Social Impacts and Social Risks in Dams
Preemptive Planning and Counter-Risk Measures

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Social Risks and Preemptive Planning

Social Impacts of Dams – a central question

- Development policies
- Economic growth
- Poverty reduction
- Sustainable development

Social Impacts are a POLITICAL issue, not just a “technical” problem
Criticism of Social Failures in Dam Projects

- Growing local criticism and resistance (SSP; Katopanjung)
- Criticism (NGO Growing Civil Society)
- Criticism by major development agencies (World Bank; ADB; IDB)
- WCD Report: unacceptable social effects

Links: social & environmental criticism

Financing: Can public criticism inhibit or stop dam construction
Social Risks and Preemptive Planning

How to think about social impacts?

Think preemptively of risks! Target them!

• Which are the social risks?
• When to think about them?
• Who must think about risks?
The Concept of Risk

Risk = The possibility of undesired, adverse effects.
Some get nervous identifying risks
Why?

The FEAR of Risks:

- Risk Admission - “Reduces Support for Develop Projects”.
- Talking of Risks - “Is not optimistic”.
The Concept of Risk

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REALISTIC ATTITUDE:

- Risk $\rightarrow$ a constructive concept
- Risk $\rightarrow$ an enabling concept
- Risk $\rightarrow$ an action-compelling concept
  $\rightarrow$ an informing and warning concept

Alerts
Mobilizes
Prods

Mitigation
Counter risk action
Main classes of Social Impacts of Dams

1. Forced displacements
2. Boomtowns
3. Downstream adverse changes in agro-production systems
4. Loss of cultural heritage assets

Diversity of local adverse impacts
Who is Afraid of SOCIAL RISKS?

From: “Managing the Risks of Private Hydro Development”. (Shresta)

- “country risks” to foreign investors;
- “risks of credit worthiness”; 
- “risks of “expropriation and nationalization of the power plant”; 
- “monetary risks” [“country risks” to foreign investors;]
- “political risks -- expropriation and nationalization of the power plant”; 
- “monetary risks” as risks to the developers from inflation;
- “risks in repatriation of developer’s profits; 
- “tax risks”; 
- “market and revenue risks” [“lower demand risks”, “low generation capacity”;] 
- “project risks”
The IRR Model: Impoverishment Risks and Reconstruction

- Risk
- Impoverishment
  - Decapitalization
    - Loss of Natural Capital
    - Man Made Capital
    - Human Capital
    - Social Capital
- Reconstruction
  - Loss of Assets
    - Enterprise - Income
    - Social Services/Networks
Four Basic Function of the IRR Model

- **predictive function** (warning and planning)
- **diagnostic function** (explanatory and assessment)
- **problem-resolution function** (guiding and measuring reestablishment)
- **research function** (formulating hypothesis and conducting theory-led empirical studies)
Basic Concepts in the IRR Model

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Think of Three Steps:

1. Risk Identification
2. Risk Measurement
3. Risk Management
Poverty Risks in Displacement and Resettlement

1. Landlessness
2. Joblessness
3. Homelessness
4. Marginalization
5. Food insecurity
6. Increased morbidity
7. Loss of access to CPR
8. Social disarticulation
Main Reconstruction Strategies

- from landlessness to land-based resettlement
- from joblessness to reemployment
- from homelessness to house reconstruction
- from marginalization to social inclusion
- from food insecurity to adequate nutrition
- from increased morbidity to improved health care
- from education loss to expand education
- from loss of access to restoration of community assets and services
- from social disarticulation to networks and community rebuilding
Best Practice Options for Risk Prevention

1. Institutional Capacity at Project Level

One Dam, Twin Projects

Dam Project

Resettlement Project

China: Xiaolangdi Dam
200,000 Displaced People

Successful experience of twin projects.
Best Practice Options for Risk Prevention

2. Institutional Capacity for Implementation Monitoring

- Expert Panels (International and Local)
  - China: Xiaolangdi Dam
  - China: Ertan Dam
  - Nepal: Kali Gandaki Dam
  - Laos: Nam Theun 2 Dam
Best Practice Options for Risk Prevention

3. Planning Preemptively

China: Shuikou Dam Project

- Land-loss risk
- Planting trees before relocation
- “Farming the Waters”

Aquaculture
Duck Raising

On new reservoir
Best Practice Options for Risk Prevention

4. Financing

- World Bank comparative Study
- Don’t “externalize” costs
- Compensation: essential, but insufficient for development
- Investment in resettler’s development
- Laos: Nam Theun 2 Dam—Great budget!
Risk Warning Model

Risk Communication and Action:
Warning, Preparing, Coping
Conclusion: Targeting Risks, Reduces Adverse Social Impacts

Risk identification is sign of strength, not weakness.
Risk awareness is indication of realism.
Risk communication - sign of trust, premise of participation.
End
The Economics of Resettlement for Post-Shock Communities

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Old: Economics of Compensation
New: Economics of Reconstruction and Development

Compensation is one **means**.
Reconstruction is policy **goal**.

Policy goal requires **several** means:
1. Compensation of Property seizure
2. Grants-Allowances for
The Economics of Resettlement for Post-Shock Communities

- Hardship.
- Moving cost
- Time
- Usufruct rights lost etc.

3. Development investments
   (see World Bank OP 4.12)
Compensation Alone Can Not Even Restore Prior Level

Reconstruction with development requires financing for development.