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# **Another Dam Development Project?**

**Development-forced displacement and resettlement in Nepal**

**Tobias Fast\***

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**Centre for East and South-East Asian Studies  
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## **Abstract**

In Nepal, dams have been targeted as the most viable means of energy generation. However, dam projects often necessitate the relocation and resettlement of people to make way for reservoirs; processes that may pose great challenges for affected people, given that their homes, land, and livelihoods are lost to some extent.

This thesis analyzes the challenges facing the Nepali state in ensuring that hydropower development projects become instrumental in bringing about social justice and development for all, including displaced populations. Secondly, it contributes to ongoing research debates on development-forced displacement and resettlement (DFDR) through a critical discussion of the applicability of DFDR research in countries like Nepal, characterized by weak state regulatory capacity and social disparities.

By reviewing academic studies and conducting interviews with Nepali civil society activists, government-connected people, and water resource specialists, it was found that DFDR research has had very little influence on resettlement practices in Nepal. The reason may be that DFDR mechanisms are too dependent on functioning state institutions, and on entrenched Western democratic ideals such as inclusiveness, participation, recognition, and justice.

The findings suggest that DFDR research may need to pay closer attention to specific socio-political issues such as social exclusion and state capacity, and perhaps it might even be useful to question how “development” can be achieved differently.

**Keywords:** Resettlement, displacement, development, Nepal, compensation, benefit sharing

## LIST OF ACRONYMS

ADB	Asian Development Bank
CSOs	civil society organizations
CTGC	China Three Gorges Corporation
CWE	China International Water and Electric Corporation
DFDR	Development-forced Displacement and Resettlement
DoED	Department of Electricity Development
EIA	Environmental Impact Assessment
GoN	Government of Nepal
ILO 169	International Labour Organization's Convention No 169, on Indigenous and Tribal Peoples
ISET-N	Institute for Social and Environmental Transition, Nepal
IRR	Impoverishment Risks and Reconstruction
LAA	Land Acquisition Act
MoM	Memorandum of Minutes
MoU	Memorandum of Understanding
MW	megawatt
NBA	Narmada Bachao Andolan
NEA	Nepal Electricity Authority
NIB	Nepal Investment Board
NRMC	Natural Resources and Means Committee
R+D	Resettlement with Development
SMEC	Snowy Mountains Engineering Corporation
WAFED	Water and Energy Users' Federation of Nepal
WSHP	West Seti Hydroelectric Project

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# INTRODUCTION

*The chapter introduces the research problem that the thesis investigates. The aims and purpose of the thesis follow, and these are translated into research questions. Lastly, a delimitation of the scope of the thesis is provided, as well as its disposition.*

## Problem Statement

Developing countries increasingly need to tap their natural resources to produce energy to sustain economic growth, and in Nepal dams have been targeted as the most viable means of energy generation. However, dam projects often necessitate the relocation and resettlement of people to make way for reservoirs; processes that may pose great challenges for many affected people, given that their homes, land, and livelihoods are lost to some extent.

Research on development-forced displacement and resettlement (DFDR) emerged in the 1990s to address the negative impacts of development-related displacement and resettlement (Dwivedi 2002). This research advocates a more holistic approach to resettlement, i.e. *resettlement with development* (R+D), with the aim to conceive of resettlement as a development opportunity, and to enhance social justice for affected populations (Maldonado 2012). It does so through mechanisms that enable fair and equitable compensation and benefit sharing. However, from reviewing literature on successful R+D implementation, I noted that R+D has been achieved mostly in democratic contexts, where state capacity and enforcement of policy are of high quality. In developing countries, on the other hand, experiences of R+D have not been as successful. I argue that this implies that R+D mechanisms may need modification to function well in contexts where political, social, and economic preconditions challenge their effective implementation.

## Aim and Purpose

This thesis uses hydropower projects in Nepal as a case to critically analyze the applicability of R+D in developing country contexts. The aim is to deepen the understanding about how socio-political factors affect R+D implementation, in order to contribute to the critical study of applied DFDR research.

It does this through a review of academic studies and interviews with Nepali civil society activists, government-connected people, and water resource specialists. Furthermore, it explores available resettlement measures and regulations and takes stock of international best practices, as well as Nepali experiences of dam-related resettlement by reviewing existing resettlement

mechanisms. Finally, it examines consultation processes and the role of civil society actors in Nepal.

Based on the findings, the study critically analyzes the applicability of R+D and the socio-political factors affecting R+D implementation in developing country contexts, and discusses the implications of this analysis for further DFDR research.

## **Research Questions**

Following the problem statement and the aim of the thesis I analyze the applicability of “resettlement with development” in the context of Nepal. My main research question is therefore:

- What are the main challenges for the achievement of resettlement with development in Nepal?

Underpinning this main question are the more operational sub-questions:

- What are the outcomes of previous dam-related resettlement practice in Nepal?
- To which extent has applied DFDR research, in the form of policy recommendations on fair and equal distribution of compensation and benefits, been implemented in hydropower projects in Nepal?
- How does the Nepali socio-political context enable or curb the implementation of R+D mechanisms?
- How can DFDR research be made more applicable to a developing country context such as Nepal's?

## **Delimitations**

Displacement and resettlement are not solely confined to development issues, but can also be the results of conflicts, catastrophes or human rights abuse. In this thesis, however, I am discussing resettlement in relation to dam projects in Nepal. As dam projects involve a plethora of developmental, environmental, social, economic, and political issues, I have chosen the specific social aspect of resettlement in order to perform an “embedded analysis” (Creswell 2007:75), and thus I refrain from making an analysis of all these aspects of dams.

In addition, the thesis focuses on decisions taken and power wielded by the government of Nepal (GoN), and does not discuss complex political

maneuvering and negotiations in Nepal's hydropower debate. This is due to a lack of space and would not contribute substantially to the analysis, given that I focus on practical outcomes of resettlement.

### **Thesis Disposition**

Chapter 1 introduces the research problem, the aims, and the research questions of the thesis, and Chapter 2 situates the study in academic research and identifies a research gap. Chapter 3 presents the chosen methodology and the reasons why it is used. Chapter 4 gives a more in-depth understanding of DFDR research and R+D, and serves to form my theoretical framework within which the analysis is performed. Chapter 5 contextualizes the study, presents the findings from Nepal, and concludes by answering the first two research questions. Subsequently, Chapter 6 widens the perspective and discusses R+D challenges in Nepal and developing countries. Chapter 7 concludes with a summary of the findings.

## LITERATURE REVIEW

*This chapter gives a short overview of displacement and resettlement research. It firstly presents the origins of DFDR research and its main ideas. Next, it discusses the evolution of the resettlement with development (R+D) concept. Lastly, it touches upon the applicability of R+D in a developing country context in order to identify a research gap.*

### DFDR Research

Development-forced displacement and resettlement<sup>1</sup> (DFDR) is the forced displacement of people in the name of development. Research on DFDR emerged in the 1990s as a consequence of the rise in displacement caused by development in the preceding decades (Dwivedi 2002). Increased popular resentment manifested in public demonstrations against displacement questioned the authority of planners and policy-makers and the notion of “development” (ibid). DFDR research adds a social and anthropological dimension to development in highlighting the multitude of impacts displaced populations face when forced to relocate. The aim is to generate better policies that guide resettlement practices, and develop conceptual frameworks to help understand the challenges posed in displacement and resettlement.

DFDR researchers have vigorously criticized the common practice of compensating displaced people with money, with the argument that compensation in the form of cash payments are seldom enough to compensate for the socio-cultural losses suffered in displacement (Cernea 2008; Scudder 2012). Moreover, cash compensation assumes that resettlement is a one-time event, and it overlooks the intricate patterns of loss of livelihood, confidence, and belonging that influence the ability of resettlers to reconstruct their livelihoods in new circumstances. With little assistance and insufficient consultation, affected people are left to navigate their own resettlement beyond the initial relocation (McDonald-Wilmsen & Webber 2010).

An authoritative voice on displacement and resettlement is Michael Cernea, whose impoverishment risks and reconstruction (IRR) model is arguably the most influential contribution to contemporary resettlement studies (McDonald-Wilmsen & Webber 2010:148). The IRR model deconstructs the multifaceted process of displacement into its principal and recurrent risks (Cernea 2000:34):

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<sup>1</sup> Also known as development-induced displacement and resettlement (DIDR). I will use the term DFDR throughout the thesis.

- landlessness;
- joblessness;
- homelessness;
- marginalization;
- increased morbidity and mortality;
- food insecurity;
- loss of common property;
- social disarticulation.

In addition to identifying quantifiable risks (landlessness, homelessness, joblessness), the IRR model lifts social and cultural aspects into the debate of displacement. Drawing on the IRR model, and the critique against cash compensation, a recent concern in DFDR research is to conceive and implement resettlement as “a development programme in which those forcibly displaced not only share in the benefits of one development project, but are provided with a stand-alone project that supports their specific needs” (Maldonado 2012:213). This approach, *resettlement with development* (R+D), recognizes displaced peoples’ rights to access opportunities to restore and improve not only their livelihoods, but also social networks and status, and cultural belonging (Cernea 2003).

