

Module III

Improving the Management of Risks: Alternative Options for Resettlement Project Design

Introductory Note

Module III is dedicated to a core topic, brought up—it seems—for the first time as a central theme in the Asian Development Bank’s (ADB) technical assistance programs for resettlement: this is the theme resettlement risks management. Its discussion will certainly bring up the complex difficulties faced by managers put in charge with such an “out-of-the-ordinary” task and some options available for performing them better.

Managing of risks is, by definition, an ex-ante effort to reduce the scope and decrease the intensity of risks. Therefore, if risks are addressed timely, many actual adverse impacts will not occur: an actual negative impact can be defined as a risk that has not been “arrested” early in its infancy and has materialized into a negative occurrence.

The management of risks is a continuous process. The module highlights four different levels of resettlement management arranged along the continuum that starts with policy definition and ends up with project implementation. At each of these levels, risk manage-

ment has different tasks. But at all levels, risk management should be a central orientation of managers, a characteristic of their mind-set.

The main vehicle for managers in addressing risks is the project vehicle itself. However, questions arise in practice as to how best to structure the social work on forced displacement within a development project whose main objective is of a technical—not social—nature. The building of a hydropower dam, the construction of a coal mine, or laying out a network of highways, etc.—all are primarily engineering projects, which inevitably must resolve the formidable social problems arising when masses of inhabitants must be displaced and resettled sustainably. Social problems have, in fact, higher complexity because of their cultural, psychological, economic, financial, institutional, etc. dimensions. They are more complex than technical engineering. Therefore, the question of “projectize” resettlement is crucial.

The module discusses the options most currently employed, which incorporates the displacement and resettlement processes as a “component” of the overall infrastructure project. On the other hand, the module explores ADB policy provision of structuring resettlement activities as stand-alone projects, distinct but closely

interlinked with their infrastructure projects. The module's discussion of the advantages and constraints involved in these options is intended to expand awareness of ways for improving projects. Engaging

and mobilizing participants' experiences and ideas in how project structures can be best fitted to the social requirements of "resettlement with development" may have great problem-solving potential.

Lecture III

Improving the Management of Risks

Alternative Options for Resettlement Project Design

Lecture III: Main Themes

- The decisive importance of correct risks
- Managing of risks as prevention of actual impacts or mitigation of unpreventable impacts
- Four levels of risk management
- Alternative project vehicles as options for managing resettlement
- Weighing limitations and advantages: “components” or full-scale “resettlement with development” projects?
- National policy and legislation: the need to place compelling focus on risks and rights

The Importance of Correct Risk Management

- Managing DFDR is, at its core, the management of its risks, from initial identification to final resolution: prevention is superior to repair
- The difference between “risks” and “impacts”
 - ⇒ risks are potential; they indicate possible negative effects
 - ⇒ impacts are effects that have happened; they are actual occurrences
 - ⇒ identify early the intrinsic risks to ex-ante forestall negative impacts
- The essence of risk management: to “arrest” risks before they become impacts, i.e., to prevent and mitigate risks for preempting adverse impacts (discuss examples)

Which is the “Focus” in Risk Management?

- Risk management is not only a project implementation issue: it spans the entire spectrum, starting with policy formulation and decision making and ends at project completion, or even beyond
- Often, post-project-completion risk reversal and remedial work are needed
- Discuss risk management in different stages of project planning and implementation
- ADB: Involuntary Resettlement Policy

*“The policy treats involuntary resettlement as a development opportunity and allows **planners to manage impoverishment risks and turn the people dispossessed or displaced into project beneficiaries**, particularly the poor and vulnerable who may be disproportionately affected by resettlement losses.”*

(ADB OM F2/BP, para. 3, 2006)

Four Stages or Levels for Risk Management

1. The **design level**: planners and designers of resettlement project components must minimize risks (examples)
2. The **operational level**: the manager implementing a resettlement project component (examples)
3. The **project's strategic level**: the general project manager who balances/integrates all the project's international and social components
4. The **macro-level**: the political decision making on development at the country level (decides on projects' magnitudes and financial allocation for DFDR)

Types of Displacement and Options for Risk Management

Compare: Why risk management in DFDR is likelier to succeed than in other types of displacement?

