Economic Perspectives on Resettlement and Rehabilitation

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What constitutes adequate and appropriate resettlement and rehabilitation of people displaced by development projects has been the subject of considerable debate. This paper presents the case for a national policy on resettlement and rehabilitation and discusses different principles that have been proposed as possible bases for such a policy.

I Introduction

IN the post-independence period, India has sought rapid economic growth through ‘planned development’. This has entailed large-scale investments in dams, roads, mines, power plants, industrial estates, new cities and other projects involving land acquisition. Large numbers of people have been displaced from their original habitats to make way for these development projects. Such projects have also permanently changed the patterns of use of land, water and natural resources that previously prevailed in these areas. People dependent upon the land, forest and other natural resources for their livelihoods have been dispossessed of their sources of subsistence through land acquisition and displacement. Further, the standards of resettlement and rehabilitation (R and R) of people displaced by development projects have been very poor in most cases. In the absence of adequate resettlement, most of the displaced people, and especially those belonging to disadvantaged social groups, have been reduced to poverty and destitution.

One major reason for this dismal situation has been the absence of a national policy on resettlement and rehabilitation. Without a national policy, R and R in the past have been based on ad hoc plans, resolutions and orders, passed for specific states or even projects as and when the need arose.1 Ad hoc and piecemeal resettlement initiatives at the state or project level have proved largely ineffective, and even harmful in some cases.2 The provisions of these policies have been inadequate and discriminatory, leaving large numbers of people worse off as a result of development projects which are otherwise supposed to provide general benefits.

A special dimension of the problem of displacement, resettlement and rehabilitation in India has been the prevalence of a large proportion of tribals among those displaced. Tribal cultures are distinct from those of the groups belonging to the modern economy. They are also marginalised from the mainstream political system and vulnerable to exploitation. The special needs of tribals have not been taken into account in past resettlement plans and policies and the tribal encounter with the modern economy through displacement has mostly resulted in material impoverishment and social disintegration.

Over time, there has been increasing resistance to displacement by development projects on the part of project-affected people, aided by NGOs and other activist organisations, mostly because of the inadequacy of the R and R packages offered to them by the government (or project authorities). Such opposition has caused delays in the construction of many projects, leading to huge escalation in the costs of projects and raising questions about their economic viability. The government, which can otherwise be expected to have an interest in the speedy completion of projects, contributes to this situation by short-changing project-affected people in the planning and implementation of resettlement measures. The government’s behaviour, in turn, reflects the absence of any obligation to provide adequate and appropriate resettlement and rehabilitation. In the light of these circumstances, it has become economically pragmatic as well as politically wise to have a national policy on resettlement and rehabilitation of people displaced by development projects, which defines the binding obligations of all state governments in this field.

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II Case for a National Policy

The case for a national policy is stronger than ever before, in view of the vast numbers already affected, and of the fact that these numbers can be expected to grow in the future. Displacement caused by development projects disrupts the livelihood mechanisms of the poor and the weak, and threatens them with greater impoverishment. The first argument for a national policy is the need to ensure a minimum standard of living for the displaced and to protect them from avoidable impoverishment.

Another consideration, which relates closely to the first, is that of government accountability. Without a national policy, there is great potential in development-induced, state-imposed displacement for violation of individual and group rights under domestic and international law [Mathur 1995]. A national policy is the basis according to which the government can be held accountable if satisfactory and timely resettlement and rehabilitation measures are not undertaken. It can create the necessary legal authority that is binding on the government, and help to ensure that the political will and commitment to undertake adequate and appropriate R and R are forthcoming.

In the case of projects involving more than one state, a third consideration is the need to avoid ‘free-riding’ on the part of individual states. For such projects, each state has an incentive to seek a maximum share of the benefits while bearing as little as possible of the resettlement costs. For example, in the case of the Sardar Sarovar Dam on the Narmada river involving Gujarat, Maharashtra and Madhya Pradesh, the states have haggled over their share of rehabilitation costs with little regard for the plight of the oustees. This has also been the experience of the Pong Dam, involving Rajasthan and Himachal Pradesh. In such cases, a national policy can help to assign responsibility, to provide a solid basis for the resolution of inter-state conflicts, and to ensure that the affected persons do not get sidelined as a result of these conflicts.