Cernea and Mathur’s coedited volume “*Can Compensation Prevent Impoverishment?*” (2008) provides an overview of successful R+D examples throughout the world. It discusses important R+D tools (e.g. equity distribution, rent sharing, land leasing) and preconditions (e.g. existing policies, regulations, and institutions) for successful R+D implementation. However, my observation is that the majority of examples are from relatively homogenous and/or democratic countries such as Canada (Égré et al.), Norway (Égré et al.), and Japan (Nakayama & Furuyashiki), where state capacity to enforce policy and regulations is high<sup>2</sup>. Moreover, the successes with rent and benefit sharing have been achieved in rather small projects, which have been bound by relatively progressive resettlement policies and practice (Wilmsen et al. 2011:22). The scale (in terms of the amount of displaced people) significantly complicates resettlement processes. In the enormous Three Gorges Project, Wilmsen et al. found that “the benefit-

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<sup>2</sup> It should be noted though that successful examples from undemocratic contexts also exist, e.g. Trembath acknowledges the Shuikou Dam in China as a case where resettlement has been turned into a development opportunity (2008:376). In this case however, the Chinese state’s capacity may be a determining factor.

sharing investment has not been sufficient to offset the deleterious effects of this development-induced displacement and resettlement” (2011:39). Scale also has implications for the common practice of offering new land to resettlers in exchange for the land appropriated by a dam project. Arundhati Roy emphatically pointed to its limitation in referring to the Narmada Dam in India:

“Land for land sounds like a reasonable swap, but how do you implement it? How do you uproot 200,000 people . . . and relocate them in a humane fashion? How do you keep their communities intact?” (Roy 1999: 55)

Thus, I hypothesize that present mechanisms of R+D may be more suitable in socio-political contexts that emphasize the importance of deliberation and participation, in accordance with strategic priorities of the World Commission on Dams report (2000), and international safeguard policies of the World Bank, ADB etc. Effective application of R+D in other circumstances has been more problematic; cases from South Asia and South America show how locals and/or indigenous peoples frequently face hardships in the name of development (Fernandes 2000; Mathur 2008; Jayewardene 2008; Finley-Brook and Thomas 2010).

### **Thesis Contribution**

Following my observation that R+D is so far mostly achieved in socially coherent countries where democratic ideals are entrenched; where resettled populations are rather small; and where policy and other forms of regulations are effectively enforced, this thesis takes a critical stance within DFDR research and analyzes the applicability of R+D in a developing country context. In developing countries these “criteria” are seldom fulfilled, and by studying the outcomes of Nepal’s dam-related resettlement experiences this thesis will highlight some challenges to successful R+D implementation.

## **METHODOLOGY**

*This chapter outlines the ontological and epistemological departure points of the thesis, and discusses the implications for the chosen research method. Furthermore, a description on how data was collected in the field, as well as a discussion on generalizability and ethical considerations will enhance the transparency of the research process.*

### **Meta-theoretical Considerations**

I take a social constructivist stance in my research, meaning that I see the world as constantly constructed and negotiated in social interaction (Bryman 2012:17). I consider that knowledge about the world is produced through convictions, ideologies, discourses, and power, and these social constructs affect and influence people in concrete ways, and have tangible consequences on lives and ideas. Truth, then, becomes a relative concept.

This study does not seek to find “the truth,” but rather to “study things in their natural setting, attempting to make sense of, or interpret, phenomena in terms of the meanings people bring to them” (Denzin & Lincoln 2005, in Creswell 2007:36). In-as-much as this thesis implicitly investigates the concept of “development,” and especially *whose* development, it makes an inquiry into how prevailing resettlement practices can (and need to) be challenged. The outcomes of resettlement are contingent on factors such as power relations and politico-economic leverage. It has often been the case that displacement due to hydropower projects hits poor peasants and tribal people more frequently than others, and seldom do displaced people directly benefit from development projects (Gutman 1994:197).

### **Qualitative Research**

Issues such as adequate compensation and equitable benefit sharing are central in displacement and resettlement processes. They are value-laden concepts, and thus subjected to interpretation and contestation. Given the aims of this thesis to identify and understand factors and constraints conducive to achieving R+D in Nepal, I have adopted a qualitative approach that uses semi-structured interviews. This method allowed me to gauge opinions on resettlement practice and gain local insights on compensation and benefit sharing mechanisms, and discuss perceptions on the outcomes of resettlement.

### *Case study design*

This thesis is based on a qualitative explorative case study of Nepali resettlement practices. A case study is preferable when focus lies on a contemporary phenomenon within a real-life context (Yin 2003:1). A “single instrumental case study” focuses on one issue (e.g. resettlement) and to illustrate the complexity of the issue one bounded case (e.g. Nepal) is selected (Creswell 2007:74, 93). The unit of observation (Yin 2003:23) is my interviewees, consisting of civil society actors, government-connected people, and water resource specialists.

### **Collection of Data**

Primary data was collected in semi-structured interviews with civil society actors, government-connected people, and water resource specialists. Yin argues that a major strength of case study data collection is the opportunity to use many different sources of evidence (Yin 2003:97). Thus, the sampling aimed to document diverse variation in opinions and ideas, as well as identify common patterns between them (Creswell 2007:127). Furthermore, secondary data includes written documents such as research publications, policy documents, best practices, case studies of dam projects, and newspaper articles. Background knowledge of this kind informed the interview questions and the analysis.

### *Primary data – interviews*

The identification of the interviewees relied on snowballing; my three established contacts prior to the field trip pointed me to other people relevant for my study, who in turn directed me onwards to other people. The choices from this “pool” of contacts were guided by my need for a variety of opinions, as well as accessibility. What binds them together is their engagement in water resource development issues in Nepal. It should be noted that their opinions may not be representative of the institutions they are affiliated with, but their reflections, critique, and outlooks give expression to opinions from different levels of the society.

Snowballing can be purposeful in the sense that the contacts identified are in the relevant field and most likely have information pertaining to the aim of the study. Moreover, it is recommended when “networks of individuals are the focus of attention” (Bryman 2012:424). By “capitalizing on the connectedness” of my interviewees (ibid), I saved significant time in identifying and accessing participants during my five weeks in the field. However, the method can simultaneously lead to biased opinions, given that

the interviewer has little knowledge about the relations between the different interviewees. To mitigate this risk, I made efforts to interview people whose backgrounds vary to some extent.

The interviews were semi-structured, meaning that I aimed to gauge the interviewee's opinions and ideas on certain themes, such as: resettlement policies and regulations, consultation procedures between locals and implementers, and compensation and rehabilitation practices in Nepal. The proposed West Seti hydropower project served as an entry point for the interviews, by discussing the potential benefits and challenges this large-scale dam poses in terms of resettlement, benefit sharing, and compensation. Most of the interviews were recorded and transcribed, except for the one with a representative of the Nepal Investment Board, where some information was yet to be publically announced.

The interviewees have a wide variety of backgrounds. Civil society actors, water resource specialists, government-connected people<sup>3</sup>, and a journalist have been interviewed. They are:

Mr. Ratan Bhandari (civil society activist)

Mr. Dipendra Bista (journalist Kantipur Daily)

Mr. Surendra Rajbhandari (NEA Director of Corporate Planning and Monitoring Department)

Mrs. Gosai KC (NEA, involved in Middle Marsyangdi resettlement)

Mr. Satish Joshi (Nepal Investment Board)

Mr. Ananda Pokhrel (former MP (CPN-UML), member of Natural Resources and Means Committee)

Mr. Dilli Bahadur Singh (Department of Electricity Development, Ministry of Energy; Project Director Pancheswar Multipurpose Project)

Mr. Ratna Sansar Shrestha (civil society activist, lawyer, and water resource analyst)

Mr. Ajaya Dixit (water resource specialist, executive director ISET-Nepal)

The interviewees are presented in further detail in the interview analysis, but I will here give some brief information on the agencies, departments, or other affiliations the interviewees belong to.

The Nepal Electricity Authority (NEA) is the GoN's executive body for electricity generation and distribution. Its major responsibilities are to recommend long- and short-term plans and policies in the power sector to the

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<sup>3</sup> I chose the term "government-connected people," since the people included in this group are active in different ministries or departments, and to different degrees involved in decision-making processes.

GoN, and to determine and realize tariff structures for electricity consumption. It is the main supplier of electricity in Nepal, predominantly through hydropower.

The Nepal Investment Board (NIB) functions as the GoN's central agency for investment promotion and facilitation while continually working towards improving the country's investment climate. The West Seti Hydroelectric Project falls under NIB's mandate.

The Natural Resources and Means Committee (NRMC) is a parliamentary body that reviews and revises agreements on natural resource development. The Committee revised the first MoU on the West Seti dam, and requested a 10 percent stake to the local investors as well as to make the project multipurpose by including irrigation, fishery, and water transportation components in the project.

The Institute for Social and Environmental Transition, Nepal (ISET-N) is a non-governmental and non-profit organization that analyzes developmental issues to manage resources for sustainable development.

### *Secondary data – case studies from Nepal*

Secondary data on resettlement practices in Nepal consists of case studies on two hydroelectric projects, namely the Kulekhani I and Kali Gandaki “A” dams. Regrettably, academic studies or evaluations of a third dam discussed by my interviewees, the Middle Marsyangdi Hydroelectric Project, had not come to my attention during the thesis process.

On the Kulekhani I, Bjønness' (1983) “Socioeconomic Analysis of the Effects from the Kulekhani Hydro-electric Project, Nepal” provides insight into how compensation and resettlement was handled.

On Kali Gandaki “A,” I have used several studies. Primarily, Rai's (2005) “Dam development: the dynamics of social inequality in a hydropower project in Nepal” gave a good insight into how power relations influence access to compensation. Sapkota's (2001) “Impoverishment Risks and Reconstruction of Kali Gandaki Dam, Nepal” contributed both in the form of a practical application of Cernea's IRR model, and also discussed the importance of policy. Finally, the ADB Performance Evaluation Report (2012c) “Nepal: Kali Gandaki “A” Hydroelectric Project” provided useful information on policy compliance and shortcomings.

