

## **Module III**

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

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# **Main Themes of Module III**

- The Decisive Importance of Correct MANAGEMENT of Risks**
- Managing of risks as ex-ante prevention and mitigation of actual impacts, before impacts occur**
- Four levels of risk management**
- Alternative project vehicles as options for managing resettlement**
- Comparing constraints 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 DIDR is, at its core, the management of its risks, from initial identification to final resolution

-The difference between “risks” and “impacts”:

- risks are potential, indicate possible negative effects
- impacts are effects that have happened, indicate results, actual occurrence
- to ex-ante identify and prevent impacts, identify early the risks

-The essence of risk management: to “arrest” risks before they become impacts, i.e. to prevent and mitigate risks for ex-ante 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 end at the project execution and completion level
- Often, post-project-completion risk reversal and remedial work needed
- This presentation discusses on planning and implementation at the project level.
- ADB: resettlement policy (2003)

*The ADB involuntary resettlement policy “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, para. 3, 2003)*

# Four management levels for risk-management

1. The design level: planners and designers of resettlement project components (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 DIDR)

# Types of Displacement and Options for Risk Management

Comparative perspective: Why successful risk management in DIDR is likelier than in other displacement types?

The project framework in DIDR is conducive to:

- planning advantages
- consultation/participation of resettler advantages
- valuation and compensation for losses
- ex-ante financial resource allocation
- orderly relocation
- ex-post evaluation

-None of these is present in conflict-displacement and other displacement forms.-  
Question: Are DIDR opportunities fully exploited in your country's projects with resettlement?

# The Development Project as “Vehicle” for DIDR

**Option 1.** Design & Implement resettlement as a “component” of the main infrastructure investment project

**Option 2.** Design and Implement resettlement as a full scale development project, stand alone but closely inter-linked with infrastructural project.

-ADB resettlement policy allows both options of “projecting” DIDR

-ADB practice has used only one option in all its projects to date

# Evolution of Resettlement Components within Project Structures

The treatment of resettlement has historically evolved in development projects.

1) Initial treatment (1950 to early 1980s): Underestimated as “side effect” or “secondary by-product” (virtually, no plan)

Consequence: Risks also underestimated, not addressed

2) Early 1980 – until approx. 1990/95: Resettlement is treated as design component with distinct status

3) After 1995, Introduction of “Resettlement Action Plans” (RAPs) as mandatory: Resettlement increasingly becomes a project within a project” but lacks distinct economic and risk analyses

4) Resettlement can be a stand alone project, but option rarely used

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

# Two Questions: Compare project options from a risk management angle

- 1) Which of these two structural options (component or free standing project) offers a better answer to RETA's question: "Building Capacity for Resettlement Risk Management"?

(Encourage class discussion on this question; explore prejudices & hurdles against full fledged options)

- 2) Do we have criteria for defining **when** one or another option can be more management-effective? (e.g. size of displacement?)

(Encourage class discussion on these questions)

# Constraints on management in “component within a project” situations

Consider and discuss an example: Major hydropower dam which displaces 8,000 people (or 18,00 people; or 25,000 people)

- Major differences in content under one umbrella: complex social welfare vis a vis infrastructure engineering technology (discuss examples)
- Less staff allocation and lower status in the project’s structure
- Priority rivalries for material and resource allocation
- Overload on general management for two projects combined in one

# Can the “component” status lead to “resettlement with development” outcome?

-Major problem for “components”: they are not “investment projects”

-Financing of resettlement components has three sources:

(1) Administrative costs (financed by project, low cost)

(2) Compensation costs (main cost: but it is not “investment”, it is restitution of condemned assets)

(3) Resettlers’ themselves (very limited, given poverty and displacement crisis)

Conclusion: Resettlement Components are not financed as

“development investments are condemned from start to not achieve higher development outcomes.”

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

-World Bank study of 192 projects with resettlement concluded that large scale resettlement operations have much higher chances of success if “twined” with infrastructure project, as full scale development project on its own.

-This is a profound change in:

- 1) Organizational setting: stronger capacity
- 2) Orientation and design as development project, not as a mopping/cleaning operation for right of way
- 3) Complete project economic and financial analysis
- 4) Deep change in mentality and attitude of managers
- 5) Donors’ staff capacity to assist the country is also increased (double supervision)

# World Bank Recommendation on Twin Projects.

## ADB: Policy option for stand-alone projects

**World Bank:** *Diversity project vehicles. (Broad recommendation)*

- (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 needed to carry out resettlement successfully.
- (3) An additional option is to use two-project sequences, with a rural or urban development project immediately following up in the resettlement zone on the heels of the infrastructure operation involving displacement; this option should be considered based on needs in each project area situation.”

