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# The World Bank and Development-Induced Displacement in South Asia

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DANA CLARK

Senior Attorney  
Center for International Environmental Law

The World Bank in fiscal year 1996 extended approximately \$28 billion in loans and credits to developing countries for a variety of public sector projects.<sup>1</sup> The mandate of the Bank is to promote economic development and alleviate poverty. However, Bank financing of large infrastructure projects and promotion of structural adjustment programs has in many cases led to greater impoverishment and increasing inequity within and between countries.<sup>2</sup> The Bank has developed many operational policies and procedures designed to mitigate the social and environmental impacts of its lending, but has struggled to implement those policies on the ground. The Bank's record on involuntary resettlement—the forced relocation of people to make way for project works or impacts—is particularly dismal. Internal reviews by the Bank have shown both an unacceptably poor level of performance<sup>3</sup> and also a disturbing increase in the number of people displaced.<sup>4</sup>

Development-induced displacement poses a significant human and political paradox for Bank lending. Despite policies that are designed to mitigate the impacts, in practice involuntary resettlement often leads to a downward spiral of increased impoverishment and marginalization of local communities. This disjunct between policy and practice has devastating human implications, as poor communities are becoming increasingly impoverished. The fact that the Bank is lending scarce public funds for projects that undermine communities without adequate rehabilitation is profoundly disturbing from an institutional and governance standpoint. The Bank operates with public funds and has an institutional mandate of poverty alleviation; it must therefore be held accountable to compliance with that mandate and for adherence to its own policies and procedures.



Although the World Bank avers that it does not and cannot consider the human rights implications of its lending decisions because to do so would interfere with the internal politics of its borrowers, it is arguably playing an integral role in governments' exercise of political power with direct implications for human rights. Affected peoples, time for the World Bank to recognize its role and assume responsibility for the social and environmental costs associated with its development projects.

This article examines the scope of the displacement problem, and analyzes World Bank policy and practice on involuntary resettlement. It also addresses the linkage between displacement and state political power, the connection to human rights and the World Bank's disavowal of human rights concerns. Although the problems I describe exist throughout the Bank's lending portfolio, the experience of South Asia is particularly illustrative. Cases from the region, and especially India, have played a significant role in galvanizing reform efforts and highlighting the failures of Bank policy. The article briefly introduces the Inspection Panel, a new mechanism that provides a forum and a potential, albeit limited, remedy for those suffering from violations of Bank policies. The article concludes with recommendations for reform.

### The Scope of the Displacement Problem

The single largest category of people who suffer from development-induced displacement are those who are directly affected by dams and reservoirs. However, other sectors such as transportation, infrastructure, irrigation, mining, and power plants can also have significant impacts on local populations. Current World Bank projects in process or in the pipeline are projected to displace an estimated two million people. The total number of people who have been displaced by Bank-financed projects in the past fifty-one years is not known, given that the Bank has very few mechanisms in place to accurately survey and monitor the people affected by its projects. The Bank's ability to estimate the number of people to be displaced or otherwise affected by the projects it funds is notably poor; a 1994 review of resettlement found that from 1986-1993 the Bank underestimated the number of people affected by its projects by 47 percent.<sup>5</sup> At the same time, the number of people displaced by Bank-financed projects is steadily rising, even as millions of people affected by past projects struggle to regain their shattered livelihoods.

People who are displaced by development projects often suffer from severe alteration of their natural, physical and social landscapes. Their homelands, crops, production systems, social and economic networks are destroyed. Important natural resources and areas of cultural significance are often lost as well. Sustainable ways of life, depending for example on rivers or farmland, can be seriously impaired when rivers are turned into stagnant reservoirs or fertile land is submerged or converted to industrial uses. Local communities who had maintained a subsistence relationship with their surroundings for generations can have their ability to earn a livelihood shattered, and their prospects for the future are often bleak. Settlers and project workers also can strain local resources and introduce disease.



Those forced from their land become refugees from an altered and compromised environment. Although the people whose lands and lives are altered have often not been involved in the decisions which compromise their land, they nonetheless are forced to pay the price of those decisions.

Anthropologists and sociologists studying the impacts of involuntary resettlement on local populations have long known that development-induced displacement risks impoverishing affected communities. Michael Cernea, a sociologist at the World Bank, has acknowledged that resettlement can cause impoverishment through at least eight inter-connected channels: induced landlessness, joblessness, homelessness, marginalization, increased morbidity, food insecurity, loss of access to common property and social disarticulation.<sup>6</sup> These conditions are part of an overall impoverishment process, reflecting economic, social and cultural impoverishment. Cernea explains the devastating social impact of involuntary resettlement:

[w]hen people are forcibly moved, production systems are dismantled. Long-established residential communities and settlements are disorganized, while kinship groups and family systems are often scattered. Life-sustaining informal social networks that provide mutual help are rendered nonfunctional. Trade linkages between producers and their customer base are interrupted, and local labor markets are disrupted. Formal and informal associations or self-organized services are wiped out by the sudden departure of their membership, often in different directions. Traditional authority and management systems tend to lose their leaders. Abandonment of symbolic markers, such as ancestral shrines and graves, or spatial context, such as sacred mountains, water courses or trails, severs physical and psychological linkages with the past and saps at the roots of the peoples' cultural identity. Not always visible or easily quantifiable, these processes are nonetheless real. The cumulative effect of all these processes is that the social fabric is torn apart.<sup>7</sup>

