement funds and monitoring their use. Only when off-farm employment will be crucial to resettlement success does the township or county government become more actively involved, and then only with respect to the off-farm jobs. An alternative system in which project planners sought land-based resettlement by placing affected people outside of their own village would require the expropriation of the new land and the social, financial, and administrative costs of resettlement would rise rapidly (as they do in reservoir resettlement, see paras 3.39 to 3.43). Villages have well developed, if time consuming, mechanisms for negotiating internal land use rights transfers, and often have experience in creating nonfarm jobs or helping villagers find them. Resettlement within the original community draws on those strengths.
3.8 Transport, canal, and industrial project induced rural resettlement operates to maintain standards of living throughout the resettlement process. To do so, in addition to the social and cultural aspects of living standards addressed above, lost assets and income must be replaced promptly. For rural households, housing and farm buildings are the major assets at risk. Field studies in Bank-funded projects consistently find that compensation packages permit those facilities to be rebuilt to the original or a higher standard. The challenge of replacing income is eased by the fact that by 1991, nationally only 48 percent of average villager income derived from land, implying that a loss of 20 percent of village land would drop village incomes less than 10 percent. In fact, in the more economically developed areas where the bulk of transport and industrial resettlement is taking place, land based income is more typically 30 percent of total income, the threat to income is consequently that much smaller and the opportunities for off-farm employment greater.

3.9 Field studies also confirm general success in restoring lost income streams. The nature of the projects causing resettling aids its success. Canals are generally built to solve irrigation or drainage problems that have been holding down crop yields. Industrial and commercial enterprises directly solve the employment problem by hiring displaced farmers. Transport projects lower communications costs and generally increase economic opportunities. However, the success also comes in part from conditions that may not persist. First, many communities boost income on remaining farm land by negotiating the right to substitute higher value specialty crops for grain. Agricultural intensification without diversification offers little scope for improving incomes in China, a country where yields from the grain crops mandated on most farm land are among the world's highest. Yet, as will be discussed in detail in paras. 5.17 to 5.19, agricultural reforms now being experimented with will free cropping patterns and thereby reduce or eliminate the higher returns to specialty crops. Second, the ability to create off-farm employment depends as much on the overall economic environment as on the availability of funds and village entrepreneurial ability. That environment varies regionally as well as over time. The past year has seen vigorous, broad-based expansion of the rural economy and relatively easy job creation. In contrast, between 1988 and 1990, during a period of national austerity, the number of jobs provided by township and village enterprises actually fell, while private employment increased very little. Village interviews revealed that in those years settlers sometimes faced many months of unemployment before finding new jobs.

3.10 Experience in Bank projects has shown that off-farm job creation often requires counties or townships to use resources additional to project compensation. This they do by capturing special allocations from central or provincial authorities in the form of grants, credits, or tax holidays, or by reallocating their own budgets in favor of the affected areas, thereby sharing the resettlement burden more generally across the political unit they control. County and township persistence in pursuing the goal of full settler employment results in the generally successful resettlement experience seen in Bank-funded transport and industry projects and also reported for domestically funded projects of the same type.

3.11 Where resettlement falters, it does so primarily because inadequate local commitment results in a diversion of funds or because of a lack of resources—financial or human. These problems tend to be specific to individual villages or townships among the many affected by a project. To minimize the risk of such problems leading to unsatisfactory resettlement, this study recommends that the value of complementary local inputs be included explicitly in resettlement budgets and that the government encourage self-monitoring through wider dissemination of resettlement rights, plans, and grievance procedures. In cases where still
greater protection may be needed, the review recommends aggressive monitoring of resettlement implementation by the project manager or an independent agency. The most effective intervention to correct problems may be on the policy level, but adequate contingency funds must be earmarked to allow supplementary payments when the original compensation simply proves inadequate.

Implementation

(a) Popular Participation

3.12 In large scale projects, villagers play little or no direct role in the planning and aggregate compensation negotiation phases of resettlement. In those projects the county acts as agent for all affected villages in the county to negotiate compensation standards. This contrasts with smaller scale, single site industrial or commercial projects, which often negotiate directly with the affected villages. Whether or not the original resettlement budget negotiation has direct input from the village, the completion of that phase leads to direct negotiations between the local resettlement authority and both the village leadership and village households. The village leadership negotiates the village compensation and job package, while household heads negotiate housing and other asset compensation. Both negotiations are constrained by a total budget against which the county has contracted to complete resettlement. County authorities seek to ease negotiations by maintaining narrow compensation ranges across all affected villages.

3.13 Once the resettlement funding for the village and affected households has been set, the implementation process becomes highly participatory. In villages using land redistribution as a resettlement tool (as most do), the redistribution process takes many large and small group meetings to decide the final allocations. Sites for replacement housing are also widely discussed and resettlers rebuild their houses to their own design. The use of village compensation funds may also be discussed in meetings of the entire village. This is more likely to happen when compensation use would visibly affect production or the village environment, as would new irrigation works or a new road. Where the funds simply bolster village enterprise working capital, the village leadership is unlikely to invite public discussion and in fact little or none was found in such cases. However the funds are used, the village is required to post detailed accounts annually for villager review. Local officials report that the ensuing public review provides the best possible check on both graft and favoritism in fund use.

(b) Asset Compensation

3.14 Housing. Prior to compensation negotiations, projects carefully inventory all structures on property to be acquired. Guided by local regulations, negotiators agree on compensation tables defining styles of construction typical in the area, placing a value per square meter reflecting the replacement cost of each of several quality levels. The villages themselves can effectively supplement or reduce project compensation through decisions about the size and location of the free replacement house plots. Once assigned plots, villagers take responsibility for building their replacement housing. New housing sites in this type of resettlement are within a few hundred meters of the old and families are able to live in the old house while building the new. Most projects require villagers to completely dismantle their original house, with the salvage value going to the villager. Where through age or disability, a family qualifies for the village social welfare program (the "Five Guarantee Program") and cannot supply the labor to
build a replacement house, the village must arrange replacement housing or provide the needed labor.

3.15 Bank-funded projects evaluated by recent missions have at a minimum provided compensation sufficient to cover the new materials needed to construct a house with floor space equal to the old, using labor provided by the family. At best, compensation has fully covered the cost of reconstructing a house of superior quality using hired labor. Domestically funded projects show a far greater range of experience. Where housing relocation is minimal in relation to project size, compensation may be above full replacement levels. For example, in Jinhua City, Zhejiang, an industrial plant buying land offered Y 220/m² compensation for a particular style of house, while a Bank-funded project taking much more land and housing has been paying Y 140/m² for equivalent housing, a sum which the local people deemed adequate to purchase new building materials. In cases where a project originates in the county or township, villagers may have trouble bargaining for adequate compensation. In Jinpu county, Shanghai, township cadres told a Bank mission that they would not pay as much in their own projects as the nationally funded Taihu Basin Flood Control Project did for housing. The latter project provided compensation judged by locals as adequate for new materials but requiring self-supplied labor.

3.16 Other Privately Owned Assets. Rural households often own a range of non-housing assets in rural areas, including farm buildings, wells, threshing grounds and trees. In addition, resettlement may bring the need to move family graves and forfeit standing crops. The project must compensate all of those losses. To do so, project managers negotiate standard values for commonly held items and compensate at those rates. In the case of trees or crops, households may harvest and sell what they can in addition to receiving cash compensation. In Bank-funded projects, villagers have expressed satisfaction with compensation levels for these losses. The most easily evaluated compensation, that for standing crops, has covered the full value of a mature crop in both Bank and non-Bank financed projects observed by Bank missions.

3.17 Village Enterprises. Most village strategies to replace lost incomes depend on identifying or creating off-farm employment. However, the first concern is to maintain production in any village-owned enterprise affected by land expropriation. The 1.1 million collectively owned village enterprises in China, inter alia, help through their profits to fund village education, social services and infrastructure investment. More important, the enterprises employ over 23 million villagers, providing an needed complement to agricultural income. For this reason, villages negotiate aggressively to protect enterprises. In many cases observed by Bank missions, project compensation became the basis for purchases of more modern plant and equipment and expanded production. Township governments respond in the same way when their enterprises must relocate and they facilitate the transition of both township and village enterprises. Because relocating village enterprises remain within the village, input and output markets remain virtually unchanged, as do transport costs, and operations are little affected.

3.18 The one category of village enterprise that may be hurt by relocation is brick factories or other enterprises making use of the land as a direct production input. The loss of that input may drive such enterprises out of business, and villages may have difficulty identifying another low technology enterprise as an alternative investment. In such cases, enterprise compensation funds will often be invested in enterprises controlled by higher levels of government and the labor moved to those enterprises.
3.19 Private Enterprises. Rural people have created over 17 million private nonagricultural enterprises in recent years. Of those, 16 million are household enterprises averaging only 2.3 employees, while the other one million extend beyond a single household and average 8 employees. The 1990 total employment in rural private enterprise of nearly 45 million people equals 10 percent of the rural labor force and roughly matches that of village and township enterprises together. Although permitted by law, private enterprises have had an ambiguous political status that has left them vulnerable to capricious exactions from local officials. Although too early to reflect resettlement, the policy shift decisively in favor of markets at the most recent national Party Congress may provide the legitimacy private enterprises have needed to minimize those problems. But even simple indifference by local government would leave private enterprises without effective representation in compensation negotiations. The only relocating private enterprises seen by Bank missions were home-based, with no immobile capital. In those cases, no compensation was provided to enterprise owners for the disruption or expense of the move. When challenged about this treatment, local officials argued that housing compensation provided adequate protection, by allowing owners to replicate the production environment. Owners themselves often take time from business to rebuild their houses, but none interviewed felt their business threatened. Larger private enterprises would face more complex relocation problems and in some areas may be inadequately compensated. Handling of private enterprises in resettlement is a topic needing closer and more supportive government attention. The problem will only grow as the market economy continues to expand.

3.20 Village Infrastructure. Village infrastructure, including roads, water and irrigation systems, and power and telephone lines, may need to be relocated in response to land expropriation. The project manager has the option of doing the work as part of the project or paying compensation for the loss. Both approaches are used, but villages often press the project to undertake the work and rebuild to a higher standard. If they will be doing similar work in the area anyway, project managers often agree to these demands because the work can be done at minimal added cost and induces village cooperation with the construction teams.

3.21 Asset Compensation—An Assessment. The relocation of housing and enterprises, and the replacement of private and public capital, present relatively few technical or social problems when done within the village. The village must negotiate sufficient compensation to purchase needed building materials, but the land, technology, labor and other inputs are under village control. Existing private and village enterprises face no input or output market changes from this type of relocation, so existing jobs are not threatened and compensation can be limited to the costs of relocation and lost production. This study has highlighted the need to ensure adequate compensation for lost assets and has identified circumstances, particularly those facing private enterprise, in which that adequacy may become an issue.

3.22 One notable attribute of compensation has been its variability, even during the past decade under standardized national compensation guidelines. That variability has three primary causes. First, provinces determine compensation formulas, and variations in those formulas lead to variation in performance. Second, project budgets have typically made inadequate allowance for inflation and a budget adequate in the year it was established may provide too little compensation five years later during resettlement implementation. In some cases, compensation has been renegotiated to redress that imbalance, but the new sums may not fully meet the original standard. Third, projects in which resettlement is a small proportion of total cost tend to offer compensation above replacement value. A result of compensation
variability has been that areas experiencing simultaneous construction projects, as many do in the more rapidly developing areas of China, may have people in very similar circumstances receiving very dissimilar resettlement compensation.

(c) Land and Jobs

3.23 The assets described thus far could be moved short distances and resume their original function largely unaffected by resettlement. The real challenge of resettlement is to deal with the loss of land, the one asset not so easily reestablished within the village. Even though villagers increasingly turn to nonland based employment to earn their living, nearly half of villager net income still derives from crop production. Even village families in which all adults are in nonfarm employment continue to farm enough land to meet household grain needs as well as mandatory state grain delivery quotas. They also maintain small "private plots" on which they grow vegetables, herbs, and other crops of their choice. When a new road cuts through a village, some of that land will be lost and the village must use its compensation to replace employment and income lost with the land.

3.24 Fundamental to village strategies is the need to assure that all villagers have enough land to supply their own grain needs. Depending on agricultural conditions, the requirement is generally for 0.3 to 0.5 mu per capita. If, after expropriation, average village land availability falls below the subsistence level, the village has the right to convert members to nonagricultural status, reducing village population sufficiently to meet minimum cultivated land needs. If a village loses substantially all of its land to a transport or industrial project, it may be converted in its entirety to urban status (see Box 3.1). Note that such conversions are almost never granted in the reservoir projects that more typically lead to the loss of all village land.

3.25 Expropriated village land may have been individually cultivated but was collectively owned. In response to that ownership, the burden of expropriation is borne by the entire village. Those losing contract land to the project retain rights to other land that are honored through redistribution of the village land remaining after the expropriation. The redistribution takes as many forms as the village strategies for using compensation funds to restore income lost with the land. Village choices range from intensifying or diversifying current farm operations in order to raise net incomes per unit of land to placing all excess labor into nonagricultural employment and making no changes to farm operations.

3.26 China's average crop yields are among the world's highest for all of its major crops. Modern seed varieties have extremely high adoption rates and agricultural inputs are at or close to profit maximizing levels under the current price regime. For those reasons, agricultural intensification offers little promise as a strategy to replace lost income. By contrast, specialization in nongrain crops has been a powerful tool in successful resettlement. In an attempt to maintain grain production in the face of unfavorable relative prices, the government has long mandated grain-intensive cropping patterns. Under that regime, the supply of various minor crops has been held artificially low and profits high. Thus, the rights to grow those crops or to convert the land to fish ponds can have very high value. The government continues to give those rights as a supplement to resettlement cash compensation in many areas. In Changxing county, Zhejiang, for example, the Taihu Basin Flood Control Project acquired cultivated land to build dikes. The builders obtained fill for the dikes by excavating on acquired land behind the dike line. The excavations were then contoured for fish and pearl ponds and given to the
Box 3.1: Conversion of Residence Status

The off-farm employment resettlement strategy is designed primarily for families that will continue to maintain grain ration land in the collective. When expropriated land is so extensive that ration land cannot be offered to all members, the state offers a more definitive means of relieving the population pressure on the collective. They do so by switching some collective members to nonagricultural status, shifting all of their entitlements (although not necessarily their residence site) to urban status. The technique is used particularly when the village is within an area zoned for urbanization. In those cases, villages gradually convert to urban status as enterprises successively occupy remaining farm land. When conversion is a possibility, the number of conversions allowed in connection with a project becomes one of the elements of resettlement negotiation.