### **Validity and Reliability**

Every study is conducted through an “interpretive lens,” which influences the researcher's approach to the study, the questions asked, and the interpretation

of the answers given and recorded (Creswell 2007:24). In a qualitative study such as this thesis, where interviews are used to elicit information about resettlement practices and outcomes, knowledge is created in the interaction between the interviewee and myself; we are “co-constructors of knowledge” (Kvale & Brinkmann 2009:18). Recognizing the position of both interviewer and interviewee, the knowledge produced will always be influenced by individual preferences.

A constructivist researcher refutes the notion of one objective truth. Instead, validity and reliability can be judged through the methods used in a study. The “backbone” of qualitative research, according to Creswell, is the gathering of information from multiple sources, as a way to enable triangulation of data and thus increase reliability and validity of findings (2007:43–45). My secondary data, mentioned above, allows for a triangulation with my interview answers.

Moreover, while still in the field, I revisited interviewees to confirm certain statements, or gauge a different perspective on the same phenomenon. In this way, the validity of interview findings can be enhanced. Moreover, I always did a sum-up at the end of an interview to enable the interviewee to clarify or add information if needed. In presenting my findings, I quote extensively from the interviews to enhance trustworthiness as it enables the reader to employ his/her own lens to evaluate in what ways the findings of the study may be valid in other settings, and whether the interpretation and conclusions follow logically (Bryman 2012).

### *On generalization*

Generalization is often little emphasized in qualitative research such as a case study. While quantitative studies aim for statistical generalization based on frequencies, to project outcomes based on representative samples, Yin highlights that a qualitative case study should not be considered as a single respondent in a survey or a single subject in an experiment (2003:33). Instead, a case study produces deeper knowledge that aims to draw out lessons rather than proof. A critical study such as this thesis provides insights to build on. The case of Nepal, and its socio-political context especially, poses challenges to R+D that can be present in other, but not confined to, South Asian societies. Thus, I refrain from stating that what works in Nepal will work elsewhere, but I also argue that the findings of this thesis are a fruitful contribution to DFDR research in developing countries.

## **Ethical Considerations**

I attached great importance to the “informed consent” of my respondents by being open with information and the purpose of my research, to assure their voluntary participation on the basis that they have understood my purpose (Kvale & Brinkmann 2009:70; Silverman 2005:258). Kvale and Brinkmann note that there is no “solving” of ethical issues such as consent and confidentiality, but the aim of the researcher is to remain open to the dilemmas and ambivalences that are bound to arise in the research process (2009:69). As the research interview is *not* a conversation between equals, because of the “power asymmetry” that follows my “monopoly of interpretation” (ibid:33), I have made efforts to make my position as a student clear and stated my limited capacity to serve other purposes.

## THEORETICAL FRAMEWORK

*This chapter outlines and conceptualizes resettlement with development (R+D), and goes on to present its main mechanisms. Subsequently, I discuss the factors as well as the potential constraints that are conducive to the successful application of R+D in a developing country context.*

### The Concept

Resettlement with development (R+D) aims for a more holistic understanding of displacement and resettlement, which addresses the economic sacrifices of displaced people in resettlement processes, *as well as* the social and cultural losses. It recognizes displaced peoples' rights to access opportunities to restore and improve not only their livelihoods, but also social networks and status, and cultural belonging (Cernea 2003). Furthermore, R+D conceives of resettlement as “a development programme in which those forcibly displaced not only share in the benefits of one development project, but are provided with a stand-alone project that supports their specific needs” (Maldonado 2012:213).

### Main Mechanisms

R+D mechanisms to achieve resettlers' successful rehabilitation concentrate on the fair distribution of benefits generated by development projects, and on expanding the compensation principle. Recognizing the limitations of cash payments as compensation, Cernea argues in favor of “investments *additional to compensation* for post-displacement reconstruction” (2008:89). For example, in the case of dams, economic rent can constitute a long-term compensation measure (Trembath 2008; Égré et al. 2008). Another approach is to revise land acquisition practice where the government leases the land from the owners instead of buying it (Nakayama and Furuyashiki 2008). This allows affected people to obtain a regular sum as installment payments, which can reduce the risk of wasting the money (as can happen when communities unaccustomed to handling money receive large sums), and this will also benefit a government which has limited financial capacity to compensate all displaced people at once.

Moreover, to better enable affected populations to invest in dam projects Cernea (2008) argues that the investment can be other than strictly financial. Since a dam construction would not have been possible without the land acquisition from displaced people, the land they give up should be considered as invested capital on which they should receive return.

## Conductive Factors

To ensure the implementation of R+D, Cernea holds that policies and benefit-sharing mechanisms require legal enactment to ensure implementation over time and financial accountability (2008:118). Moreover, he argues that the ideas of economic rent and benefit sharing should become the basic principles of resettlement legislation and practice (ibid:101). In this sense, R+D is implemented through regulatory frameworks that guide and enforce fair resettlement compensation and benefit-sharing practices.

Dwivedi (2002) labels this approach to DFDR research the *managerial* approach. It views displacement as an inevitable and unintended outcome of development, and therefore focuses on managing the consequences through top-down mechanisms. Cernea's IRR model falls into this category as it takes the viewpoint of a development planner and is insensitive to people's voices and opinions. The managerial approach emphasizes the need for regulations, policy, and laws to enable equitable resettlement processes. Price notes that "formulating and institutionalizing domestic policy and legal frameworks for sound resettlement...is germane to structurally reforming IR [involuntary resettlement] as currently practiced and to correcting its in-built deficiencies" (2008:148). Bartolome et al. argue that institutional frameworks on the national level allow experience and learning from every resettlement project to be consolidated and lessons to be applied effectively, resulting in better resettlement practices (2000:47).

Moreover, policies, regulations, and laws may serve to strengthen the bargaining positions of local communities in claiming rights and entitlements (Jones 2012:624). International guidelines, declarations or conventions on human rights and social justice are referred to in many development agencies' policies. Often, they draw on the United Nation's Universal Declaration of Human Rights (UNHR) and the Declaration on the Rights of Indigenous Peoples (UNDRIP); the International Labour Organization's (ILO) convention 169 on indigenous and tribal peoples; as well as the World Bank's operational policy on involuntary resettlement (UN 1948, 2008; ILO 1989; World Bank 2001).

However, since many of the losses suffered in displacement are not computable, Dwivedi notes how a "paradoxical situation" arises where policy is assumed to compensate for losses that it cannot value (2002:718). Therefore, he argues, to address these issues properly the opinions and participation of affected people constitute an extremely important input in diagnosing displacement and resettlement risks. The managerial approach to DFDR thus needs to be supplemented with a bottom-up perspective – the

*movementist* approach. This approach sees displacement as a manifestation of a crisis in development, and evidence of development's uneven and unfair distribution of costs and benefits. It questions the current model of "development" and rather than demanding just and proper resettlement, it raises fundamental political issues of rights, governance, and negotiation (ibid:718ff).

In general, people's participation in projects has come to be seen as an important component of development programs, and due to their success, participation has turned out to be a "new paradigm" of development (Kamruzzaman 2013:1). Maldonado argues that a "DFDR framework that takes a justice- and rights-based approach to displacement [...] calls for a participatory process of two-way information flows between researcher, project implementers and local populations" (2012:212). Bartolome et al. go further in arguing that "[T]he question is not one of community participation but community control and 'ownership' of the resettlement programme" (2000:47).

The World Commission on Dams (WCD) establishes the most comprehensive guidelines for dam building in its report from 2000. The WCD recommendations form the basis for many decision-making processes for dams around the world and constitute international soft law (IRN 2013b). Amongst its strategic priorities, the report outlines the importance of participation:

"Access to information, legal and other support is available to all stakeholders, particularly indigenous and tribal peoples, women and other vulnerable groups, to enable their informed participation in decision-making processes" (WCD 2000:215).

In sum, with the recent emphasis on social justice and the importance of local participation, the managerial and movementist approaches in DFDR research start to fuse into a more holistic approach: resettlement with development. Participation becomes another tool for enabling R+D, and to enhance fair and equitable compensation and benefit sharing. However, R+D does not necessarily provide a universal panacea to displacement and resettlement ills. The next section looks closer at its limitations.

## Challenges

As will be outlined below, the analytical discussion of R+D implementation indicates that the following challenges are especially relevant and must be taken into account when analyzing the applicability of R+D in development contexts.

In terms of policy and regulations, it must be noted that among ADB's developing member countries gaps still exist between international best practice and countries' safeguard systems for land acquisition and involuntary resettlement. Many countries need new regulations as well as an accurate land registry and land records (ADB 2012a:34), given that land certificates serve as the basis for compensation. However, losses of common pool resources, owned by nobody, also impact food security, especially among poor persons depending on these resources as a complement to their regular livelihood earnings. Landless people are therefore at great risk when resettling, as they cannot demand compensation for the loss of the land that supports them.

In addition, considering that displaced communities are often already the marginalized poor, indigenous peoples, and/or subsistence farmers, the chances to mobilize and politically advocate for their due compensation are limited. The International Labour Organization's convention 169 on indigenous and tribal peoples (ILO 169) is one effort to guard the rights of indigenous peoples. However, in the case of Nepal, Jones noted that implementation of ILO 169 is hostage to entrenched political patronage and political culture. Furthermore, rights-based approaches had their own effects, particularly when claims were interpreted as absolute group rights, especially in highly diverse societies (2012:624). Thus, despite high-level symbolic "global" gains, tangible benefits to local indigenous groups remained scant at the grass roots level (ibid:625).

As was discussed in the preceding section, international and national safeguard policies can be useful as targets for resettlement processes, and for affected people to justify demands. However, international declarations or policies are seldom adhered to in current development practices (Maldonado 2012:194), despite that "[c]ertain human rights are likely to be violated whenever displacement occurs" (Stavropoulou 1994:748).

