

## Module VI

### **IRR Part III: Countering Poverty Risks through Reconstruction of Resettlers' Income and Livelihood**



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## Introductory Note

**M**odule VI is dedicated to exploring the strategies for countering the poverty risks (defined in the prior lecture) through the reconstruction of resettlers' incomes and livelihoods. By alerting managers about impending risks and equipping them on how to preempt, prevent, and mitigate risks, the impoverishment risks and reconstruction (IRR) "works" against its own predictions of imminent impoverishment. Should the manager succeed, the "impoverishment" will not happen, or will happen on a much lesser scale and level: this way, the IRR model would have succeeded in offering practitioners what is called a "self-destroying prophecy."

The main themes of this module focus on first, the two broad "philosophies" in approaching resettlement, as evidenced in current practice; second, the discussion of the policy objective which managers must achieve in resettlement; and third, the analysis of the main strategic directions to counteract risks and reconstruct resettlers' livelihoods.

Current practices reveal, broadly speaking, two distinct "philosophies" or approaches: one is the approach focused on property compensation as core concern for obtaining "the right of way" and making possible the physical relocation of those displaced. This approach concentrates on the main "means for resettlement," seeks proof of ownership, and is often adversarial in trying to minimize compensation, reconstruction, and development payments. The second philosophy is a people-centered development approach. This approach is focused on the ultimate and multisided reconstruction and development goal, not only on the means.

Further, the module examines how the policy defines the objective that managers must achieve. It provides the succinct history of the objectives' evolution: from physical relocation without any other objectives, except "clearing the way" for the project, then to the objective of "restoring" people's existence and, subsequently, to improving livelihoods.

Given the importance of the ultimate policy objective, and also given the many, often imprecise, interpretations of these objectives, the module encourages a detailed

discussion around them. It also raises the question on whether refinements are now necessary, to link better the definition of resettlement objectives to the overarching paradigm of poverty reduction in development.

The module moves further to outlining the strategic direction in reconstruction. While for each of the specific impoverishment risks there is a set of distinct counteractions to be undertaken, in practice many such activities can limit simultaneously the scope/severity of more than one or another risk. Therefore, the counter-risk strategies are consolidated into three main orientations: the reconstruction of the economic productive basis; social community rebuilding; and the restoration and improvement of social services, for higher-quality livelihood.

The discussion of these strategies will be enhanced if course participants become engaged in sharing their own experiences in carrying out such activities. In the module, strong emphasis is placed on reversing the risks of landlessness. This includes discussing the implications of applying eminent domain law and of adequate valuation of losses.

While land-related risks refer primarily to agrarian populations, risks resulting from loss of employment may affect primarily urban populations and also some segments of the rural populations.

In discussing how best to counter the consequences of employment loss, the module emphasizes the need to exploit every opportunity, particularly the underused opportunities vested in the infrastructure project that displaces the area population. Based on good practice examples, the module suggests “targeting project hiring” to displaced people and combining targeted hiring with the promotion structured saving from waged employment and of professional training.

Reconstruction strategies have numerous other economic and financial dimensions, and these are addressed in the next module. Module VII will continue the analysis of reconstruction mechanisms for improving livelihoods and will outline a series of innovative approaches to valuation, compensation, and benefit-sharing.