If a village losing all of its land is in an urbanizing area, the entire village will be converted to urban status. When this happens, all village assets, including the project resettlement compensation, are taken over by the municipal government that will absorb the villagers. All land becomes state owned, although housing typically remains privately owned. The municipal labor bureau takes responsibility for finding employment for all working age adults who do not already have off-farm jobs. Those for whom work cannot be found are provided with subsistence stipends that will continue throughout their lifetime. Village governance shifts to the municipal form, where neighborhood committees serve as the local arm of district governments. This type of resettlement permits no land-for-land transfers and those preferring to remain in agriculture as sole proprietors do not have that option. They may be able to rent land elsewhere, but land markets are not well developed in China. The rapid pace of urban development in China over the past decade has meant that urban conversions affect tens of thousands of people annually. Generally, rural residents welcome the opportunity to change status, for with the change comes the right to urban employment for younger people and the range of social benefits enjoyed only by urban people.

Villagers. In that location, the resettlers ceded land yielding net incomes of about Y 330 per mu and in return received cash compensation of Y 3,000 per mu and rights to ponds with about half the original paddy surface area, but that should be able to yield the county average of Y 1,000 per mu net income. Here, resettlement gives substantial promise of leaving villagers better off. However, the relatively high income from fish and pearl ponds has been sustained by provincial restrictions against converting grain land to other uses in the Taihu basin area. Were those restrictions to end, and in reaction to grain surpluses Zhejiang is doing so on an experimental basis, many more ponds would be dug and net incomes fall. The resettlement strategy of authorizing exceptions to cropping rules, both commonplace and successful over the past two decades, will be rendered ineffective if cropping restrictions are dropped. As that happens, the search for substitute income sources will become more difficult and projects will have to pay increasing monetary compensation to guarantee a satisfactory resettlement outcome.

(d) Land Reallocation

3.27 Even when crop specialization alone can replace lost income, villages must decide how to reallocate land. They must also decide who remains on the land and who works off of it. Villages have considerable freedom in deciding these issues and the range of allocation techniques can best be illustrated through examples drawn from recent resettlement efforts:
(a) Shangchen Village, Jinhua City, Zhejiang. This village recently lost land to the Zhegan line double tracking under the Railway V Project. Double tracking of this line had been considered as early as the 1950s and the needed right of way has long been known to the village. When the village allocated land to households in the early 1980s, the land in the right-of-way was kept in collective control and cultivated on annual contracts awarded by bid. The acquisition of the land removed this element of flexibility from village agriculture but required no special reallocation of existing land. In addition to compensation funds awarded to the village, the county guaranteed one off-farm job for each 0.5 mu of land lost (approximately the per capita holding). Village leaders awarded the jobs to families based on their circumstances, with preference first to those with no members in outside wage employment. Resettlement provided village leaders with patronage opportunities and villagers with valued off-farm jobs.

(b) Mache Village, Jinhua City, Zhejiang. This village lost 52.3 mu of cultivated land, also to Zhegan double tracking. Unlike Shangchen village, Mache had placed all land under long-term contract. The village compensation plan allocated the county jobs to households losing their contract land, also at the one job per 0.5 mu rate. Those households then had the option of placing members in the jobs or selling the job rights to other households in exchange for 0.5 mu of land rights plus cash, with a ¥2,000 per mu transfer fee going to the village. The jobs were considered very desirable and families selling job rights enjoyed a one-for-one land exchange and windfall profits averaging ¥5,000 per mu. Part job shares could be sold for cash to those buying part shares to make up a whole. This village allowed the immediately affected families to capture most of what turned out to be excess compensation.

(c) Quji City, Zhejiang. An administrative village in this city had the same land rights system as villages in Jinhua City. Seven village production groups lost a total of 46 mu of land, for which they were allocated ¥130,000 compensation. Of that, the administrative village kept ¥12,000 to improve roads and irrigation, each production group held aside ¥5,000 to pay village laborers doing maintenance work on irrigation or other infrastructure, and the remainder was allocated to village households on an equal per capita basis. The land loss was absorbed by reallocating all village land, and families received cash payments equaling about six times the net income from land lost. Using Chinese resettlement norms, about 50 jobs were lost in this process, and 12 people were placed in township enterprises, while the rest found their own work. The village has many successful private enterprises and outside employment can be easily found in Hangzhou or Shanghai, so employment has not been a problem.

(d) Xiaoshan Village, Dayi Town, Changzhou City, Jiangsu. Like many villages in the Taihu basin and other areas with highly developed township and village enterprises, most Xiaoshan villagers farm only part time. Virtually all of the 1,105 village labor force is in TVEs. They will lose only 3.5 percent of their land to the project and plan simply to reallocate land equally to absorb that loss. Compensation funds will go toward the working capital fund for their enterprises. Village leaders calculate that increased income from enterprises,
both as wages and distributed profits, will more than replace income lost from the land.

3.28 Despite the creativity shown in reallocating land in project affected villages, village leaders consistently report the task as one of the most daunting they face. Particularly in an era of lengthening land tenure, farmers fight to keep their best land and fight against being given the lowest quality land. Village leaders describe a process of seemingly endless meetings with groups of various composition as they hammer out agreement on redistribution. Negotiations are much easier when land losses will be immediately compensated with off-farm jobs, which, coupled with low returns to agricultural investment, helps explain why villages facing resettlement tend to look toward off-farm employment as the best solution to resettlement problems.

(e) Off-farm Employment

3.29 Off-farm employment strategies face three problems. First, markets drive the development of off-farm employment and while village entrepreneurs can help take advantage of opportunities, they have little or no control over the markets themselves. Local resettlement planners frequently comment that a vigorously growing economy is more important than high levels of compensation in creating secure off-farm employment. Second, about half of off-farm employment is generated by township and village enterprises and another half by private enterprise. In most cases, villages were unwilling to fund private enterprise resettlement, thereby forgoing important opportunities. Third, if all their land is expropriated, village laborers lose control of an annual agricultural net income that in most cases yields no more than Y 700 per year. Resettlement regulations require the replacement of that lost income and compensation formulas are based on crop income levels. Yet the regulations also imply that lost jobs should be replaced one-for-one with new jobs. When those jobs are in TVEs or state-owned enterprises, the lowest wages run about Y 1,000 per year, implying a clear gain in welfare for resettling workers. However, the compensation designed to recreate a Y 700 a year income has consistently proven inadequate to fund the investment needed to create the higher-paying enterprise jobs (see Box 3.2).

Box 3.2: THE COST OF OFF-FARM EMPLOYMENT

Zhoushuqiao village, Changshou city, Jiangsu, illustrates the difficulty of funding job-for-job resettlement. Zhoushuqiao will lose 105 mu of land to the Taihu Basin Flood Control Project. The village has 950 members, of which 500 are in the labor force, and originally had 895 mu of land. Based on the average land holding in the village, project documents estimate that 111 people will be affected by the project and 58 laborers will be displaced from agriculture. Compensation negotiated for labor resettlement averages just under Y 5,000 per mu of expropriated land for land yielding a net income of Y 380 per mu. The compensation appears generous at over 12 times net income. In this village, each laborer works an average of 1.3 mu, yielding Y 680 net, but would be resettled into an off-farm enterprise where workers average Y 1,600 in annual wages. With collective enterprise capital/labor ratios in Jiangsu averaging a high Y 13,800 per worker, the Y 9,000 per laborer compensation is inadequate to create the needed jobs.
Outside of the eastern seaboard, Chinese townships or villages have comparatively little collective enterprise. However, where township and village enterprises find markets, investment at this level proves an extremely effective source of employment. TVEs have much lower capital/labor ratios than state-owned enterprise, promising more employment per unit of investment. Furthermore, TVE gains in total factor productivity outpace any alternative form of production in China, helping them consistently increase market share in a broad variety of products and services. Their organizational and production flexibility and community ties have allowed them to survive market reverses while maintaining employment. Worker incomes rarely match those in state owned enterprises, but easily exceed average agricultural incomes. However, TVEs function in ever more competitive markets with narrowing profit margins. The low transport costs, strong management and marketing, and rapid technical innovation key to successful operation are not found everywhere.

Whether township or county government becomes involved in resettlement is linked very closely with the perceived ability of villages to create jobs. Where that ability is unquestioned, all compensation funds stay with the village and government only audit fund use. More commonly, townships or counties expect to arrange part or all of the employment themselves, and reserve the labor resettlement funds for their own use. The off-farm job creation efforts of local government show clearly their commitment to successful resettlement. In part, the commitment is born of the rewards to local government for successful enterprise development. Such development provides local government with independent sources of revenue and its leaders with considerable patronage powers. For township and county governments, resettlement induced by a central or provincial government projects provides the opportunity not only to tap job resettlement funds, but also make successful claims for increased shares of bank credit, tax rebates and holidays, and direct investment by various ministries. These claims are based on the problem noted in Box 3.2, that compensation may not always meet the financing needs of job-for-job resettlement. A variety of complementary policies and financial subventions have been noted in Bank-funded projects, which in some counties have effectively doubled the nominal resettlement compensation levels.

Where townships cannot create the needed jobs, county enterprises of various types become another category of possible employer. Bank missions have found a strong preference among rural workers for county jobs, which offer security, status, and opportunities to move from village to town life. County enterprises benefit from the patronage of county government, which, protective of their revenue, fight to maintain markets and income. However, county enterprises have had difficulty performing as well as TVEs. Because they are the principal employer of town residents, they tend to mimic the overstaffing of large state-owned enterprises and to be shunned by foreign firms seeking joint venture partners. Their high labor costs and capital/labor ratios also make it more difficult to create jobs from a given sum of resettlement compensation.

An important indicator of the commitment of county government to resettlement is their use of county enterprise as an employer of last resort in resettlement. In a number of counties visited by Bank missions, county governments have obligated their enterprises against management wishes to employ specific numbers of resettling people. Enterprise managers explained to Bank missions that they already had adequate or excess staff and that the labor compensation offered them by the county, usually about a year's wages and benefits, was insufficient to justify hiring additional workers. In these instances, the county government simply socialized the cost of resettlement by dispersing resettlers among their enterprises.
Depending on the number of resettlers thus employed, the cost to this approach may be substantial in terms of lost enterprise efficiency and profits, as well as in management morale. Any such costs will eventually be borne by the county government in the form of reduced profit and tax revenue.

3.34 In transport projects, the most glaring off-farm employment problem identified by Bank missions has been that village, township and county officials generally ignore the potential for private enterprise resettlement. Private enterprise, the most rapidly growing segment of the rural job market, has generally lower capital requirements, more flexible employment, and can operate at a scale more appropriate to many service and some production needs. In only two cases known to Bank missions did resettlement officials for nonreservoir projects actively assist private enterprise. In a township under the Shandong Provincial Highway Project, officials allocated 20 percent of resettlement funds to support private enterprise development. In Xiaoshan village, Dayi town, Changshou city, Jiangsu, village officials planned to offer resettlers well located plots and access to electricity for roadside stalls providing commercial services. In other locations, officials were generally indifferent or hostile to the use of resettlement funds to support private enterprise. They cited either the provision in the land law against private distribution of resettlement funds or the difficulty of monitoring the actual use of such funds to bolster their position. It would appear that among local governments hungry for additional resources, the loss of control over funds implied by giving (or lending) them to private enterprises discourages such use even when it may be the cheapest means of reemploying displaced labor. Only when no other opportunities present themselves does local government accede to such use. The failure more generally to take advantage of this source of jobs substantially increases the costs of resettlement and is one area in which policy change could foster more effective resettlement.

3.35 The forgoing description of the transport, canal, and industrial project resettlement process explains why such resettlement rarely exacerbates vulnerability among the village population. The unimpaired functioning of village social welfare systems adequately protects those traditionally most vulnerable—households of older or infirm people without sufficient labor to sustain themselves. The resettlement minimizes disruption to informal social welfare activities by maintaining people very near their original location in their village. Because this type of resettlement presents very little or no financial burden, and, indeed, many villagers remain unaffected, people in social networks maintain their ability to help one another. The one group that has been identified as becoming more vulnerable are older people, particularly women, in projects that take most of the village land base. Villages generally attempt to allocate remaining land to older farmers, but in urbanizing areas too little may remain to support commercial agriculture. Nonfarm enterprises that absorb resettlers typically set maximum recruitment ages at 35 or 40 years. Older farmers are left to find unskilled day wage employment or become self-employed, an option more available to older men than older women because of their different roles in the household and the social division of labor. In projects visited by Bank missions, older people forced out of agriculture and unable to find regular employment are often given very modest pensions. The pensions have not protected them from substantial income loss and a premature reliance on others for financial support. For example, the Taihu Basin Project in Haiyan County, Zhejiang, expropriated all land from one village. A 48 year old female village resident who had been netting a particularly high Y 3,500 a year growing vegetables was too old for permanent nonfarm employment, and instead was eligible
for compensation only in the form of an Y 80 a month pension. Her husband’s continued employment in a well-paying job averted a family financial crisis, but the woman’s own role in her family will be diminished by the change and she herself resented the loss of a good independent income. Such people comprise a very small percentage of transport project resettlers, but are the one identifiable group to suffer a loss.

B. RESERVOIR RESETTLEMENT

3.36 The second model applies to water control projects, primarily dams, the reservoirs behind which force villagers to abandon their land and houses and move to a new location. China has the most resettlement consequent to reservoir construction of any country, having moved over 10 million people in the past 40 years, with a maximum for a single project of 383,000 at Danjiangkou. That record will be dwarfed by the planned 1.1 million people to be moved for the Three Gorges dam. Reservoirs in Bank-funded projects have caused much more modest resettlement, ranging from 5,000 people at Lubuge to 67,000 at Shuikou. Involuntary reservoir resettlement faces the same initial approval requirements as those for transport and industry described in para. 3.4, but in addition the substantial planning requirements detailed in paras. 3.44 to 3.51.

Strategy

3.37 Government regulations require that the living standards of reservoir resettlers "gradually reach or surpass their previous standard." Furthermore, resettlement will be land-based: it "shall relocate people by moving them backward in the same area. Those who have no place to move backward may reclaim wasteland and shoals, share the land, move to other areas, etc." If sites with sufficient land can be identified, villages will be moved as a whole. Once moved, agricultural land will be allocated to households, with the minimum goal of subsistence grain holdings. Lost household and village assets will be replaced and estimates will be made of the income producing potential of the land. Where that potential is judged to fall short of before-project income levels, off-farm jobs will be created sufficient to replace the lost income. Unlike transport projects, no preference is given to a particular administrative level when creating jobs. Also in contrast to transport projects, primary responsibility for planning and implementing resettlement rests not with the affected villages but with project and county officials.

