

HOW IS "SUCCESS" DEFINED?:
AN INVOLUNTARY RESETTLEMENT CASE
UNDER JAPAN'S DEVELOPMENT ASSISTANCE PROJECT

by
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An Involuntary Resettlement Case Under Japan's Development Assistance Project

By Hiroko Tanaka

ABSTRACT

This thesis analyzes the impact of popular oppositions to the formulation and implementation of an involuntary resettlement program created by a Japanese funded dam project. The focus of the analysis is on the Japanese aid agency's policy toward the resettlers' participation in the resettlement. In this study of a resettlement program for the villages displaced by the Kotapanjang Hydroelectric Power Project in Sumatra, Indonesia, I found that:

1. The opposition movements had some positive impact on the implementation of the resettlement program by forcing the Japanese government to take special measures to improve the resettlement policy. The direct involvement of Japan in the resettlement case helped the project in: 1) giving the legitimacy to the resettlers' demands; 2) motivating the Indonesian implementation agency to play a major role in the resettlement program; 3) applying a higher standard for the resettlement package in comparison to past cases in Indonesia; and 4) incorporating the resettlers' demands in some important elements of the resettlement program.

2. Although the physical improvement of the resettlement project was an important achievement, the project suffered due to several failures of the project implementers. The project suffered from: 1) lack of concern over the process of negotiating and implementing resettlement; 2) lack of recognition of the different perceptions of the standard of "fairness" of the compensation rates between the government of Indonesia and the resettlers; 3) failure to recognize the different perceptions across the affected villages that resulted from differential impacts of the program; and 4) lack of commitment to the resettlers' participation. For these reasons, conflicts with the project opponents continued despite the considerable improvements over earlier resettlement program.

Based on the case analysis, the thesis presents policy recommendations to the Japanese aid agencies regarding the need to: 1) clearly recognize the donor responsibility in involuntary resettlement; 2) place more emphasis on the preparation of resettlement projects; 3) allocate staff specializing in resettlement and social policies to each operational division; 4) take clear steps to ensure the resettlers' participation; and 5) learn lessons from the mistakes of resettlement policies in Japan.

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Abbreviations and Acronyms

BAPPENAS	National Development Planning Agency
BAPPEDA	Provincial Planning and Development Board
CGI	Consultative Group on Indonesia
DAC	Development Assistance Committee
GOI	The Government of Indonesia
GOJ	The Government of Japan
IGGI	Inter Governmental Group on Indonesia
INGI	International NGO Forum on Indonesia
JICA	The Japan International Cooperation Agency
MOF	Ministry of Finance, Japan
MoFA	Ministry of Foreign Affairs, Japan
NGO	Non-Governmental Organization
OECD	Organization for Economic Co-Operation and Development
OECF	The Overseas Economic Cooperation Fund
PERMUNAS	Pembangunan Perumahan Nasional (National Housing Corporation)
PIR	Perkebunan Inti Rakyat (Nucleus Estate Program)
PLN	Perusahaan Umum Listrik Negara (National Electric Power Authority)
SKEPHI	The Indonesian Network for Forestry Conservation
UPP	Project Implementation Unit
USAID	The United States Agency for International Development
WALHI	Wahana Lingkungan Hidup Indonesia (Indonesian Environmental Forum)

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Chapter I. Introduction

Only a few decades ago Japan was a major borrower from the Multilateral Development Bank, as it tried to rebuild the nation following post World War II disaster and chaos. Following its rapid economic growth, Japan has emerged as a leading provider of development assistance since the late 1970s. In 1989, Japan surpassed the US as number one aid provider, and it maintained the top position in 1991 and 1992¹. However, in contrast to the internationally-admired "success" in Japan's own domestic economic development, many of its Official Development Assistance (ODA)² projects in developing countries face severe criticisms as "failures" by NGOs, citizen groups and the media. This "ODA controversy" has flourished in Japan since the mid-1980s and, as a result, the public image of ODA in Japan is quite negative. The ODA seems to be more associated with political scandals, corruption and greed of the business sector than with the government of Japan (GOJ) vision of it as the Japan's major contribution to the international community.