A fourth issue is that of project delays and cost overruns due to inadequate resettlement. Very few development projects in India have been completed in the time originally stipulated for them. Construction delays have often resulted in huge cost overruns. According to the Public Accounts Committee Report of the government of India (1982-3), 32 ongoing and initiated large irrigation projects had cost overruns of up to 500 per cent, and no project had been completed within the originally approved cost estimates. Since independence, of 205 irrigation projects undertaken, only 29 had been completed by 1979-80, and no project had
been completed without a minimum delay of 10 years. One of the important factors causing time and cost overruns has been resistance by the affected people, who have often been dissatisfied with the proposed resettlement and rehabilitation packages. Suits have been filed against the project authorities and the government for improvement of the compensation offered. There have been costs of litigation and of enhanced compensation, as the courts have generally decided in favour of the petitioners. Even when no legal action has been taken, the delays caused by protracted negotiations have been, in many cases, extremely costly. The costs of providing improved resettlement, on the other hand, need not be very high. Indeed, in India the resettlement and rehabilitation budget earmarked by project authorities has typically been a very small percentage of total project costs. In 12 World Bank-aided development projects in India, the resettlement and rehabilitation budget was on an average 3.1 per cent of the amount lent by the Bank [World Bank 1994b]. As a proportion of total project costs, resettlement and rehabilitation budgets are even smaller, since World Bank loans usually cover only a proportion (often a small proportion) of total project costs. There is, in short, little support for the argument that allocating greater resources to resettlement and rehabilitation would drastically lower the economic returns of development projects and impair their economic viability. On the contrary, better R and R provisions may add to project benefits by reducing time and cost overruns and facilitating the smooth implementation of projects.

In this regard, the Indian case can be illuminatingly compared with that of China, which since the 1980s has had relatively greater success in rehabilitating people displaced by development projects. In China, for projects with a comparable rate of return, the resettlement and rehabilitation budget has been a much higher percentage of total project costs on an average than in India. In four World Bank-aided projects in China, the average resettlement and rehabilitation budget was 6 per cent of the total project costs, and in the case of the Shuikou I and II projects, it was as much as 28 per cent [World Bank, 1994a].

The low allocation of resources to resettlement and rehabilitation is caused by, among other reasons, undernumeration of project-affected people, non-recognition of certain categories of entitlements of project-affected people, and non-recognition of certain categories of people as being project-affected in the first place. A national policy is needed to establish minimum entitlements of project-affected people as being project-affected and impair their economic viability. On the contrary, better R and R provisions may add to project benefits by reducing time and cost overruns and facilitating the smooth implementation of projects.

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A major factor responsible for the poor record of resettlement and rehabilitation in India is the inadequacy of the legal-institutional framework. The Land Acquisition Act 1894 is the major legal instrument dealing with the entitlements of people displaced by development projects. However, as will be explained further on, in many situations the provisions of this act exclude a large majority of people who are deemed ineligible for compensation even though they are genuinely project-affected. While it is now widely accepted that the act is based on a narrow definition of project-affected persons, the question as to who should count as a project-affected person continues to be a matter of debate. A national policy can resolve this issue and would also be a step towards defining the rights and entitlements of different categories of project-affected people.

Past experience (national and international) with resettlement, evolving social scientific wisdom and the changing needs and interests of different groups of people over time, all can be utilised in devising a national policy that is able to take account of the multifaceted nature of the impact of displacement caused by any development project. Given the variety of geographical, climatic, social and cultural contexts in which displacement occurs, a national policy cannot be expected to account for the details of every situation that arises. However, as a ‘national’ policy, it will be able to lay down broad guidelines and establish the responsibility of the central and state governments, and regional and local authoritative bodies. A key finding of a world-wide survey of involuntary resettlement by the World Bank in Bank-assisted projects (1994a) is that resettlement of the displaced has been more successful where a development policy for the express purpose exists, than otherwise.

II Principles of Resettlement and Rehabilitation

Several draft proposals and counter-proposals for a national policy, made by governmental and non-governmental organisations arc available. All of them highlight the need for a national policy as opposed to ad hoc and piecemeal government resolutions and orders passed intermittently. These proposals make suggestions as to what would constitute adequate and appropriate resettlement and rehabilitation according to what they consider to be the nature and extent of losses and deprivations suffered by those displaced. Some also call attention to the violation of individual and/or group rights that can occur with perfunctory and superficial attempts at compensation which are neither adequate nor just. The principles and/or the assumptions on the basis of which they are made are, however, not always explicit. It is important for analysis that general concepts and approaches are made overt for purposes of proper understanding and effective communication.

From independence onwards and until very recent times, monetary compensation as per the Land Acquisition Act 1894 was the major resettlement approach in India, though sometimes employment on the project was provided to some of the displaced families. Since 1979, with the supposedly break through provisions of the Narmada Water Disputes Tribunal, greater World Bank involvement, and increasing resistance on the part of the displaced aided by NGOs and activist organisations, the scenario has changed somewhat. Other principles of resettlement and rehabilitation have emerged, which go beyond mere cash compensation. As the Land Acquisition Act 1894 is still the main legal instrument and point of departure for resettlement policies in India, I will consider it briefly before discussing various alternative approaches.