3.38 The project manager expropriating land provides compensation negotiated within the framework of the water control project resettlement laws discussed in paras. 2.5 to 2.7. Household compensation is calculated for lost housing, wells, trees, outbuildings, and other household assets. Depending on the project, resettlers are given the compensation and rebuild their own houses or contractors are hired for the job. Ideally, contractors are hired to rebuild village owned infrastructure ahead of site occupation, but if that is not done the village may undertake the work itself. Any investment to upgrade cultivated land, typically through field levelling and irrigation, will be funded by the project and undertaken by contractors for the major works and villagers for the field works. Township and county governments play a much more important and pervasive role in the entire range of resettlement activities in reservoir resettlement than they do in transport resettlement.
Evaluation

3.39 One very experienced Chinese resettlement official in 1991 characterized difficulties in domestically funded reservoir resettlement through what might be called "Chen's Eight Problems." These are: (a) estimates of the affected population are always too low; (b) estimates of the needed investment are always too low; (c) land acquisition is always more difficult than anticipated; (d) the progress of resettlement always falls behind schedule; (e) the return to normal production always takes longer than estimated; (f) organizational problems always plague resettlement; (g) the psychological pressure on everyone involved in resettlement is always enormous; and (h) coordination between various agencies is always difficult. Each of these problems has been noted in one or more of the five Bank-funded reservoir projects in China. Indeed, the list might serve as a summary of resettlement problems in any country. Problems (f), (g), and (h) are intrinsic to any social operation of the size, complexity, and, for any given population, uniqueness of reservoir resettlement. As discussed in Chapter 2, Chinese social and political organization and culture provide a strong basis for dealing with such problems and they appear to be handled as well in China as anywhere. The problem of population undercounting has been found in two Bank projects as well and stemmed not from a failure to identify people during project preparation but from population increase estimates based on government targets rather than actual experience and from over-optimism about the impact of the reservoir on the livelihoods of those on the reservoir margins. The latter problem, in turn, relates to the core set of Chen’s problems—those of restoring livelihoods.

3.40 The difficulties of reservoir resettlement in a densely populated country with an extremely productive agriculture and very little unexploited land cannot be underestimated. In China, dams and their reservoir areas are typically found in rugged terrain distant from major markets, highly dependent on agriculture and facing relatively difficult communications. Reservoirs submerge the valley bottoms where the best, well-watered soils are found, leaving farmers only the adjoining slopes and ridges, which themselves will be available only if they were unable to support a farming population in the past. Substantial increases in off-farm employment typically are limited by a labor force less well educated than the national average and a weak enterprise base upon which to build. Solutions to these problems are costly, involving capital intensive investments in land levelling and irrigation systems for agriculture and patient nurturing of low return investments in the industrial and commercial sectors. Over-optimism about the cost and time needed for these investments to succeed underlies the remaining of Chen’s eight problems.

3.41 Bank-funded projects have not been immune to the overoptimism and share also a problem generic to Chinese projects—that of underestimating inflation. In two of the Bank dam projects, Lubuge and Shuilou, resettlement cost overruns reached 100 percent, while a third, Daguangba, with resettlement implementation just started, already faces the need for a 40 percent budget increase. These examples suggest an order of magnitude for the underfunding of non-Bank projects, which typically provide much smaller price contingencies than do Bank projects. In Bank-funded projects budget shortfalls have been rapidly remedied, a clear advantage over domestically funded projects where delays in supplementary allocations often reach three or more years.

3.42 Two contrasting Bank projects illustrate the importance of project location in resettlement. The Shuilou Hydropower Project is located near Fuzhou, one of the most quickly growing cities in China. After a faltering start and substantial cost overruns due to inflation,
Shuikou resettlers have now integrated into the Fuzhou economy through a range of off-farm enterprises. Tree and other agricultural crops are playing a much smaller role in income generation than anticipated, while commercial and industrial enterprises are more important. Resettler incomes appear to exceed those before resettlement, housing quality has improved and the prospects for continued growth appear excellent. By contrast, the Yantan Hydropower Project is located in karst highlands several hours from Nanning, a city growing much more slowly than Fuzhou. The project has not experienced cost overruns and the resettlers are pleased with their generally higher housing standards after relocation. However, the resettlers are experiencing very high unemployment rates and most remain dependent on government grain rations. Little land remains that can be cultivated, tree crops have not done particularly well and few opportunities for industrial or commercial enterprise development have been identified. Investment funds are available but local people complain of a lack of profitable ideas. Indeed, lacking mineral or other resources not found in areas closer to major markets, the Yantan area can expect to have difficulty developing industry or services. The conclusion from this and similar experiences is that those activities under project control, such as house and local infrastructure construction, can be and are done well when funds are sufficient. But the major determinant of long run resettlement success—the creation of employment for displaced labor—depends as much on the external economic environment as on project investments. The Chinese emphasis on local resettlement means that most reservoir resettlers will struggle in marginal economic environments. Yantan resettlement managers now respond to this challenge by supporting out-migration from the reservoir zone. For all its risks and difficulties, that would appear to be an important and underused component of almost all sizeable reservoir resettlement efforts.

3.43 Analysis of reservoir resettlement experience shows the importance of erring on the side of generous resettlement funding, encouraging a mix of collective and self resettlement, maintaining a large proportion of people in the original cropping system even if that is possible only through resettlement outside the county, and funding any financially feasible enterprise, be the ownership private, collective, or state. The difficulties and expense of job creation perhaps motivate the weaker legal standard of protection provided resettlers in this type of project compared to transport, industry and urban projects: that they "will gradually reach or surpass their previous standard." However, this study argues that if those standards are regained only after some delay, it should be through circumstance, not design. In this light, MWR's interpretive remarks disseminated with the 1991 reservoir resettlement regulations give pause: "Very often, whether a water and hydropower project is able to start and whether it will be able to finish on schedule is no more a technical problem. It is restrained by resettlement. For some projects where land requisition and resettlement were involved, the local residents were asking for too much. The project was not able to proceed as scheduled before their unreasonable requests were met, thus creating loss and waste. With legislation, every party will have something to follow. This is very important for ensuring the completion of water and hydropower projects on schedule." Given that the 1991 regulations relaxed the 1985 design requirement of maintaining real incomes, that reservoir compensation standards are below those of transport and industry projects, that earlier Chinese reservoir projects had a history of impoverishing resettlers, and that problems continue with reservoir resettlement funding and job creation, the MWR interpretation appears counterproductive. Yet, for all of the problems with reservoir resettlement, the Chinese government has been very responsive to problems identified in Bank-funded projects and resettlement experts with broad international experience consistently rate recent Chinese performance as among the best in what is an inherently difficult business.
Planning and Implementation

(a) Popular Participation

3.44 In rural reservoir resettlement, villagers play less of a role in planning and implementation than in the transport cases described above. The design institute responsible for dam design typically prepares the resettlement plan down to the village level. Only after the resettlement plans are approved do villagers and village leaders begin to play a more active role, including site visits. Current reservoir resettlement design practice neither mandates nor prohibits villager participation in the layout of new villages, choices about housing design, and other design elements that will intimately affect their daily lives. Yet the value of such participation came out vividly in the Daguangba Multipurpose Project. There, two adjoining counties followed different models of participation. In Dongfang county, participation was not encouraged, resettlement villages are laid out much differently than the original villages, and people have many complaints about housing design and construction quality. In Ledong county, with the same housing budgets, village participation led to a village layout conforming much more to the accustomed style and villagers are permitted to alter their house design and participate in construction. Villager contributions of labor and some construction materials have allowed more spacious housing of higher quality in Ledong. The cost to participation has been in county resettlement staff time and, of course, the time of resettlers themselves. However, the relative levels of satisfaction between villagers in the two counties suggest a very high return to the additional input. The government should require that all village resettlement plans be presented by planners in village meetings as soon as the project is confirmed, with the expectation that at least some changes can be made to accommodate villager suggestions.

(b) Planning

3.45 The requirements for preproject resettlement planning and for the county to act as implementing agency both testify to the complexity of this type of resettlement. Here, the role of planning in the reservoir resettlement process will be described first, followed by a discussion of implementation.

3.46 Planners have a hierarchy of desired outcomes for village relocation. Optimally, the resettlement plan minimizes the relocation of villages outside of their original administrative unit. The initial site search will be restricted to the administrative village in which the village is located. Within that restriction, planners seek land at higher elevation in the original valley that can be brought under cultivation, or on which cultivation can be intensified sufficiently to sustain the village. If such land cannot be found, the search is broadened to the affected township. If the affected township cannot accommodate all resettling villages, then other townships in the affected county with blocks of uncropped land or land that can be substantially upgraded are considered as resettlement sites. If inadequate land exists within the county to satisfy resettlement needs, then land in the project command area (if any) may be allocated to resettlers.

3.47 One characteristic of Chinese agriculture is the general unavailability of arable, uncultivated land. A central element of the collective agricultural strategy pursued from 1958 to 1978 was the extension and intensification of annual crops, especially where that could be done by relying on labor-intensive investments. The freer marketing of the last decade has increased the use of other land for tree or bush crops. The result is that almost any land suitable
for resettlement is already used by villagers. Resettlement planners are most often left looking for land where irrigation, field levelling, and other investments promise substantial yield increases, but the expropriation of which will leave the host villages with sufficient resources to maintain their incomes.

3.48 Often, land fitting the above description is insufficient to permit entire villages to resettle as agriculturalists in one site. When faced with this problem, planners have two means of reducing the number of people resettling in the village, and a third to reduce pressure on agriculture. First, villagers with parents or spouses holding urban residence permits may be permitted to change their residence to urban and join the person already holding that status. Second, villagers may be given the opportunity to resettle themselves. In the second case, if villagers can identify another village that will accept them, their share of the village compensation will be given to the receiving village and they will then shift their official residence to that site. Finally, as a complement to those measures, planners can identify or invest to create off-farm employment opportunities for remaining villagers. This technique, essentially that used in resettlement described under transport and industry, relies on a combination of collective and state owned enterprises for jobs. The plan for the Yantan Hydroelectric Project resettlement, for example, calls for 36 percent of farmers now in diversified agricultural production to shift to either local industries or specialized forestry production.

3.49 Simultaneous decisions must be made about resettlement destinations and land and nonfarm enterprise investments. Alternative resettlement scenarios have different mixes of land based and nonland based resettlement, and in land-based resettlement, different strategies for land improvement. Once developed, the scenarios give planners a clear sense of what might be called the income generating element of resettlement costs. The decision about resettlement sites also allows the cost of infrastructure development to be estimated, including schools, health clinics, and other social service facilities. Any collective or state enterprises that will be inundated are valued at replacement cost and, where possible, new sites selected for them. Replacement housing compensation is estimated based on the value of the existing housing stock, as are other household assets that may be lost in the move. This part of the planning process also entails preliminary judgements on relocation of affected towns and cities.

3.50 The submitted preliminary design must include copies of design cooperation agreements with local government and affected ministries; 1:10,000 maps of the reservoir, noting major settlements and cultivated land; indices of physical losses, including private and public assets; indices of national income lost to the reservoir; preliminary resettlement plans; proposed levels of compensation for land purchase and removal of current residents; and overall budget estimates.

3.51 If preliminary designs are approved, the technical design stage begins. This iteration of the planning process covers the same range of topics as the first, but in greater detail. The submitted technical design must include careful delineation of the reservoir boundaries; information from surveys of asset losses to the individual level; more detailed planning of the timing and siting of resettlement, including production plans and community designs; infrastructure engineering plans and schedules; revised budget estimates and estimates of quantities of major inputs needed for resettlement.
The planning requirements form an impressive list of activities that are indeed critical to resettlement. However, a review of Bank-funded projects and discussions on those domestically funded brings out a major problem with the planning process. Although local governments are rightly made responsible for planning the details of resettlement, until the project implementation budget is approved (after submission of the technical designs) they are given very little funding. The result is that resettlement plans are at best indicative, with little effort made to prove the feasibility of the proposed strategy. As a consequence, unanticipated difficulties often arise during implementation that can be costly both financially and in terms of dam construction timing (see Box 3.3).

**Box 3.3: RESETTLEMENT PLAN FEASIBILITY**

In the Daguanba Hydropower Project the feasibility of one major resettlement site is contingent upon providing irrigation water. The technical designs called for three small reservoirs to be built that would serve this function, but when implementation began (after final budget approval) engineers discovered that approach to be infeasible. They turned in late 1992 to another design, a single dam that also required rethinking of field layouts. The project was left with seven months to complete designs, bid the job, and finish construction before the rainy season. Failure to finish the dam and associated canals would mean a delay in filling the main reservoir or hasty resettlement of people to an area that will not support them. Because of the lack of time to assess the hydrology of the newly planned irrigation reservoir, engineers are building it even though they remain uncertain that it will supply adequate irrigation water. If it does not, they plan to put in tube wells and irrigate through conjunctive use of groundwater and surface runoff. However, they have not put in test wells to confirm the feasibility of that approach.

**(c) Implementation**

Implementation varies between villages and towns on the reservoir margin that lose only part of their land or housing and those facing total inundation. Villages straddling the reservoir full supply level are treated much like villages in transport projects, with residents expected to remain within the original village boundaries, land to be reallocated, and newly surplus labor absorbed through specialty agriculture or nonfarm employment. These villages receive somewhat closer supervision than they would in a transport project, but they also face more difficulties. Compensation for lost buildings will approximate that in other projects, but land and job compensation is likely to be lower and they will be competing for resources with villages suffering much greater losses. Furthermore, a crucial assumption, that transport and input and output markets remain unchanged is much less likely to hold for these villages. Roads are often substantially realigned and market towns may shift location, which can either improve or impair communications. These changes will also affect the locus of village social and cultural life.

The administrative and social service facilities and communications infrastructure of resettling villages and townships tend to be improved over the original. Full replacement value is paid for existing productive enterprises and these are reestablished where input or output markets are not disrupted. Careful attention to the community aspects of resettlement mirrors and supports efforts to maintain original power structures throughout the move. Where successful, the effort to maintain villages within their original administrative village (or failing
that, township) boundaries keeps intact the political and social relationships that extend through the county hierarchy. Because implementation responsibility devolves to the lowest possible level, local leaders play an active role in resettlement, which also helps them maintain their authority. The main threat to this authority comes if the village relocates outside of the township, or worse, the county. In those cases local leaders have built no political capital on which to draw in the new environment and their in-migration is unlikely to result in net positive resource flows for the host community.

