

Resettlement: The World Bank's Assault on the Poor

By Dana Clark, edited by André Carothers

Editor's Note: The World Bank is in the process of revising many of its social and environmental policies, including the policy on resettlement. The proposed changes to the resettlement policy are disturbing, particularly as the Bank has failed to address the flaws identified by internal and external studies of the Bank's lending policies, and the proposed changes weaken the rights of project-affected people. Current projects financed by the Bank are displacing more than three million people.

Introduction

The World Bank is an international financial institution whose mission is to provide loans and credits to developing countries for projects that alleviate poverty and promote social and economic development. The Bank lends roughly 30 billion U.S. dollars annually. Through its lending programs, the Bank exerts a considerable amount of influence on the social, environmental and financial policies undertaken in borrowing countries, and serves as a model for other multilateral institutions engaged in similar activities. World Bank policies directly affect the fate of millions of people whose lives are altered each year by the projects the Bank underwrites in the developing world.

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Among the Bank's more egregious and well-documented failings is its inability to successfully rehabilitate the people and communities whose land is appropriated to make way for development projects. The Bank plays a significant role in financing projects that cause development-induced displacement, and it also plays an important role in setting the policy framework that governs the rights of affected communities.

In 1994, the World Bank undertook a comprehensive review of involuntary resettlement in Bank-supported projects. The 1994 review estimated that at least 10 million people are displaced in developing countries each year for dams and urban development and transportation projects alone.¹ Currently, according to World Bank statistics (which tend to be conservative) at least 3.2 million people are facing displacement as a result of active World Bank projects.²

The communities that are forced to make way for "development" have inevitably suffered a decline in their standards of living. In addition to losing their homelands and cultural resources, local communities suffer from lost economic opportunities as businesses lose their customer base, productive farmland is destroyed, and other forms of livelihood are dismantled. The social fabric of these communities is torn apart; the informal networks and kinship ties that sustained them in times of need are destroyed. The impoverishment of the involuntary resettled is in direct contradiction with the Bank's mandate of poverty alleviation.

The World Bank's resettlement policy states that people who lose their homes or their livelihoods as a result of Bank-financed projects should have their standard of living improved, or at least restored. Historically, the Bank has failed to meet this policy objective.

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This paper gives a brief overview of some of the more critical issues at stake in revision of the World Bank resettlement policy.

Policy Revisions

In recent years, there have been numerous critiques of the Bank's resettlement performance. Internal reviews by the Environment Department and the Operations Evaluation Department; external critiques by non-governmental organizations and academics; the report of the Morse Commission; and the findings of the independent Inspection Panel have all found serious policy violations by World Bank staff, and many of these reviews have made recommendations for reform that would improve the Bank's performance.³

As part of a general review and reformatting of Bank policies, the Bank has proposed replacing its Operation Directive (OD 4.30) with Operation Policy(OP 4.12).¹ This revision process could have offered an opportunity for the Bank to correct systemic problems and strengthen implementation of this important policy. Unfortunately, it appears that the Bank has failed to take advantage of this opportunity to strengthen the policy and has instead chosen to move in the opposite direction, relaxing standards required of the Bank staff and borrowers, and limiting the rights of affected people.

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Improving Standard of Living

The stated objective of the Bank's resettlement policy is that displaced communities should benefit from Bank-financed projects. The Bank has historically failed to meet this policy objective. Despite clear wording in OD 4.30 that resettlement "should be built around a development strategy and package aimed at improving or at least restoring the economic base of those relocated," most projects result in a dramatic decline in welfare for the transplanted people. The hard lesson of experience is that people whose lives are completely disrupted do not easily recover.

The 1994 Bankwide Review of Resettlement, published by the Environment Department, found that "Unsatisfactory performance in reestablishing resettlers at an equal or better level of living still persists on a wide and unacceptable scale."

The Bank has taken the language "improve, or at least restore" to mean that it only has to aim for restoration of pre-project standards of living, a position that is reflected in the proposed policy revisions. The most egregious example of this relates to the forcible displacement, and massacre, of communities flooded by the Chixoy Dam in Guatemala. The Bank has asserted that its only obligation to those who survived the campaign of terror that was waged against the community is to restore their income to their pre-1976 (pre-project) levels.

