

[Book review] "The Economics of Involuntary Resettlement: Questions and Challenges edited by Michael M. Cernea"

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journal or publication title	The Developing Economies
volume	40
number	1
page range	101-106
year	2002-03
URL	http://hdl.handle.net/2344/248

BOOK REVIEW

The Economics of Involuntary Resettlement: Questions and Challenges edited by Michael M. Cernea, Washington, D.C., The World Bank, 1999, xii + 259 pp.

Involuntary population resettlement is a problem closely connected with developmental infrastructure projects, and the research in the volume presently under review seeks to bring about a dialogue between economic and social analyses to provide a clearer understanding of the problems arising from involuntary resettlement. Concerted research on the problems of such resettlement began in the 1960s undertaken for the most part by anthropologists and sociologists. Economists took little interest in the topic, which meant that for a long time the economic and financial issues underlying involuntary resettlement received little attention (p. 28). But the accumulated experience of operational work and social research on resettlement projects has pointed to the need for research on these issues, and for adapting the information from economic and financial analyses to the complexities involved in the displacement of people and in communal recovery after resettlement which must be part of the routine work of designing resettlement projects (p. 2). This book is the product of the interdisciplinary research on population resettlement done by scholars in the fields of economics, sociology, anthropology, and political science. It is practical and contains valuable information and evaluations of actual resettlement policies that have been carried out.

Chapter 1 by Michael M. Cernea reviews the current state of knowledge in sociology and anthropology and that of economic analyses concerning population resettlement, pointing out the issues in interdisciplinary knowledge development and the problems with using ordinary cost-benefit analysis. Analyses dealing only with aggregate costs and benefits cannot analyze the costs and benefits at the dimension of the individual and cannot serve to minimize the losses that individuals suffer. People affected by resettlement projects always suffer losses. Conceptualizing these losses as “social costs” or “external costs,” as if they were secondary factors, is not a satisfactory way of explaining them. Likewise it is not appropriate methodologically to regard the administrative acquisition of property, which is always part of involuntary resettlement, as a choice that takes place in a voluntary market exchange (pp. 19–21). The author stresses the need for economic analyses in order to reduce the occurrences of resettlement and to improve the living standard of people who have been resettled. He also points out the need for replacing the dated idea of “economics of compensation” with that of “economics of recovery and development” (p. 6).

In Chapter 2, David W. Pearce examines the methodological problems of economic and financial analyses needed in the study of involuntary resettlement, and discusses the inappropriateness of the concept of externality used in the existing methodologies. In this chapter the loss of well-being that resettled people suffer because of dams and other such projects is regarded as external cost. In the usual practice of cost-benefit analysis, feasibility and

relevance of a project are evaluated using information regarding aggregate cost and benefit. When total benefit exceeds total cost, in principle, the project can provide resources to compensate the people affected. However, in actual project implementation there is no demand for an income transfer from beneficiaries to those suffering losses. Therefore, the administration tends not to regard the resettlement cost as an important item (pp. 54–55). Moreover, in the actual practice of project evaluation, coverage of income and assets are limited (p. 63). In the estimation of welfare loss that accompanies resettlement, a precise estimation of consumer surplus tends to be neglected (pp. 65–66). Factors such as changes in land values complicate the procedures of cost evaluation (pp. 62–63). Given these problems, there is a tendency for undervaluation of the compensation to resettlers (pp. 62–66). The author proposes ways to rectify this tendency to undervalue, such as having the baseline social survey include interviews concerning contingent valuations which are used in environmental contexts (pp. 68–69).

Chapter 3 by John H. Eriksen examines the practicalities of resettlement planning, and through this examination, he discusses more deeply the methodological problems brought up in the first two chapters. He makes a comparative study of the differences between voluntary and involuntary resettlement programs in Brazil, China, India, Indonesia, and Ghana that the World Bank took part in during the 1970s and early 1980s. According to the author, the more involuntary a resettlement undertaking is, the more the concerns of the resettlers are neglected in the planning of the project.

In Chapter 4, María Clara Mejía discusses the economic dimensions of resettlement problems in urban areas in Latin America. The author looks at the difficult economic dilemmas that have had to be weighed and resolved in dealing with the reintegration of displaced people back into society. These urban resettlement projects have suffered from a chronic undervaluation of the costs of displacement, one reason being the complexity of the resettlement process. The author breaks down the costs of a resettlement project into: consultation and participation, local survey and census information collection, housing designing, land acquisition and the construction of housing and services infrastructure, investments to expand services in response to newly arising demands from resettled people, transactions with communities receiving the displaced populations, indemnification and compensation for material losses and adverse impacts on economic activity, the relocation of the displaced people, programs for social support and to recover income, property titles and registration, administrative costs and payments to social researchers, workers, and other specialists/experts in fields pertinent to the resettlement project, additional costs to cover increased land prices due to speculation, transaction costs between the institutions and agents involved, and costs arising from other unanticipated problems and matters. The author argues that in order to rectify the chronic undervaluation of resettlement costs, these specific costs must be comprehensively and properly taken into consideration (p. 171). Actually, administrative costs due to the institutional complexity of these projects are generally greater than predicted. For this reason, in most projects local counterpart resources for resettlement have been insufficient. The effective way in the author's opinion is to procure funds from external sources such as the World Bank (p. 174).