3.55 Despite the efforts described above, fully inundated villages face the classic array of problems associated with reservoir resettlement. Most villages will be moving from well-watered, deep river bottom soils to rainfed or newly irrigated, much less fertile soils. The unsuitability of available land to traditional farming systems can be marked by the proposals to shift villages from highly diversified production systems to specialization in forestry, orchards, medicinal plants, or a variety of other products with novel production cycles, new markets and higher risks. Discussions with local planners reveal a very tenuous command of current or prospective market conditions for proposed specialty crops. In addition, some recent non-Bank projects have had difficulty with housing resettlement because compensation sums budgeted before the high inflation of 1988/89 proved insufficient when rebuilding began. The need for budget adjustments has been acknowledged in those projects, but delays in providing the additional finance have left resettlers with the unhappy alternative of building to lower standards or waiting in temporary housing.

3.56 The changes in production systems bring changes in the household allocation of labor and other social roles. They may also have a substantial impact on cultural forms, although this has been little explored in Chinese reservoir resettlement. A study of the social consequences of resettlement in the Shuikou Hydropower Project described in para. 3.42 showed that a consequence of relocation and the shift to off-farm production has been a shift in power within families, particularly from older to younger women as relocation enabled the latter to establish separate households and generate relatively more income from off-farm jobs. Other projects also offer evidence that older people generally lose power during these production system shifts, as younger people are preferred for wage employment and, because they are better educated, tend to adapt more quickly to the new systems. The magnitude of the production and market risk and social effects from these production system changes argues that more use should be made of early trial resettlement, permitting tests of the strategy before committing large numbers of resettlers.

3.57 Host Communities. China shares with other countries nettlesome problems in handling the host population, but avoids those problems in all but reservoir resettlement. In transport and industry resettlement, by defining the affected population as the entire village and redistributing resources and opportunities at that level, there is no host population, simply a group equally affected that must devise for itself a strategy on how to use the compensation to make up its losses. For many years reservoir resettlement practice in China was to integrate resettling communities with existing communities, letting them share the existing resource base. This was done with little or no compensation for the hosts, with the result that friction quickly developed between resettlers and hosts. The current practice is to resettle communities on land between existing villages that is not currently in grain crops or which has a relatively low yield. Investments are then made in irrigation, field levelling, and other measures to increase the productivity of the land, with the host community being compensated for the lost land. Often the host community receives only cash, although they may share new or upgraded roads, power
supplies, or other infrastructure put in for the resettlers. In the Ertao Hydropower Project, project negotiators encouraged host community initiative in determining the optimal mix of compensation: new roads and upgraded schools were chosen. The success of that effort reinforces the importance of similar participation-enhancing mechanisms.

3.58 Local governments recognize that the newly developed land is in many cases inadequate to support the resettling population, and in these cases off-farm employment solutions are sought. Where villages resettle outside of the original township, off-farm employment generation becomes more difficult. The resettling community will not be as aware of opportunities as the hosts, and where the appropriate level of investment is the township, the township will have to mediate between the interests of its natural constituency, the host population, and the newcomers. Where resettlers are shifting into nonagricultural occupations, the host area government takes responsibility for their employment, receiving for that purpose their job resettlement subsidy. In cases known to the Bank, the option of off-farm employment has not been extended to the host community, although they are free to develop such employment using their land compensation. The government should support experiments that offer host communities opportunities to trade high quality land for a share of the newly created off-farm employment opportunities. This would ease tensions and provide a stronger agricultural base for the resettling population.

(d) Vulnerable Groups in Reservoir Resettlement

3.59 The entire affected population is left much more vulnerable in reservoir resettlement than in transport and industry resettlement. Villages are moved and sometimes divided. Neighboring villages will be different after the move and friends and relatives from those villages no longer close at hand. Problems with host communities are common, with resettlers in a weaker position. Although the formal village social welfare system will continue to function and may indeed have extra resources, members of informal networks will all be sharing the stress of resettlement and therefore less able to provide extraordinary assistance to one another. Older and less well educated people are particularly at risk of losing status, as the off-farm job opportunities and new farm technologies are offered first to those with junior middle school educations and in prime working years. The poor are unlikely to have the needed qualifications for nonagricultural employment and, with a reduced land base, will have more difficulty than other families in regaining their previous income levels. Field studies in Bank projects have not shown minority ethnic groups to be particularly disadvantaged in reservoir resettlement, for where they are found they have been and remain the dominant local population. The effects on women depend very much on how the farming system changes and on village infrastructure development and the relocation site. New housing may reduce the demands on their labor, while delays in providing community water taps will increase time spent obtaining water. In Shuikou, off-farm employment opportunities for women have been abundant and field studies report increasing power for the women finding such jobs. All vulnerable people suffer deteriorating incomes due to the decline in occupations such as raising domestic animals, growing vegetables, weeding fields, and a myriad of other chores linked to the previous farming system. These people face the longest wait in restoring incomes.

C. URBAN RESSETLEMENT

3.60 The upsurge in urban construction over the past decade has made urban resettlement the dominant type, affecting 8.5 million people in the 1980s. The urban
The resettlement model applies to all urban projects, regardless of type. The urban-rural distinction arises not simply out of intrinsic differences between urban and rural production systems, but more importantly in the fact that in China all urban land is owned by the state. The act of expropriation is therefore one of acquiring not title to land, but rights to use that land. Affected institutions are much more likely to be state owned than in rural areas and most urban residents live in housing rented directly from the municipal government or from their state controlled employer. The state, as expropriator, in urban areas often takes from enterprises it already owns. This special feature of urban resettlement has led the state to develop resettlement law, regulation, and practice unique to urban areas.

Strategy

3.61 The urban resettlement strategy requires that resettlers be provided, within the city, replacement facilities of equal or higher standard to those requisitioned. In most cases, the replacements are physical facilities, although some enterprises, particularly those engaged in industrial production, may choose to be given cash compensation and reconstruct their own facilities. Removal costs, including those for temporary housing and income losses during the transition, are to be borne by the project. Through relocation most enterprises will be able to continue functioning, thereby protecting against job loss. If job loss does occur, the municipal government assumes responsibility for finding a substitute job and paying unemployment compensation.

Evaluation

3.62 The urban resettlement magnitudes overstate the resettlement problem. Many Chinese projects causing urban resettlement have been housing projects or had housing components. In Shanghai in a recent year, for example, approximately 85 percent of all resettling families fall in this category. In those cases, the strategy has typically been to temporarily relocate people during construction then move them back to the original neighborhood and higher quality housing than they originally had. Such projects have resulted in substantial increase in floor space, amenities, and housing quality for the affected families. Families in these projects accept what may be a two year temporary move as a price willingly paid for the prospect of much better living conditions in otherwise familiar surroundings.

3.63 Even when the project does not include housing, Chinese urban resettlement in a variety of cities studied by Bank missions has consistently resulted in increased housing standards for resettlers while protecting them from job loss. In some large cities, the housing improvements have been offset at least partially by inferior locations that result in much longer commutes and more difficult access to the commercial and cultural resources of the city. Nonetheless, the political imperative of maintaining urban welfare has to date insured a very satisfactory resettlement experience, an outcome with few equals in Bank urban projects outside of China. Not surprisingly, such performance is expensive. A recently completed Bank study on the urban land market in China has identified those high costs as a major impediment to the successful restructuring of urban China and recommended a number of possible responses that would lower the costs. Some cost savings can be found by providing matching, rather than improved, accommodations, but substantial savings can also be gained from housing reforms that broaden the pool of available replacement housing. This topic is addressed again in Chapter 5.
Implementation

3.64 Implementation may be undertaken by the project or contracted to a licensed agency. For projects of major importance, such as those financed by Bank loans, the project typically contracts with a municipal agency to undertake the work. In the Shanghai Metropolitan Transport Project, for example, each affected city district set up an office under the district construction commission to oversee the removal of affected people and social institutions in the district. In Shanghai’s Putuo district, the project has a team of 56 people to resettle the 831 relocating families. For smaller projects expropriating, say, the houses of a dozen families, the project agency may choose to manage resettlement itself.

3.65 Popular Participation. Urban resettlement is the only type in which regulations compel popular participation. The 1991 urban resettlement regulations call for public notice to be given of projects that will cause resettlement, followed by group meetings with affected people and visits to each affected household to discuss resettlement alternatives. In fact, the meetings usually begin only after the resettlement strategy has been determined by the municipal government and are designed more to inform than to elicit ideas on how to structure the resettlement process. Despite their limitations, these efforts help make resettlement more transparent and provide a focus to resettlement that will help affected people express their concerns. Similar requirements should be incorporated into the various regulations governing rural resettlement.

3.66 Residential Housing Relocation. Resettlement agencies must identify sufficient residential housing stock to absorb those being resettled. Urban relocation regulations require that replacement housing be at least of equal quality and floor space compared to the original. Although for administrative convenience district resettlement offices will attempt to relocate people within the same district, they have no legal obligation to do so. Neither do they explicitly attempt to maintain neighborhood integrity in larger scale moves. However, large scale projects typically move resettlers to a small number of newly constructed housing complexes, which increases the probability of keeping original neighbors nearby. Although resettlers have no rights linked to where they are moved within a city, location does receive explicit consideration in compensation. If the new location is less desirable than the original, the loss can be compensated through increased housing standards, as it will be in Phase II of the Shanghai Metropolitan Transport Project, where people facing up to a two hour increase in commuting time will also enjoy doubled floor space and, for the first time, private kitchens and baths.

3.67 The difficulty of successful resettlement increases with city size. Although the urban housing stock is everywhere characterized by very low vacancy rates, per capita floor space decreases with city size. Municipalities set minimum standard floor space for resettling families, standards that often result in the need for large city projects to acquire much more replacement floor space than that they destroy. That fact, and the higher land prices in large cities, drive up resettlement costs. Furthermore, larger projects (those resettling more than 100 families) can rarely find the needed floor space within the existing housing stock and must turn to new developments that are concentrated in the suburbs, with the result that inner city resettlers often face large increases in commuting time, which projects compensate through more generous housing.

3.68 Three types of owners share the urban residential housing stock: the municipal government; commercial and industrial enterprises; and private citizens. On average, 77 percent
is under municipal and enterprise ownership, while 23 percent is private.\textsuperscript{14} The percentages vary substantially across city size and among provinces. Provincial average private ownership, for example, varied from 4.2 percent in Ningxia to 51.5 percent in Zhejiang in 1988. Each of the ownership types faces a different array of compensation possibilities and their residents different resettlement choices.

3.69 Municipal regulations generally require that municipally owned housing be replaced by housing of a floor space and quality equal to or greater than that lost. This demand is typically met through construction of new housing, resulting in a quality increase paid for by the project. Residents will be relocated by the municipality, although not necessarily into the replacement housing. Each family will be given housing of equal or higher standard than the original and rental rates will not increase despite the higher standard housing. In most cases known to the Bank, people relocating in these circumstances have been given few or no choices about the location and specific apartment they will move into. A notable exception, under the Tianjin Urban Development and Environment Project, uses an innovative voucher system intended to allow families much more latitude in deciding both the location and particulars of their replacement housing.

3.70 Enterprise owned housing, like municipal housing, must be replaced at the same or higher standard, while remaining under enterprise ownership. In most cases known to Bank missions, this replacement receives the same treatment enjoyed by municipal governments—at no cost to the unit, the replacement floor space will at least equal that lost, but newly constructed housing will be provided, thereby upgrading quality. Enterprise employees thus enjoy an increased standard of living at the project's expense. A notable exception to this policy is found in Tianjin.\textsuperscript{15} There, the project need only pay the depreciated value of enterprise housing, with the enterprise paying the additional needed to construct new units. Because the enterprise must provide its renters with equal or greater area and standard, and faces no market that sells older (i.e. truly replacement) housing, the enterprise cannot avoid an often substantial financial burden in resettlement. Tianjin regulations permit enterprises to avoid the need for such cash payments by ceding rights to their housing units to the municipality. If they do so, the rule in para 3.61 applies, new housing comes at full cost to the project, and the municipality resettles their new tenants. The Tianjin approach borders on confiscation in an era of growing independence in enterprise and municipal relationships.

3.71 If the original housing was privately owned, yet another set of rules apply. Private owners face first the alternative of giving up ownership rights. In exchange they will be given the replacement (depreciated) value of their housing and a rental unit of equal or greater floor space and quality. The second option allows continued ownership. Here, owners will either rebuild, using an assigned piece of urban land and compensation for their lost house, or they will take ownership of a replacement apartment of equal or higher space and quality. The choices available depend on the city and project. In large cities, substitute land will not be offered, only apartment units. In small cities and towns, either ownership possibility may arise, and, indeed, the rental conversion option may not be offered. If replacement ownership apartments are offered, and those on offer vary substantially in size from the original, the owner may be required to pay the cost difference on a larger apartment. Or, if the apartment is smaller, cash compensation may be given the owner to make up the difference.

3.72 Three conditions apply to people resettling from any of the above ownership circumstances. First, families may be permitted to find their own substitute housing and offered
an incentive payment to do so. However, Shanghai, at least, has found self-resettlement to have a high failure rate, as people desirous of cash payments move in with relatives in arrangements that do not survive the pressure of sharing a home. Second, temporary housing or a temporary housing allowance will be provided if necessary while awaiting completion of new housing. The regulations encourage brief transitions, but for a time recently in Shanghai, families were spending up to four years in temporary housing. Third, moving costs will be paid by the project at locally mandated levels. In addition, those employed by the government or in state owned enterprises will be given paid leave by their employer during the move.

3.73 Other Relocation. In addition to lost housing stock, urban redevelopment efforts often displace social institutions such as schools, medical clinics, and government offices; as well as commercial and industrial enterprises. Satisfactory resettlement of these institutions is critical to living standards and employment for both resettling people and people living outside the project but enjoying the services of or job opportunities in the affected enterprises. Chinese urban resettlement practice recognizes and mitigates these costs, although not in a way that always fully protects the enterprises and their employees.

3.74 Resettlement regulations require the restoration in equal facilities of social institutions displaced by urban redevelopment projects. The siting of restored institutions depends on who they served. If a large number of people are resettling into one area but away from the original site, the social institution itself may go with them. But if a substantial user base remains in the area, the institution will be reestablished in an alternative, local site and resettlers will be provided with replacement neighborhood schools, clinics, and other social institutions. District government makes the decisions about which institutions will move and which stay. Evidence from Bank missions and other sources verifies excellent compliance with this aspect of the resettlement regulations in both Bank and domestically funded projects.