LAND ACQUISITION ACT 1894

The Land Acquisition Act 1894, which has nation-wide coverage, was passed by the colonial government to make it possible for the state to acquire private land for any "public purpose". The act provides for payment of (only) cash compensation and (only) to those who have a direct interest in the title to such land or the compensation payable on it (Vaswani 1992). Thus, under the act, the legal obligations of the project authorities do not go beyond 'monetary compensation' to a narrowly defined category of project-affected persons, The underlying rationale is that the displaced should be able to rehabilitate themselves with the money given as compensation. In other words, the interpretation of resettlement and rehabilitation stops at monetary compensation for land. Also, compensation, according to the act, is calculated on the basis of prevailing market prices of land (and other properties such as houses). If land is not widely traded, then an imputed value is worked on some suitable basis. Such one basis is the method of capitalising income. Generally, 15 times the net income of land, and an amount of 15 per cent of the market value as solatium was considered as reasonable compensation for land acquired before 1984. Also, 5 per
cent of the market value was given per annum for the time that elapsed between notification and actual payment of compensation.

Over time, the act has come under severe criticism, some detractors even demanding that it be repealed. For one, the act was conceived and passed by a vastly different political regime with other priorities and interests. The developmental priorities of independent India are not the same as those of a colonial government with imperialist motivations. The act deems fit the acquisition of land under a vaguely-defined concept of 'public purpose' which has been used indiscriminately by the authorities [Dhamgwar 1989; Joshi 1994; Mahapatra 1994]. Secondly, by restricting the entitlements of the displaced to monetary compensation for land ownership, the act forecloses taking account of the multiple dimensions of loss and dispossession that occur as a result of displacement, some of which are very difficult, if not impossible, to quantify in monetary terms. Also, cash compensation under the act is based on prevailing market-prices, which often understate the real value of land even in narrow economic terms. Thirdly, development projects differ in the nature and extent of their impacts, depending primarily upon the nature of the project, e.g. whether it is industrial, irrigation, hydel, etc. Some involve greater direct displacement, as with dams; in others, the numbers directly displaced may be few, but a far greater number may be affected indirectly, for example in the case of those who live downstream of a dammed river, and also due to the associated canal systems of irrigation projects. Many more may be affected from the spin-offs from the project as in the case of industrial establishments. There may be positive effects in the form of new employment and other economic opportunities, but whether the original inhabitants are able to take advantage of these opportunities without institutional and practical support (with credit, infrastructure, training, etc) is not certain. The Land Acquisition Act does not take into account these indirect impacts of a project. Fourthly, as only those who hold legal titles to land are entitled to compensation, those without legal titles such as landless agricultural labourers, encroachers on government-owned forest lands and others, are not entitled to compensation under the act. Tribals, who constitute a major proportion of those affected by large-scale irrigation and hydel projects (which cause the greatest displacement), and who may have only customary titles, are also denied their due. Even when a project leads to relatively little displacement in terms of formal land ownership, the life support systems of large numbers of people may be destabilised through loss of markets, disruption of kin groups, and deprivation of various sources of livelihood such as cattle, fisheries, forest produce and common property resources.

Given current realities, problems and priorities, the scope of the Land Acquisition Act is very narrow and its provisions are grossly inadequate. Displacement is increasingly being understood as a multi-dimensional phenomenon, affecting people's lives in their entirety, encompassing not only the economic but also the social and cultural spheres, all of which feedback into each other. A major amendment to the act was made in 1984, according to which the government could acquire land for purposes of resettling those who have been displaced by development projects. The solatium and interest paid on land were also increased to 30 per cent and 12 per cent respectively [MARG 1990]. The introduction of this amendment indicates some recognition of the need for resettlement and rehabilitation to go beyond mere cash-compensation, and for direct provision of land as compensation. However, this aspect of the amendment is only an enabling provision with no binding requirement on the state. Whether land for resettlement and rehabilitation will actually be acquired depends on government authorities. Also, since a major reason for displacement is land acquisition, further land acquisition is likely to cause further displacement, given that most available land is already occupied [Vaswani 1992]. The amendment, on the other hand, has also made the acquisition of land easier.

ALTERNATIVE APPROACHES

The most contentious aspect of resettlement policy concerns the question as to what constitutes 'adequate and appropriate' resettlement and rehabilitation, and also the very important related issue of who is to judge such the adequacy and appropriateness of a resettlement package. As discussed earlier, the provisions of the Land Acquisition Act 1894 have been found to be grossly inadequate as its scope does not go beyond cash compensation to persons who hold legal land titles, thereby excluding several other categories of losses and making ineligible for compensation vast numbers who are genuinely project-affected but without any formal land titles. In this section, we discuss some of the major principles often invoked as a basis for compensating, resettling and rehabilitating the displaced.