Many commentators have noted the need for the Bank to move away from an emphasis on restoration of livelihood as the baseline requirement and adopt instead a more positive, development-oriented standard: improving the quality of life of persons being displaced. Thayer Scudder of the Califor-

nia Institute of Technology, a consultant with a long history of experience with World Bank projects has forcefully argued that a standard of restoration rather than improvement results in impoverishment of the affected communities.

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In 1998, the World Bank's Operations Evaluation Department (OED) criticized the Bank's failure to implement the purpose of development in the context of involuntary resettlement. The report recommended that "the emphasis should shift from restoring income levels, which suggest stagnation at pre-dam lifestyles, to improving income levels, which brings the displaced into the development process along with the project's primary beneficiaries."

Likewise, the International Commission on Large Dams declared in a May 1997 position paper on Dams and the Environment: "For the population involved, resettlement must result in a clear improvement of their living standards, because the people directly affected by a project should always be the first to benefit."⁵

The draft O.P. 4.12 ignores these recommendations. Instead of moving towards a model that allows project-affected people the right to development, the draft O.P. 4.12 says "displaced persons should be assisted in their efforts to improve their livelihoods and standards of living or at least restore them, in real terms, to pre-displacement levels or to levels prevailing prior to beginning of project implementation, whichever is

higher.” This is a significant step backward from both OD 4.30 and the recommendations that emerged from both internal and external studies of the problem.

It is unacceptable for an organization with a mandate for poverty alleviation, and which claims to promote the right to development, to deny that right to persons who make the most difficult sacrifices in the name of development. The Bank should heed the advice of internal and external critics and adopt a standard based on improving the quality of life of displaced communities. The affected people should be consulted (and listened to) early in project design to determine their preferences for how to achieve improvement in the quality of their lives; they should also be included in the quality of their lives; they should also be included in an assessment of whether such improvement has occurred.

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Land vs. Cash Compensation

The existing policy on resettlement, OD 4.30, clearly states that: “[p]reference should be given to land-based resettlement strategies for people dislocated from agricultural settings” and that “the new site’s productive potential and locational advantages should be at least equivalent to those of the old site.” The OD also notes that “[e]xperience indicates that cash compensation alone is normally inadequate.”

The necessity of land-for-land and the inadequacy of cash compensation has been confirmed in the findings of every World Bank review of resettlement. Cash compensation is generally not sufficient to buy replacement land or assets, particularly when land prices rise in response to the demand generated by the project.

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In the proposed revisions to the resettlement policy, the Bank is now trying to de-emphasize the necessity of providing replacement land, and is instead promoting cash compensation as an acceptable alternative. This represents a significant change in Bank policy, without justification and in contravention of the findings of experience.

Thayer Scudder has noted that “where farm land and access to common property resources are lost or reduced, household expenses following resettlement are apt to be greater than before Another reason why loss of land is apt to leave households worse off, is that such land is usually passed on from generation to generation. The same is not the case where cash compensation is provided or where first generation resettlers obtain jobs.”⁶

The 1994 Bankwide Review of Resettlement found that “compensation provisions and property acquisition practices do not provide enough resources to allow resettlers to purchase replacement lands and other assets.”

The dilemma the land-for-land issue poses is well-known to Bank staff. Scudder concludes by pointing out that “providing land equal to or superior to that appropriated for development is one of the most important, and most difficult, requirements for project planners.”

The proposed draft policy will make life easier for project planners, but far more difficult for project-affected people. Thus, OP 4.12 changes the standard and says “If sufficient land is not available, non land-based options built around opportunities for employment or self-employment should be provided in addition to cash compensation for land and other assets lost.” Historically, such self-employment, income-generation efforts that have been added to resettlement schemes have been completely ineffective at providing alternative income sources for persons displaced from land-based economies.

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This proposed policy change is a significant step backward from the existing policy, and it contradicts the conclusions of the internal analyses conducted by the Bank’s Operations Evaluation Department and the Environment Department.