3.75 Project agencies must provide retail stores and other commercial institutions with equivalent replacement space. They must also absorb the cost of transferring fixtures and stock to the new location and income losses during that process. As with social institutions, relocation sites are influenced by the customer base. With commercial enterprises, the enterprise owner, often another city bureau, negotiates relocation and other details of the move with the project. However, the resettlement agency has no obligation to compensate for loss of goodwill should relocation take place in an area where the business is not well known nor for decreased income if it remains in an area with a decreased customer base. Licensed private enterprises are covered by the same resettlement rules as publicly owned enterprises, but lack the protection of a city bureau. Loss of the customer base may be particularly burdensome for private enterprises. In Shanghai, the Real Estate Bureau noted that a principal cause of disputes solved only through forced resettlement was the distance private entrepreneurs were being forced to move.

3.76 Industrial enterprises, too, must be offered equivalent facilities after resettlement. Unlike residential, social service and commercial uses, which planners expect to keep in almost all city neighborhoods, many urban plans call for relocating industry into suburban industrial zones. This holds particularly for polluting industries. Industrial enterprises are not considered to need additional compensation for more distant resettlement because the scale of their markets makes location almost irrelevant. Industrial managers concede this point, with one exception—labor markets. Suburban industrial resettlement will entail substantial increases in commuting time for many staff. Large city industry resists resettlement for this reason and, more recently, in the expectation that land market reform may soon allow them to capture some
of the location rent that current resettlement practice grants to the municipality or project. Under these circumstances, when possible, managers elect the option of giving up part of their land and reorganizing production on that remaining. Continued development of land and housing markets, combined with strict enforcement of industrial effluent standards, will facilitate this aspect of urban reform.

3.77 National urban resettlement guidelines provide for industrial enterprise removal costs, asset replacement, and production losses all to be compensated during resettlement. Bank missions find this to be the general practice, but identified an exception in Shanghai. In an effort to keep down direct project costs in the Shanghai Metropolitan Transport Project and Shanghai Sewerage Project, the municipal government has ordered affected Shanghai SOEs to absorb many of their own resettlement costs. Operating on the theory that project and SOE ownership both reside with the municipality, the municipal government feels this to be an appropriate method of apportioning project costs. Unfortunately, enterprise profitability affects not only profits remitted to the city but also enterprise worker bonuses. As those bonuses now constitute a major component of worker income, Shanghai’s cost apportioning technique forces employees of affected units to bear a disproportionate share of the resettlement burden. Missions were not able to determine how widespread the practice is, but it contradicts the enterprise autonomy crucial for urban economic reform. This issue will be pursued in Chapter 5.

3.78 Employment and Urban Resettlement. Jobs are rarely threatened by the resettlement process detailed above, although bonus income may be reduced through either industrial enterprise cost sharing techniques or reduced profitability when commercial enterprises are faced with a new or diminished customer base. Occasionally, however, shops or factories close permanently. If that happens to a state owned shop or factory, the relevant bureau attempts to reassign the employees to other enterprises within the bureau’s system. If that cannot be done, the Labor Bureau takes responsibility for finding the person a new job and the project pays their wages until that happens. By all accounts, this system has effectively kept affected people employed, but ongoing changes in the employment system may force new alternatives to be developed. A recent mission to Shanghai was told that in that city the Labor Bureau will no longer assign people jobs and is therefore unable to continue responsibility for resettlers who lose their jobs. For more on this issue, see Chapter 5.

3.79 Vulnerable Groups in Urban Resettlement. The risk of increased vulnerability is lower in urban resettlement than for any other type. The formal urban social welfare system provides far more protection than the rural system and functions unchanged during relocation. Although urban people need depend less on informal social assistance networks, most urban resettlement moves people no more than a kilometer or two and relocating neighbors will most likely end up in the same new housing site. All of the exceptions to resettlement plans mentioned by urban resettlement agencies have been of elderly or disabled people who would lose personal care if moved out of the old neighborhood. In those cases, the resettlement agency found replacement housing within the original neighborhood. The one group that would appear to be vulnerable to urban resettlement, although field research has revealed no cases of this, is long-term urban residents lacking formal urban registration. Because of their dependence on the informal housing market and difficulty of gaining access to institutions such as schools, this group could suffer substantial uncompensated losses when a project expropriates their housing. This particular problem is discussed further in Chapter 5.
1. For land in other than agricultural uses, counties have approval authority up to 0.67 ha and provinces up to 133.33 ha. See Article 25, Land Administration Law of the People's Republic of China, 1988.

2. Properly speaking the reference should be not to the village but to the collective owning the expropriated land, usually a production group. Because production groups are often coterminous with natural villages and the latter provide an easier mental construct, the term village will be used throughout this discussion.

3. Note that the Chinese social welfare system uses this definition of vulnerable group—those with difficulty supplying the labor to sustain themselves. Most often those households are elderly, but the definition also encompasses families with ill or otherwise incapacitated members. The point here is that traditional definitions of vulnerability are maintained. Other vulnerable groups are discussed in para. 3.34.


5. Housing compensation problems have arisen in provinces like Henan which fixed nominal yuan compensation standards in law. While adequate when set, inflation quickly eroded their value and has forced ad hoc compensation arrangements pending redrafting of the laws.


7. Ibid., p. 389.


10. Bank missions have collected little evidence on the extent of self-resettlement, but in the domestically funded Guxian reservoir in Henan, a resettlement official reported that so many villagers sought self-resettlement that the resettlement agency capped such activity at 10 percent of total resettlement. The stated reason for doing so was that the agency had to negotiate each self-resettlement individually, an unacceptably high administrative burden. The difficulty of satisfactorily resettling reservoir displaced people suggests that the practice of self-resettlement should be encouraged.

11. By regulation, housing below the 1 in 20 year flood level must be relocated. However, for land the design rules allow province-specific stipulation of flood levels to be compensated, recommending a level between 1 in 2 and 1 in 5 years. This can result in undesirable divergence of treatment. In one planned reservoir that will affect both
Hunan and Hubei, the Hunan portion of cultivated land will be compensated only up to the 1- in 2-year floods, while Hubei will compensate up to the 1- in 5-year flood level. Hunan farmers are being forced to absorb considerably more risk than Hubei farmers on the same reservoir.

12. February, 1992, field notes from doctoral dissertation research by Lin Zongcheng, Department of Anthropology, Johns Hopkins University, provide these insights.


14. The cited figures, for 1988, measure only city, not all urban, residential housing ownership. Information was unavailable on towns, the other type of urban place, but for cities private ownership varies inversely with size, so it can safely be assumed that towns have a higher percentage of privately owned housing than do cities.

15. See Article 11, "Tianjin Shi Chengshi Jianshe Zheqian Amzhi Banfa" (Methods for Tianjin Municipality Urban Construction Demolition and Resettlement), Tianjin Municipal Government, November 6, 1986. Project files contain a copy of this regulation.
IV. GRIEVANCE RESOLUTION

4.1 Involuntary resettlement creates enormous potential for conflict between affected people and the project causing resettlement. The sources of conflict are many: some property owners or users value their property rights more highly than does the state; others rebel at the compulsory nature of the change; still others simply cannot imagine abandoning fields that have given sustenance to generations of their family. If not properly handled, that conflict will interfere with successful resettlement and, often, with the progress of the project itself. The failure of conflict resolution efforts usually leads to the state asserting sovereignty and using police power to enforce its final offer. China has a well-developed set of institutions ranging from the social and political to legal to deal with resettlement grievances and these are described here.

4.2 Resettlement grievances, like resettlement numbers, can be minimized through processes that anticipate and avert difficulties. The Bank emphasis on popular participation results in part from its known value in reducing conflict by giving affected people responsibility for some of the decisions that rule their lives. Chinese resettlement benefits from use of a well-developed, familiar process of participation used to gain popular acceptance of political decisions. For decades, major policy changes have been announced through carefully orchestrated campaigns that work to establish the need for change, then lay out state decisions on how to implement the change. Major development projects also use this approach by first talking of the need for better transport/more electricity/improved flood control or whatever the project offers. Then follows elaboration of why the project is the best possible response to the need. Building on the sense of larger social purpose, local governments conduct ever more specific campaigns dealing with the particulars of project impact on their area, speaking especially to the issue of how affected people will be protected.

4.3 The campaigns are aimed first at local political leaders and activists. This gives an opportunity for reaction by a group committed to the general goals of the state and for the project or its presentation to be altered if necessary. The local leadership then textures the message in the way most appealing to local interests and transmits it through group and individual meetings. Unexpected reactions will be passed back to the project and higher political levels, allowing a filtered dialogue between the project and directly affected people. When properly run, this type of campaign provides affected people with a sense of ownership. Such campaigns have facilitated everything from initial collectivization to the return to household farming.

4.4 The iterative process just described also helps gain acceptance for compensation approaches used and gives people a context of social contribution in which to accept resettlement. But the success or failure of this approach depends on the quality of local implementation. The approach demands a patient, sensitive leadership and when either those qualities or time is not available, the process may be abandoned and "commandism" substituted.
This was seen, for example, in a single village in the Shandong Highway Project, where households were given only 20 days notice to knock down and rebuild their homes despite the fact that the county leadership had been aware for months of the need to move. But, in most affected rural villages and urban neighborhoods visited by Bank missions, commandism has been avoided and the information process has been effective in gaining the cooperation of affected people. The exceptions have engendered resentment and, occasionally, a refusal to accept relocation.

4.5 The information campaign is complemented by very active negotiations over project siting, expropriation, and compensation. That negotiating process absorbs much of the conflict that might take a more open form in societies with different structures of public participation. The project agency negotiates with counties; counties with townships; and townships with villages over obligations and compensation for each of those levels. If the project implementing agency and local government negotiations break down, the project implementing agency can ask either the prefectural or provincial government to mediate. The mediation effort will likely be led by the prefectural or provincial land administration bureau or, if the dispute is over a sufficiently important project, by the more powerful prefectural or provincial planning or economic commissions. When the project is on the national agenda (as are all Bank projects), the provincial governor or a deputy governor will likely become involved. If those efforts are insufficient to work out an acceptable plan, the implementing agency can involve their ministry, the State Planning Commission, the Ministry of Finance, or the State Council in the discussions, with a final decision taken at that level. At no point will this effort enter the legal system. Rather, it will be a negotiation involving a widening and ever more powerful set of actors. Obviously, only the most intractable problems receive attention above the county level.

4.6 After city or county negotiations are successfully completed, the city real estate bureau or county land administration bureau serves as the administrative intermediary in expropriation and the transfer of rights. Typically, the project implementing agency gives those bureaus a contract to undertake all resettlement work on behalf of the project, in exchange for the stipulated compensation. The project thereafter takes no interest in resettlement unless forced to by a failure to deliver land on schedule. Households negotiate with their city district or county and village. Any grievance, then, arising among the affected people will be with local government agencies, not with the project. The course of resettlement discussions for households is traced in Figure 4.1 below.

4.7 In Figure 4.1, line 1 is the process of information and consultation described above. This is the only step necessary for most households, and if successful, the household head signs a resettlement agreement specifying when and where they will move, the assets they will yield and the compensation they will receive. For households resisting signing a resettlement agreement, the resettlement agency begins a series of consultations, which may involve different representatives of the resettlement agency and different members of the affected family and neighbors. The resettlement agency may offer inducements such as changes in the resettlement site or the layout of substitute housing to meet specific family needs. If those efforts meet with failure, the resettlement agency escalates the involvement of outsiders by approaching managers in the work place of the registered household head (line 2), enlisting their help in convincing the person to accept resettlement. Resettlement agencies have told Bank missions that in the most recalcitrant cases, agency personnel may meet with the prospective
Figure 4.1: GRIEVANCE PROCEDURE FLOW CHART

1. Household consultations and negotiations
   - Agreement reached → Sign resettlement contract
   - No agreement → Continue negotiations

2. Agreement reached, contract signed
   - No agreement → Bring employer into negotiations
   - Agreement reached, contract signed
     - No agreement → Engage local government mediators

3. Agreement reached, contract signed
   - No agreement, compulsory settlement specified → Reject settlement → Suit filed in district court

4. Mediation successful, household relocates
   - Mediation unsuccessful, court accepts case for formal judgement
     - Accept court decision, relocate
     - No appeal filed
       - Appeal filed
       - Reject court decision

5. Consultation with household
   - Accept relocation
   - Refuse to relocate → Give eviction notice → Relocate → Forcibly evict

6. Intermediate court accepts case and mediates
   - Mediation successful, relocate
   - Mediation unsuccessful → Final court judgement
     - Consultation with household → Relocate
       - Refuse to relocate → Give eviction notice → Relocate → Forcibly evict
resetters tens of times. The law emphasizes the need to seek negotiated solutions and a failure to consult and negotiate seriously will prejudice the offending party's case if it reaches court. 5

4.8 Chinese citizens and the Chinese state have historically preferred mediation to solve minor disputes, reserving the court system for major legal problems. Indeed, in the reigning Confucian tradition, court action implied a breakdown of social harmony, reinforcing the impulse to use mediation to resolve disputes. While mediation maximizes flexibility, it does not provide the clear guidance found in well-written law firmly enforced in court. The power of the latter approach heightened Chinese government appreciation of the possible role of law in controlling political excesses such as those of the Cultural Revolution and in providing a framework for economic transactions under a market economy. Law and regulation now offer the possibility of appealing adverse resettlement decisions, and, for resettlement agencies, the obligation to seek court sanction for forced removal. Nevertheless, less confrontational means of dispute resolution continue to be preferred, and in practice, court adjudication occurs only after the failure of the informal, then increasingly formal, conciliation, and mediation efforts described above.

4.9 If the consultations in lines 1 and 2 of Figure 4.1 fail to produce a solution, the law calls for mediation by local government, with mediators chosen from agencies not directly involved in the project. If necessary, several rounds of mediation will ensue. In the Chinese tradition, the mediator will encourage both sides to give up some of their demands, regardless of the legal strength of their arguments. However, absent error by the resettlement agency, the mediator's goal will be to induce resettler compliance with agency demands. If mediation fails, the government resettlement agency unilaterally sets the terms of the agreement and also sets a time limit, usually 10 days, within which the affected household must comply.

4.10 People refusing to accept the judgement of the resettlement office have the right to appeal the case to the district courts (Figure 4.1, lines 3 and 4). Or, if the affected person refuses to accept the offer and simply ignores the order to move, the resettlement agency may seek formal judgement against them in the courts. When the courts accept the case, their first action will be to further mediate. If necessary, several rounds of court-led mediation will take place, each bringing more pressure on the parties to find a compromise position that will preserve an acceptable working relationship between them, while upholding the state's right to compel resettlement. Such mediation typically results in resolution of the case. For example, in one county for which records are available over a three year period, of 97 cases accepted by the court, 93 were settled through court-led mediation.