The project framework in DFDR is conducive to

- ⇒ advantages from advance planning
 - ⇒ consultation/participation of resettlers
 - ⇒ organized valuation of losses and obligations to compensate
 - ⇒ ex-ante financial resource allocation
 - ⇒ orderly relocation
 - ⇒ ex-post evaluation
- Above advantages are absent in conflict-displacement
 - Question: Are DFDR opportunities fully exploited in the projects you know?

The Development Project as “Vehicle” for DFDR

Two Options

Option 1. Design and implement resettlement as a subordinated “component” of the infrastructure investment project

Option 2. Design and implement resettlement as a full-scale development project, stand-alone but closely interlinked with the infrastructural project

- World Bank and ADB resettlement policies allow both options for DFDR
- ADB practice to date has used only the “component” option in all projects

Evolution of Resettlement Operations Within Project Structures

The treatment of resettlement has historically evolved in projects

1. Initial treatment (1950 to early 1980s): Underestimated and defined as “side effect”, usually left out of main project and “delegated” to local authorities (little advance planning, minimal financing)

Consequence: Risks also underestimated, not addressed

2. Early 1980 – until about 1990–1992: Resettlement is included as subordinated component, with limited planning
3. After 1991, introduction of “Resettlement Action Plans” (RAPs) as mandatory annex to project: the resettlement component becomes a “project within a project” but lacks distinct economic and risk analyses
4. Resettlement can be a stand-alone project: this option is virtually unused

General trend: Growth of “weight” of resettlement as components

Comparing Project Options from a Risk Management Angle: Two Questions

1. Which one among these two options—component or free standing project—is better suited to build institutional capacity for risk management?

(Prompt discussion: “pros” and “cons” of each option)

2. What should be the criteria for deciding when either option can be more management-effective? (e.g., size of displacement? Or...?)

(Encourage class discussion on decision making)

Constraints on Management in “Project within a Project” Situations

- Discuss an example: Major hydropower dam that displaces 8,000 people (or 18,000 or 25,000 people)
- Discuss task differences under one project umbrella: complex social welfare tasks vs. big engineering tasks
- Less staff and lower status for social tasks
- Competition for material and resource allocation
- Overload on management team for 2 projects in one

Can the “Component” Status lead to “Resettlement with Development” Outcomes?

- Major problem for “components”: they are not “investment projects”
- Financing of resettlement components has three sources
 - ⇒ Administrative costs (financed by project, low cost)
 - ⇒ Compensation costs (main cost: but it is not “investment,” it is restitution of condemned assets)
 - ⇒ Resettlers’ themselves (very limited, given poverty and displacement crisis)

Conclusion: Resettlement components that are not financed as development investments are under-resourced and condemned from start to not achieve high development outcomes

Diversity in Project Vehicles: Twin Projects World Bank Best Practice Experience

- World Bank study of 192 projects with resettlement concluded that large resettlement operations have higher chances of success if done as stand-alone projects “twinned” with infrastructure project.
- Implementing resettlement as full-scale development project is a profound change in
 - ⇒ Organizational setting: Prompts stronger staff capacity
 - ⇒ Orientation and design are for a development project, not as for a mopping/cleaning operation for right of way
 - ⇒ Employs full battery of project economic and financial analyses
 - ⇒ Spurs deep change in mentality and attitude of managers
 - ⇒ Donors increase their staff and resource allocation

World Bank/ADB: Policy Options for Twin Projects

World Bank: *Broad recommendation to diversify project vehicles.*

1. “The World Bank will consider twin-project approaches for large-scale civil works causing resettlement. Future infrastructural operations that displace a large number of people will normally be processed as twin projects, with the actual threshold for the stand-alone project to be determined on the basis of country and local capacity...”
2. Treatment of major resettlement operations as full fledged projects will better mobilize the appropriate administrative frameworks and skills...”
3. An additional option is to use two-project sequences, with a rural or urban development project, immediately following up in the resettlement area on the heels of the infrastructure operation involving displacement.

(Source: World Bank, Resettlement and Development, 1996)

ADB’s OM F2 also provides the option of replacing components with full-scale resettlement projects.

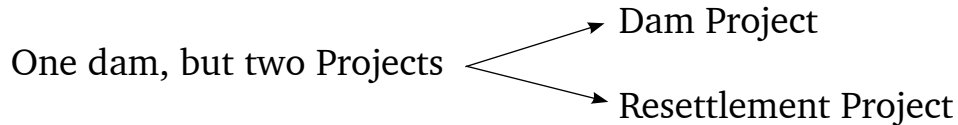
“ADB may treat resettlement either as part of the main investment or as a free-standing resettlement project that is prepared, financed, and implemented in association with the main investment.”