The Need for Avoidance

The dilemma of insufficient replacement land has been solved in the past by forcing dislocated people into crowded resettlement colonies where they have few opportunities to

support their families over the long term. An alternative approach would be to avoid resettlement altogether. The draft OP, however, de-emphasizes the importance of avoidance.

The World Bank should follow the lead of the Inter-American Development Bank's approach to avoidance. The IDB's Involuntary Resettlement policy states:

*"Every effort will be made to avoid or minimize the need for involuntary resettlement. A thorough analysis of project alternatives must be carried out in order to identify solutions that are economically and technically feasible while eliminating or minimizing the need for involuntary resettlement. In examining the trade-offs between alternatives, it is important to have a reasonable estimate of the numbers of people likely to be affected, and an estimate of the costs of resettlement. Particular attention must be given to socio-cultural considerations, such as the cultural or religious significance of the land, the vulnerability of the affected population, or the availability of in-kind replacement for assets, especially when they have important intangible implications. When a large number of people or a significant portion of the affected community would be subject to relocation and/or impacts affect assets and values that are difficult to quantify and to compensate, the alternative of not going forward with the project should be given serious consideration."*⁷⁷ (emphasis in original)

How Much is Enough? The Problem with Compensation Based on Market Valuation

The Bank and project planners are required to compensate resettlers for their lost assets. How does one define replacement costs for lost assets when what is being lost is a home, a busi-

ness, a cultural resource, a community network? Attaching a monetary value to the myriad losses faced by displaced communities is an exceedingly difficult task. How does one calculate, for example, the value of future opportunities that are denied, or lost access to fishing grounds and communal hunting areas, and the other materials that nature provides forest-dwelling and other land-based communities? World Bank resettlement expert Michael Cernea argues that "the standard cost-benefit method is incapable of answering the economic and ethical questions involved in forced displacement."⁷⁸

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Unfortunately, while that difficulties of valuation would call for a precautionary and hence more flexible and generous approach to valuation, the latest iteration of the Bank's guidelines, enshrined in the draft OP 4.12, appear even less inclusive and more restrictive than previous definitions. The existing policy, OD 4.30, directs that "Displaced persons should be (i) compensated for their losses at full replacement cost prior to the actual move . . . and assisted in their efforts to improve their former living standards, income earning capacity, and production levels, or at least restore them."

In the new OP, in a footnote buried in the draft's Annex, the replacement cost standard is redefined downward. "with respect to land and structures," it says, "replacement cost is defined as follows: For agricultural land, it is the pre-project or pre-displacement, whichever is higher, market value of land of equal productive potential or use located in the vicinity of the

affected land, plus the cost of land preparation to levels similar to those of the affected land, plus the cost of any registration and transfer taxes."

What this means for the displaced communities is the possibility of having far too little money to afford land comparable to the land they gave up. First, land prices almost inevitably rise in areas offered to the displaced communities. As the 1998 OED review notes, "land prices spiral beyond all reasonable budget limits when large numbers of resettlers take unrestricted cash compensation packages and compete for a limited land pool." Giving an individual or community money for land based on a valuation that predates this dramatic price shift is a form of fraud, and can lead to conflict between project authorities and displaced people. It also shifts the risk of rising land prices to the people least able to bear that risk - those who are already losing their homes and livelihoods.

As the American Anthropological Association has noted in comments submitted to the World Bank, "[m]arket-based valuations, especially those based on pre-project estimates, do not reflect actual resource replacement cost."⁷⁹

The replacement cost definition should reflect nothing less than the actual full cost of replacement (not pre-project market value), and should be flexible and liberal enough to include compensation for damages to the community structure, cultural resources, and support network that is inevitable when people are uprooted from their homes.

A recent World Bank publication, *Voices of the Poor*, correctly notes that the community fabric and informal web of social networks is the only

insurance poor people have. When that fabric is torn apart by resettlement, market values will not adequately compensate the displaced people. Replacement costs must therefore reflect these non-market based losses. The Bank should also take more seriously its obligation to avoid destroying the social fabric and avoid projects that involve resettlement.