4.11 If court-led mediation fails, the court will open a formal case for adjudication. Judges will formally investigate, hear evidence, and decide the case. Because the judge's role is to uphold the interests of the state, those elements of resettlement judged to be matters of state policy (including overall compensation levels) remain beyond challenge. Resettlers have 15 days in which to challenge the decision of the district court. If they do so, an intermediate court reviews the case and may also conduct further investigations, as well as additional mediation. The intermediate court is not limited to rejecting or affirming the lower court decision, which it can modify as it sees fit. An intermediate court decision is not subject to further appeal.

4.12 In many of the published resettlement cases, affected people have ignored adverse court findings. In this case, the resettlement agency returns to the court seeking the right to forcibly evict. Once granted, the agency will post a public notice of eviction on the
offender's house, including a time limit (usually 5 days) within which the person must move or face forcible eviction. When the time limit is reached, forcible eviction does indeed occur, with the police observing the agency removal of all furniture and other household goods to new accommodations.

4.13 Information given to the Bank shows very low rates of forcible eviction. For example, in Shanghai in one recent year, a total of about 31,000 households were involuntarily resettled in both Bank and non-Bank projects. No statistics are kept on the number of households for which the resettlement discussions proceeded through employer involvement, however for only 222 households, or less than 1 percent, did resistance to resettlement lead to city government intervention. The main point of contention was proposed floor space in the replacement housing, although several cases arose in which people protested the distance to the new housing. Mediation at the city government level or by the courts was able to resolve all but 78 of those cases, which then went to formal court judgement. Of those 78, 70 accepted the court judgement and the other 8 were forcibly evicted. The records do not distinguish those who won total or partial vindication of their claims from those who received no satisfaction, although a review of published resettlement claims for Beijing suggests that the final resettlement agency offer in the mediation process is rarely modified. Box 4.1 details the case of one family that went through the entire legal process.

4.14 A review of published Beijing court cases revealed not a single instance in which a resettling family initiated a court case. Uniformly, the resettler strategy was to simply refuse to move and thereby force the resettlement agency to initiate the case. Only one case was found in which a family initiated an appeal, although again resettlement agencies were several times forced to appeal to gain judgement for forcible eviction.

4.15 The grievance procedure outlined above works very rapidly once it reaches the courts. Participants have only 15 days to file appeals and the court itself acts rapidly on cases with time pressure, often needing no more than a month to conduct investigations and render a decision. Flexible requirements for the form in which appeals and depositions are filed allow participants direct involvement in the proceedings, although they are free to hire lawyers or name representatives. Court costs in recent years have run no more than 20 percent of one month's salary for urban workers.

4.16 The legal intervention described above is available to all resettlers, but appears to be most used in urban resettlement. Missions have not identified rural resettlement cases in which the court has been involved. In addition to a lack of publicity about resettler rights, this may well result from the less autonomous nature of rural resettlement. In reservoir resettlement, the entire community is relocating and project managers state that hold-out households end their resistance once they realize that the entire community is moving and the service infrastructure with it. In transport and industry resettlement, local leaders control not only housing resettlement but also the allocation of land, inputs, and off-farm employment opportunities. In several cases known to Bank missions, local leaders have used a combination of preferential treatment in areas not directly related to resettlement and the threat of unfavorable treatment in others to induce cooperation.

4.17 The grievance procedure can be used only within the rather narrow confines of state compensation policy. Resettlers can challenge their specific compensation arrangements, but not the resettlement design for the project as a whole. Procedural failures by the project,
Box 4.1: A Resettler's Tale

The case: a Beijing factory received permission to acquire a block of privately owned traditional single story houses in order to erect an apartment block for their employees. They proposed to resettle original residents in the new apartments after completion, arranging temporary housing in the meantime.

Family A owned housing with floor space equivalent to three new two room apartments. However, two of their original rooms had been expropriated without compensation in the 1970s and rented to an unrelated Family B. Ex-post compensation rules from 1980 stipulated that the rooms be returned to the original owners, with new housing for Family B the responsibility of their work place. Their work place argued that they had no housing available and Family B had not moved by the time the project began in the early 1980s. The project resettled both families in temporary housing, but gave return rights only to Family A. When the new apartment building had been completed but not yet opened, Family B broke the seal and occupied one of the three apartments allocated to Family A. Family A then moved into their two remaining apartments and broke into and occupied a third.

The factory spent 15 months trying to convince, with police assistance, Family A to give up their illegally occupied apartment, but that family insisted that they would move only when their third apartment was cleared and turned over to them. In the meantime, both families refused to pay rent and utility bills. The factory finally filed suit for the return of the apartment and sought payment of back rent and utilities.

The lower court found for the factory and ordered Family A to give up their illegally occupied apartment, leaving Family B in place. Family A appealed the lower court ruling, arguing that their property rights must be recognized and protected. The intermediate court agreed, overturning the lower court decision and ordering that their originally allocated third apartment be returned. The intermediate court also argued that Family B had acted improperly, but nonetheless ordered Family B to provide them with another apartment to guarantee their successful resettlement. Both families were ordered to pay back rent and utilities.

This case is unusual in the citizen appeal and in overturning the lower court's basic ruling, but does indicate the complications that arise in resettlement efforts and the lengths to which the state will go to provide satisfactory urban resettlement.

such as failing to budget adequately, cannot be the basis of a court challenge. For projects of major importance to the state, the filing of a court case will not slow resettlement. The affected people must resettle and then work out compensation.

4.18 The grievance mechanism described above is a product of the last decade. Prior to 1980, resettlers had no rights of appeal and no mandated mediation if their demands were not met. Grievances in that era were handled locally, through whatever mechanisms the locality might have allowed. An additional mechanism available then, and now, is the ombudsman system.\textsuperscript{8} In this system, aggrieved people can write a petition in any form to the Party, local or central government, or any of the operating ministries. Alternatively, they can themselves visit the offices of those organizations to make an oral complaint. Complaints are accepted in
any form and on any issue, and if they are judged to have merit, are passed to the organization best able to answer them.

4.19 During the height of political campaigns such as the Great Leap Forward or the Cultural Revolution an appeal through the ombudsman system was often construed as an attack on the state and met with hostility and possible reprisals. In less troubled times the complaints were handled with varying degrees of seriousness, but between 1957 and the late 1970s were a risky undertaking apparently used only by the foolhardy or desperate. Reservoir settlers provided a number of the latter. In a carefully considered political decision in the late 1970s, ombudsman complaints were encouraged as a means of thoroughly exposing problems with the previous leadership and venting social frustration. Tens of thousands were submitted on a vast range of topics and reservoir resettlement was a favorite subject. The ombudsman system does not provide reliable action on complaints, but it does help bring systemic problems, such as those in reservoir resettlement, to the attention of higher level authorities. It also provides an avenue through which to expose corruption and a chance to let off steam. Because it is informal, indeed can be anonymous, it is far less threatening than court action. Although no substitute for proper adjudication of resettlement disputes, the ombudsman system provides yet another channel of opinion and recourse.

4.20 Conclusion. The resettlement system in China now provides channels for popular participation that help minimize grievances. For those with grievances, a system of consultation and mediation allows ample opportunity to seek consensus before resort to the courts. The mandate of the court is rather narrow, not permitting challenge to any aspect of the project save proposed individual compensation levels. The legal process cannot be used to delay resettlement, for the urban law permits resettlement pending a court decision and the rural, while making no reference to this, also provides no explicit protection. Nonetheless, the rapid evolution of the role of law has strengthened protection available to settlers and proposed reforms to the legal system promise to further strengthen that protection. As successful involvement in the legal system increases in other spheres, it can be anticipated that ever larger numbers of settlers will see this as a viable option when confronted with badly implemented resettlement. The Chinese legal system is notably responsive to political guidance. This responsiveness gives even more value to efforts by the central government to define a transparent, well-publicized resettlement policy that seeks full protection of standards of living through resettlement, whether that resettlement be urban, transport, or reservoir.
1. In urban areas the project negotiates with the municipality and the municipality with city districts.

2. The negotiating team will try to negotiate with the person in whose name the housing or land is registered, regardless of that person's place in the social hierarchy of the household. If that person resists reaching agreement, negotiators may then try to work through other household members.

3. The local government must be careful to treat affected people equally, for affected people will observe what others received and some of the documented resettlement court cases have been triggered by people protesting preferential treatment of others.

4. In most cases, the work place will be under the control of a city bureau and its leaders therefore disposed to support the government position. However, resettlement cadre report that work place leaders do not always prove helpful to negotiations.


8. Known as xinfang and shangfang in Chinese.
V. REFORM AND RESETTLEMENT

5.1 A major strength of Chinese resettlement derives from the persistence of planning elements in the Chinese economy, coupled with collective ownership of rural land and other resources and the importance of local government in shaping investment. When combined, these factors allow accurate identification of affected people, protect rights to continued employment, and foster the ability to create that employment. The consistently high growth rate of the economy has also contributed greatly to resettlement success over the past decade, easing the difficulty of job creation, particularly in eastern China. That growth rate has been sustained only through ever greater reliance on markets and decentralized initiative. The Bank agrees with the government's conclusion that the goal of further growth will be met only through a continuation of the economic reform program. However, aspects of the reform create both opportunities and challenges for resettlement. This chapter highlights some reform opportunities not yet fully grasped in resettlement planning, as well as some challenges that have already begun to make such planning more difficult. Early recognition of and response to the changing environment will help overcome remaining problems with reservoir resettlement and maintain China as a model for other types of resettlement.

A. THE FINANCIAL RESPONSIBILITY SYSTEM

5.2 State infrastructure construction projects have long laid off part of their resettlement costs onto the provinces, cities, counties and townships affected by the project. Fieldwork shows that when, as commonly happens, project compensation alone is inadequate to restore standards of living, provincial and local governments typically provide favorable policies, bank loans, or direct investment to fill the gap. Complementary commitments of this type have been observed in most Bank-funded projects and are reported for non-Bank projects as well. Because these commitments are not part of the formal resettlement plan, the practice disguises the true cost of resettlement from those who must judge project feasibility. With the recent financial reforms, it also places at risk resettlers in the poorest counties and townships.

5.3 Reforms in public finance have given local government much more leeway in generating and using funds for a variety of administrative, economic and social purposes. However, that leeway is available only to townships and counties generating surplus funds. Poorer counties devote their budgets to covering the basic cadre payroll and providing obligatory social services and only wealthier townships and counties are able to provide complementary loans and investments needed by resettlers. Poorer counties must approach provincial and municipal governments for assistance, with uncertain results. When a project includes several counties, this method of funding resettlement means that resettlers within the same project enjoy far different effective compensation rates. In the Taihu Basin Flood Control Project, for example, the project compensates paddy field loss in adjoining Wuxi and Suzhou municipalities at Y 4,700 per mu. Wuxi reported plans to give additional compensation of Y 5,300 per mu to its resettlers, while Suzhou planned to give Y 800 per mu for paddy fields and to nearly
double the project compensation for housing. For the same project, farmers in Zhejiang’s Haiyan county receive project compensation at the same relative levels as Wuxi and Suzhou, but no additional county subsidies. Instead, Haiyan successfully negotiated a special ¥15 million loan from the province for industrial investment to create jobs for settlers. Municipality and county circumstances in this project and many others greatly affect the effective resettlement compensation rates. The fact that affected areas consistently feel the need to supplement project funds gives evidence of the underfunding problem (and incidentally signals local government commitment to resettlement success).

5.4 The strategy of laying off resettlement costs was also seen at work in Shanghai municipality. There, when infrastructure projects expropriate state owned enterprise property, the municipal government provides less compensation than it does to enterprises under other forms of ownership. The enterprise itself, or the bureau to which it reports, is expected to absorb the loss. This practice began before the enterprise responsibility system, but now that enterprises are expected to take responsibility for their own profits and losses, they cannot easily pass the cost to their bureau. This reduces their ability to pay bonuses and reinvest, while other enterprises that enjoy the benefits of the new infrastructure pay no additional costs. The intention here is not to single out Shanghai, for the same practice in a different form was found in many cities and counties affected by infrastructure construction. Quite often, resettlement planners rely on enterprises to absorb labor displaced by projects. In many cases the project offers labor compensation inadequate to convince enterprise managers to willingly hire those people, so the local government sets resettler hiring quotas for each of their state or county owned enterprises. This happens despite other pressures on managers to rationalize their labor force and cut labor costs.

5.5 These practices developed in an era in which enterprise and local government finances were commingled in ways they no longer are. Continuation of the practice results in an undue burden on enterprises and constitutes arbitrary administrative interference that blocks efficient use of resources. Fortunately, the solution of offering sufficient compensation to induce voluntary hiring of resettlers presents itself in this case.

5.6 The attraction of the current system is that it may be much easier politically or administratively to make enterprises, households, and others in the path of state construction bear part of the cost of their own move rather than expect the project to fully bear resettlement costs. However, as the reforms deepen and enterprises and local governments continue to grow more responsible for their own performance, political resistance to the current practice will grow and resettlement implementation problems will multiply. While awaiting further financial reforms that shift full costs to projects, an interim step can be taken to increase the transparency of project costs. This study recommends that government require resettlement plans to enumerate the complementary inputs of local government and that enterprises not be expected to contribute to project funding by bearing part of the resettlement burden, unless they do so through paying a tax levied more generally on project beneficiaries or the public.

B. PRIVATE ENTERPRISE

5.7 A notable feature of the reform period has been the rapid development of private nonfarm enterprise. In the rural economy, such enterprises now employ nearly 45 million people, or 10 percent of the rural labor force. These enterprises are typically small scale and household based, with an average employment of only 2.6 people. Not surprisingly, they also
have less capital per worker than do other types of enterprise. Private enterprise also plays a
growing, but relatively less important role in the urban economy, providing 5 percent of
employment. Fieldwork under this project has shown that resettlement plans generally take too
little notice of private enterprises and fail to take advantage of the relatively low cost
employment they provide.