Chapter 5 by Lakshman K. Mahapatra takes up the subject of poverty reduction in resettlement projects in India. The author examines the appropriateness of the risks and re-

construction model for such projects by applying a risk-focused framework.¹ In India's case, resettling people not only entails their relocation but also their rehabilitation (the reconstruction of the relocated people's social and economic organizations). But the findings of Indian legal and sociological studies show that rehabilitation does not take place automatically (pp. 191–92). Based on these studies, the author reviews from the economic dimension (income creation), the social dimension (social services and welfare), and the dimension of community restoration the arguments for reconstructing the life styles and livelihoods of resettled people (pp. 213–21). These arguments include the increased ability of people to cope with the loss of land, employment and housing, the improvement in health, and the recovery of assets which accompany the rebuilding of a community supportive of the people's life style and livelihoods, the assurance of opportunities for education, and the provision of institutional mechanisms directed at rehabilitation (pp. 213–21). But the author states that the most important factor for people who are being resettled is that they be treated in a humanitarian manner and that rehabilitation be incorporated into a nation's development process (p. 221).

Warren A. Van Wicklin III, the author of Chapter 6, argues that it is important for resettlers to be able to share in the benefits of a project if their livelihoods are to be improved. There is also a political rationale for projects to share benefits with resettlers. The author states that "typically, the displaced and the project beneficiaries are largely separate groups" (p. 234) and that "sharing project benefits is not just a way to gain acceptance of displacement ... it provides an opportunity to do resettlement better" (p. 235). The author has reviewed "a large number of projects under implementation between 1987 and 1997, using both the *ex ante* and the *ex post* project documents" (p. 231). In most of these projects there were opportunities for a fairer rechanneling of resources, but for trivial reasons such rechanneling did not take place. The author emphasizes that "such apparently trivial reasons also have deeper roots: the absence of national policies and of legally compelling regulations that would make it mandatory for developers from the public or private sector to deliberatory open access for those displaced to the project's stream of benefits" (p. 232).

The general discussion provided by the editor in the Introduction and Chapter 1, and his lucid summaries of each chapter and the positions that each presents make this a book with high academic value and one that is also highly readable. I would like to comment further on several of its major contributions.

One is the wealth of suggestions contained in these studies concerning methods for evaluating resettlement projects and policy reforms. The book, especially Chapter 3 by Eriksen, shows that the usual practice of involuntary resettlement is carried out on the bases of secondary information about the people affected. The development administration tends to neglect the minimization of the welfare loss for the people affected. Given these shortcomings, even where experts carry out project evaluation on the distributional aspect of resettlement

¹ This model was presented in Michael Cernea, "The Risks and Reconstruction Model for Resettling Displaced Population," *World Development* 25, no. 10 (1997) and other related articles. This model comprehensively analyzed factors related to the risk and impoverishment caused by resettlement. The model which Cernea proposed provides insight regarding strategies for the recovery of the people's livelihood. Cernea's model breaks down impoverishment into eight major dimensions, and provides a multifaceted analysis of resettlement based on the assumption of five actors being involved in a project.

ment, the experts have to rely on weakly based information, and there is always an information gap separating the experts, the people affected, and general public. This factor prevents the general public from examining the relevancy of projects.

As a result the problems inherent in involuntary resettlement projects tend to get ignored or lost from sight. Social development demands a high level of concern because the value of developmental projects cannot be measured by unique standards. In this sense analyses of the social impact of infrastructure projects in the past have not been adequate. When a researcher recognizes some project costs as external costs to market transaction, this is the first step to proper analysis of resettlement projects. The researcher has to clarify the social mechanism which generates these external costs (see Chapter 1, pp. 10–13).²

The book deals comprehensively with such problems, provides a framework that is flexible in its suggestions on various resettlement projects, and along with providing examples of *ex ante* or *ex post* project evaluations, it clarifies various aspects that make up the work of project evaluation. The costs comprehensively presented in Pearce's chapter include ones that can be well understood when viewed from the position of the people affected by resettlement projects, and the chapter explains how important it is to gather and analyze information when undertaking such projects. As in Cernea,³ Pearce points out that an effective way to reexamine the value of projects, which have tended to rely on the subjective consideration of experts, is to review them from the vantage points of the various participants involved.