The core of the controversy is that Japan's ODA is too centered on mega infrastructure projects, which not only fail to benefit the residents of the project area but also, more often than not, actually harm their livelihoods. The compulsory displacement of people often induced by dams and reservoir projects is a common and the most visible example. Rough estimates suggest that "each year between 1.2 million and 2.1 million people are displaced world

¹Calculated in US dollar terms, net disbursement.

²Defined by OECD/DAC (Organization for Economic Co-Operation and Development/ Development Assistance Committee) as flow of public funds to promote the economic development and welfare of the recipient country. The aid must convey a grant element of at least 25%, which is an index of concessionality calculated by the DAC. ODA may be provided in the form of grant assistance, technical cooperation, governmental loans or contributions to United Nations agencies and multilateral development banks. The grant element for Japan's total ODA in 1990 was 77%, considerably below the DAC member country average of 93%. A greater portion of Japan's ODA is in the form of soft loans than grants.

wide as a consequence of new dam construction alone" (Cernea, 1990). Japan, as one of a few international donors active in financing large scale infrastructure projects, has certainly "contributed" to this situation in a major way.

Despite the widely recognized problems associated with involuntary resettlement, however, GOJ has long been reluctant to tackle the issue directly. The major reason for this is GOJ's principle of "non-intervention" in the domestic issues of recipient countries. Nevertheless, in the late 1980s, pressures from active anti-dam campaigns run by ODA opponents, as well as from the international environmental NGO alliance, forced GOJ to recognize the obvious "failure" of two dam projects in India and in Indonesia³. The Kotapanjang dam in Sumatra, Indonesia, on which I focus my analysis in this study, was appraised for the provision of an ODA loan after these bitter experiences. The Japanese NGO community reacted immediately against the construction plan, forming an alliance with Indonesian national and local environmental NGOs. GOJ, having supposedly learned a hard lesson from the previous two projects, decided to directly involve itself in the resettlement issue in the case of Kotapanjang, for the first time in the history of its ODA program. As of the summer 1993, when resettlement of several villages had been completed, all of the officials concerned with the project both in Japan and in Indonesia expressed satisfaction with the ways that the resettlement program had proceeded. Some said that the Kotapanjang case would serve as the "successful" model of development-project-induced resettlement. However, I observe a shadow over this alleged success in the continuing resistance of the NGO community and the remaining dissatisfaction in some of the resettling villages.

³Some details of these projects are discussed in Chapter III.

1.1. Objectives of the Thesis

The objectives of this thesis are: one, to analyze the resettlement process used during the Kotapanjang hydroelectric power generation project, which was funded under Japan's ODA program; and two, based on the analysis, to present policy recommendations for the Japanese aid agencies in order to improve future resettlement cases. This thesis is primarily intended for the Development Assistance policy-makers, project officers and other development practitioners of Japan. I also hope my thesis will be of interest to individuals concerned with involuntary resettlement created by development projects, particularly staff of environmental NGOs. Finally, I would like to share my study with those who are concerned with the problematic elements of economic development interventions--particularly the tension between the rights of individuals and communities versus the broader public interest in economic development.

1.2. Analysis of the problems of involuntary resettlement

What exactly are the problems associated with involuntary resettlement? Although common sense gives us a general idea of the hardships that result from forced resettlement, it is important to clearly recognize the specific nature of problems in order to develop appropriate policy measures to tackle these issues. The problems of involuntary resettlement can be divided into two categories: the first includes the problems inherent in the nature of the involuntary resettlement; and the second includes the problems associated with management of resettlement operations.

Inherent Problems of Involuntary Resettlement

The literature highlights three kinds of stress that result from involuntary resettlement: physiological, psychological and sociocultural stresses (Scudder

and Colson, 1982). Physiological stress is greatest among the elderly. Although statistical data are not available to show increased mortality and morbidity as a result of resettlement, resettlement experts as well as some medical personnel share the view that "elderly in particular are apt to die 'of a broken heart' following removal" (Scudder and Colson, 1982). Physiological stress is also profoundly associated with psychological stress. Adverse health effects also often result from poor hygiene and inadequate water and waste disposal systems of the newly prepared villages for resettlement (Cernea, 1990).

Psychological stress refers to "the grieving for a lost home" syndrome (Fried, 1963, quoted by Scudder and Colson, 1982) and anxiety about an uncertain future. "Home" refers to a broad concept which includes various aspects of familiar environment: community and surrounding landscape, as well as historical and religious symbolism. This type of stress increases when the resettlers need to move long distances and have to deal with unfamiliar host populations.