Absolutist Stand: As displacement requires disruption of a whole way of life, some commentators take the 'absolutist' view that the displaced can never be adequately compensated for what they lose. This has often been the stand of activist organisations involved in the issue. This view has been most emphatically expressed in the case of tribals, whose relatively more egalitarian culture and society are contrasted with the modern market economy and its profit orientation, leading to social inequality and environmental destruction. It is deemed that outsiders have no right to intervene and effectively destroy a sustainable way of life. The logical implication of this stand is that development projects entail unavoidable human costs for the displaced. The further implication is often drawn that large development projects should not be undertaken at all.

There are ethical problems involved in assigning economic values to (or devising economic compensation for) what may be cultural values, spiritual considerations or a whole 'way of life' (similar problems are involved in attempts to place an economic value on human life).

According to neoclassical economic theory, a finite reservation price can always be found to compensate those affected for their losses, using 'willingness to pay' and related techniques to determine the economic values of objects that are not traded in free and competitive markets. But this approach, aside from its fragile theoretical basis, may be of little relevance in this context, since the economic values so derived could be astronomically high. The real issue is not whether an adequate compensation package can be devised in theory, but whether the required compensation belongs to the realm of actual possibilities.

There is no doubt that tribals and others who are deemed 'indigenous' people value their cultures, their places of worship, the sanctity of their habitats, their rituals and traditions. However, the answer to the question, whether they themselves do or do not prefer to avail themselves of what the mainstream of society has to offer by way of developmental benefits (education, health-care facilities, progressive futures) cannot be taken for granted. It has to be, in the ultimate analysis, borne out empirically. Many a times, tribals have not opposed a particular project outright. Their dissatisfaction has been with what has actually been given to them in return for making way for it (as for example with the Koel Karo Hydel project in Bihar and with the Netrathat Test Firing Range, also in Bihar). The 'absolutist stand' can only be tested on the basis of practical experience and empirical data. This stand assumes that, when previously isolated tribes come into contact with the economically advanced and politically more powerful sections of society, their material impoverishment and social disintegration inevitably follows. The empirical validity of that assumption, however, is far from clear.
In fact, there are cases where tribals have undergone material upliftment, political empowerment and harmonious integration as a result of closer contact with the modern economy. This has, for instance, been the experience of the Apa Tanis of Subanstri district in Amnachal Pradesh, since their interaction with the Indian administration began around in 1944-45. As discussed by Von Furer-Haimendorf (1982), sensitive policies have enabled the Apa Tanis to benefit from social and economic change without losing their distinct ethnic entity. A major factor in their successful tribal development was the 'inner line' policy of the government, which barred outsiders from entering the Apa Tani valley. This enabled the tribal people to escape exploitation and oppression at the hands of outsiders. There was a flow of government funds to the valley due to wages from construction work, and the Apa Tanis were able to establish successful commercial enterprises that were entirely in their control. The administration took great care not to disrupt the traditional social order, and made efforts to build a political structure where the tribals were allowed to manage their own affairs within the wider Indian political framework. Village panchayats and other local bodies consisted primarily of tribal leaders and members. Jurisdiction over disputes were settled by tribal courts. Local bodies were encouraged to maintain law enforcement. Commercial and political success in the Apa Tani valley was facilitated by the spread of education. Government schools were established in the valley where children were educated irrespective of parental means. The experience of the Apa Tanis can be contrasted with the case of tribals elsewhere in India, for example the Gonds of Andhra Pradesh. For the latter, the encounter with the mainstream has resulted in destitution and marginalisation. Government policies in these areas provided no special protection to the tribals and were not sensitive to their distinct needs to prove beneficial for them. These diverse experiences suggest that the scope for successful tribal development depends crucially on the precise nature of the relevant policies. The case of the Apa Tanis illustrates the possibility of imaginatively devising policy instruments that actively promote the interests of the tribals. This is in contrast with the absolutist stand which axiomatically rejects any possibility of success in improving the initial environment.

Cash-for-Land: This is the principle of compensation on which the Land Acquisition Act 1894 is based. It identifies one particular dimension of deprivation (land dispossession) and proceeds to put a price on it, which is market-based. In a sense, it is the narrowest interpretation of loss, and completely eschews structure and process. According to this approach, a certain amount of cash is considered equivalent to a certain parcel of land. This amount of cash covers all the characteristics the piece of land embodies. The amount of cash is calculated on the basis of the prevailing market price of similar-quality land under similar use in or near the area in question. Implicitly it is assumed that land is a commodity, that property-rights over such land are well-defined, that a market for land exists and that market prices approximate the scarcity value of the land to society.