In addition, the movement of so many people inevitably threatens the environment where they resettle, and often leads to tension and hostility between the settlers and the original, or host, populations. Refugee camps and resettlement communities can also suffer the environmental and social costs of dense populations—"intense use and subsequent degradation of surrounding resources, psychological stress, social tension and conflict."<sup>8</sup> In the end, multilateral and bilateral government development programs can undermine traditional subsistence economies, and create dependent populations from formerly self-sufficient ones.<sup>9</sup>

### **The World Bank Policy on Involuntary Resettlement**

The impact of development projects on those who are forced to abandon their homes or livelihoods necessarily raises difficult questions for a development institution. As Theodore Downing has aptly noted, "when people are displaced by development projects, social impoverishment seems incongruous, if not grotesque."<sup>10</sup> In recognition of the devastating impact involuntary resettlement can have, and the incompatibility of this truth with its development mission, the



Bank has gradually developed a policy on involuntary resettlement. Beginning in 1980, the Bank published policy statements on involuntary resettlement; the most recent statement of Bank policy is embodied in Operational Directive 4.30 on involuntary resettlement. (Note that even as this article goes to press, the Bank is rewriting OD 4.30; this will be discussed in more detail below).

The policy emphasizes "the overarching principle of resettlement: any plan for resettlement must ensure that the ousted shall 'improve or at least regain the standard of living they were enjoying prior to their displacement.'"<sup>11</sup> Operational

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**The Bank has not been effective in restoring the living standards of forcibly displaced peoples.**

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Directive 4.30, as currently drafted, in principle offers broad protections for affected people. The policy requires that the Bank avoid or minimize involuntary resettlement wherever possible. Where it unavoidable, the "objective of the Bank's resettlement policy is to ensure that the population dis-

placed by a project receives benefits from it. . . . All involuntary resettlement should be conceived and executed as development programs, with resettlers provided sufficient investment resources and opportunities to share in project benefits." It also requires that those displaced by projects should at least maintain if not improve their former standard of living.

The Morse Commission has noted that by creating the policy on involuntary resettlement and indigenous peoples, the Bank,

... set the highest standards of an aid or lending organization in the world for mitigating adverse consequences to human well-being caused by involuntary resettlement. These policy changes reflect the worldwide development of concepts of human rights, for they constitute a recognition that large-scale projects, especially in rural, forest, and frontier areas may displace people just as do war and natural calamities. They focus on people who are being displaced by the advance of development, and require that in any project the human rights of the ousted must be respected. According to the [International Labor Organization], these rights are not to be impaired on grounds of national sovereignty or national economic interest.<sup>12</sup>

If this comprehensive policy on involuntary resettlement were properly implemented, it would go a long way towards mitigating the disruptive impacts of resettlement. Unfortunately, however, the Bank has not effectively implemented the policy in practice. Neither the Bank nor its borrowers has demonstrated the institutional commitment or capacity to ensure compliance with the terms of the policy.

The Bank and its borrowers have not been effective in restoring the standard of living of forcibly displaced peoples, and millions of people are being forced from their homes or having their livelihoods and security impaired by Bank-financed projects. In many cases, the Bank's failure to supervise and monitor resettlement has resulted in violations of the basic rights of affected peoples to information, participation, and rehabilitation.





### Implementation Failures: The Bank's Record on Involuntary Resettlement

Field visits, internal reviews and external critiques of implementation have all concluded that there are significant failures in implementation of the policy, which effectively means that involuntarily displaced persons suffer from a diminishment in their standard of living and their natural environment. In 1994, the Bank released an internal review of resettlement operations in projects from 1986-1993, which found that there were still very serious implementation problems and that the Bank was in large part failing to rehabilitate the involuntarily displaced. The Review noted that "Unsatisfactory performance in reestablishing resettlers at an equal or better level of living still persists on a wide and unacceptable scale."<sup>13</sup> Out of the 192 projects involving involuntary resettlement between 1986-1993, the Review could identify only one where the Bank could claim that the resettled population had improved its standards of living, and even that claim is disputed by members of the identified community.<sup>14</sup> Despite these problems, the Bank's portfolio of projects involving resettlement continues to grow. In fact, in a 1995 follow-up report on resettlement, the Bank noted "[t]here is a in any prior year in Bank history."<sup>15</sup>

One of the best-known examples of the failure of the Bank to anticipate or mitigate the social and environmental consequences of its lending is the Sardar Sarovar dam on the Narmada river in India. The dam project involved a major disturbance of families living in the submergence area, with very little notification to or participation by the hundreds of thousands of people who would be directly affected. As the people of the Narmada valley became aware of the magnitude of the impact of the project, they began mobilizing to protest the dam. Large-scale protests caught the attention of the international community, and local activists were supported by an international campaign challenging the World Bank's involvement in the project.

The international Narmada campaign called for an independent assessment of the Bank's role in the Sardar Sarovar project, and eventually the Bank's president agreed to commission an independent review of social and environmental problems associated with the project. This independent review, known as the Morse Commission, raised fundamental concerns about the Bank's commitment to the principles contained in the resettlement policy, its willingness to tolerate the borrower's non-adherence to the policy, and the devastating impact that non-compliance had on hundreds of thousands of affected peoples. The Report of the Independent Review, published in 1992, provides a compelling and thorough look into the systematic failure to implement the Bank's resettlement mandates and the human rights consequences of that failure. The local affected communities demanded that the World Bank withdraw from the project, and were eventually successful. Indian groups continue to fight the project at the national level.