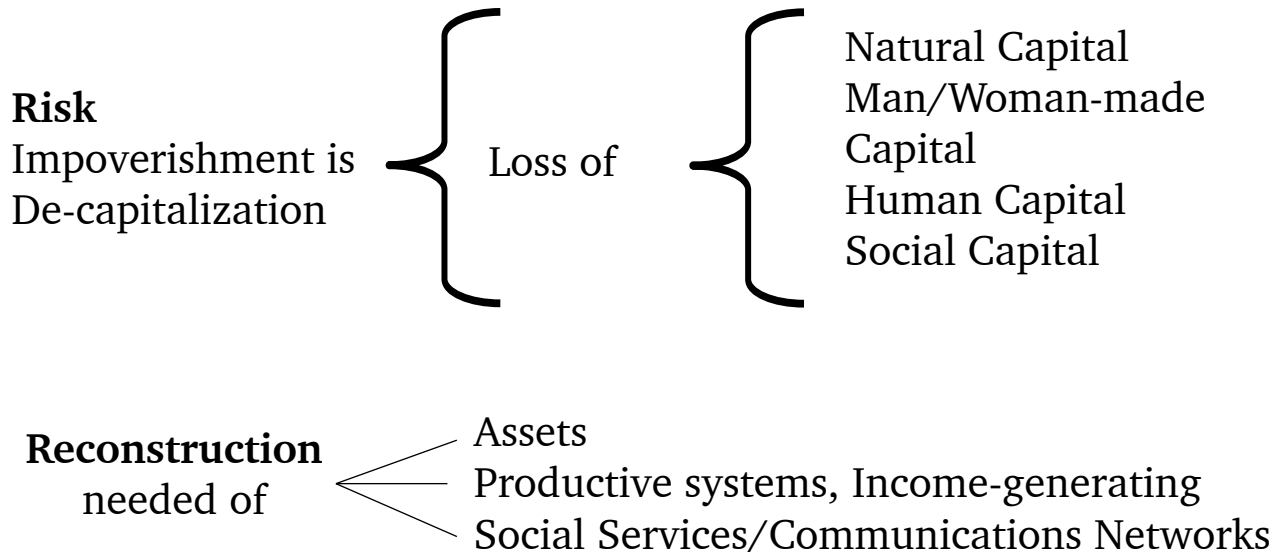
## Lecture VI: The IRR Model, Part III

# **Countering Poverty Risks through Reconstruction of Resettlers' Income and Livelihood**

## **Reconstruction: Could the IRR Model become a ‘self-destroying prophecy’?**

- Advance awareness of impoverishment risks can trigger more effective preventive actions
- Risk knowledge makes possible
  - ⇒ Targeted counter-planning, focused on specific risks and protecting specific groups
  - ⇒ Targeted and increased financial allocation to stimulate economic redevelopment
- Ideal result: risks are prevented or minimized
- This way, the use of the IRR model helps “announce” and prevent some risks: Thus, the model’s “prophecy” of risks emergence “destroys” some risks before they appear.

## Impoverishment as De-capitalization



## **Reversing Risks: Strategic Orientations in Reconstruction**

1. From landlessness to land-based reestablishment
2. From joblessness to reemployment
3. From homelessness to house reconstruction
4. From disarticulation to community reconstruction
5. From marginalization to social inclusion
6. From expropriation to restoration of community assets/services
7. From food insecurity to adequate nutrition
8. From increased morbidity to better health care

## **Two Possible Philosophies in Resettlement**

Why is reconstruction the most complex part of DFDR?

Two philosophies, which result in 2 different strategies:

Focus on property compensation approach

or

Focus on people-centered, developmental approach

## Discussion of the Two Philosophies (Mind-sets)

**Focus on compensation** is focus on the tool, not on goal: in practice, some managers tend to lose sight of the real goal and regard compensation as if it in itself was the goal

**Focus on people's development** is focus on the final goal, to be achieved in risk management by all tools. It requires a goal-oriented risks management

The ultimate goal in resettlement is the sustainable rebuilding and improvement of resettlers' economic foundations and livelihoods. This is more than asset-repurchase. It requires employing all instruments available, not only compensation.

## Specifics of the Property Compensation Approach

- Focuses only on property affected, for inventory and valuation
- Conditions compensation on formal proof of ownership
- Excludes non-property owners
- Is prone to valuation distortions and difficulties, done without participation
- Adversarial, tries to minimize payment to those expropriated, and is inherently undemocratic
- Litigation abounds

## People-Centered Development Approach

- The people-centered approach derives from the objectives of resettlement policies. These objectives have evolved and continue to be in discussion (see next slide).
- Recognizes that the impoverishment risks to people cannot be overcome with compensation alone.
- It includes compensation as obligatory, but
  - (a) attempts to improve compensation levels and delivery;
  - (b) complements compensation with additional means able to trigger development.