Whether the project-affected are able to replace their livelihoods on a sustainable basis, as envisaged by the cash-for-land principle, depends upon their use of the money. More specifically, it depends on whether the money is used for investment in land and other productive assets, or used for house construction and consumption purposes. According to Parasuraman (1994), three factors have generally been important with respect to the proper use of money: adequacy of compensation; help to the people in making prudent investments; and investment opportunities. As has been noted above, there is often undervaluation of land acquired and the sums paid on the cash-for-land principle are inadequate for people to rehabilitate themselves on their own. Empirical studies suggest that house repair and construction are major categories of expenditure. People use the money given in lieu of land on house construction over and above the money paid for homesteads because of inadequate compensation. In these respects, the situation has varied across projects, depending upon whether facilitating conditions exist to help the project-affected people with the proper use of money. In the case of the Jawaharial Nehru Port in Bombay Harbour (JNP), for example, 83 per cent of the households used the compensation money for house repair, purchase of consumer durables and loan repayment, and only 15 percent made productive investments. In the Upper Krishna Irrigation Project in Karnataka, 69 per cent of the displaced households spent their money on house construction. On the other hand, 93 per cent of the households (those who were given compensatory provisions) displaced by the Maharashtra II Irrigation Project (MIP) invested in land and other productive assets. In the case of MIP, most of the households were resettled in the command areas where they had incentives and opportunities to invest productively. The affected people were also relatively more educated and organised and with strong socio-economic backgrounds. In the other cases, the affected people were generally tribal members and members of the scheduled castes and other backward classes who were mostly illiterate, had little or no experience with handling large sums of money and did not have the knowledge and skills to make productive investments. They did not make proper use of the cash payments made to them, and generally squandered the money on wasteful expenditure and consumer durables. This was also the case with tribes displaced by the construction of the Hirakud Dam in Orissa in the 1950s, by the Ukai Dam in Gujarat in the 1960s, and by the Kutku Dam in Bihar in the 1970s. Without sensitive government policies that provided special assistance, for example with banking, credit and investments, the tribal encounter with the modern economy was disastrous in these cases. These experiences suggest that, even for the payment of cash-for-land to work as a compensatory principle, structures and processes are required to aid the translation of cash payments into livelihood opportunities.

The assumptions underlying the cash-for-land principle do not match reality, and the practice of payment of cash as compensation has resulted in inadequacy and discrimination. All the criticisms directed at the Land Acquisition Act 1894 in the preceding section apply to this principle. Nevertheless, the latter continues to be the major thrust of government practice with respect to resettlement and rehabilitation, even when reform of the Land Acquisition Act is being considered. This is a serious contradiction which the national policy will have to resolve, if it is to be effective in practice.

Land-for-Land: Land-for-land has evolved as the major focus of most current policy proposals, combined with the broader understanding of the notion of project-affected people and of the losses and deprivations they experience. Land is a lifelong and inheritable livelihood-producing asset and therefore, not comparable to the inadequate one-time cash payment that is made for it in the cash-for-land approach. Alternative land is seen as the means of ensuring that resettlement is sustainable, given the unique characteristics of land as an asset, as a factor of production, as a commodity, and as a basis for community living. The land-for-land principle is particularly pertinent in the case of tribal areas, where rights to land may rest with the community rather than individuals. Land markets are generally weak or non-existent in such contexts and it is difficult to assign a value to land based on its market price. The absence of well-defined private property rights in land also makes it difficult to decide who has a rightful claim to compensation. The land-for-land principle, aside from its other advantages, obviates these difficulties.

However, many difficult questions arise in the practical implementation of land-for-land as a principle for compensation. One issue of major importance is the amount of
alternative land to be given, and its quality. Usually, a comparable amount of land is sought to be provided in the resettlement area, subject to the land ceiling tows of that area. However, the land available in that area may not be of comparable productivity. It can take many years and expensive investment (eg in irrigation devices) to make the land adequately productive. Also, merely providing land without support for infrastructure, complementary inputs and extension may seriously limit the ability of displaced persons to make productive use of the land. There have even been instances where resettlement land had to be abandoned or sold off by the displaced. Attention to the quality of land (and not just its quantity) is therefore crucial to the credibility of the land-for-land principle.

Following on this, a related issue to the process of acquiring resettlement land - identification of alternative resettlement sites and their allotment to the project-affected people. The following approaches to identifying resettlement sites have been used in various projects:

1) Project authorities identify resettlement sites themselves. This has been the most common approach until now, with the displaced being moved as a community to these new sites. Government lands are often released for the purpose. In these resettlement colonies, land tends to be relatively cheap, and mostly the poorest among the displaced have chosen to move there.