Similarly, residents of Singrauli, India have been repeatedly displaced to make way for project works in the World Bank financing for the construction and expansion of coal-fired power plants and the production of coal to feed those plants. They have seen the Bank as an outside entity which enriches and supports



the implementing agency, the National Thermal Power Corporation (NTPC). The NTPC, in turn, is viewed as repressive and unresponsive to the concerns of the affected communities. Local peoples' attempts to call problems and concerns with the project, and especially the resettlement components, to the attention of Bank staff were largely unsuccessful. Accordingly, in May 1997 villagers in Singrauli filed a claim to the World Bank Inspection Panel asking for an independent investigation into the violation of Bank policies and procedures. The claim contains an eloquent statement of the peoples' perceived rights and interests, as well as the failure of the Bank to honor those rights:

First and foremost the people of Singrauli have a right to be treated as human beings. They have a right to a livelihood that enables them to live with dignity and self-reliance. They have a right to timely information about the project, and the manner in which it would affect their lives. They have a right to participate in the planning of the process that will so dramatically affect them. They have a right to a life without fear of being deprived again and again for the sake of abstract "public interest" which is not defined in a democratic way. They have a right to make choice about their future, a right to be consulted about their future. They have a right to benefit from the project. They have right to voice their opinions and negotiate for fair compensation without being assaulted, insulted, intimidated and driven from their lands. Their interest lies in being treated as a community and not as 'disparate' individuals—a community sharing common resources, relationships of mutual support, a culture and a way of life and common interests and concerns. They have a right to information about World Bank directives and procedures. None of the above rights and interests were ever acknowledged much less respected under the present project.<sup>16</sup>

Thus, even in the context of an enabling policy framework, it is extremely difficult to implement development projects involving involuntary displacement without violating fundamental human rights. The hard lesson of experience is that people whose lives are completely disrupted do not easily recover. Rather than addressing this difficult fact, though, the World Bank is currently engaged in a process of revising its policy on involuntary resettlement. Drafts of the revision which were recently released for public comment indicate that the Bank is attempting to reduce its responsibilities and those which it expects of the borrower, thereby diminishing its accountability and the rights of affected persons. Rather than attempting to water down the standards and reduce accountability, the Bank should recognize and learn from past failures. The Bank should refrain from financing additional displacement until past problems are solved, not retreat from its responsibilities to the detriment of local peoples.

### **Power Politics**

The role of the borrowing government in development-induced displacement is also important, and provides the linkage between the Bank and the affected local people. The Bank argues that it can not become involved in the human rights



applications of its projects because to do so would constitute meddling in internal political affairs of the borrower, which is prohibited by the Bank's articles of agreement. The linkage to human rights will be explored in more depth in the next section, but first we will examine the degree to which the decision to lend involves the Bank in borrower politics.

Development projects involving involuntary resettlement reflect conscious political decision-making. Development-induced displacement reflects the operation of state power in ways that deliberately reduce the welfare of an identified segment of society in order to promote the state's vision of a desired development path. In designing resettlement projects, the state is able to utilize its sovereign rights of eminent domain and condemnation to force people from their lands. The decision of who bears the cost of development projects is not made in a power vacuum. The government's decision of where to site a project often reflects the ability of the local population to resist, or a desire by the government to alter the development pattern of a particular area.

Often the poorest segments of society are adversely affected, typically without prior participation in the planning process. Smitu Kothari has recognized that the dynamic whereby "the primary beneficiaries of the developmental process . . . transgress from or violate the interests of politically and economically weaker groups and individuals" is a function of the degree of democracy in the planning and decision making process.<sup>17</sup> "This question is therefore essentially linked to democratizing the planning process itself and integrally involving the historically underprivileged and disempowered in decisions that so crucially affect their lives, livelihoods and lifestyles."<sup>18</sup>

Similarly, Anthony Oliver-Smith has observed that "to be resettled is one of the most acute expressions of powerlessness."<sup>19</sup> He also notes that "the phenomenon of resettlement is, therefore, fundamentally a political one, a clash of contesting interests involving the use of power by one party to relocate another."<sup>20</sup> In addition, "[m]ost development projects, especially those that occasion the large-scale resettlement of populations particularly in rural areas, directly or indirectly further two fundamental processes, the expansion of the state and the integration into regional and national market systems."<sup>21</sup> This necessarily "provokes a restructuring of social, economic and political relationships towards the priorities of the larger society."<sup>22</sup> This domination of the community by the priorities of a larger society is fundamentally a question of power over both resources and people.