ADB OM F2/BP, footnote 7

Example: Twin Projects in the World Bank— Best Practice Option for Risk Management

{ PRC: Xiaolangdi Hydroelectric Dam Project
{ PRC: Xiaolangdi Resettlement Project: 180,000 people

World Bank and the PRC designed 2 distinct project frameworks



- Two Appraisal Reports; Two teams for every World Bank supervision mission
- Successful experience of twin projects: among best in the PRC, where in practice, even if not formally, resettlement is managed as a full-scale, distinct project

Class Discussion: What Criteria could Guide Decision Making for Twin Projects?

(Encourage class discussion of possible criteria)

1. Size of resettlement? 3,000 people? 8,000 people? or 12,000 people? (At what size should be the threshold?)
2. Sector of the economy: Agriculture? Urban Transport? Hydropower? Extractive Industries? Roads? Which sector makes more necessary the stand-alone/twin option?
3. Diversity & intensity of resettlers' risks? Nature of affected group?

Risk Management through Policy Making

- Risks cannot be managed well only at project-level design or execution. Needed: risk management through policies
- Policies and legislation institutionalize safeguards, define affected people's rights and entitlements, and allocate financial resources:

*Policy vacuum hampers effective risk management at project level
(Discuss the given country's case)*

- What to do when no resettlement policy exists, yet projects face resettlement risks? (Discussion: how to cope—see next slides)

National Policies on Resettlement

1. **Policy vacuum.** Most developing countries have not adopted yet national policies and laws to regulate resettlement in development. Land Acquisition Acts expropriate, but do not resettle and reconstruct.
2. **Root cause of failure.** Absence of policy (or bad policy) breeds arbitrariness, low standards, happenstance approaches, and lack of accountability. It is at the root of dysfunctionalities in resettlement, causes avoidable poverty. Yet it is not the only cause of all failures.
3. **Share of displacements.** Domestically financed projects cause the largest share of displacement and highest % of impoverished resettlers
4. **The PRC: Positive correlation between good policy and risk management performance.** The PRC has enacted a wide range of regulations on resettlement: demonstrates the substantial improvements brought by national policies (See next slide.)

The PRC: The National Policies—A Success Case

- The policy process in the PRC is continuous: Policies have been repeatedly revised, improved, and translated in legislation
- Basic policy objective: Resettlement with development. Restore + surpass original income and living standard
- The PRC adopted over 50 laws/regulations on land and R&R since 1980
 - ⇒ Nationally applicable laws
 - ⇒ Water resources sector regulation
 - ⇒ Urban land laws (under current revision)
 - ⇒ Rural land regulation
- Special (sectoral) laws on land and R&R
 - ⇒ LA and resettlement for large- and medium-sized water projects
 - ⇒ Forestry law of the PRC, etc.
 - ⇒ Lessons to be derived from the PRC's policy and legislative experiences

The PRC: Systematic Capacity Building for Resettlement Management

- Strong organizational framework
- The three-tier institutional system for resettlement risk management
 - ⇒ Central Gov. ministries responsibilities in water; transport; etc.
 - ⇒ Local administration at all levels (Province; County)
 - ⇒ Implementing public organizations and service agencies
- National capacity: National Research Center on Resettlement, Hohai University (no other country has created an NRCR)
- Needed Improvements, because:
 - ⇒ Not yet a comprehensive law on resettlement for all sectors;
 - ⇒ Need to revise Land Administrative Law—(Chapter 5)
 - ⇒ Need Better protection of resettlers' rights/entitlements
 - ⇒ Uneven economic provisions for resettlers in different sectors for compensation, investments, benefit sharing, development funds, insurance, overcoming poverty
- Discuss: What lessons from the PRC's institutional experience?

Conclusions: Managing Resettlement Risks

1. Risk management must start ex-ante, during project planning.
2. Risk management never stops throughout project cycle.
3. Four levels of risk management—each with specific roles.
4. Pros and cons in managing resettlement as component.
5. Twin projects broaden options for risk management.
6. “Resettlement with development” is the most effective way of countering risks with development post-relocation.
7. Policy vacuum increases impoverishment risks.
8. The PRC: Demonstrated positive correlation between improved policy and improved performance.