5.8 The observed treatment of private enterprise appears to derive from a
combination of unfamiliarity, ideology and opportunity. Government officials in most areas have
had no experience giving financial support to private enterprise and because until very recently
ideological support for such enterprise was at best ambiguous, no desire to begin doing so. Yet
opportunity also clearly plays a role. If village, township, or county governments perceive
opportunities to invest in their own enterprises, allocating funds to private enterprise will be
unattractive, even if private enterprise generates more employment and higher total returns for
the same investment. Local government more easily captures the profits of businesses they own
themselves and must balance that against resettler interest in jobs. Indeed, some counties in
China suppress private enterprise development because they fear competition with their own
enterprises. Where TVE or county enterprises opportunities are scarce, there seems to be more
willingness to support private enterprise. For example, the Yantan Hydropower Project
resettlement office actively finances private enterprise. At Yantan, counties and townships were
unable to generate ideas for enough enterprises to absorb available resettlement funding and have
developed a system to make private enterprise loans based on simple business plans.

5.9 Support for private enterprise is not simply an issue of funding new enterprises.
Existing private enterprises need protection from the extraordinary costs of relocation and
income losses during the transition period. Despite the fact that resettlement plans protect the
income of collective enterprise employees during relocation, such protection has not been noted
for private enterprise. However, local officials have not uniformly ignored existing private
enterprises. Shanghai, for example, has provided new market areas for private businesses during
relocation under the Shanghai Metropolitan Transport Project. But in Shanghai, as well, some
of the most difficult resettlement disputes have arisen with private business people who have built
up a neighborhood clientele which they will lose without compensation if forced to move.

5.10 The failure to exploit the relatively low private enterprise capital/labor ratios
raises the cost of providing new employment to resettlers. That cost stays high in part because
the current resettlement laws and regulations prohibit private sharing of public resettlement
funds, including those for job compensation. The commendable intent of the regulations is to
encourage investment of compensation funds and guard against fraud. However, the regulation
is often interpreted as blocking support for private enterprise. The government should clarify
this policy, for it must use every available tool to ensure successful resettlement at the lowest
possible cost. The Bank recommends that the government begin active experiments financing
private enterprise development through grants or loans under different types of resettlement.
The Yantan experience provides one model to explore, and others can doubtless be found
through broader inquiry into active resettlement projects. To overcome local government
reluctance to give up control over these resources, a specific, and initially modest, proportion
of total job resettlement funds could be earmarked for this purpose. A simple, inexpensive
monitoring effort could be designed to track project results and discourage consumption of the
funds. To provide equal opportunity for success, any tax holidays or similar favorable policies
accorded other types of enterprise under the same project should be offered to the private
enterprises.
most successful in China, as displaced urban residents typically receive higher quality housing

and access to resettlement services. In the past, urban housing resettlement has been one of the

difficulties in resettlement processes. In some cases, resettlement programs have failed to

address the full cost of construction, and often housing projects have been located far from

workplaces, leading to high costs and inconvenience for both people and businesses. As a result,

workers often have difficulty finding employment and have to rely on informal sector work, which

is often informal and unstable. To date, labor markets have been weak, with limited opportunities

for people to improve their economic status. In many cases, people have been forced to accept

low-paying, informal sector jobs to make ends meet. This has made it difficult for people to

move out of poverty and achieve better living standards. Without clear pathways for people to

transition into formal sector work, there is little hope of improving their economic situation.

These factors have contributed to the development of continuous labor markets in China, which

continue to be challenging for urban residents. The government has responded by developing

programs aimed at helping displaced workers find new jobs and improve their economic status.

This focus on labor markets is a key component of China's economic development strategy.

5.13
than that they lose. The government has consistently recognized and protected rights of long
term tenure in rental housing at the subsidized rental rates currently enjoyed. This housing right
has considerable value, as the subsidy element is very high and the success of urban resettlement
resides in resettlers retaining the capitalized value of their subsidy. Unfortunately, these same
housing market practices have led to underinvestment in new urban housing and poor
maintenance of existing stock. Furthermore, the allocation procedure for this housing interferes
with labor market functioning, because so much housing is employer owned and would be lost
with a job change.\textsuperscript{2}

5.14 These practices must change to resolve both urban housing and labor market
bottlenecks. Within the more general challenge of making the change without hurting current
residents, resettlement agencies must devise means of supporting reform while protecting
resettler interests. The housing reform program has led to much of the new urban housing being
sold on commercial terms, at much higher prices than resettlement agencies faced in the past.
This increase is particularly steep in prime urban locations where high land prices are
incorporated into building costs. These costs are leading resettlement agencies in some cities to
resettle people in rather distant suburbs, where land, hence housing, is cheaper. Agencies
provide additional compensation in terms of higher housing standards to make up for the
inconvenience of the new location. Even then housing resettlement costs can be quite high.\textsuperscript{3}
In cities such as Shanghai facing a considerable resettlement burden over the coming years,
resettlement agencies should be at the forefront of the demand for housing reform. What these
agencies need if they are to ease the demands of resettlers is access to a wider housing stock that
can offer resettlers more choices. Here, the Tianjin model offers a partial solution. Under the
Tianjin Urban Development and Environment Project, resettlers are given vouchers that can be
used for residence rights in any of a number of new housing developments in the city. This
system contrasts with the previous one (commonly used elsewhere) in which the resettlement
agency purchased apartments in a single new housing development and moved all affected people
to that development.

5.15 Were the Tianjin model to be combined with an active, ongoing housing swap
market, resettlement would be eased further still. Many cities have run such markets, although
the potential exists for much improvement in their scope and efficiency. If families issued
vouchers were in turn given the power to trade those vouchers for existing housing, their choices
would be further broadened. Consider a family wishing to remain in the current neighborhood.
With no new housing in the neighborhood, the vouchers currently cannot be used to keep them
there. But if they are allowed to trade the vouchers they may find a family that prefers the
superior, if more distant, resettlement housing to their current older, but better situated, housing.
Such a trade would meet the resettler's need at a low administrative cost to government. In fact,
the resettlement agency will not be able itself to identify the various trade possibilities, but can
only facilitate the transaction. They may want to set up and publicize a market for trades, and
they will want to act as the agent for the transfer of title, ensure that the transaction is legitimate
and meets certain minimum standards for protection of both parties (such as minimum per capita
floor space). Of course, after the housing market reform is well underway, a housing market
should develop that will permit the resettlement agency or affected people to more easily identify
and acquire acceptable substitute housing.
F. AGRICULTURAL POLICY REFORM

5.16 Even after the implementation of the household responsibility system, mandatory delivery quotas and the need to self-supply grain prevented many villages from reallocating land from grain to other crops. This had the effect of keeping profit margins high on a number of minor crops. Taking advantage of this, a tactic that has had considerable success in averting resettlement difficulties in the 1970s and 1980s has been to drop grain tax and sales requirements on resettlers, and in some cases guarantee grain supply at favorable prices, thereby assisting resettlers in producing fruit, vegetable, herb, and other crops with much higher per mu net incomes. This approach is advocated in an MWR training manual for resettlement cadre and is being used in the initial resettlement experiments in the Three Gorges project.

5.17 The overall success of China’s agricultural policy now threatens the prospects for diversification and specialization as an effective resettlement strategy. With continuing output increases in grain and changing dietary preferences, provinces have begun reducing or dropping grain delivery requirements and allowing farmers more choice about crop mixes. At the same time, improved marketing of a wide variety of agricultural products encourages greater specialization and lowers marketing costs. Until very recently the right to specialize in certain nongrain crops was a license to capture often substantial rents. Those rents will erode rapidly with the general freeing of agricultural production and marketing. Current producers may be able to exploit their experience and dominate markets for high quality products, but new entrants will find competition stiff, with no promise of high profits. This erosion has already been seen in the market for citrus fruits, for example.

5.18 Resettlement plans should continue to exploit possibilities for specialty production, but in light of the likely reduction in profits, should adopt a skeptical attitude towards dependence on a single marketed nongrain crop for substitute income. This is especially true for tree crops that require several years before bearing normal yields. In those situations, current profits will often be a bad guide to expected profits unless the planner can determine that planned plantings elsewhere will not lead to oversupply. Resettlement planners should pursue two objectives in this situation. The first is to maximize the variety of crops available for farmer adoption. The more diversified the crop base, the better protection farmers have against price and other risks. The second is to minimize the production and marketing costs of agricultural inputs and outputs to increase the competitiveness of all types of output. This can be done through infrastructure investments in irrigation and roads as well as through institutional investments in agricultural extension and supply and marketing systems. As market demand for agricultural products in China shifts to higher quality output, the agricultural extension and supply and marketing systems will play key roles in identifying preferred varieties, making them available to farmers, teaching farmers how to maintain or increase quality, and making sure that processing and marketing maintain the quality and timeliness of the product.

G. PROJECT BUDGETING

5.19 While not strictly a reform issue, price volatility has increased in the past decade and a major problem encountered in resettlement has been the failure of resettlement project budgets to deal with inflation. Resettlement costs are calculated at the time the resettlement plan is made, but actual resettlement, hence disbursement, often occurs years later. It has not been the practice to budget resettlement expenses in real terms—that is, no inflation adjustors have been built into the compensation calculations. This has led to serious difficulties in a number
of resettlement projects, especially those spanning the 1988-90 period. Those projects experienced a substantial decline in the real value of resettlement compensation, threatening the standard of living of resettlers in a way unintended during project development. In some cases, funding has been renegotiated, but even then the later resettlers were often compensated at lower real levels than earlier resettlers. Certain projects known to the Bank have delayed implementation because people would not resettle before additional funds were made available. This particular problem can be resolved by recognizing that compensation must be in real terms to avoid inflation problems. Different inflation adjustors can be applied to the main categories of resettlement costs, although probably two, one of building material costs and another of rural cost of living would be adequate to cover most rural resettlement. Urban areas could use a local index of new building construction costs for the same purpose. The MWR will test an inflation adjustor approach with the Xiaolangdi Hydropower Project, and both MWR and MOE are discussing formal policy change to support routine use of such measures in the future.

H. AN AGENDA FOR CONTINUED RESETTLEMENT IMPROVEMENT

5.20 China has in many ways an impressive resettlement record. Urban resettlement generally raises living standards among resettlers, transport and industrial resettlement often does so, and reservoir resettlement, while still plagued with budget problems, has shown great improvement over the past decade. One striking aspect of Chinese resettlement is that if best practices already used in particular sectors—full protection of living standards in urban and transport and industry resettlement, the detailed consultation requirements in urban resettlement, the careful planning requirements of reservoir resettlement—were applied to all three sectors and combined with full and transparent funding, China would be the preeminent example of good resettlement practice. In two cases, urban and transport and industry resettlement, the additional financial costs of meeting these goals would be minimal. For urban resettlement the challenge will be to adapt to reform, to devise means of coping with housing, enterprise, and labor reforms whose negative effects may have to be dealt with before the full benefit of the positive can be realized. For transport and industry the problem is mainly properly accounting for and perhaps redistributing the existing array of compensation, and assuring that compensation is properly used. For the latter, self-monitoring in villages can be promoted through education on resettlement policies and grievance procedures. Reservoir resettlement remains the most difficult, and here the government must stand by its own design regulations, including a willingness to face and pay true costs.
Endnotes


WORLD BANK PROJECT EXPERIENCE WITH RESETTLEMENT

1. Bank supported projects in China inevitably add to the burden of resettlement, with 36 of the 109 loans and credits made through FY92 requiring resettlement and leading to more than 500,000 people changing their homes or jobs (see Attachment A to this appendix for a project list). Involuntary resettlement in Bank projects ranges from the 14 people in 3 families moved from the site of the Beilugang Thermal Power Plant to the 67,000 displaced by the reservoir behind the Shuikou dam. The current portfolio contains most of the projects that have ever involved resettlement, with 33 projects involving 473,000 people. Of these, FY92 alone saw the approval of 10 projects that will resettle an estimated 123,000 people. Additionally, fifteen projects in the pipeline for FY93-96 are expected to cause the involuntary resettlement of over 300,000 people. Table A1.1, below, shows the size distribution of involuntary resettlement by year, with all resettlement attributed to the year in which the project was approved. In practice, of course, in the larger projects resettlement will typically have taken place over a period of several years.

Table A1.1: RESETTLEMENT IN BANK-FINANCED PROJECTS BY NUMBER OF AFFECTED PEOPLE

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<th>Year</th>
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<th>100-999</th>
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<th>5,000-9,999</th>
<th>10,000-24,999</th>
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<td>FY89</td>
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<td>1</td>
<td>2</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>FY88</td>
<td>-</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>FY87</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>FY86</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>FY85</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>1</td>
<td>-</td>
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<td>-</td>
</tr>
<tr>
<td>FY84</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>4</td>
<td>6</td>
<td>5</td>
<td>7</td>
<td>8</td>
<td>4</td>
<td>2</td>
</tr>
</tbody>
</table>

Note: See Attachment A for details.
2. Although overall resettlement numbers are high, they must be interpreted with care. Involuntary resettlement occurs under two circumstances: first, that of expropriation of housing and, second, that of expropriation of other assets leading to job loss. The Chinese resettlement accounting system gives a commendably liberal interpretation to job loss in the agricultural sector. There, the number of people affected by land expropriation is calculated by multiplying the area of land lost by the local rural population density. This methodology implicitly assumes full dependence on the land for rural income generation, while in fact land-based income has decreased nationally to less than half of total rural family income (see para. 3.8). The methodology further overstates job loss by counting as affected all members of the rural population, working or not. While dependents of those working the land are affected by the land loss, replacement jobs need be found only for workers in the family, not all members. With current dependency ratios, the size of the affected population identified in the Chinese calculations is about double the number of substitute jobs that need to be created. The use of this broad definition of people affected by land loss helps the Chinese avoid the problems of undercounting so prevalent elsewhere.

3. As the discussion in the main text makes clear, the impact of resettlement on the affected population varies considerably by project type. Resettlement under World Bank projects falls primarily under the less threatening rural nonreservoir and urban projects, as shown in Table A1.2:

Table A1.2: RESettlement IN Bank-FInanced PROjECTS BY PROjECT TYPE

<table>
<thead>
<tr>
<th></th>
<th>Rural non-reservoir</th>
<th>Reservoir</th>
<th>Urban</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of projects</td>
<td>25</td>
<td>5</td>
<td>6</td>
<td>36</td>
</tr>
<tr>
<td>Number of affected</td>
<td>296,482</td>
<td>165,800</td>
<td>40,486</td>
<td>502,768</td>
</tr>
</tbody>
</table>

Resettlement Issues in Bank Projects

4. The discussion in the main text addressed issues of Chinese resettlement performance measured against the standards embodied in the Bank’s Operating Directive 4.30 and the OECD guidelines. An important feature of the positive Chinese record is that the performance was driven by internal considerations rather than external pressure. Only in the case of reservoir resettlement did Bank involvement appear to significantly improve resettlement performance. The following paragraphs explore the Bank performance in more detail.