This power is not always wielded in ways that are sensitive to the interests of the communities to be displaced. In fact, there is a tendency among project planners to view people "who happen to live at or around the siting of a development project as impediments to progress," as those who "must make sacrifices for the development of the nation."<sup>23</sup> The perception by national elites that people are in the way of progress, and that national needs supersede individual and community concerns can lead to the abuse of human rights.<sup>24</sup>

This is not an abstract or hypothetical concern. The perception of local people as obstacles in the way of progress is in fact a very serious problem which leads to abusive practices against people and communities. A compelling example of how this plays out in practice was related to the author during a recent visit to



the Singrauli region of India, where the World Bank has been financing the expansion of coal-fired thermal power plants. Singrauli has become known as the “energy capital of India,” but the local people have no access to electricity. The remote Singrauli region, which was once rich in biodiversity and supported subsistence agricultural lifestyles, is now dominated by six thermal power plants, eleven open pit coal mines, two dams and an associated reservoir, and hundreds of smaller enterprises—many highly polluting—that have sprung up around the power plants.

As their lands are targeted for project siting, company compounds, or waste disposal, the people are under intense pressure to “shift” from their lands. This has become extremely disruptive, and some families have been forced to move as many as six times in one generation. A 1991 study commissioned by the World Bank found that 90 percent of the local people had already been displaced at least once, and 34 percent had been forced to move multiple times. For example, one village was originally displaced by the reservoir of the Rihand dam. They resettled on the banks of the reservoir, rebuilt their homes and created new farms. Now, they are being compelled to move once again so that project authorities can dump raw pollution (ash byproduct of combustion mixed with water) on their lands. Many of the families in the village are distraught by the perceived inadequacy of the proffered compensation package, which does not come close to achieving the objectives of the Bank’s policy on involuntary resettlement. These families are attempting to negotiate with the project authorities for a rehabilitation package that will allow them to “live with dignity and self-reliance.” All around the resisting families, the authorities are proceeding with construction activities.

Occasionally, the bulldozers and dump trucks stray from the project site and target lands of people who have not shifted. In an effort to protect their crops and property, the people try to block the equipment with their bodies. In one incident in September 1996, villagers did just that. Angry at the work stoppage, an employee of the National Thermal Power Corporation, the world’s largest recipient of World Bank financing, ordered the driver to proceed with his work at any cost. The driver deliberately drove his dump truck over a villager who was “in the way” of progress. Knocked unconscious, Ram Narayan fell between the wheels of the truck and narrowly escaped death.

The siting of projects in remote, indigenous or other strategic areas which are desired for exploitation by political or economic elites must also be considered as a conscious political choice by the government. “In addition to economic expansion,” such projects give the government “increased control over indigenous lands.”<sup>25</sup> The development of the project and the perceived need to suppress resistance can also lead to the exertion of military control over the development area. The militarization of project areas can be seen in numerous countries.<sup>26</sup>

Finally, the decision of which communities are impacted may also be related to external security or regional hegemony concerns. For example, the development of the Yacyreta Hydroelectric Project on the Rio Parana between Paraguay and Argentina was not based on optimal geography (because the area is relatively flat, the reservoir created behind the dam is enormous and partially floods two large cities), but rather as a way of balancing regional power. The





project, one of the largest hydroelectric projects in South America, is a joint project between Paraguay and Argentina.<sup>27</sup> Thayer Scudder has noted that “Yacyreta was a case of hydropolitics, involving competition between Argentina and Brazil for regional hegemony.”<sup>28</sup>

### **The Inspection Panel: A Limited Remedy for Bank Failures**

As noted above, the public focus on the failures associated with the Bank’s involvement in the Sardar Sarovar project led to the first-ever independent review of Bank participation in a project. The Report of the Independent Review, in turn, caused tremendous outrage and focused attention on the Bank’s lack of compliance with its policies for social and environmental mitigation. Shortly thereafter, an internal Bank report by Willi Wapenhans strongly criticized the “culture of approval” within the Bank, which reflected a desire and an incentive system to move as much money as possible without adequate supervision or monitoring of projects. This series of events, emphasizing lack of compliance and poor project quality, led donor governments—spurred by adverse publicity and NGO calls for reform—to push for an accountability mechanism for the Bank.

The independent Inspection Panel was created in 1993 and came into existence in August 1994. The Panel provides a forum for local people who have been directly and adversely affected by a Bank-financed project to request an investigation into whether the Bank has complied with its policies and procedures. This represents the first time in the history of the Bank that locally affected people have been able to request independent reviews of Bank activities. It is also unique in international law, because it allows citizens, rather than their nation-state, to raise grievances before an international tribunal.

The Panel’s involvement in a project is triggered by the filing of a claim by two or more directly affected persons. If the claim meets the threshold eligibility requirements, the Panel registers the claim and sends it to the President. Bank Management must then prepare a response to the claim, and the Panel conducts a preliminary investigation to evaluate the merits. After evaluating the claim, Management’s response, and the results of its preliminary investigation, the Panel makes a recommendation to the Board of Directors of the Bank as to whether there should be a full and thorough investigation into the problems with the project. The Board must provide authorization for a full investigation, which has proven to be problematic because the decision can become politicized at this point.

As of this writing, ten claims have been filed to the Inspection Panel, the majority of which have focused on problems associated with involuntary resettlement, environmental impact assessment, and participation of locally affected peoples. Half of the claims have been from Asia. Each of the three currently pending claims focus primarily on a failure by the Bank to comply with its policy on involuntary resettlement. The Singrauli claim from India is a thorough and compelling critique of the Bank’s involvement in development-induced displacement. In addition, the Panel is currently conducting a full investigation of the Yacyreta Hydroelectric Project claim in Paraguay/Argentina, which also involves



a pervasive pattern of violations of Bank policies on environment, resettlement and rehabilitation. Finally, the Panel has recommended an investigation into the Itaparica Resettlement and Irrigation Project in Brazil.