The uncertainty about the future is another source of psychological stress prior to resettlement. Particularly in the cases of large-scale dam and highway construction, the resettlers often live with great uncertainty for an extended period of time after the first rumors arise concerning the possible relocation. People often cope with this uncertainty by adopting a "business as usual--it can't happen to us" strategy (Scudder and Colson, 1982). Studies show, for example, that people continue to build houses until the removal of the community. The uncertainty is so stressful that people consciously and subconsciously try to deal with it by not directly facing the reality.

Sociocultural stress refers to negative impacts of resettlement on the community as a whole, which may be divided into economic and non-economic components. The economic "impoverishment effects" of involuntary resettlement

are the most serious, resulting from landlessness, joblessness, homelessness, marginalization⁴ and food insecurity (Cernea, 1990). Temporary deterioration of economic status is almost inevitable even for the voluntary resettlers, largely due to such reasons as insufficient preparation of land and infrastructure. Moreover, many resettlers never regain their previous standard of living. Economic stress is greater for the poor and the landless when the compensation does not cover the replacement cost of land and housing. Non-economic social stress results from such disruptive factors of community structure as loss of leadership, unsimilar environment and co-existence with a new host population.

Common Management Problems of Involuntary Resettlement

Insufficient attention to and mishandling of involuntary resettlement have aggravated the inherent problems in many past projects. The literature suggests at least two reasons why the process of resettlement has been systematically neglected: the existence of a "policy vacuum" and the technical bias of many development agencies (Cernea, 1990; Guggenheim, 1993).

In most countries, the issue of resettlement exists in a policy vacuum. Many countries lack policies to deal with resettlement concerns, which compounds the inherent adverse impact of resettlement with inappropriate practices, such as ad-hoc treatment of the problem, insufficient resource allocation, under-planning and poor execution (Cernea, 1990). The state is usually equipped with a legal right to expropriate land for public purposes, a right also recognized by international law. However, there are many cases where laws only recognize the right of the state to take lands away without specifying a legal mechanism for restoring them for those who have to give them up

⁴ By marginalization, Cernea refers to the relative deterioration of social and economic status of each individual in comparison to the way things were prior to resettlement.

(Guggenheim, 1993). In other words, laws specify the right of the state and fail to acknowledge the accompanying obligation. Moreover, the problem is often not only the lack of legal mechanisms, but also the existence of regulations which prevent the restoration of lands and other assets to resettlers. For example, "most countries' laws do not allow public companies to compensate private individuals at more than assessed values," although assessed values are almost always lower than the actual replacement cost of the lands (Guggenheim, 1993). Ironically, the problem of policy vacuum for resettlement operations is even more serious because the situation is coupled with a stringent, legalistic handling of the issue.

Another reason for the systematic neglect of resettlement management derives from organizational aspects of the responsible agencies. The so called 'engineering or technical bias' prevails in most of project implementation agencies, such as power companies and civil engineering corporations. This bias limits the range of variables taken into consideration in the project planning process. Even when social issues gain some attention, they are treated at the bottom of the hierarchy of the organizational structure and are given a low priority. Inadequate planning and insufficient allocation of financial and staff resources result from the organizational structure that typically assigns the task to low-level bureaucracy rather than senior managerial level (Cernea, 1990; Guggenheim, 1993). Resettlement is a complex operation that requires authority and institutional strength (V.Q. Adu-Aryee, 1993). Many find that cost benefit analyses of projects consider only direct costs of construction and do not take into account indirect social and environmental costs (e.g. Fernandes Serra, 1993).

The engineering or technical bias is not limited to executing companies. The international funding agencies are still largely dominated by a technocratic or "econocratic" culture, in which consideration of the sociocultural dimension of development projects is only gradually being institutionalized (e.g. Guidelines

for Social Analysis of Development Projects: Asian Development Bank, 1991). Nevertheless, even when costs of involuntary resettlement are not explicitly calculated in the rate of return of the project, this does not imply that costs disappear. Rather, they are shifted to the resettlers. In effect resettlers are unreasonably forced to subsidize the project (Partridge, Cernea, Guggenheim, 1993).