2) Project authorities, with help from local NGOs and other people’s organisations, may act as brokers to help with the purchase of individual plots of land, in order to ensure fair prices for the displaced and their satisfaction with respect to the quality of land. Land ceiling laws and land consolidation have, in some instances, aided in the release of surplus land. This has led to successful rehabilitation, under this approach, especially when the displaced have been resettled on surplus land released in the command areas of irrigation projects. It is not denied that land is a politically sensitive issue and strong political will and appropriate administrative machinery will be required for the above exercises. Nevertheless, the use of land ceiling laws and land consolidation contain serious possibilities for acquiring land to resettle the displaced. In the case of land consolidation, the technical possibilities generated by the new irrigation system may make it rational for pre-established farmers in the command areas to engage in land consolidation and exchange in order to increase productivity! Successful rehabilitation of most of the displaced households (considered eligible for resettlement) was achieved in the Maharashtra II Irrigation Project where the government of Maharashtra was able to acquire 2500 hectares of resettlement land from farmers in the command area. Use was made of land ceiling laws to acquire surplus lands from farmers.

3) The displaced themselves identify land plots in accordance with their own knowledge, preferences and needs. Farmers who are in a relatively better socio-economic position are often able to look for suitable land for themselves. However, this procedure is not viable for households with little information and bargaining power.

As the preceding discussion indicates, serious difficulties arise in the successful implementation of the land-for-land principle of compensation. In the realm of possibilities, the fact is that a major constraint to the land-for-land principle of compensation is the lack of enough land. In most of the country, almost all available cultivable land is already occupied. Cases abound of alternate land identified for allotment turning out to be already occupied, or not suitable for cultivation. In the former case, many a time the allottees have been involved in protracted and expensive legal wrangles with the original occupants of the land, an exercise they can hardly afford. Some means do exist of relaxing the land availability constraint, such as the release of government land or forest land, or the acquisition of land in the command areas of irrigation projects (based on the combined implementation of ceiling laws and land consolidation, as noted above). Even then, the question as to whether enough land is available for a literal application of the land-for-land principle to all displaced persons remains highly controversial.

It is not being suggested here that the displaced should be denied the right to land-befited compensation. An exclusive focus on the land-for-land strategy may, however, constrain the rehabilitation package, especially if community resettlement is considered. Rather, it is argued that giving displaced persons a choice between land-for-land compensation and other options (involving less reliance on the full replacement of land assets) may be a way of protecting that right without running into the land scarcity problem, which an indiscriminate application of the land-for-land principle inevitably raises.

While all the possible ways of identifying and acquiring resettlement land must be worked out, non-agricultural and non-land based strategies of rehabilitation should be given far more serious attention than they have received, in order to devise feasible R and R packages. Employment in the project and various forms of self-employment, including those exploiting the opportunities created by the construction of the project, should be considered. The displaced can be helped into alternative lines of livelihood such as aqua-culture in the reservoirs, production of poultry and dairy products, supply of industrial intermediate raw materials and other goods and services, etc. Institutional assistance in the form of credit and training should be provided. In the case of the Duapur Sled Plant, for example, nearly two-thirds of households deemed eligible for compensatory provisions received permanent employment. Another 24 per cent were engaged in informal-sector industrial and service activities. These categories were able to better their economic status in the post-project period compared to the pro-project one.

Standard of Living: The principle most generally invoked with regard to resettlement and rehabilitation is that, compared with the pre-displacement situation, all project-affected persons should have a similar or higher ‘standard-of-living’. This principle has a broader thrust than the cash-for-land or the land-for-land principles of compensation. Those may be even thought of as means to implement this general principle.

According to Amartya Sen (1987), the standard of living of a person essentially refers to what that person has the opportunity to be or do (as opposed to his or her possessions, or ‘utility’, or happiness). At a general level, the standard of living of an individual can be seen to depend on his or her personal characteristics, as well as on his or her ‘entitlements’ to the commodities (marketable or non-marketable) that make the relevant activities possible.

While the demand for restoration of the pre-project standard of living has been general, it has been particularly prominent in World Bank documents, inculding its operational guidelines. The World Bank, however, adopts a rather narrow interpretation of the ‘standard of living’, focusing primarily on income restoration (and to some extent also on livelihood replacement’). One reason for this emphasis has been that income restoration (or livelihood replacement), it is argued, tops the priority list of displaced persons. The focus on income restoration is also seen as a rational response to the widely-observed impoverishment of project-affected persons. On the basis of this criterion, the displaced families should be given access to sufficient productive resources to recreate, and sometimes improve, lost income-earning opportunities. According to World Bank findings, when people are compensated with land and jobs (rather than just cash), and given institutional assistance, successful income restoration is typically achieved after a transition period. This is especially so when the displaced are given a share in the immediate benefits created by the project itself, eg by resettling them in the command areas of irrigation projects (in India this has
been the case with the Maharashtra II Irrigation Project); by helping them to develop reservoir aquaculture; or by enabling them to take advantage of commercial opportunities around the newly created infrastructure [World Bank 1994a].