Furthermore, it is not straightforward to assume that declarations of human rights or civil society participation are "universal" and applicable to all political contexts. Global recognitions of justice and rights may be contested under local circumstances where customary traditions and systems of justice remain primary, which in turn influence the nature of participation, the access to benefits and compensation, and the political leverage of individuals. Free,

prior, and informed consent should be a prerequisite that can instill local communities with “veto” power (McGee 2010:180), but this is seldom achieved; indigenous people are continuously unable to influence the fundamental decision to build, because they are overridden by the project’s “momentum” (Finley-Brook and Thomas 2010; Brody 1999). Similarly, Eversole argues that development theory and policy tend to see participation as a way of inviting communities to accept proposed projects, rather than consulting with them about *which* projects may be needed (2010:30). In addition, when platforms for participation *do* exist, issues of the quality of participation arise, in terms of representation and agendas (Dwivedi 1997; Brand 2001; Akram-Lodhi 2008), power relations between participants (Goulet 2005), and ability to participate (Thompson 2008). Thus, when consultation and participation processes are insufficient or governments cannot account for their influence on policy, R+D may fail to fairly address the issues raised by locals.

Finally, it is important to keep in mind that participation also involves significant competition between different interests; Sneddon and Fox note that civil society actors imagine locality, nationality, or globality in ways that fit each actor’s social identity as well as political motivation (2008:627). Williams and Mawdsley (2006) found that struggles for environmental justice in India have to contend with a highly unequal “public sphere” dominated by the educated and well-connected middle classes (*ibid*:668). Furthermore, they warn that in societies more fragmented than many Western countries, structural inequalities in recognition shape the arenas where deliberative democracy can take place (*ibid*). Equal distribution may have to be complemented with affirmative action initiatives, specifically targeted at people giving up land and livelihood for national development projects; Dwivedi argued that since women and *adivasi*<sup>4</sup> communities suffer more than the general population in India, special policy attention to their plight is necessary (2002:721).

Based on the critical discussion in the above sections, I argue that R+D implementation hinges to a large extent on a state’s ability to provide the conducive factors discussed in 4.3. Problems are likely to arise when some or all of these factors are not present. Thus, while recognizing the importance of the dimensions of policy, regulation, law, and consultation and participation, R+D implementation is only as effective as the context allows. These

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<sup>4</sup> Adivasis are the indigenous peoples of India, often referred to as “tribals” (Williams & Mawdsley 2006:662).

observations will be substantiated by my findings in Nepal, presented in the next chapter.

## FINDINGS IN NEPAL

*This chapter presents the field study findings from Nepal. First, I give a brief overview of the political landscape in Nepal, followed by a glimpse at Nepal's history of hydropower development. The West Seti Hydroelectric Project served as an entry point for my interviews, and some details are given on this proposed dam to situate some of the comments made by interviewees. Subsequently, I use excerpts from the interviews to discuss the prevailing (dam-related) resettlement situation in Nepal.*

### Contextualizing the Study

The political landscape of Nepal has been very volatile, from the creation of the nation in 1768 to the present (Riaz & Basu 2007). Struggles between kings, elites, and recently Maoists, have severely affected the state's capacity to deliver services for its citizens. Despite these struggles, political power in Nepal has remained in the hands of the elites, and this prevails to this day. Lawoti (2003) observed that:

“High caste Hindu elite males from the hills (Caste Hill Hindu Elite – CHHE) overwhelmingly dominate power positions in politics, administration, the judiciary, parliament, academia, civil society, industry/commerce, local government, and education.” (in Riaz & Basu 2007:130)

Riaz and Basu argue that the complex use of a constructed Hindu identity to provide cultural legitimacy to the monarchical political order has contributed to the political alienation of a substantial segment of ethnically, socially, and economically marginalized population from the Nepalese state (2007:123). Devkota (2007) argues that the centralized government planning since the 1950s focused on economic growth to reduce poverty, and failed to achieve “people-centered development.” The social inequalities, and the lack of “embeddedness” of the state, partly explain the insurgency of the Maoists from 1996–2006 (Riaz & Basu 2007).

Presently, the work to create a “New Nepal” (*Naya Nepal*) has begun, and with a Maoist party at the helm the interim government has opted for a democratic constitution and is undergoing reforms in order to reduce the influence of monarchism and elitism in the government (Askvik et al.

2010:418). However, the work to restructure the state into an inclusive federation based on ethnic identity is slow, to the point that Nepal is on the verge of being defined as a “failed state” (Baral 2012:161).

### *On hydropower development in Nepal*

Nepal’s estimated hydropower generation capacity is a staggering 83,000 MW, of which 43,000 MW is deemed as feasible output. However, as of 2009, installed capacity amounted to a meager 634 MW (Dixit & Gyawali 2010:107), and during my field stay the country’s capital Kathmandu experienced severe load-shedding with outage time reaching up to 84 hours per week (Himalayan Times, February 2, 2013). The discrepancy between potential and actual output from hydropower generation is a great constraint on Nepal’s economic development. The inability to harness this resource efficiently has to a large extent been due to the volatile political landscape, the lack of state capacity, competence, and finance, and a strong civil society opposition to large-scale dams.

Historically, hydro-development in Nepal has been state-driven and export-oriented, justified by the assumption that there is not enough energy demand in the country to absorb the generated electricity from large dams. The state-centric pursuit of hydroelectricity generation has been criticized since the 1990s, on the grounds of being too focused on hydraulic and economic efficiency, and thus forgetting about the environment and social well being (Dixit 1994:74). Moreover, this meant a significant lack of public consultations. Pandey noted that the 1993 public hearing on the Arun III Hydroelectric Project was the first of its kind in Nepal, and since then public consultations became a regular feature of hydropower project planning and design (1998:147, 155). Due to fierce opposition from several Nepali NGOs with international backup (e.g. International Rivers Network), the World Bank withdrew the funding from the Arun III in 1995. This outcome earned the Nepali “anti-dam lobby” international reputation (Shrestha, February 3, 2013).

According to Dixit, the 1990s saw a “self-reliancy discourse,” where civil society activism in the competitive political landscape presented a more “complete picture” of the expectations and effects of hydro-development (2008:98ff). He argues that “the liberalized political environment generated policies that fostered community electricity distribution,” with the state as facilitator. In less than a decade, 300 MW was added to the national grid, through small and medium-sized hydropower projects (ibid). However, recent government focus on large-scale hydropower development may signal a return of a more state-centric approach. In 2008, the Government of Nepal (GoN)

promised 10,000 MWs worth of electricity generation within 10 years, and the following government upped the ante promising 25,000 MW within the next two decades (Dixit & Gyawali 2010:110). Dixit lamented that Nepal's hydropower terrain "is sliding towards a closed hegemony as opposed to pluralistic democracy. Once again one idea dominates and all other voices are being ignored" (2008:103).

In this state-centric approach to development, large-scale hydropower is the comparative advantage of Nepal to propel economic growth. The 750 MW West Seti Hydroelectric Project (WSHP) has been targeted by the GoN as one potential way to increase power supply in the country, and to increase development investment in the Far Western region of Nepal. In the thesis, the WSHP serves to concretize and actualize the resettlement problematique rather than being the object of the study. However, it is necessary to briefly present some of the details of the WSHP, which is done in the next section.

### **The West Seti Hydroelectric Project**

The West Seti Hydroelectric Project (WSHP) is a proposed dam on the West Seti River in the Far Western region of Nepal. It was first envisaged in 1981, and has since been awarded to various dam developers who have failed to realize their ambitions. In 1994, it was awarded to the Australian developer Snowy Mountain Engineering Corporation (SMEC), on the basis of producing power to be exported to India (Dixit et al. 2005:10). Funding would be amassed from the ADB. However, civil society opposition by the Water and Energy User's Federation (WAFED) forced ADB to withdraw as the WSHP was found to violate the ADB Environmental Policy, the Involuntary Resettlement Policy, and the Public Communication Policy, as well as recommendations by the World Commission on Dams (IRN 2013c). As a result, SMEC was unable to attract finance and the GoN scrapped the license in 2011 (Kaul 2012).

In February 2012, a memorandum of understanding (MoU) for the commencing of the project under a public private partnership (PPP) model was signed with the China Three Gorges Corporation (CTGC). After having been revised in line with the suggestions put forth by the Natural Resources and Means Committee (NRMC) of the dissolved Constituent Assembly, a new memorandum of minutes (MoM)<sup>5</sup> has been signed with China International Water and Electric Corporation (CWE), the overseas Chinese

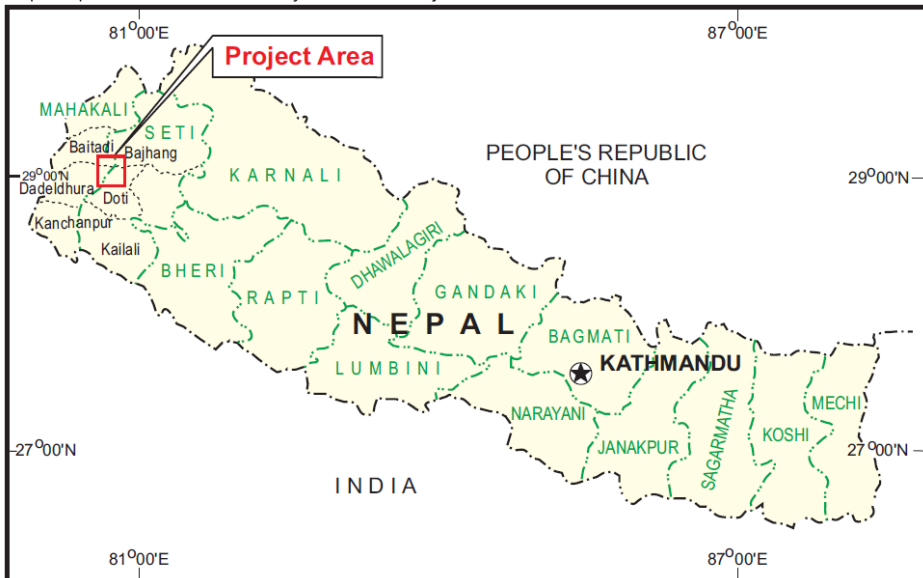
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<sup>5</sup> In the media and with my interviewees, the MoM was always referred to as "the second MoU" or "the revised MoU." However, in my interview with Mr. Joshi of Nepal Investment Board, it was pointed out that the second form of agreement is a Memorandum of Minutes (MoM).

construction contractor which CTGC uses as a platform to develop its overseas business (IRN 2013a).