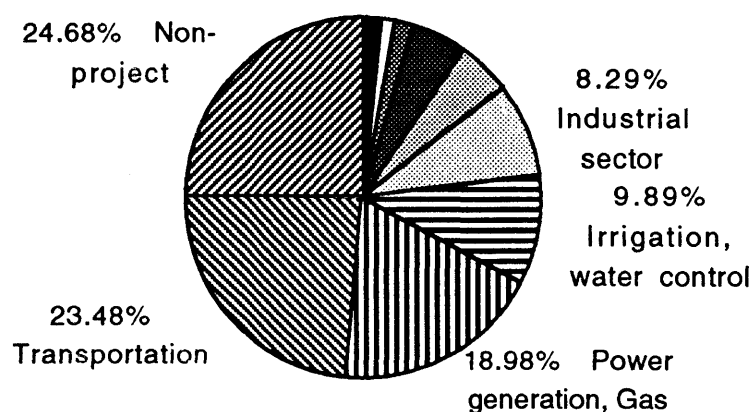
1.3. Japan's development assistance to Indonesia

Indonesia is the largest recipient country of Japan's development assistance. From the point of view of the government of Indonesia (GOI), Japan is the largest donor country. A major portion of the bilateral assistance provided to Indonesia is in the form of concessionary loans administered by one of the two aid agencies of Japan, the Overseas Economic Cooperation Fund (OECF)⁵. Soft loans under OECF's lending program to Indonesia started in 1968, and the cumulative amount of lending to Indonesia as of the end of March, 1993, 479 loans amounting to 222.4 billion yen (US \$202 million), comprised about 20% of the total OECF lending. Indonesia is one of the twelve original countries targeted by the ODA program in the 1950s, as part of Japan's war reparation efforts. In addition, an obvious reason for the importance of diplomatic relations with Indonesia from GOJ's point of view lies in the abundant natural resource base that Indonesia possesses. "Mutual dependence" is one of the officially stated

⁵ Japan's bilateral aid consists of three categories: 1) grants, such as food aid, provisions of buildings, equipment and "package of services" (e.g., hospitals, medical equipment and technical experts) and requiring no repayment; 2) technical assistance, often provided in-kind and requiring no repayment; and 3) concessionary loans, which require repayment at a lower-than-commercial rate. 1) and 2) are administered by Japan International Cooperation Agency (JICA) and 3), by OECF. Feasibility studies are called "development studies" in JICA's terminology and comprise an important part of the technical assistance component of Japan's ODA. Only a small portion (less than 30%) of the feasibility studies conducted by JICA eventually get funded by OECF loans.

objectives of Japan's ODA program. The heavy weight of aid to Indonesia is significantly based on this concept.

Chart 1-1. Sectoral Distribution of OECF Loans to Indonesia, 1993



(Source: OECF Annual Report, 1993)

The major portion of OECF loans (86.7% in 1993) to Indonesia are currently "CGI loans," which are approved by the donor group called the Consultative Group on Indonesia (CGI). This donor group was created after the demise of the IGGI (Inter-Governmental Group on Indonesia), which used to be chaired by the Netherlands⁶. Each year, Japan pledges its contribution at the

⁶This took place after the incident of East Timor in November 1991, which damaged the relationship between the government of Netherlands and Indonesia. After termination of colonization by Portugal, Indonesia made East Timor the 27th province of Indonesia in 1976. However, the UN Security Council considered this a military invasion and the General Assembly also passed resolution to support self-governance and independence of East Timor. An incident in Santa Cruz cemetery in Dili, the Provincial Capital of East Timor, took place in 1991, in which the Indonesian military shot citizens who engaged in demonstration against Indonesian military. According to several different sources of information, more than 100 citizens were killed. The incident was reported as a major human rights violation, and Dutch, Canadian and Denmark

annual meeting of this donor group, normally held in June. The annual loan disbursement schedule of OECF to Indonesia is fairly fixed, unless some extraordinary conditions emerge. The majority of CGI loans are allocated to finance projects (about 75% in 1993). Historically, the project loans have been concentrated on infrastructure projects in three main sectors: transportation, power and water control/irrigation (Chart 1-1.). The cumulative loan amount by the financial year 1993 for these three sectors amounted to about 50% of the aggregate amount of loans approved for Indonesia (OECF Annual Report, 1993).