5. Resettlement Plans. As described in Chapter 3, Chinese project managers have responded to their domestic resettlement mandate by preparing resettlement plans for all projects, including those financed by the Bank. However, with the exception of reservoir projects, detailed planning responsibility remains with counties rather than the project and project offices rarely know the details of plans beyond the aggregate compensation, numbers to be relocated, and relocation timetable. Again with the exception of reservoir projects, task managers in the
China Department rarely requested copies of resettlement plans prior to FY90. Beginning that year, such plans were routinely requested for nearly all projects involving resettlement, and by FY91 the department increasingly used resettlement specialists in the appraisal of nonreservoir projects.

6. From the beginning of its work in China, the Bank had identified reservoir resettlement as the area of highest risk. The five projects involving reservoirs have consistently benefited from specialist input (both Bank staff and consultants) during preparation and implementation, beginning with the first reservoir project, Lubuge Hydropower, approved in FY84. The Bank has supported information dissemination in reservoir resettlement best practice, and both the OD and World Bank Technical Paper No. 80 "Involuntary Resettlement in Development Projects," have been translated into Chinese and used in training workshops. The design institutes with which Bank staff and consultants have worked also design non-Bank projects, leading to broader impact from the cooperation. Additional impact outside of Bank projects can be seen in references to Bank practice in a variety of reservoir resettlement articles written by Chinese for internal publications or workshops. Aside from improved planning during project preparation, the most visible impact of Bank involvement in reservoir resettlement has been the rapid Chinese response to resettlement funding shortfalls in Bank-funded projects.

7. While Chinese practice in respect to resettlement outside of reservoir projects may conform to OD 4.30, the OD itself imposes additional information requirements designed to allow the Bank to make an independent judgement in each case on the suitability of resettlement plans. The aggregated information typically held by the project office provides insufficient detail to meet those needs. Over the past two years, Bank resettlement staff and consultants have been working on specific nonreservoir projects with task managers and Chinese counterparts in an effort to elicit the information required for independent judgement on resettlement plan quality. Enough has now been learned that the Bank and the Ministry of Finance have agreed to jointly design standardized guidelines for resettlement information on different types of projects. Such standardization will give Chinese project managers early notice of needed information and reduce the effort now used by both parties to develop and assess resettlement plans for Bank projects.

8. Monitoring and Evaluation. OD 4.30 requires monitoring and evaluation of resettlement in Bank-funded projects. Current practice in China is for the State Audit Administration to monitor the use of resettlement funds, with the goal of averting fraud. The city or county agency in charge of resettlement is charged with supervision of resettlement implementation. In practice, this supervision entails establishing guidelines for the use of resettlement funds and retaining authority to approve specific major expenditures. In the absence of citizen complaints, the supervising agencies rarely inquire into the resettlement outcome for specific individuals.

9. Bank resettlement specialists have expressed concern that current monitoring and evaluation practices do not allow project managers to meet their responsibility under the OD for ensuring satisfactory resettlement. In all reservoir resettlement projects and in a number of other (primarily transport) projects, those specialists have asked for additional, independent monitoring of resettlement. A review of such monitoring activities undertaken as part of this overall resettlement review reveals not a single successful effort. This can be attributed to the historical absence of independent monitoring of development or similar activities in China. Identifying domestic institutions suited for or experienced in monitoring has been a daunting challenge for
project managers. Staff in the selected institutions need additional training before they can satisfactorily discharge monitoring responsibilities.

10. The Bank cannot expect adequate monitoring of resettlement in terms of OD 4.30 absent a program to develop such monitoring capabilities within China. In response to this problem, the Bank has begun to design a monitoring workshop tailored for those institutions. The workshop will allow training materials to be tested that can then be revised for dissemination to all concerned institutions. Furthermore, Bank staff involved in project preparation will contribute by assisting in the preparation of very detailed terms of reference for resettlement monitoring. The workshop training materials will provide valuable background information for such TOR, as will the resettlement guidelines.

11. Supervision. A review of project files reveals a clear pattern of strong supervision of resettlement in reservoir projects, through frequent use of specialist staff and consultants, but virtually no supervision of resettlement in nonreservoir projects. This pattern of supervision responds well to the relatively high risk in reservoir resettlement, and the reservoir project supervision has been effective in identifying and remedying problems at an early stage. Bank managers explain the relative lack of supervision in nonreservoir projects as resulting from difficult choices about allocation of very limited supervision budgets. However, this review found that in the few cases where nonspecialist supervision staff regularly inquired about resettlement progress and problems, they have often received very frank responses. It would require virtually no expenditure of a supervision mission's time to request and review a statement about the progress of resettlement. If problems were revealed, they could either be addressed directly by the mission or separately by resettlement specialists. The study recommends that such inquiries be made an element of all supervision mission TORs for projects involving resettlement. At a minimum, such inquiries signal the continuing Bank interest in the outcome of resettlement under Bank-funded projects.
## ATTACHMENT A

### Bank-Funded Projects with Involuntary Resettlement

(through FY92)

<table>
<thead>
<tr>
<th>Fiscal year</th>
<th>Loan/Credit number</th>
<th>Closing date</th>
<th>Number of involuntary resettlers</th>
<th>Name of project</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 1984</td>
<td>L2382</td>
<td>06/92</td>
<td>5,000</td>
<td>Lubuge Hydroelectric</td>
</tr>
<tr>
<td>2 1984</td>
<td>L2394</td>
<td>12/90</td>
<td>9,200</td>
<td>Railway 1</td>
</tr>
<tr>
<td>3 1985</td>
<td>L2493</td>
<td>06/92</td>
<td>120</td>
<td>Power II</td>
</tr>
<tr>
<td>4 1985</td>
<td>L2539/C1594</td>
<td>06/91</td>
<td>15,000</td>
<td>Highway I</td>
</tr>
<tr>
<td>5 1985</td>
<td>L2540</td>
<td>06/94</td>
<td>1,350</td>
<td>Railway II</td>
</tr>
<tr>
<td>6 1986</td>
<td>L2678/C1680</td>
<td>06/93</td>
<td>3,400</td>
<td>Third Railway</td>
</tr>
<tr>
<td>7 1986</td>
<td>L2706</td>
<td>06/93</td>
<td>14</td>
<td>Beilunlang Thermal Power</td>
</tr>
<tr>
<td>8 1986</td>
<td>L2775</td>
<td>06/93</td>
<td>40,000</td>
<td>Yantan Hydroelectric</td>
</tr>
<tr>
<td>9 1986</td>
<td>L2794/C1779</td>
<td>06/93</td>
<td>67,000</td>
<td>Shuiou Hydroelectric</td>
</tr>
<tr>
<td>10 1987</td>
<td>L2794/C1792</td>
<td>12/92</td>
<td>5,000</td>
<td>Shanghai Sewerage</td>
</tr>
<tr>
<td>11 1987</td>
<td>L2811/C1792</td>
<td>12/92</td>
<td>3,700</td>
<td>Beijing-Tianjin-Tanggu Expressway</td>
</tr>
<tr>
<td>12 1988</td>
<td>L1885</td>
<td>12/95</td>
<td>17,000</td>
<td>Northern Irrigation</td>
</tr>
<tr>
<td>13 1988</td>
<td>L2951/C1917</td>
<td>12/94</td>
<td>22,250</td>
<td>Sichuan Highway</td>
</tr>
<tr>
<td>14 1988</td>
<td>L2952</td>
<td>12/94</td>
<td>4,500</td>
<td>Shanxi Highway</td>
</tr>
<tr>
<td>15 1988</td>
<td>L2955</td>
<td>06/93</td>
<td>288</td>
<td>Beilunlang Thermal Power Extension</td>
</tr>
<tr>
<td>16 1988</td>
<td>L2958</td>
<td>12/93</td>
<td>200</td>
<td>Phosphate Develop</td>
</tr>
<tr>
<td>17 1988</td>
<td>L2968</td>
<td>06/96</td>
<td>14,960</td>
<td>Railway IV</td>
</tr>
<tr>
<td>18 1989</td>
<td>L1984</td>
<td>12/95</td>
<td>6,352</td>
<td>Jiangxi Provincial Highway</td>
</tr>
<tr>
<td>19 1989</td>
<td>L1997</td>
<td>06/94</td>
<td>50</td>
<td>Shaanxi Agricultural Development</td>
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<tr>
<td>20 1989</td>
<td>L3060/C2014</td>
<td>12/96</td>
<td>5,000</td>
<td>Inner Mongolia Railway</td>
</tr>
<tr>
<td>21 1989</td>
<td>L3066</td>
<td>03/95</td>
<td>200</td>
<td>Hubei Phosphate</td>
</tr>
<tr>
<td>22 1989</td>
<td>L3073/C2025</td>
<td>06/95</td>
<td>26,844</td>
<td>Shandong Provincial Highway</td>
</tr>
<tr>
<td>23 1991</td>
<td>L3286/C2201</td>
<td>06/97</td>
<td>4,720</td>
<td>Medium-sized Cities Development</td>
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<tr>
<td>24 1991</td>
<td>C2219</td>
<td>06/96</td>
<td>360</td>
<td>Liaoning Urban Infrastructure</td>
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<tr>
<td>25 1991</td>
<td>L3316/C2226</td>
<td>06/96</td>
<td>14,125</td>
<td>Jiangsu Provincial Transport</td>
</tr>
<tr>
<td>26 1991</td>
<td>L3337/C2256</td>
<td>06/97</td>
<td>112,800</td>
<td>Irrigated Agriculture Intensification</td>
</tr>
<tr>
<td>27 1992</td>
<td>L3387</td>
<td>06/96</td>
<td>30,000</td>
<td>Ertan Hydroelectric</td>
</tr>
<tr>
<td>28 1992</td>
<td>C2294</td>
<td>12/97</td>
<td>164</td>
<td>Tarim Basin</td>
</tr>
<tr>
<td>29 1992</td>
<td>C2296</td>
<td>06/98</td>
<td>9,396</td>
<td>Shanghai Metro Transport</td>
</tr>
<tr>
<td>30 1992</td>
<td>L3406</td>
<td>12/98</td>
<td>25,960</td>
<td>Railway V</td>
</tr>
<tr>
<td>31 1992</td>
<td>L3412/C2305</td>
<td>12/97</td>
<td>23,800</td>
<td>Baguangba Multipurpose</td>
</tr>
<tr>
<td>32 1992</td>
<td>L3413/C2312</td>
<td>06/97</td>
<td>7,530</td>
<td>Beijing Environment</td>
</tr>
<tr>
<td>33 1992</td>
<td>L3433</td>
<td>12/97</td>
<td>40</td>
<td>Yanshi Thermal Power</td>
</tr>
<tr>
<td>34 1992</td>
<td>L3462</td>
<td>06/99</td>
<td>25</td>
<td>Zouxian Thermal, Part II</td>
</tr>
<tr>
<td>35 1992</td>
<td>L3471</td>
<td>06/98</td>
<td>12,940</td>
<td>Zhejiang Provincial Transport</td>
</tr>
<tr>
<td>36 1992</td>
<td>C2387</td>
<td>12/98</td>
<td>13,480</td>
<td>Tianjin Urban Development &amp; Environment</td>
</tr>
</tbody>
</table>

Note: In some cases, project documents do not provide estimates of the number of people resettling. In those cases, information on the area of land acquired, length of road constructed, or similar information has been used in conjunction with population density to estimate resettlement. By line number, projects using such estimates are: 2, 3, 4, 5, 6, 11, 16, 17, 19, 21, and 33.
DERIVATION OF RESETTLEMENT ESTIMATES
IN TABLE 1.1

1. With the exception of nationally funded reservoir projects, the Chinese government has not systemically collected resettlement data. Therefore, the estimates in Table 1.1 have been based on incomplete or indirect data. To avoid falsely dramatizing the resettlement problem, where choices were available, lower bound estimates were chosen. No estimates were made for resettlement in rural areas caused by industrial or commercial enterprise land expropriation, as no basis for making such estimates could be discerned. The estimates used were derived as follows:

Transport

2. The State Statistical Bureau (1992, p. 508) has published construction totals for both railroads and roads over time. By decade, these are:

<table>
<thead>
<tr>
<th>New Construction of Railroads and Roads (1,000 km)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Railroads</td>
</tr>
<tr>
<td>Roads</td>
</tr>
</tbody>
</table>

3. The railroad resettlement estimates were based on land taken for single and double track right-of-way under Bank-funded railway projects and the resettlement impact of those projects. Those figures were then adjusted for national population density changes at the midpoint of each decade, with a base year of 1985.

4. The road resettlement estimates were based on land taken for and estimated resettlement impact of a mix of roads funded under the recent Bank-funded Jiangxi Provincial Highways Project. Those were then adjusted to national average population densities and, for each decade, by changes in the national population density. The estimates assume that upgraded roads will be built primarily over existing right-of-way.

5. These estimates could be further refined with more information on the mix of railroads and roads constructed and their locations. Additional transport construction can be found in canal widening and in airport construction, neither of which were included due to lack of data.
Reservoir

6. The Ministry of Water Resources (MWR) estimated that 10 million people were resettled due to reservoirs through 1985 (Wu, p. 1). An additional 200,000 have been added to carry that estimate to the end of the decade, so the total reservoir resettlement over the period is constrained to total 10.2 million. The MWR has also published figures for resettlement in projects under its direct control. By decade, these are:

<table>
<thead>
<tr>
<th>RESERVOIR RESETTLEMENT BY DECADE, MWR PROJECTS (million people)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resettlers</td>
</tr>
</tbody>
</table>

7. The resettlement estimates shown in the text were derived first by assuming that provincial and lower government dam construction followed the same pattern as national construction, then adjusting the 1970-79 period upward vis-à-vis 1980-89 to reflect the greater local government water conservancy activity known to have taken place during the former period (SSB, 1992, p. 343).

Urban

8. The urban resettlement estimates are based on total urban demolition estimates collected by the Ministry of Construction (MOC). Those estimates give 113 million m² of building floor space demolished from 1980-89 in cities. Approximately 70 percent of demolition is residential structures. If average floor space per resident was 14 m² (a generous estimate), then total relocation in cities was 5.65 million people. Urban areas include towns as well as cities and MOC uses a rule of thumb that town demolition averages about half of city demolition. Using that, relocation totalled 8.5 million people over the decade. Figures for earlier decades were calculated by comparing completed SOE housing construction by decade (SSB, 1987, p. 154). This approach assumes that absorption rates of new entrants into the housing market remained unchanged over time.