The MoM assigns 75 percent of the shares to CWE, and 25 percent to the Nepal Electricity Authority (NEA) of the GoN. Ten percent equity sharing is awarded to locals, either as investment shares, or in kind (Joshi, interview March 3, 2013). Moreover, up to 150 MW of the total 750 MW will be assigned to the development of an industrial hub in the Far Western region of Nepal (ekantipur.com, August 27, 2012). The Nepal Investment Board (NIB) will assist CWE in the implementation of the project, “which includes government approval, provision of all available past studies for the project, land acquisition, resettlement and environmental impact assessments” (ibid). According to the 2007 environmental impact assessment report produced by the West Seti Hydroelectric Limited (WSHL)<sup>6</sup>, the dam will affect around 18,000 people, of which almost 13,000 will have to be resettled (WSHL 2007). The resettlement process will be guided by international safeguard standards of the World Bank and ADB, and the CTGC has the ambition of making WSHP its “poster child” for successful resettlement practice (Joshi, interview March 3, 2013). This ambition may indicate a certain degree of political will to make sure affected people are successfully resettled.

Map: Nepal and the West Seti Hydroelectric Project area (Source: WSHL 2007).



<sup>6</sup> This data on the West Seti Hydroelectric Project has been taken from the Environmental Impact Assessment report (EIA) produced by the former licensee (West Seti Hydroelectric Limited (WSHL)), from 2007. The new licensee, China Three Gorges Corporation (CTGC) is using SMEC’s report as the foundation for their own EIA. Thus, the majority of the new data collected by CTGC can be assumed to correspond to that of SMEC’s. Alterations to geophysical data may be less, whereas social data may fluctuate more. There is no set date for the publication of CTGC’s EIA.

### *Socio-economic setting in Far Western Nepal*

According to a 2011 overview report by the United Nations Field Coordination Office (UNFCO) situated in the Far Western region of Nepal, about 44 percent of the people in the Far West Hills and 49 percent in the Himalayan districts live beneath the poverty line. Moreover, the region has limited access to basic services and the difficult topography of the area has put constraints on development investments in the region. About 95 percent of households in the area are agricultural (UNFCO 2011).

Traditional systems associated with religion, culture, and customs create complex socio-economic structures in the region, including instances of bonded labor and child labor, and gender and caste-based discrimination impact overall development (ibid). The region's peripheral importance in state priority, evidenced by its name (far west from Kathmandu), made it a powerful base for the Maoists during the insurgency (Riaz & Basu 2007:126).

While the WSHP holds significant development potential for the Far Western region of Nepal, its impact on those forcefully displaced must be considered, evaluated, and compensated for. The next section reviews the experiences of dam-related resettlement in Nepal.

### **Experiences from Nepal**

As mentioned above, the WSHP served as an entry point for my interviews to discuss resettlement practices in Nepal. The failure to construct the West Seti dam on time may be one reason for the lack of infrastructure investment in the West Seti area as a whole: "If the dam is coming, then all of the area will be plunged in water, so why should the local government develop this area?" (Bista, February 4, 2013). Another civil society actor acknowledged that the dam holds the potential to bring "development" to an otherwise "government-neglected area" (Bhandari, January 31, 2013). This pattern of decreasing investment in an area identified for a dam project has been observed throughout the world (Bartolome et al. 2000:7), and underscores the need for improving resettlers' livelihoods after displacement. The following sections discuss how dam-related resettlement and compensation have traditionally been executed in Nepal, the quality of policies, regulations, laws guiding resettlement, and compensation, and civil society organizations' involvement and interest in hydropower development issues.

#### *"How will local people be benefited?" – On resettlement and compensation*

A major problem in resettlement practice around the world is that resettlement sites are often selected without reference to the availability of

livelihood opportunities or the preferences of displaced persons themselves (WCD 2000:107). Many interviewees expressed concerns about the resettlement process of the West Seti dam, and several of the risks they identified are predicted by Cernea's IRR model. In particular, the risks of landlessness, homelessness, joblessness, and food insecurity were frequently referred to in discussions concerning a new resettlement site.

It has been proposed that West Seti locals resettle in a satellite city in the mountainous areas. However, resettling in a mountain satellite city is not viable according to most interviewees; new farmland is scarce and of low quality, the access to project benefits may be compromised, and livelihood issues in general are crucial issues. Instead, the Terai flatlands in southern Nepal seem like a better option for the resettlement of West Seti locals, albeit concerns are raised about the availability of land, access to common resources, climate, and whether locals in the Terai will be willing to host another 13,000 people. Mr. Rajbhandari, Director of Corporate Planning and Monitoring Department of the Nepal Electricity Authority (NEA) expressed hesitation over the proposed satellite city:

“The GoN has proposed a satellite city upstream, but I think people do not want to go upstream. This project is already located at an altitude of 1,200 meters, and upstream means maybe 1,600–2,000 meters, and no fertile lands will be there. If they are resettled far away, they will not agree.” (Rajbhandari, February 6, 2013)

More emphatically, Mr. Bhandari, civil society activist with family connections in the West Seti area, argued:

“What is a satellite city? How can people survive in a satellite? Like on the moon? Those people will sit on the top of the mountain, and we can build some roads, hospitals, and schools...but there is no rice, no crops can be grown.” (Bhandari, January 31, 2013)

The IRR model also includes the risks of marginalization and social disarticulation. These concern a community's disintegration as the members are forcefully moved and dispersed, severing social and cultural ties. Dwivedi argues that where livelihood resources are woven deeply into the socio-cultural

fabric of a community, displacement can cause significant hardships (2002:725). In a study of displaced indigenous households from the Shuklaphanta Wildlife Reserve in Nepal, Lam and Paul (2012) noted how displacement followed by an inadequate land compensation scheme led to serious household partitions and adversely affected patrilineal kinship relationships, which created a vicious cycle of poverty. In West Seti, landowners and landless people are dependent on each other for securing livelihoods by trading goods and services. This feeling of community also functions as a guarantee for safety. Mr. Bista, journalist at Kathmandu-based newspaper Kantipur Daily, and with origins and family in West Seti said:

“That is our serious question; we want to live together. Because our school is there, our health care is there. If we are together, no one can challenge us. We are all relatives...In my village, there are some people who own land, like my family. Some are landless; like goldsmiths. But annually we give them wheat, maize, rice...for their gold rings, and for tailors, we give them from our land. They are dependent on us. If you scatter our village, how will they live? That is the main question. They are dependent like this since our forefathers’ times. GoN should know this.” (Bista, February 4, 2013)

This social interdependence within affected communities complicates compensation schemes. While it is rather straightforward to compensate people holding land certificates, it is usually the case that landless individuals risk being left out. In Nepal, Rai studied how fishermen (*Botes*) lost their traditional sources of livelihoods when the Kali Gandaki Hydroelectric Project was built. Since the fishermen did not own land, they experienced problems claiming their rights to compensation. Additionally, a “new-found alliance between local leaders and project officials” meant that previously existing loyal relations of political and social patronage decayed, and influential actors managed to negotiate higher compensation than originally proposed (Rai 2007).

As was noted in the literature review, cash compensation has been the prevailing method used to compensate displaced populations around the world (Cernea 2008). My interviewees confirmed that cash has been the main

component for compensation also in Nepal, but its insufficiency is recognized. Again, Mr. Rajbhandari of the NEA:

“We have very bad experiences with resettlement. This is my personal opinion that till now resettlement has been done on cash principle. If we provide the money to the people, after one year, they finish all their money. So, again these people will be destitute, no home, food, just like beggars. I feel that when we resettle the people we should provide land for land. It should not be carried out on the basis of money.” (Rajbhandari, February 6, 2013)

Nepal’s first and so far only reservoir dam, the Kulekhani I, displaced around 3,000 people (Gurung 1989) and was unanimously labeled as a bad experience of resettlement and rehabilitation among more or less all my interviewees. Bjonness’ study of the socio-economic impacts of Kulekhani in 1983 found that the influx of cash into the affected communities led to an increase in land prices and resettlers found it difficult to buy new land for their compensation (1983:36). Furthermore, downstream communities faced increasing hardships, as the river they had depended upon was “lost.” Compensation was allocated to those directly affected, and thus did not reach all who experienced the impacts of the dam (ibid:47). Mr. Singh, at the GoN’s Department of Electricity Development (DoED), argued that the negative experience from the Kulekhani I dam was to some extent a result of lacking regulations:

“The resettlement process then was not good at all, and there was no EIA then. This was completed 25 years ago, almost, and then there was no requirement of EIA, and nor for resettlement action plans. So they distributed money to the displacees. Some of them did very well, but most of them finished it just like that.” (Singh, March 4, 2013)

As cash compensation implies that resettlement is a one-time event (McDonald-Wilmsen & Webber 2010:147), it requires additional

compensation measures as a complement. Governments may offer new land for the land acquisitioned, and this practice is favored by many interviewees as well. With land, a resettled family can retain their livelihoods. However, the timing of cash payments is crucial to cover immediate expenses caused by the resettlement process; in Kulekhani, the time-lag between compensation payment and new agricultural output meant that many resettlers got caught in a “poverty circle” (Bjønness 1983:38).