A second contribution of this volume is its elucidation of the complexities in the processes of people forming a society. The community should be understood as an integrated organization, and the community is based on people's material and cultural wealth and local amenities. The loss of one's house and ancestral home is not merely an economic transaction. Both have a deep social, cultural, and psychological hold on the people they belong to; and as Mejía and Mahapatra show in their studies, a community can be dismantled and reconstructed in another place, but the original community will not necessarily be restored.

² Also see Cernea, "The Risks and Reconstruction Model," pp. 1578–79, regarding the problems with cost-benefit analysis. There has also been a movement among economists seeking to rethink the evaluations and cost-benefit analyses of projects already implemented. For example, see Shanta Devarajan, Lyn Squire, and Sethaput Suthiwart-Narueput, "Project Appraisal at the World Bank," in *Cost-Benefit Analysis and Project Appraisal in Developing Countries*, ed. Colin Kirkpatrick and John Weiss (Cheltenham: Edward Elgar, 1996). They undertook a review of the approach to project evaluation used by the World Bank during the fifteen years from 1970 to 1985. According to this paper, in the 1980s the use of rigorous methods for project evaluation decreased. The authors of this paper review various reasons behind this decrease in the use of project evaluation. In my view all of their reasons can be grouped into two, namely, methodological (technical) problems and the shift in the World Bank's policy.

Firstly, social analysis of projects requires the specification of distributional weights for the benefits and costs of the different groups of people, and the experts have to rely on subjective considerations. This task also makes the evaluation methods inefficient when applied in public policy. Secondly, the World Bank has placed emphasis on the social sector, environmental sector, and macroeconomic issues (e.g., structural adjustment) in its lending policy. This policy shift by the World Bank can be one of the reasons for this trend (see Devarajan, Squire, and Suthiwart-Narueput, "Project Appraisal," pp. 36–40).

³ Cernea, "The Risks and Reconstruction Model."

If the restoration process is not properly organized, some of the resettled people can be excluded from the community. Cernea's "impoverishment risk" and Pearce's "guidelines for gathering and analyzing economic information for resettlement" (pp. 73–78), which are used in this book, provide us with suggestions for dealing with these sorts of delicate resettlement problems.

I would like to make a few more comments about some issues that can further develop the analyses in this book. Firstly, explicit analysis of the behavior of development administration will be an important issue for understanding of the background of the resettlement problem. The book presents various examples of resettlement projects that have been carried out in developing countries. In order to properly examine whether the resettlement is voluntary or involuntary, it is important to understand the local and historical background of each case. For example, it seems that the lower a people's access to the resources and administration of a location, the easier it is to subject them to involuntary resettlement. The development administration has to consider the interrelationship of the central government, local government, and the local community, and a political science approach would also be needed to analyze the process by which specific people are made the target of involuntary resettlement. Moreover, in the project evaluation, various actors (resettled people, the project beneficiaries, and losers) will provide information in the context of their strategies. Taking this into consideration, the people who implement the resettlement project have to examine the meaning and background of the actors. A standardized framework for participatory evaluation may facilitate the understanding of the actors.

A second issue relates to the consistency of the various concepts of risk and cost used in this book. The authors, who have different academic background, propose various concepts. Each concept should be evaluated within a proper time horizon and evaluation standard. Therefore, a consistent understanding of these concepts would facilitate interdisciplinary a dialogue on the resettlement problem. The analyses of risks that society will suffer from the future effects of projects should have different aspects from the analyses of losses (costs) that society has already suffered from the effects of projects. In the case of the former, there has to be thorough consideration of the risks that could possibly occur, and methods are needed for solving the difficult problem of how to weigh and compare the different kinds of risks. In the case of the latter, what is important is the process of recovery from the specific losses that have already occurred, so the need is to begin by analyzing the diverse life histories of the individuals who have suffered losses and have been dispersed to other locations (see "Reconstructing the Livelihoods of Resettlers" in Chapter 5 by Mahapatra, pp. 213–19).

A third comment is the importance of promoting a mutual understanding of the meanings and functions of models used in individual fields of study. The processes of abstraction and the assumptions of premises change depending on the function that a model has to perform. Also an insufficient understanding of the diverse functions that a model has to perform will likely impede interdisciplinary dialogue. By promoting a dialogue between theory and actual experience, the studies in this book are making an attempt at model building which coincides with the complexities of reality, and in my view their attempt has been successful. In this sense the studies in this book will push researchers to rethink their own theories and the character of their models which can easily become a routine part of one's research.

In the development process it is difficult to assure social fairness and equality, and the premise of this book is that researchers need to be very careful and comprehensive in their observations and analyses of development projects and their processes. In this sense, the interdisciplinary nature of the research in this book will make it very worthwhile for people in a wide range of studies.

(Hiroki Nogami)