## Policy Objectives in Resettlement

A historical view on how the definitions of objectives in resettlement have evolved internationally:

1. First: **No policy** regulating resettlement, no reconstruction objective; only physical relocation of those displaced (in essence: before 1980)  
[Result: sheer destruction, no mitigation]
2. Then: Policy of **restoration to pre-displacement level** (after 1980)  
[Fallacy: is restoration enough, if it restores resettlers to their prior poverty?]
3. Then: Restoration, and **if possible improvement** (after 1990)  
[Demand for improvement is introduced, but remains secondary & weak]
4. Then: **Improvement**, or at least restoration to pre-project level (2000s)
5. Current trend in revising policy goals: emphasis on “improvement” is increasing, as neither impoverishment, nor “restoration” to prior levels of poverty, are development

## Critical Discussion of Various Definitions of the “Policy Objective” in DFDR

[Note: The following four slides contain issue-focused questions, designed to stimulate group-debates by participants, who are invited to engage in arguing whether the statements are true or false, and to propose corrections and remedies.]

1. “Restoring” incomes at pre-project levels deprives resettlers of normal growth (w/o project), leaving them worse-off (the time-lag issue).  
**Question for discussion: Is this true?**
2. “Restoring even at real growth terms (pre-project plus annual average growth) is hardly ever planned. **Question for discussion: Is this true?**
3. “Proposing two different levels of acceptable performance (“restoring, or if possible, improving”) is inadequate policy-wise, because in practice the minimal level eliminates the higher goal.” **Question for discussion: Is this true?**

## Other Current Criticism of Definitions of the Policy Objectives

4. “Restore” is not a precise measurable level because “calculating replacement value is too crude.” **Question for discussion: Is this true?**
5. Because the degrees of “better off” (improve) have never been quantified, even 1% increase would be “better off”: does this make policy sense? (S. Ferguson) **Question for discussion: Is this true? If yes, how can this be corrected, specified?**
6. The shift from “restoring” to “improving” (if improving is significant, not 1%) is a major change in international policy objectives. However, resettlement policies have not prescribed adding new financial resources (means) when the policy goal was set higher. This creates an unfunded mandate: a discrepancy goals-means, condemns policy to remain unachieved. **Question for discussion: Is this true? Can this be corrected?**

## Other Current Criticism of Definitions of the Policy Objectives

7. The definition of goals is not time-bound in policy statements: when, how long after displacement should restoration or improvement be achieved? What is the time threshold between success or failure in restoration?  
**Question for discussion: Are time-bound target definable?**
8. Do policies expect the achievement of their objectives on the aggregate, or in each resettlers' case? The Pareto optimality principle.
9. Many countries have not yet issued national (domestic) policies on resettlement. In the absence of domestic policy statements, what objectives should be pursued in resettlement operations?  
**Question for discussion: How does the absence of policy affect the pursuit of good resettlement?**

## Is it Necessary to Redefine the Policy Objectives?

- One other weakness in setting the policy objective in resettlement is the lack of reference to country poverty levels. Often, even if an “improvement” above the pre-project level is achieved, the resettlers may still remain below country poverty levels.
- One proposal for redefining the policy objective can be

*“The people forcibly displaced and resettled will be enabled to improve their income/livelihood above pre-project level in real terms, or above the country’s poverty-threshold, whichever is higher.”*

**Discuss: Is this objective too high? Or should it become the objective in “resettlement with development?”**

## **The IRR Model Outlines Three Strategic Directions in Reconstruction**

1. Reconstruction of resettlers' economic/productive basis
2. Social/community rebuilding
3. Rebuilding of services at relocation sites