Moreover, compensation has to be distributed equitably. It is more often than not the case that displaced people continue to suffer in the aftermaths of development projects, while the benefits are enjoyed by other (urban) populations. Mr. Bhandari argues that the benefits of the WSHP will be enjoyed by others than the affected people:

“People of district headquarters, they support the project. But they will not be affected, but benefited. All these people living there are looking for this as an opportunity. But how will local people be benefited?” (Bhandari, January 31, 2013)

Equity investment is a mechanism used to enable R+D, and it has been observed to distribute benefits in a more equitable manner (Égré et al. 2008). However, as a large number of displaced people are subsistence farmers without much capital to invest, Cernea proposed to make the people who yield their lands project shareholders. The argument is that most dam projects would not be possible without the land acquired in the name of public interest (2008:99). Equity investment was first introduced in Nepal in the Upper Tamakoshi Hydroelectric Project (Pokhrel, February 5, 2013), and has been proposed in WSHP as well (10 percent allocated to locals). Mr. Pokhrel, former Member of Parliament, sat in the Natural Resources and Means Committee that suggested the 10 percent equity share to West Seti locals. He sees equity sharing as a viable method for distributive justice, but also expanded on the idea and argued that people without money to invest should be allowed “sweat equity;” the contribution of labor to an enterprise in the exchange for financial return. It may be a useful tool in Nepal, given that approximately 25 percent of the population lives below the national poverty line (World Bank 2013), and that all displaced people are not necessarily landowners. Sweat equity would allow those without financial means, and those who cannot trade land for equity, to take part in the benefit sharing.

The aim of R+D is not only to restore livelihoods of affected populations, but to also *improve* livelihoods, as expressed in the involuntary resettlement policy of the World Bank (World Bank 2001). The outlooks on how the WSHP will improve the livelihoods of affected people vary depending on who is asked. Mr. Shrestha, water resource analyst and lawyer, who has appealed in court against the earlier export-oriented WSHP agreements, sees more opportunities for Nepal with the latest MoU determining the domestic use of the electricity generated by WSHP. He argued that the WSHP would allow the restructuring of income generation practices of resettlers (i.e. shifting from subsistence farming to industry), as well as other benefits that can be developed with electrification and irrigation.

“The quality of land will not be the same in the resettlement area. But, electricity from the project should be used to set up industries in the neighborhood... it is not necessary that they should be tilling land all the time. Like Darjeeling, they can build a hill-town...industries do not need flat land...food security comes from source of income also.” (Shrestha, February 3, 2013)

However, opinions diverge on the development potential of large hydropower projects. Not too surprisingly, a clear fault line can be seen between government-connected people and civil society activists. While those opposed to dams worry that past mistakes will be repeated, those in favor see an abundance of potential. Mr. Singh, at DoED and the project director of another proposed large-scale dam with a reservoir (Pancheswar Multipurpose Project), foresees “enormous multiplier effects” in the tourist, fishery, and herb industries (Singh, interview March 4, 2013). However, when told of the anticipated development potential of the Pancheswar Project, Mr. Bhandari remarked drily that the Kulekhani reservoir has not attracted a single tourist in the 30 years since its commissioning.

A recent example of resettlement, where affected locals were provided with new facilities and opportunities for improving their livelihoods, is the Middle Marsyangdi Hydroelectric Project, commissioned in 2008. It may serve as an example of how locals can be involved both in the construction process and the designing of compensation and rehabilitation schemes. According to the German funder, KfW Entwicklungsbank, a neighborhood support program was set up to engage affected communities in decision making on certain

development projects. Three million euros in Financial Cooperation funds were channeled to infrastructure, education, and health projects in order to promote and secure regional development and long-lasting improvement in people's living conditions in the region (KfW EB 2013). However, it has to be noted that this resettlement only involved around 300 individuals. Moreover, other interviewees expressed skepticism about the resettlement procedure, claiming that the original project budget was doubled in the end, due to “institutional bribing.” These concerns apart, Middle Marsyangdi holds a few components that can inform forthcoming projects, and perhaps be up-scaled. Mrs. Gosai KC at the NEA was involved in the resettlement process of the Middle Marsyangdi Hydroelectric Project, and explains the rehabilitation measures taken:

“We bought the land within three kilometers. We got the plot, provided a road, electricity and drinking water. And gave them their own landowner certificate. Another thing, we have provided the people training and skills like carpentry, welding etc., so that they could take up new work. That gave them jobs in the construction site, and they are earning a lot, so they are happy.” (Gosai KC, February 12, 2013)

One of the keys to unlock equitable benefit sharing in hydropower projects is to plan the resettlement process as a development program that supports the specific needs of displaced people (Maldonado 2012:212). These specific needs can only be identified by keeping an ear to the ground, which has been recognized as an important feature in R+D. The next section discusses bottom-up processes such as public consultations in Nepal, and how they serve to inform development agencies of local perspectives, demands, and requirements.

*“This government is also confused” – On consultation and civil society*

Throughout the world, the crucial decisions on whether to build a dam or not are often taken without much local influence. McGee notes that in practice “the consultation process rarely begins before government decisions are taken, especially in dam and mining operations” (2010:174).

The dam debate in Nepal today reflects McGee’s statement. The focus in consultation processes is on the “second-generation” problems of dam

building; i.e. who has to face risks, big or small, and what can be done to mitigate the consequences of those risks (Dixit & Gyawali 2010:117)?

Public consultation is enforced through the Environmental Protection Act of 1996 and the Environmental Protection Regulations of 1997<sup>7</sup>, which make environmental impact assessments (EIAs) legal requirements for large development projects (Rai 2005:17). However, the public hearing component of EIAs has been of “variable quality” and the risk is that deliberative decision making is confused with the practice of information exchange (Jones 2012:632). Moreover, global experience is that many dam engineers and technical experts concur in the view that substantive participation that extends beyond information sharing or consultation is not feasible (Goulet 2005:885). Cernea has argued that withholding information (often “justified” by officials to prevent panic and stress) is counter-productive as it preempts the early mobilization of resettlers in the reconstruction of their own livelihoods (2000:52). Mr. Bista expressed frustration over the lack of clarity and amount of information provided by the GoN on the WSHP:

“Maybe for 20 years there has been talk about building, building, but when will it be built? Now people in the dam-site are confused; SMEC is building or not? Chinese company is funding or not? This government is also confused...how can they tell to me if the dam will be made or not? Many times I have written also the same news! I have written an article about the confusion in the [West Seti] area.” (Bista, February 4, 2013)

The inadequacy of consultation is also raised by Mr. Pokhrel, who criticizes the will of the GoN’s side to inform West Seti locals and hear their concerns:

“There is no provision of talking to local people. The government sees the geographical map, they prepare desk reports from Kathmandu, based on Google etc. If information is only published in the newspapers in Kathmandu, then local people cannot read this. It has to

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<sup>7</sup> See: Nepal Law Commission (1997a). Environment Protection Act. <http://www.lawcommission.gov.np/en/documents/prevailing-laws/prevailing-rules/func-startdown/9/>, and Nepal Law Commission (1997b). Environment Protection Rules. <http://www.lawcommission.gov.np/en/prevailing-laws/func-startdown/491/>

be published in the West Seti area.” (Pokhrel, February 5, 2013)

The findings in a conservation-related resettlement project in Nepal point to the importance of making resettlement an attractive option for locals (Dhakal et al. 2011). Positive outcomes increased if villagers were motivated to initiate resettlement; allocated sufficient government subsidy; and allowed representation in “resettlement commissions” with a high degree of influence in resettlement planning and site-selection. To make involuntary displacement a voluntary initiative requires significant efforts and resolve, from both state actors and developers, to accommodate local concerns and demands.

As was mentioned in the literature review, DFDR research emerged in the wake of public demonstrations against displacement that questioned the notion of “development” (Dwivedi 2002:709). Thus, where state initiatives to consult and inform project-affected people are found faulty or insufficient, resentment may manifest itself in protest movements by civil society organizations (CSOs).

An important role of CSOs is to assemble diverse forces into a common platform and exert pressure both on state and market forces where necessary to promote an inclusive political culture (Bhatta 2008:7). The importance of being able to mobilize is shown in Sapkota’s (2001) observation of how marginalized groups can be further impoverished because of their inability to come together to demand their entitlements; in the Kali Gandaki “A” dam, the *Bote* indigenous people failed to articulate their needs and receive compensation, mostly due to the fact they were “unaware and unorganized” (ibid:155).

Civil society protests against dams have been many and loud. For example, the Narmada Bachao Andolan (NBA) has achieved international recognition of their struggle against the Sardar Sarovar dam on the Narmada River in India (Dwivedi 1997). In Nepal, the most famous example of successful civil society opposition to a dam project is the Arun III campaign two decades ago. Presently, though, Kathmandu seems void of strong CSOs mobilizing either for or against dams.