The Inspection Panel is an important development. Its power and effectiveness derives from the fact that the process allows the voices of the locally affected people to be heard at the highest level of the Bank, that it forces management to be responsive to their concerns, and that it provides an impartial mechanism for accountability for policy violations. There are, however, limitations on the Panel's ability to comprehensively address the problems of development-induced displacement. First, the jurisdiction of the Panel is limited to violations by the Bank of its policies and procedures. It reviews compliance by the Bank with articulated policies, and cannot address failures on the part of the borrower. Its jurisdiction is also limited to public sector financing of the World Bank Group, and does not yet extend to the private sector activities of the International Finance Corporation and the Multilateral Investment Guarantee Agency (although negotiations are underway for extension of the Panel to IFC and MIGA). Furthermore, the Panel can only make findings and recommendations to the Board, which should then lead to the development of an action plan to correct the problems. However, the Panel itself cannot compel the Bank to cancel its involvement in a project, nor can it grant financial reparations to the people who have been harmed. The Panel also cannot investigate past projects—the Panel's jurisdiction is limited to projects which are 95 percent or less disbursed. Finally, the Singrauli experience has demonstrated that the Panel cannot shield the people from repression by the borrower after a claim has been filed—this responsibility must lie with the Bank, which has unfortunately been unwilling to exercise its leverage in defense of local people or the integrity of the Panel process.

### **The World Bank and Human Rights**

Although many critics of the World Bank question its decisions to lend to authoritarian or repressive governments with a known record of violating human rights, the Bank has refused to accept such criticism. The General Counsel of the World Bank has stated: "While a loan to an authoritarian government may be seen as a form of support to that government, a development loan from the World Bank to a member country which is made to finance or facilitate investments and thereby improve people's standards of living casts a different light."<sup>29</sup> This position follows the General Counsel's interpretation of the Bank's Articles of Agreement: "The Bank does not interfere in the political affairs of its members, including their positions on political rights because it fall outside the scope of the Bank's authority as an international financial institution."<sup>30</sup>

The Bank has also described its position on human rights issues as follows:

Except in situations where the violation of human rights has created conditions hostile to effective implementation of projects or has other adverse economic consequences, or where there are international obligations relevant to the Bank, such as those mandated by binding decisions of the UN Security



Council, the World Bank does not take into account the political dimensions of human rights in its lending decisions. The World Bank's Articles of Agreement prohibit the institution from taking political considerations into account, interfering in the political affairs of any country, or being affected by the political form or orientation of any country. Consistent with the Articles, the focus of the Bank's efforts in the area of human rights is on those rights that are economic and social in nature.<sup>31</sup>

Thus, virtually the only relevance the Bank recognizes for human rights concerns is economic. If the human rights violations so destabilize the country that investments are too risky or projects could not be implemented, then the human rights violations could have significance in Bank lending decisions. This explains the Bank's current refusal to lend to Burma (not the fact that it is an illegitimate government that is systematically terrorizing its citizens). Other than this narrow economic consideration, human rights issues within member countries are not an acknowledged concern to the Bank.

The Bank's position that it cannot be concerned with human rights issues because to do so would infringe upon the internal political decision-making of its borrowers must be reconsidered. The World Bank's involvement in projects has direct consequences for local peoples and their human rights. Its own policy pre-

scribes that the Bank should not be involved in the project unless it can ensure that those who suffer the consequences of the project also benefit from the project and have their income levels maintained if not improved. As discussed above, these projects are also happening within a political context of

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the exercise of state power over populations to be displaced. These projects have an irrevocable effect on the local environment, and experience has shown that the displaced usually suffer economic, social and environmental losses, and as a result become environmental refugees. Their economic and social impoverishment, in turn, leads to the disintegration of local sustainable communities and can both lead to and reflect civil and political unrest and resistance. In this context, it becomes clear that human rights and resettlement are integrally linked to both the Bank's mandate of promoting economic development and the political decision-making context in which the Bank chooses to lend to a particular borrower.

Bank sociologist and resettlement expert Michael Cernea has acknowledged "it was the growing movement of resistance to displacement at the grassroots, supported by many NGOs, that has powerfully recast displacement as a political issue."<sup>32</sup> Inherently, then, development involving displacement is also a political issue. This would suggest that the World Bank is already deeply involved in internal political affairs of its borrowers and is in fact participating in and supporting the political decision-making of its borrowers. If indeed it is to play this role, it must reassess its responsibility for any human rights abuses that are associated with the projects.