(World Bank: Resettlement and Development, 1994)

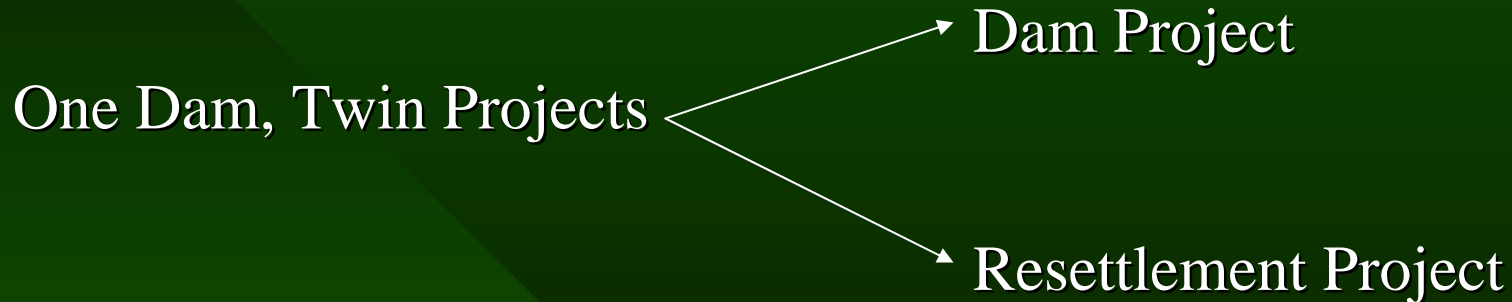
**ADB's Involuntary Resettlement Policy** provides the option of replacing components with full scale resettlement projects.

# Twin projects in World Bank:

## Best Practice Option for Risk Management:

China: Xiaolangdi Hydroelectric Dam Project

China: Xiaolangdi Resettlement Project: 180,000 people Has created 2 distinct Institutional Capacities at Project Level



-Two Appraisal Reports; Two teams for every WB supervision mission

-Successful experience of twin projects: among best in China, where in practice, even if not formally named so, resettlement is treated often as full scale, distinct (or linked) development project

# **Discussion: What could be the criteria for using the stand-alone option?**

(Encourage class discussion of possible criteria)

(a) Size of resettlement? 3000 people? 10,000 people? or 20,000 people? (At what point should a threshold be considered?)

(b) Sector of the economy: Agriculture? Urban? Development? Extractive Industries? Roads? Which sector makes more necessary the stand alone/twin option?

(c) Diversity and intensity of resettlers' risks?

# Risk Management through Policy Making

- Risks cannot be managed effectively only at project design or execution level: the need for risk management through policies
- Policies and legislation institutionalize safeguards, define affected people's rights and entitlements, and allocate financial resources: these are essential building blocks for risk management at project level
- Policy vacuum hampers effective risk management at project level (Discuss the given country case)
- What to do when resettlement policies are absent, yet project confront resettlement risks? (Open discussion on how to cope and manage: see following slides)

# National Policies on Resettlement

- (1) Policy vacuum. The vast majority of developing countries have not adopted yet national policies and legislation to regulate the involuntary resettlement involved in development programs. Land Acquisition Acts expropriate, but do not resettle and rehabilitate.
- (2) Root cause of failure. Absence of policy (or bad policies) breed arbitrariness, low standards, happenstance approaches, and lack of accountability. It is one of major causes of dysfunctionalities in resettlement, of additional (avoidable) suffering. But it is not the only cause of all failures.
- (3) Share of Displacements. Domestically financed projects cause the largest absolute share in total DMC displacement and the highest proportion of impoverished resettlers; much more than in IFi-assisted projects.  
-IFi's share in resettlement: more visible, but much smaller than non-IFi projects.
- (4) China: Positive correlation between policy and risk management performance. The example of China, which has enacted a wide range of policies and regulations on resettlement, demonstrates the substantial improvements brought by national policies on both domestically and internationally financed projects (see next slide.)

# China: The National Policies – a Success Case

- The Policy Process in China is continuous
- Policies are gradually reformed, improved and translated in legal frameworks
- Basic objective: Resettlement development. Restore + surpass original income & living standard
- China has over 50 laws and regulations on land and R & R after 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 water projects
  - Forestry law of PRC; Forestry law, etc.
- International lessons from China's policy process

# China: Success Case Institutional system for resettlement management

- Strong Organizational framework
- The three-tier institutional system for resettlement risk management: different state responsibility structure than any other country.
  - (a) Central ministries: responsibilities in construction; water; transport; etc.
  - (b) Local administration at all levels (Prov.-C-ty)
  - (c) Implementing public organizations: and service agencies
- National capacity for research: NRCR (no other country has created an equivalent of NRCR)
- Need Improvements:
  - No comprehensive involuntary resettlement law
  - Need to revise Land Administrative Law – Chapter 5
  - Need Better protection of resettlers' rights
  - Improve economic provisions for resettlers [compensation; subsidies; insurance; overcoming poverty]
- International Lessons from China's Institutional Experience

# Conclusions: Managing resettlement risks

1. Risk management must start ex-ante.
2. Risk management never stops throughout project cycle.
3. Four levels of risk management – each with specific roles.
4. Advantages and constraints in managing resettlement as component.
5. Twin projects broaden options for risk management.
6. “Resettlement with development” is the most effective way of risk management.
7. Policy vacuum has strong correlation with increased resettlement risks.
8. China: Demonstrated positive correlation between improved policy and improved performance.