The concept of standard-of-living has been a subject of some debate and its actual content continues to be a matter of serious argument. Nevertheless, it can be safely said that the standard of living is not only a matter of restoring incomes (or replacing livelihoods), as emphasised by World Bank policy on resettlement and rehabilitation. Fulfilment of basic needs are important and the provision of public services (health care facilities, sanitation, water, electricity, educational facilities, etc.) should be a significant component of rehabilitation packages aimed at restoring at least a minimum standard-of-living. Indeed, empirical studies suggest that the affected people consider the provision of public services important. Neither the cash-for-land principle nor the land-for-land principle pay adequate attention to the provision of such services.14

Moreover, just preserving the pre-project standard of living is not enough. As Mahapatra [1994] has argued, the "essence of any comprehensive rehabilitation process should be development of affected people on a sustainable basis rather than concentration on mere relief and meagre welfare activities." Although development projects are undertaken to provide general benefits, in practice, costs and benefits have been borne by different categories of people. This may seem inevitable because of the conflicts between national interests and the immediate interests of the people displaced by development projects. The remarkable point, however, is that the latter has almost invariably consisted of disadvantaged and deprived sections of the population. When resources are located in areas occupied by more advantaged groups, the relocation of the latter, in order to make use of the resources for national development, is never proposed [Mathur 1995; Areeparampil 1989]. This contrast brings out the importance of bargaining power and political organisation in ensuring that the project affected people receive a share of the benefits arising from the project itself.

**Bargaining Approach:** The central question with respect to resettlement and rehabilitation, as can be seen in the light of the above discussions, is what constitutes 'adequate and appropriate' resettlement and rehabilitation, and who is to judge the adequacy of resettlement measures? Even the standard-of-living approach raises such issues. What constitutes the standard-of-living? Who is to decide whether the standard of living of the displaced people has been restored? In the present context, the state and the project authorities are the agenda-setters, effectively determining the terms and conditions of resettlement and what (if anything) is negotiable. Once the decision to construct a project is taken, as far as the project-affected people are concerned, displacement is inevitable, whether they agree to it or not. Their compensation, resettlement and rehabilitation are determined in a 'top-down' manner by the policy-makers, without consulting them and without sufficient knowledge of their needs and interests. The project-affected are simply expected to comply with the standards set by those in authority.

An alternative approach consists of seeking voluntary resettlement based on collective bargaining between displaced persons and the state (or project authorities). A simple version of this approach involves giving displaced persons a right to refuse displacement, and leaving it to project authorities to put forward a rehabilitation package which displaced persons find acceptable. This is the most obvious way of giving displaced persons bargaining power that would make it possible for them to negotiate a substantial share of project benefits.

The advantages of reaching a situation where resettlement takes place on a voluntary basis are fairly obvious. Aside from helping to guarantee that displaced persons are not adversely affected by the resettlement process, this approach greatly facilitates the implementation of resettlement measures (once these measures have been agreed upon), since all the parties involved have an incentive to cooperate [Drze 1994].

The bargaining approach, however, has demanding institutional and political requirements. In particular, the feasibility of this approach depends on the existence of credible representative organisations of the displaced persons and project beneficiaries, and on the establishment of an effective negotiation procedure. The Narmada Water Disputes Tribunal can perhaps be considered as an illustration of the feasibility of certain kinds of collective bargaining in the context of large development projects, although it obviously failed to include an adequate representation of the needs and interests of displaced people (had they been given a right to refuse displacement, their active participation could not have been so easily dispensed with).

The bargaining approach has received little attention so far, and that resistance is not difficult to understand. This approach effectively gives project-affected persons a right of veto against the project, which the state and project authorities may not be willing to concede. Also, it may be argued that the cost of this approach would be prohibitively high, if project-affected persons make unreasonable demands. However, if project authorities are confident that the project has a high rate of return even after displaced persons are adequately compensated, they ought to be able to design a resettlement package which is acceptable to displaced persons and still preserves the economic viability of the project. Also, as has been mentioned earlier, a generous resettlement package is often economic in comparison with the huge escalation of project costs that invariably follows from protracted conflicts between project authorities and displaced persons. One interpretation of the bargaining approach is that it tries to give displaced persons a stake in the timely implementation of the project, rather than its delay or non-completion.

Given its potential advantages, the bargaining approach deserves greater attention. The institutional issues it raises are far-reaching, and even its financial implications call for careful investigation. But the feasibility of this approach should not be dismissed until it has been tested in practice.