A proliferate organization in the Arun III campaign, the Water and Electricity User’s Federation (WAFED) today has disintegrated (Bhandari, January 31, 2013). Other profiles during the Arun III campaign have turned to other issues and pursue responsibilities elsewhere (Shrestha, February 3, 2013). However, CSO passivity may also be due to the fact that most dam

projects in Nepal are still in their planning or pre-feasibility stages. Gyawali observed how the lack of a visible “enemy” causes civil society activist groups to “disappear or lie dormant until catalysed into action by some such provocation from perceived external danger” (2009:195). Former WAFED member Bhandari comes close to replicating Gyawali’s words:

“There are organizations, but they are now sleeping. I don’t know why, maybe because there is no more activity of this project...the West Seti is still in study phase, so it will take three years. So therefore they are silent... So someone should make the locals aware: CSOs, NGOs etc. In the past, I did that work. I provided the information, I conveyed all messages from Kathmandu to the local area...now is no more activity. I wait and see.”  
(Bhandari, January 31, 2013)

Apart from locals’ concerns, there seems to be only individual, sporadic efforts to demand fair compensation for displaced West Seti locals:

“Although I don’t belong to that area, I have campaigned against West Seti, I would say effectively...There are some people like us...Ratan [Bhandari] is from the area, but there are a few of us who are doing things like this, not with any organization but informally.” (Shrestha, February 3, 2013)

Another hypothetical explanation for the absence of explicit civil society campaigning can be found in the common statement among Nepalis that “people want development now.” It reflects an energy crisis fatigue, and there seems to be an unspoken consensus about the need for hydropower to propel Nepal out of poverty. It may also be the case that hydropower has gained importance as a vehicle for economic growth in the political debate. A return to a more state-centric approach to development, together with increasing privatization of development projects – and dams in particular – also raises concerns about transparency and accountability, which can contribute to the lack of civil society involvement in dam development. Mr. Dixit is a water

resource specialist and the executive director of the non-governmental, non-profit Institute for Social and Environmental Transition, Nepal (ISET-N) in Kathmandu. He elaborated on the dam debate in Nepal:

“With Arun III it was just after democracy. So people were trying new ideas, to be heard and express ideas. In that campaign Arun, Mahakali, Kali Gandaki, West Seti, it is almost the same group of individuals for almost two decades. For example, me. Things have really changed now, now it is development...even though there is democracy, the political space for what happened in the '90s has shrunk...the nature of politics has changed. The private sector is much more dominant now, and because of this they are behind the state, so you really can't challenge it. Countries like China, India, Brazil have become much more articulate in the global debate, so even though in the cases of democracy, you cannot demand accountability and transparency like in Western countries. So those are the overall changes...” (Dixit, February 10, 2013)

In addition, CSOs also struggle with questions about representativeness. Amidst claims of representing local interests, there are instances when influential civil society actors interpret issues to fit their own agendas (Akram-Lodhi 2008), and the local “embeddedness” of civil society actors can likewise be questionable (Dwivedi 1997). Bhatta claims that civil society activists in Nepal are highly laden with their own “perception of interests” (2008:12). The case is no different in the West Seti area, where different concern groups have split due to conflicting political interests (Bhandari, January 31, 2013). Moreover, Jones argues that competition for resources is also contributing to the splintering of ethnic groups in Nepal, often aligned with political parties, and with activists using indigenous rights discourse as a platform for personal advancement (2012:631).

In a socially and ethnically diverse country such as Nepal, the challenge to distribute the boons of development fairly requires regulatory bodies and tools to be both capable and transparent. Improving the livelihood levels of the resettlers is not only a question of development as such, but indeed a question

of justice. A true development project should entail development for all, including those who are forced to give up their land. This necessitates political goodwill, as well as quality institutional mechanisms for distribution of benefits and enforcement of regulations. The state needs to be able to provide the appropriate safeguards for the populations facing displacement and resettlement. Local suffering – as a necessary evil – is not morally justifiable, nor is it unavoidable.

“That is the general argument; for an omelet, we need to break eggs. But why do people have to sacrifice? Why cannot the state come forth and say we will take your concerns and make sure you will not pay the price...I mean, you can ask the private sector to be part of the cost, but the responsibility is that of the state. Because if there is a dispute, who would mediate it? At least the state is the repository where the citizens can raise their concerns.” (Dixit, February 10, 2013)

The next section discusses the presence and quality of resettlement policies and regulations in Nepal.

*“The same old story” – On policies, regulations, laws, and institutions*

Planned resettlement started in Nepal in 1954, when affected families after the great monsoon flood were resettled in Chitwan Valley under the Rapti Valley Development Programme (Dixit 1994:76). Starting in the 1960s, resettlement activities were administered by the Nepal Resettlement Department and the Nepal Resettlement Company. Following various reorganizations of the resettlement agencies throughout the years, the Resettlement Company was eventually dissolved in 1988, while the Resettlement Department was retained under the Ministry of Housing and Physical Planning. However, this frequent “organizational tampering” paralyzed the operation of the resettlement agencies (Gurung 1989). In 1994, Dixit argued that the management of resettlement and rehabilitation in Lower Marsyangdi in the 1980s showed that “institutions in Nepal are still unable to respond to the needs of even a small group of displaced populace” (1994:80). Ten years later, Bisangkhe wrote that, “in the fifty years of the planned development process that began in the 1950s, specific laws on the resettlement

and rehabilitation of involuntary displaced people have not been developed” (2004:99).

In an evaluation of Nepali laws and their compliance with the recommendations put forth by the World Commission on Dams (WCD), Dixit and Gyawali acknowledged that “[T]he major limitation to Nepal’s ability to take up the WCD recommendations turned out to be less in the laws themselves and more in the implementation of, and compliance with, these laws” (2010:106). However, laws or policies contain little information that is conducive to R+D implementation in Nepal.

The hydropower development policy of 2001 states that the Government of Nepal is the responsible entity for resettlement and rehabilitation issues, and shall provide the standards to be followed for these procedures. Private sector developers shall be assisted by the GoN, although the investors themselves have to bear the necessary resources and thereby include the resettlement costs in the total project costs (Nepal Law Commission 2001:§6). However, the HDP does not guide resettlement or rehabilitation.

The Land Acquisition Act of 1977 (LAA) is the main tool for the state to acquire land for development projects (Rai 2005:17). The third paragraph of the LAA states that the “Government of Nepal may, if it so deems necessary, acquire any land at any place for any public purpose...” (Nepal Law Commission 1977). The seventh paragraph on compensation clearly denotes cash as the primary (or only) form of compensation for acquired land (ibid). However, as has been discussed above, the cash compensation principle is often incomplete and fails to fully restore resettlers’ livelihoods. The shortcomings of the LAA are apparent, and Ramanathan, in discussing the LAA of India, argues that “acquisition” is not an appropriate context within which to understand displacement. Therefore, compensation – which is part of the process of acquisition – is not an apt response to displacement (2008:214).

R+D is based on the recognition of the need for rehabilitation and the imperative of designing holistic and progressive resettlement policies and plans. According to an ADB sub-project proposal from July 2012<sup>8</sup>, the Nepal Law Commission had drafted a land acquisition act in 2011, aimed at amending and integrating existing land acts in Nepal. The draft act has addressed some issues identified as gaps associated with international best practices on involuntary resettlement (ADB 2012b). However, the destiny of

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<sup>8</sup> The proposal’s title is “Strengthening Involuntary Resettlement Safeguard Systems in Nepal,” and is a sub-project of the ADB project TA 7566-REG: “Strengthening and Use of Country Safeguard Systems.” Find the proposal at: <http://www.adb.org/sites/default/files/projdocs/2012/44140-012-nep-subproject-01.pdf>

this draft was not unveiled during my study, and none of my interviewees had any further information about it. My efforts in contacting the sub-project officer of ADB's Nepal Resident Mission have proven futile.

Although the great majority of Nepalis seem to agree on the need for hydro-development as a vehicle out of economic stagnation, environmental and social challenges and risks lie ahead on the road. Relying on international standards on resettlement is a viable alternative, but Price argues that “adopting *domestic* resettlement standards would not only reduce the need for negotiations at the level of every project, but would extend the benefit of uniform standards to all projects” (2008:153, my emphasis). In his evaluation of the Kali Gandaki Hydroelectric Project in central Nepal, Sapkota reported that the absence of policies was found to have negative impacts (2001:155). A national policy could also give locals increased leverage in defining their demands on resettlement and compensation. Mr. Bhandari talks on behalf of the locals in West Seti:

“We need a government resettlement policy. If we have our own policy, then we can challenge and demand...we can force them [GoN and CTGC] to meet the criteria of the resettlement policy.” (Bhandari, January 31, 2013)

The important role of international policies and conventions to help civil society actors and local communities demand their rights is also acknowledged by another interviewee:

“People are talking about the ILO 169 convention on indigenous rights. So people are also becoming vocal. And we are here talking about it, and we will do our best to make sure that local people are not treated unfairly...” (Shrestha, February 3, 2013)

However, some interviewees had concerns that although international safeguards are referred to in EIAs and resettlement action plans, the responsible implementer may lack sufficient knowledge and experience of resettlement procedures: “locals, policy makers, and even politicians, they are unaware about World Bank policy” (Bhandari, January 31, 2013).

Jones observed that despite international debates concerning indigenous and community rights more generally in the face of large-scale dam construction,

there is scant reflection of this in GoN policy documents: “[T]he impression given is that the scale of the electricity deficit is such that only financial and technical conditions of projects are prioritised, to the detriment of other standards” (2012:632). Dahal noted that “the problem of involuntary resettlement caused by project activities has remained entirely neglected at the policy level as well as in the regulatory domain” (2006:5). Consequently, there is no central mechanism to oversee and deal with resettlement, which is becoming increasingly problematic (ibid).