Other observers have noted that the Bank is involved in such a broad range of activities that implicate human rights that it should in fact develop an operational policy for dealing with human rights issues. Professor Daniel Bradlow has noted that Bank policies often create the political space for local people to either participate in or protest a particular project, and that through the exercise of these rights articulated in the policies, they become exposed to repression by the State. Bradlow has also noted that the Bank is directly involved in a vast array of issues relating to human rights within its borrowing countries:

[T]he right to due process; the right to free association and expression; the right to participate in the government and the cultural life of the community; the right to work; the right to health care, education, food, and housing; and the rights of women, children and indigenous peoples to nondiscriminatory treatment. In addition . . . the Bank can have an impact on human rights associated with the integrity of the person. . . .if the State or its agents takes reprisals against citizens who use the opportunity created by the Bank's invitation to participate in its operationsto oppose the projects sponsored by the State.<sup>33</sup>

Bradlow's concerns are borne out by experience. In the case of Singrauli, for example, villagers have been trying to negotiate with the Bank's beneficiary for a fair resettlement and rehabilitation package that conforms to Bank policy. In return for trying to negotiate for a fair deal, they are facing harassment, physical abuse, destruction of crops, arrest, imprisonment, surveillance, and constant pressure. The people have repeatedly raised their concerns with the World Bank, and have asked the Bank staff in Delhi to intervene to prevent violence. However, their concerns and requests have been dismissed by the Bank, which chooses to rely on assurances from its borrower that resettlement was proceeding according to schedule and that the villagers are fabricating their complaints. After a claim was filed to the Inspection Panel, the NTPC moved in with police and heavy machinery to forcibly evict the villagers, destroy their homes, and complete construction of the ash dikes before the Inspection Panel could investigate. Despite calls for assistance from the community and demands from NGOs, the Bank has refused to publicly condemn NTPC's actions or to publicly request NTPC to stop the disruptive activities until after the Panel conducted its investigation.

The Bank's current disavowal of human rights concerns has had a disturbing ripple effect on the institutional consciousness (or lack thereof) of grassroots concerns. First, it cultivates an institutional indifference to human rights abuses associated with Bank-financed projects. The institutional refusal to consider the significance of human rights abuses at a governmental political level has in practice been extended to the project level. Thus, the Bank has not been particularly diligent in remedying human rights abuses perpetrated by its borrower in implementation of the project. In addition, there is an unfortunate tendency among the staff at the Bank—from high levels in Washington to the field offices in the regions—to choose a path of willful ignorance; they would prefer not to know of troublesome implementation problems. They are all too willing to believe reports





from their borrowers that the project is proceeding in accordance with policies, and do not have a strong institutional commitment to ensuring effective implementation of social and environmental policies.

The Bank's responsibilities to supervise and monitor the project are clearly compromised by the willingness to accept the reports of the borrower or of the staff, without consulting local populations and truly doing an assessment of the implementation status of all components of the loan. This is particularly troublesome in the context of involuntary resettlement, where the Bank has historically had difficulty in ensuring that its borrower buys into the objectives and mandates of Bank policy. Again, supervision missions can reflect a desire not to hear or see the truth. Residents of Singrauli, India tell of World Bank missions to the field, in which Bank staff roll past obvious environmental degradation in their cars without stopping to investigate, arrive unannounced in a village and request that a meeting be convened, and then rely on their beneficiary to translate the comments of the local peoples. There have been reports, not surprisingly, that the Bank's beneficiary does not provide an accurate translation of the voices of the people. This type of scenario can only reflect a cynical indifference to hearing the true situation. It abdicates monitoring to the body that needs to be monitored.

There is also an insufficient commitment to ensuring that environmental and social mitigation measures remain linked to the completion of the civil works, as is required by both Bank policy and common sense. The Bank's leverage over its borrower declines as it holds less money to disburse. And yet time and time again, the emphasis has been on completion of the civil works and engineering aspects of a project and less on the social and environmental mitigation of those affected by the project. This was noted by the Morse Commission investigation into the Sardar Sarovar project. It is also true in the Yacyreta dam project mentioned above. At the time the claim was filed to the Inspection Panel, twenty years into the life of the Yacyreta project, civil works were 96 percent complete but environmental and social mitigation complementary works were only 15 percent complete.

In addition, the atmosphere of institutional indifference to human rights concerns perpetuates the Bank's failure to include the participation of directly affected peoples in the planning and implementation of projects. The findings of the Morse Commission report concisely address this issue. The Commission noted that:

People who live in the villages and depend on the resources of the valley should have played a central part in determining the Projects' impact. Both their knowledge and their vulnerabilities are integral to any understanding of what is at issue. At the same time, failure to consult has fueled intense opposition to the Projects . . . . Absence of human and environmental assessment *ab initio* creates the impression that the demands of engineering carry far more weight in the Bank than the needs of the people to be affected or of the environment. . . . Failure to consider the human rights of the displaced and failure to consider environmental impacts occur in the development of megaprojects in both developed and developing countries. . . . The Bank must ensure that in projects it decides to support the principles giving priority to resettlement and environmental protection are faithfully observed. This is the only basis for truly sus-



tainable development.<sup>34</sup>

The failure of the Bank to embrace human rights protection as part of its broader development mission has fundamentally diminished its ability to link its lending to the promotion of sustainable development.<sup>35</sup> As a result, it is being implicated in environmental and social failures and facing increasing criticism from local peoples.

### Conclusions and Recommendations for Reform

The severe social and environmental consequences associated with development-induced displacement have had devastating impacts on millions of people. As the world's leading development institution, the World Bank plays a significant role in financing projects that lead to the involuntary displacement of millions of people. It also plays an important role in establishing acceptable standards for resettlement and rehabilitation. The impoverishment of the involuntarily resettled is in direct contradiction with the World Bank's mandate of poverty alleviation and is in violation of its policies for environmental and social mitigation.