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The Bank's Ever-Shrinking Responsibilities

As primary lender and global "expert" on development projects, the World Bank has a significant influence over the policies and behavior of borrowers, not only throughout the individual project cycle but in all development activities. As such the Bank is in a position to carefully monitor the myriad effects of its loans on both the direct project beneficiaries as well as those, such as the displaced communities, whose lives are disrupted by the dams, power plants and other activities that constitute the Bank's lending portfolio.

The Bank's multi-faceted relationship with its borrowers also necessitates that the Bank take a proactive role to ensure policy coherence in the legal framework of its borrowers. World Bank support for the development of laws and regulations that protect the rights of people suffering from development-induced displacement should be a priority for Bank staff and management.

The Bank must invest resources to develop borrower capacity to meet Bank policies, and it must ensure that

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borrower capacity and commitment exists before authorizing projects that involve resettlement. Acceptance by the borrower of the Bank's social and environmental policy framework should be a condition of Bank lending.

The Bank is also obligated to ensure compliance with Bank policies and guidelines during the design and implementation of projects. The Bank's track record in exercising its oversight responsibilities is negligent at best. According to the 1998 OED report, borrower governments' "disinterest in [monitoring and evaluation] activity", is "undisguised and tolerated by the Bank." The report concludes that "improved assessment of borrower 'ownership' and capacity to deliver on the objectives of the resettlement policy emerge as a key prerequisite of satisfactory resettlement outcomes."

This willingness to tolerate borrower non-compliance echoes the findings years ago of the Morse Commission report on the Sardar Sarovar dam on the Narmada river in India. Often, it seems that despite years of reviews of Bank and borrower non-compliance, little progress has been made in effecting change. Meanwhile, millions more people have suffered forcible eviction and lost livelihoods.

Unfortunately, the draft OP language further distances the Bank from its . The draft OP removes all lan-

guage about the Bank's responsibilities for oversight and monitoring. And there is no discussion of what consequences or remedies are available to the Bank should the borrower renege on its obligations under Bank policies.

Eliminating Protections for the Most Vulnerable

OD 4.30 made clear that "*Vulnerable groups at particular risk* are indigenous people, the landless and semilandless, and households headed by females who, though displaced, *may not be protected through national land compensation legislation*. The resettlement plan must include land allocation or culturally acceptable alternative income-earning strategies to protect the livelihoods of these people." (emphasis added)

Under the draft OP, only those who have "formal legal rights to land" or "a claim to such legal rights" are allowed compensation for loss of land taken for project purposes. Those who do not have a claim to legal rights under the national land legislation are "*not entitled to compensation for loss of land under this policy*." (emphasis added) The OP would afford protection only to those whose land rights are recognized in the national system. This will have the effect of benefiting elites and dispossessing the more vulnerable societal groups (such as the landless and semi-landless, indigenous groups, and in many countries households headed by women). Protection for those not covered by the national land legislation system must be restored. Removing such protection

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represents a significant weakening of the Bank's policy which will likely lead to the further marginalization of vulnerable groups, such as tribals. Again, this fundamental policy change favors resettlement planners at the expense of the affected people.

The other sweeping change in the Bank's new guidelines is the clarification of a distinction between "voluntarily" and "involuntarily" resettled people and villages. The draft OP 4.12 denies World Bank support to those people who are "voluntarily" resettled.

The refusal to provide policy protection for a class of people in this manner is arbitrary and is likely to have serious ramifications. First, displaced people are displaced people, and the likelihood of a "volunteer's" standard of living dropping is just as high as that of a forced migrant. Even worse, the redefinition is an invitation to corruption and repression, because it creates a formidable incentive for governments and project managers to categorize resettlement as voluntary and thereby avoid having to comply with any policy protections for the displaced people. It is easy to imagine project authorities requiring, for example, that displaced people sign a statement declaring that they gave their consent to move "voluntarily" in order to receive certain benefits. This consent would, in turn, remove their right to protection under the Bank's policy.

Another problem that has emerged relating to the Bank's hands-off approach to voluntary resettlement is that the Bank insists that it does not have to comply with information disclosure requirements or planning requirements that are built into the involuntary resettlement policy. Whereas many documents relating to

resettlement projects are required to be part of a public record, the Bank has argued that information about voluntary resettlement is the property of its borrower and is not publicly available without that borrower's consent.