*Let's examine each of these three, in turn.*

## **Strategic Directions in Reconstruction**

### **Reconstruction of Resettlers' Economic/Productive Basis: Land and Employment**

- From landlessness to land-based reestablishment
  - ⇒ Valuation methods need improvements (see also in next lecture)
  - ⇒ Good practices for identifying substitute lands for resettlers
  - ⇒ Land purchases and land pooling by state, for land-based relocation
  - ⇒ Land ceiling laws for redistributing newly irrigated land in command areas
  - ⇒ “Land for land”: (argument pro and con: “cash for land” ?)
- From joblessness to reemployment
  - ⇒ Facilitating access to jobs for the people displaced must be a priority strategy in all projects. Discuss the good experience of ADB's Kali Gandaki Dam in Nepal (see next 3 slides)

## Exploit Opportunities for Wage-Income, Combine with Savings and Training for Human Capital Creation

- Employment loss can be partly mitigated by intensive use of opportunities created by the displacing project itself. Temporary jobs are a vastly under-used option.
- Employment by project is underestimated because it is temporary. This is a mistake because although temporary, project employment in civil works can be available for several years. Ensuring priority recruitment for resettlers yields significant and enduring benefits (see Kali Gandaki employment table).
- Vocational training and savings. Temporary jobs alone, while profitable, are not enough. Combine targeted hiring with two other counter-risk initiatives.
  - ⇒ First: Vocational training for resettlers. Acquiring new skills while working on the project is essential for post-project continuity in wage earning
  - ⇒ Second: Organized savings. Regular wages from jobs over 12–36 months are often a cash flow unmatched by any other income source. Encouraging the saving of disposable surpluses builds a financial cushion when temporary jobs end, enabling resettlers to invest in alternative productive activities

## Targeted Hiring in Nepal: Nepal's Kali Gandaki Hydropower Project Employment Levels and Composition (1997–2000)

	Priority Order	1997 Aug	1998 June	1999 June	2000 June
1.	SPAFs	9	106	105	90
2.	PAF	79	236	274	236
3.	Local VDC	11	356	690	513
4.	SNG & Gul	23	175	270	245
5.	KG Basin	0	353	350	284
6.	Other	166	213	893	813
	<b>Total</b>	<b>288</b>	<b>1,439</b>	<b>2,582</b>	<b>2,181</b>

Note: The project's contractors were requested to hire their laborers in the above priority order.

Local VDC = villages in the project's footprint area

SNG & Gul = neighboring villages

SPAF = seriously project-affected families

PAF = project-affected families

## Lessons from the Kali Gandaki (KG) Employment Experience

- Targeted hiring succeeds only if implemented systematically. KG project management pursued tenaciously the hiring of displaced people by international and local contractors.
- Very important: the KG project created the basis for enforcing a priority hiring system early (during project preparation) by including in tenders contractors' obligation and criteria for priority hiring.
- Four essential lessons to be learned from KG
  - ⇒ include contractors' obligations for preferential hiring in initial tenders for local and international competitive bidding;
  - ⇒ maintain and monitor constantly statistics of PAFs' hiring;
  - ⇒ inform resettlers of their entitlement;
  - ⇒ stimulate their participation in seeking jobs, in skill training during employment, and in savings.

# **Strategic Directions in Reconstruction**

## **2. Social/Community Rebuilding**

- From social disarticulation to reconstruction of community ties  
**(Discuss examples)**
- From marginalization to social re-inclusion
- From expropriation to restoration of community assets

**(Discuss implications regarding hosts' communities rights to common property natural/local resources)**

## Strategic Directions in Reconstruction

### 3. Rebuilding of Services at Relocation Sites

- From increased morbidity to better health care (**discuss specific impacts on children, women, and the elderly**)
- From food insecurity to adequate nutrition (**discuss specific impacts on children, women, and the elderly**)

[Discuss schools (are they reconstructed?) and resettlement's impacts on education, on water and power supply systems, etc.]