The fact that the Bank is operating as a public institution, dispensing public funds for these devastating projects is particularly troublesome. However, the public nature of the Bank's operations also exposes it to reform efforts. Fundamentally, there must be expanded accountability of the Bank for the harm wrought by its projects and for its failure to conform to its own policies and procedures. The creation of the Inspection Panel is an important and significant step in the right direction.

When development projects sacrifice the well-being of one segment of the population for the interests of others, it is important that reliable mechanisms exist to rehabilitate the lives of those who

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have paid the price. Those who are directly affected must have procedural and substantive rights to protect their interests. In order to truly promote sustainable development, the international financial institutions must take account of the human dimension of their projects. There should be procedural safeguards to ensure that locally affected people are able to exercise their rights of participation and better defined grievance procedures to allow their complaints to be heard in time for problems to be rectified. There need to be protections to ensure that local people can safely raise their concerns without retribution. The Bank and its borrowers should learn the value and benefit of consulting with local peoples, learning from and adapting to their needs, concerns and knowledge. In addition, the Bank should take post-hoc responsibility for failures in implementing its resettlement policy.

Invariably, the Bank and its staff argue that projects are better designed and



local people better off if the Bank is involved than if governments are left to their own devices. Cases from the field, however, indicate that people at the grassroots do not see Bank involvement as a positive force in their lives. Quite often, Bank financing or guarantees catalyze investments that otherwise would not be possible. In addition, when problems of resettlement or human rights rise to the fore, the Bank has been unwilling to exercise its leverage with its borrowers to intervene on behalf of the local people. With the Inspection Panel providing a forum for local voices finally to be heard—and responded to—perhaps the Bank will reappraise the extent to which its involvement does in fact benefit local communities. Ultimately, that judgment will be made by the people themselves. The incidence of Panel claims focusing on involuntary resettlement indicates that people from around the world are dissatisfied with the Bank's role.

The Bank would benefit if it directed greater resources towards those who are bearing the costs of Bank-financed development. Projects have been demonstrably better when local people participate in their design and implementation. Resistance is also likely to be less acute if people have had an opportunity to participate in the decision-making processes inherent in development work. And, finally, the Bank simply cannot continue on the path of imposing large-scale resettlement without adequate rehabilitation. "A long history of institutional denial or inadequate response to life-threatening conditions may force people toward action on the violent end of the response continuum. And, conversely, creating and employing mechanisms that allow confrontation, negotiation, and change within the existing system may stimulate the development of further rights-protective problem-solving mechanisms, thus minimizing the potential for future conflicts."<sup>36</sup>

Rather than projecting institutional indifference, the World Bank should serve as an institutional shield for the displaced. It should be more responsive to the plight of those bearing the brunt of its development projects. It should utilize its leverage with the borrower to protect local people from abusive implementation. Finally, there must be mechanisms to place checks on actions of the borrower which are in contradiction of Bank policies. The Bank should require enabling domestic legislation as a condition precedent to lending for projects that involve involuntary resettlement. The Bank should also promote mechanisms of accountability and transparency, such as the inspection panel. Until these safeguards are in place, the Bank should abstain for supporting additional projects that cause involuntary resettlement.

The final challenge lies in rehabilitating the millions of people who have paid the price of Bank-financed projects, whose reward for inclusion in a project was further impoverishment or marginalization. The World Bank should convene a task force to consider accepting responsibility for the plight of victims of development-induced displacement associated with Bank-financed projects. Perhaps this assessment should begin by considering the suffering of the people of Singrauli. ❖



## Endnotes

<sup>1</sup> For the purpose of this article, the term the World Bank refers to the public sector operations of the World Bank Group, including the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA): unless otherwise specified, it will not refer to private sector lending by the International Finance Corporation (IFC) or the Multilateral Investment Guarantee Agency (MIGA).

<sup>2</sup> Frances Seymour, "Overview" in *Lending Credibility: New Mandates and Partnerships for the World Bank*. (1996) 12.

<sup>3</sup> The World Bank, *Resettlement and Development: The Bankwide Review of Projects Involving Involuntary Resettlement 1986-1993*, (1994) 2, 10 (hereinafter the "Bankwide Review").

<sup>4</sup> A 1995 review noted that FY94 saw the addition of more projects affecting more people than in any prior year in Bank history. The World Bank, *Regional Remedial Action Planning for Involuntary Resettlement in World Bank Supported Projects*, Attachment 1, (1995) 30.

<sup>5</sup> Alex Wilks and Nicholas Hildyard, "Evicted! The World Bank and Forced Resettlement," *The Ecologist*, 24, no.6, (November-December, 1994): 226, citing the Bankwide Review, supra note 2.

<sup>6</sup> Michael Cernea, in McDowell: *Understanding Impoverishment*, 13.

<sup>7</sup> Michael Cernea, "Involuntary Resettlement: Social Research, Policy and Planning," in Cernea, ed., *Putting People First* (1991) 195.

<sup>8</sup> Barbara Rose Johnston, "Environmental Degradation and Human Rights Abuse," in Johnston, ed., *Who Pays the Price? The Sociocultural Context of Environmental Crises* (1994) 11.

<sup>9</sup> Jason W. Clay, "Resource Wars: Nation and state Conflicts of the Twentieth Century," in Johnston, ed., *Who Pays the Price? The Sociocultural Context of Environmental Crises* (1994) 19, 26.