The situation of the China Western Poverty Reduction Project is illustrative. The Bank has released virtually no public information about the planned treatment of 58,000 "voluntary" settlers or the 10,000 involuntarily displaced local people. Voluntary and involuntary resettlement should meet the same policy standards, in terms of access to information and also in terms of the substantive and procedural rights of those who are being displaced.

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Missed Opportunities

One final point deserves mention, which is that the Bank's proposed revisions to the resettlement policy have not reflected concrete steps that could have been taken to correct serious implementation failures. For example, the Bank could have done more to ensure borrower capacity and commitment; could have strengthened the linkage between resettlement and the primary investment component of projects; could have addressed the issue of reparations for past harm; and could have done more to advance the involvement of affected communities in decisions that so seriously affect their lives.

There are many other issues at stake in the Bank's revision of its resettlement policy. CIEL has prepared detailed comments, which are available on our website.¹⁰ The above summary is an attempt to summarize the importance of these technical policy issues to the lives of millions of people around the world.

¹ The World Bank, *Resettlement and Development: The Bankwide Review of Projects Involving Involuntary Resettlement 1986-1993* (1994).

² The World Bank does not keep accurate track of the numbers of people displaced each year by Bank-financed projects, nor has it kept track of people who are continuing to suffer from the consequences of failed resettlement. According to a World Bank Inventory of Projects Involving Involuntary Resettlement dated October 4, 1999, the Bank is supporting 223 active projects that are involuntarily displacing 2,634,877 people. However, a similar Inventory dated May 13, 1999 put the number of people affected by projects involving involuntary resettlement at 3,160,000. Maninder Gill, Coordinator of Resettlement Thematic Group at the World Bank, has estimated that a further 500,000 people are affected by "voluntary" resettlement and that 90% of voluntary resettlement is taking place in China.

³ See The World Bank, *Resettlement and Development: The Bankwide Review of Projects Involving Involuntary Resettlement 1986-1993* (Env. Dept., 1994); The World Bank, *Regional Remedial Action Planning for Involuntary Resettlement in World Bank-Supported Projects* (Env. Dept., 1995); The World Bank Operations Evaluation Department, *Recent Experience with Involuntary Resettlement* (1998), available at <http://wbln0018.org/oed/oeddoc1.b.nsf/htmlmedia/pubpstuedies.html>; Bradford Morse and T. Berger, *Sardar Sarovar: The Report of the Independent Review* (1992).

⁴ See, The World Bank, *Involuntary Resettlement*, Operational Directive 4.30 (1990); The World Bank, *Involuntary*

Resettlement, Draft Operation Policy 4.12 (1999), available at <http://www.worldbank.org/html/extdr/projects.html>.

⁵ International Commission on World Dams, May 1997 *Position Paper on Dams and the Environment* (pp. 11-13).

⁶ Scudder, Thayer, "Critique of Resettlement Draft OP/B: 4.12: Involuntary Resettlement" (27 July 1999), available at www.worldbank.org/html/extdr/projects.html (click on the Involuntary Resettlement Policy Consultation icon, then the Comments icon).

⁷ Inter-American Development Bank, OP-710 Involuntary Resettlement, available at www.iadb.org/cont/poli/OP-710E.htm.

⁸ The World Bank, *The Economics of Involuntary Resettlement: Questions and Challenges* (Michael Cernea, ed., 1999).

⁹ American Anthropological Ass'n, "comments from Jane Hill, President of AAA, on Draft OP 4.12" (Nov. 2 1999) available at www.worldbank.org/html/extdr/projects.html (click on the Involuntary Resettlement Policy Consultation icon, then the Comments icon).

¹⁰ Center for International Environmental Law, Comments on Draft OP/BP 4.12: Involuntary Resettlement (Nov. 17, 1999), available at www.ciel.org/ifi.html.

For More Information Contact:



1367 Connecticut Avenue N.W.,
Suite 300
Washington, DC 20036-1860
U.S.A.

Phone: 202 785.8700
Fax: 202 785.8701

Email: info@ciel.org
Internet: <http://www.ciel.org>