**IV Concluding Remarks**

Resettlement and rehabilitation issues need to be taken far more seriously than they have been in the past. So far, R and R has tended to be considered as some kind of 'externality' of development projects, and investment in R and R has been minimised. This approach has led to widespread impoverishment of project-affected persons, and also to conflict between them and project authorities that have had extremely high financial and human costs. It is in this context we have set out a case for a national policy on resettlement and rehabilitation.

This paper has also attempted to clarify the basis of different principles and approaches often used in policy proposals, including (1) cash compensation, (2) the land-for-land principle, (3) the standard of living approach, and (4) the bargaining approach. Cash compensation appears to be clearly defective as a basis of resettlement policy. There is no obvious way of putting a 'price' on many of the losses experienced by displaced persons, and experience also suggests that large cash payments tend to be poorly used by their beneficiaries.

The land-for-land principle provides a more reliable basis of compensation, but it raises the question as to whether sufficient land can be made available for all displaced persons. This principle is also quite constraining, in the sense that it makes no use of the possible 'substitutability' between land and other resources in formulating a resettlement package. It has been suggested here that a less constraining approach would be to give displaced persons the right to
choose land-for-land, but also the option of being compensated (fully or partly) in other ways. The standard of living approach requires that the standard of living of displaced persons be at least as high after resettlement as before it, without specifying any single means through which compensation should be offered. The principle is fairly uncontroversial, but raises difficult issues of assessment, since there is no agreed way of evaluating the standard of living. In practice, the tendency has been to take a narrow view of the standard of living, defined in terms of income or expenditure. This fails to do justice to other bases of human well-being, such as common property resources, public services and social interaction.

Finally, we have discussed the bargaining approach, which seeks to achieve voluntary resettlement based on collective bargaining between displaced persons and project beneficiaries. The central idea of this approach is that, if the project authorities are serious about providing a resettlement package which promotes or at least protects the standard of living of displaced persons, they ought to be able to persuade displaced persons that resettlement is in their interest. This non-coercive approach raises important institutional and other issues, but, in view of the stakes involved, it does seem to deserve further exploration.

Notes
1 A few states, including Maharashtra and Madhya Pradesh, have their policies on resettlement and rehabilitation.
2 Ad hoc and piecemeal governmental resolutions and orders are not based on any detailed planning studies. They underestimate the numbers affected and undervalue the costs of resettlement. The process of R and R carried out on their bases run into serious snags during implementation.
3 See Public Accounts Committee Reports (1982, 1985) of the government of India.
4 See Vyasani (1992), and also Sudhakar Reddy (1994).
5 Public purpose would mean interest of the public as opposed to that of an individual [Parsuraman 1994]. However, as these interests are also determined primarily by the economically and politically dominant groups, the amorphousness of the term leaves it open to distortion and manipulation.
6 This also raises the question of legal reform to resolve the contradictions between rights, guarantees and special status given to various groups in the Indian Constitution and laws passed by the British government before independence. The Indian Constitution provides for a charter for reform of laws, especially the colonial ones that violate fundamental rights and principles [Singh 1991].
7 See Appa (1992).
8 On this, see David Pearce's (1993) Economic Values and the Natural World. According to Pearce, economic values reflect individuals' willingness either to pay for benefits or to avoid costs. He has formulated the following categories:

- Total Economic Value = Direct use value + Indirect use value + Option value + Existence Value.
- Direct and indirect use values reflect the values of current uses; option value refers to people's desire to preserve resources for possible future uses even when such use is not taken advantage of in the present; existence value refers to people's desire to preserve irrespective of actual or potential use.
9 See also Appa (1992).
10 Project authorities are also under the obligation to make these resettlement sites inhabitable by providing basic infrastructure and services such as water, electricity, sanitation, roads, education and health centres, other civic buildings, help with house construction, and so on.
11 Other contributory and conducive factors were also present. There was strong political support for the affected, who had organised themselves and put pressure on local and district level bodies. Also, most of the project-affected had relatively strong pre-project socio-economic positions.
12 See Parsuraman (1994).
13 Cernea (1988), comparing the findings of several empirical studies, found that the ultimate common factor underlying the broad spectrum of reported displacement consequences is the onset of impoverishment [Mathur 1985].
14 The standard of living also has other bases, other than income or public services, which require adequate consideration. Common property resources, for instance, account in some cases for as much as 40 per cent of all consumption. For tribals with low cash incomes, access to fuel, fodder, small timber and non-wood forest produce is critical for survival and subsistence [Guha 1994]. Moreover, the displaced are often enmeshed in social networks which play a significant economic role in their total livelihood. Social networks are important means of exchange of goods (food, tools, etc.) and services (e.g. exchange labour). Any attempt at restoring, and perhaps improving, the pre-project standard of living will have to compensate for these losses with similar or alternative opportunities.

References

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