<sup>10</sup> Theodore Downing in McDowell, *Understanding Impoversihment* (1996) 34.

<sup>11</sup> Sardar Sarovar, 31.

<sup>12</sup> Sardar Sarovar, 34-38.

<sup>13</sup> The World Bank, *Resettlement and Development: The Bankwide Review of Projects Involving Involuntary Resettlement 1986-1993* (1994) 4,2.

<sup>14</sup> Alex Wilks and Nicholas Hildyard, 22 supra note 5.

<sup>15</sup> The World Bank, *Regional Remedial Action Planning for Involuntary Resettlement in World Bank Supported Projects*, Attachment 1, (1995) 30.

<sup>16</sup> Request for Inspection, NTPC Power Generation Project Cr. 3632, April 25, 1997.

<sup>17</sup> Kothari, 1476, supra note 5,.

<sup>18</sup> *Ibid.*

<sup>19</sup> Anthony Oliver-Smith, in McDowell, *Understanding Impoverishment* (1996) 78.

<sup>20</sup> *Ibid.*

<sup>21</sup> *Ibid.*, 80.

<sup>22</sup> *Ibid.*

<sup>23</sup> Smitu Kothari, "Whose Nation? The Displaced as Victims of Development," *Economic and Political Weekly*, 15 June, 1996: 1476, 1478.

<sup>24</sup> Barbara Rose Johnston, "Environmental Degradation and Human Rights Abuse," in Johnston, ed., *Who Pays the Price? The Sociocultural Context of Environmental Crises* (1994) 11.

<sup>25</sup> Thayer Scudder in McDowell, *Understanding Impoverishment*, 74.

<sup>26</sup> The tragic history of repression associated with resistance to the Chixoy dam in Guatemala stands as a grisly testimonial to the linkage between development projects and military repression of the affected populations. The World Bank, together with the InterAmerican Development Bank, extended loans to the Government of Guatemala for the construction of the Chixoy Dam in the highlands of Guatemala. The project was initiated and built during a particularly violent





era in Guatemala, when the government was engaged in an extensive countersurgency campaign. The first loan for the project was granted in 1975. The reservoir for the dam would displace 1500 people, including a community of Maya Achi living in the village of Rio Negro. The community negotiated with Guatemala's National Institute of Electrification (INDE) for a comprehensive resettlement package, but became disillusioned with INDE's resettlement offer and eventually negotiations broke down. The situation degenerated into overt threats and violence in the early 1980s. INDE denounced the villagers as guerillas, a dangerous charge that led to increasing harassment. Finally, in 1982, the villagers were violently attacked by soldiers and paramilitary squads in a series of four horrific massacres. From February to September, 1982, 376 residents of Rio Negro—men, women, and children—were raped, tortured, and brutally murdered. Those who survived the massacres were either taken as slaves or were forced to abandon their homes and go into hiding. The filling of the reservoir started shortly after the fourth massacre, and the dam became operational in 1983. The World Bank, even though aware of the massacres that had effectively cleared the reservoir area and allowed the project to proceed, loaned an additional \$41 million for the project in 1985. This description of the Chixoy project is drawn largely from Witness for Peace, *A People Dammed: The Impact of the World Bank Chixoy Hydroelectric Project in Guatemala* (1996).

<sup>27</sup>The Yacyreta project has long been in violation of the policies and procedures of the development Banks, but efforts by local people and non-governmental organizations to bring the problems to the attention of the Banks were systematically ignored. Finally, in October 1996, affected people living in Encarnacion filed a claim with the World Bank Inspection Panel and the IDB's Independent Investigation Mechanism. The World Bank Inspection Panel has begun a thorough investigation into the problems associated with resettlement and the environment, and the IDB has also formed the very first panel to conduct an independent review of the project.

<sup>28</sup>Thayer Scudder in McDowell, *Understanding Impoverishment*, 73.

<sup>29</sup>Ibrahim F.I. Shihata, "The World Bank and Human Rights: An Analysis of the Legal Issues and the Record of Achievements" *Denver Journal of International Law and Policy* (1988): 39, 47.

<sup>30</sup>*Ibid.*, 39.

<sup>31</sup>David Hunter, "The Role of the World Bank in Strengthening Governance, Civil Society, and Human Rights," in *Lending Credibility: New Mandates and Partnerships for the World Bank*, (1996) 65, 77 citing The World Bank, *Governance: The World Bank's Experience*, (1994) 53.

<sup>32</sup>Michael M. Cernea, "Understanding and Preventing Impoverishment from Displacement" in McDowell, ed., *Understanding Impoverishment: the Consequences of Development-Induced Displacement* (1996) 16.

<sup>33</sup>Daniel D. Bradlow, "The World Bank, the IMF, and Human Rights," *Transnational Law and Contemporary Problems*, (Spring 1996) 48, 59

<sup>34</sup>Bradford Morse and T. Berger, *Sardar Sarovar: The Report of the Independent Review*, (1992) 355-358, emphasis added.

<sup>35</sup>David Hunter, 65, *supra* note 33.

<sup>36</sup>Barbara Rose Johnston, "Crisis, Conflict, and Change" in *Life and Death Matters* (1997) 330.