The fact that Nepal does not have a comprehensive and inclusive national resettlement policy means that resettlement in Nepal has usually been addressed on a project specific basis, following the guidelines of the World Bank and the ADB (Dahal 2006:5). Attention to specific project circumstances is of course required, but without any coherence and evaluation of best practices there remains little cumulative knowledge to draw on for forthcoming projects. Thanju claims that the lack of a national resettlement policy has posed “severe limitation in development and implementation of a successful resettlement program” (2007:4). The lack of coordination is apparent in Nepal:

“I work for my project, I look for my project. So who those ADB people talk to, I do not know. They might have gone to Ministry of Finance or any other. And they might not have that enthusiasm to make a resettlement policy. I can do what is necessary; I can do a resettlement plan for my project. But I cannot make a resettlement policy to the GoN, because I am just one wing of the GoN. They might have approached the National Planning Commission and maybe the NPC people do not have the knowledge or awareness of resettlement issues. So they may not be very keen in making it.”  
(Singh, March 4, 2013)

The lack of coordination complicates the up-take of good practices and valuable experiences fail to inform safeguard policies. An encompassing policy could provide the first important step towards an equitable and efficient resettlement process. Nepal has experiences of both good and bad resettlement

and compensation practices, but the question remains as to how much of this goes into resettlement policies and plans:

“The conclusion is that lessons have not been learned...We repeat the same old story...there is absolutely no learning...that is the biggest contradiction between policy and research. We are doing research and we want to influence policy, but it doesn't happen. Sometimes maybe they pick it up...All these things we did the last 20 years. Good stuff, but somehow the Nepali society has not heard of it.” (Dixit, February 10, 2013)

In a similar tone, Rai pointed out that “[D]espite formulation of these policies and laws [in Nepal], studies show that people affected by large infrastructure projects are not better off than before the land acquisition, making them more vulnerable” (2005:17).

## **Summing Up**

In reference to my first two research questions, I will here sum up the findings from Nepal. Interviews suggest that dam-related resettlement practices have failed to restore resettlers' livelihoods in Nepal. The reasons for this include: over-reliance on cash compensation, institutional inability to distribute compensation timely and evenly, and co-option by influential classes or actors to the exclusion of poor segments.

In addition, consultation processes and information sharing have been found unsatisfactory by most interviewees. Although consultation is regulated in the Environmental Protection Regulations, the quality of consultation is questionable. This makes the GoN insensitive to local demands and ideas, and it may fail to understand perceived risks.

The non-existence of a national resettlement policy obstructs cumulative learning, and leaves each project to implement its own resettlement plans. Moreover, legislation is inadequate and advocates cash as the only compensation option. Where international standards of the World Bank or the ADB have been referred to, compliance is lacking.

Hence, DFDR research has had very little influence in Nepal, although my interviews indicate that there is both awareness and interest for applied DFDR

research through policies. DFDR research contributes to a critical evaluation and discussion of earlier resettlement practices within Nepal, and puts the Nepali experiences in a global perspective.

In sum, the challenges observed in section 4.4 do exist in Nepal in different degrees. The findings show that not only social asymmetries but also state capacity and political will are important contextual factors for resettlement practices in Nepal. These factors are discussed further in the next chapter.

## DISCUSSION

*This chapter relates the findings from Nepal to the aim of the thesis, namely a better understanding of how the Nepali context enables or complicates the implementation of R+D mechanisms. The relevance of the findings for other developing countries is also discussed.*

### Nepal and R+D

The GoN's ambition to generate 25,000 MWs of electricity within the next two decades implies the return of the state-centric managerial approach to hydropower development. The crux for successful R+D implementation is that the GoN lacks both capacity and cohesion to formulate and enforce appropriate regulatory devices on the entailing resettlement. Efforts to amend the LAA to address gaps associated with international best practices on involuntary resettlement are still pending. Legislation and regulation of both consultation and compensation processes are found wanting; enforcement and content are insufficient to fulfill their purposes. The lack of coordination among government agencies may lead to unnecessary duplication, and impede execution of efficient resettlement, as well as knowledge accumulation. Thus, the "policy vacuum" and "lack of institutional mandate" to deal with resettlement (Bisangkhe 2004:99) seem to prevail to this day. There is little information or guidance in existing policies and laws that is conducive to R+D application in Nepal.

In addition, the GoN is only able to provide limited avenues for consultation. With a state-centric approach to large-scale hydropower development, fuelled by private (foreign) investment (such as CTGC) there is little possibility for CSOs or locals to demand the right to free, prior, and informed consent on decisions that will have serious impacts on their lives. Moreover, public consultations, on the "second generation" issues of displacement, tend to take the form of unidirectional information sharing, and those consulted have little actual influence in the resettlement process. Unless the political will to engage in dialogue improves, and the GoN recognizes the importance of local consultation and participation, public demonstrations may increase. Cernea has warned that DFDR has become a macro-problem in many countries, weighing heavily on the agendas of national and state/provincial governments (Cernea 2008:xxvii). Moreover, Dixit implied that ineffective resettlement may lead to social unrest:

“Involuntary displacement is going to be one of the most critical issues facing Nepal in the new century as the growing energy and water needs substantially increase the pressure for exploring the country’s water resources. Unless far-reaching reforms are instituted, rehabilitation would be inadequate which could lead to conflict of such magnitude as to even threaten socio-political equilibrium of the country.” (Dixit 1994:74)

Finally, complex structures of social disparity inherent in the Nepali society serve to complicate compensation and benefit sharing. Caste, ethnicity, social status, and other forms of exclusion pose significant challenges, especially for already marginalized peoples’ access to compensation and benefits.

### **R+D and Nepal (and beyond?)**

While concepts such as inclusiveness, recognition, participation, and justice are becoming increasingly instrumental to R+D, it should be noted that these are “exported” Western conceptions, and it is questionable whether they “provide appropriate frameworks for action, and theoretical purchase on the complex realities of poorer countries” (Williams & Mawdsley 2006:661). Furthermore, no state is a neutral actor that can simply be asked to “play its role more efficiently” without any reference to the social setting within which it operates (Tandon & Mohanty 2004:17). The R+D mechanisms expressed in international resettlement policies draw on DFDR research’s managerial approach to resettlement, which relies on high quality policy implementation and is quite well developed and applicable for democratic (developed country) contexts with functioning institutions. Hence, R+D implementation faces significant challenges in contexts where Western democratic ideals are not present.

Since R+D implementation remains hostage to institutional capacity, the question is ultimately about political will. Experiences from the Philippines and Indonesia elucidate how the lack of political will may lead to a failure of livelihood restoration; resettlement sites inadequate to the demands of affected people, unjust valuation and compensation schemes, and a lack of government commitment (Tamandong 2008:396ff). With governments unwilling to recognize the plights of displaced communities, or to initiate rehabilitation programs, DFDR research can do little to change the situation.

In addition, displaced people in developing countries are often subsistence farmers, indigenous peoples, or otherwise marginalized and on the periphery of national development plans. This often means that they are unaware of international policy and conventions, and are unlikely to be able to mobilize and express their demands to a government set on constructing a dam. Moreover, their dependency on the land they live on, and other common pool resources, is not only economic, but also cultural and social. R+D, by definition, does little to question development per se, and therefore the focus lies on (inappropriate) economic compensation (e.g. cash, equity shares, rent sharing) to displaced people. The socio-cultural attachment to land may also complicate the land-for-land compensation principle, given that new land is void of meaning to the resettler.

Considering these issues, bottom-up approaches can play a significant role to sensitize R+D mechanisms to social disparities and the efficiency of a particular state in providing development for all. Moreover, although DFDR research is a response to development-related displacement, it might be useful to step out of the managerial frame and look at how “development” can be achieved differently. By interrogating “the current development paradigm that has a tunnel-vision focus on economic growth” (Maldonado 2012:194), DFDR research could expand to incorporate movementist voices into displacement debates.

## CONCLUSION

*This chapter sums up the socio-political challenges Nepal poses to the effective implementation of R+D mechanisms. In concluding, it provides a recommendation on how to improve the development of R+D mechanisms suitable for a developing country context.*

### Challenges Ahead

The findings of this thesis show that dam-related resettlement practices generally fail to restore resettlers' livelihoods in Nepal, often due to: over-reliance on cash compensation, institutional inability to distribute compensation timely and evenly, and co-option by influential classes or actors to the exclusion of poor segments.

Although my interviews indicate that there is both awareness and interest for applied DFDR research through policies, DFDR research has had very little influence in Nepal. Mostly, DFDR research has contributed to enable critical discussions on former resettlement practices, and put experiences in Nepal in a global perspective. The question remains whether these discussions can influence national initiatives to enhance resettlement processes.

Unfortunately, there is little information or guidance in existing policies and laws that is conducive to R+D application in Nepal. Moreover, complex structures of social disparity serve to complicate fair compensation and benefit sharing. Caste, ethnicity, social status, and other forms of exclusion pose significant challenges, especially for already marginalized peoples' access to compensation and benefits. These structures, along with a tendency of the GoN to only allow public consultations on the "second generation" issues of displacement, also have implications for how affected people can influence resettlement processes.

Since the bulk of displacement and resettlement takes place in developing country contexts, DFDR research must focus on such circumstances. While R+D aims to integrate human rights and social justice into DFDR research, researchers must be aware that those concepts are to a large extent founded upon Western notions of equality, justice, democracy, and transparency. In societies where these values are interpreted differently, and where patterns of social exclusion may circumvent legislation or policy (e.g. by way of discrimination, corruption, ignorance or neglect), R+D mechanisms may be manipulated and out of reach for traditionally marginalized groups.

Consequently, I argue that R+D should more explicitly question the current development paradigm, and become more attentive to circumstances where deliberative democratic norms are not as entrenched as in many developed

countries. Although DFDR research by definition provides responses to development-related displacement, it might be useful to question how “development” can be achieved differently, with an eye to movementist opinions and ideas.

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