1.4. History of the project and the resettled villages

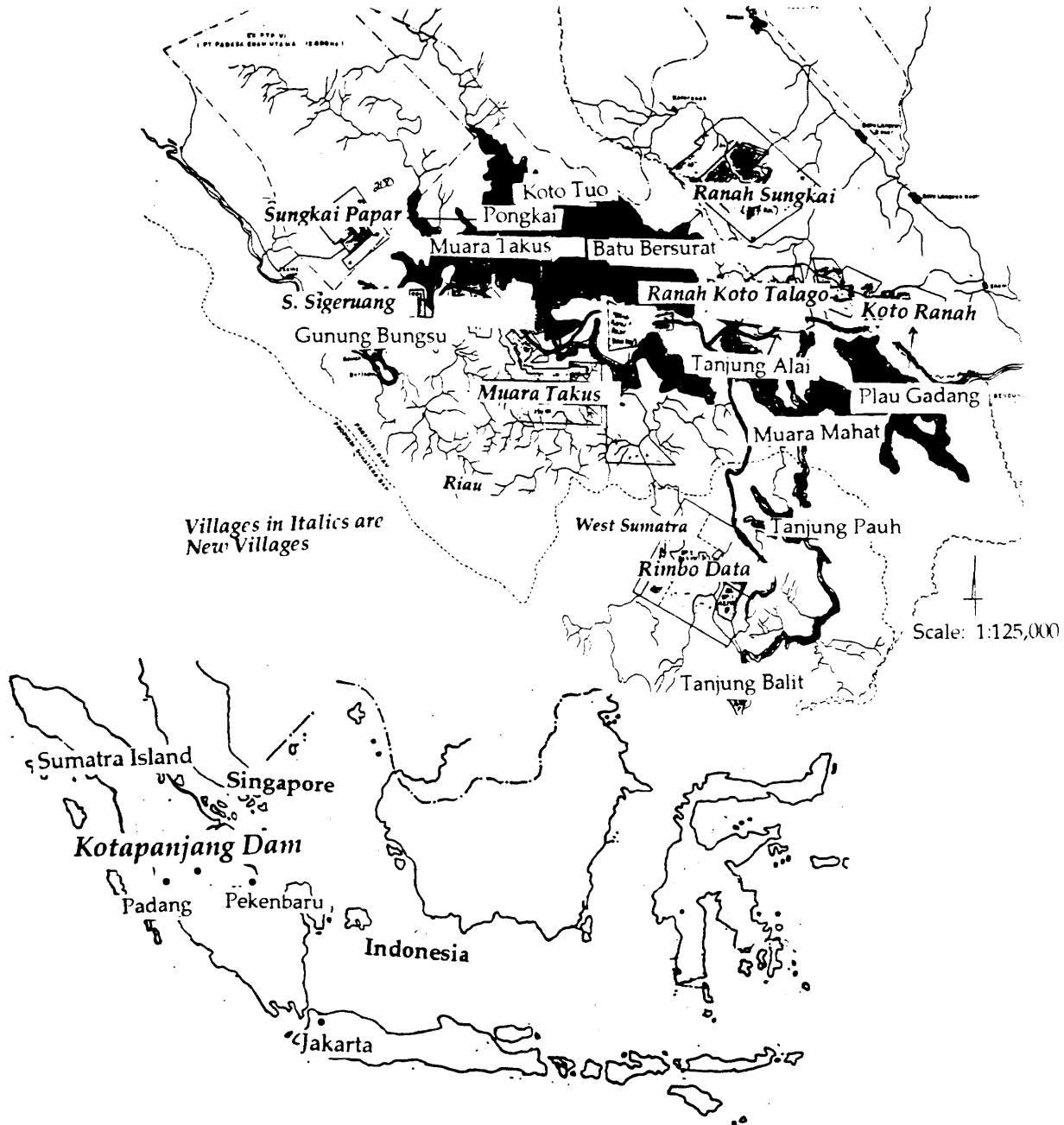
The involuntary resettlement case that I examine in this thesis was induced by a hydroelectric dam project located on the border of two Provinces, West Sumatra and Riau, Indonesia. The major reservoir area is the *Kecamatan*⁷ XIII Koto Kampar, which is located on the west end of the Province of Riau. The Kampar Kanan River flows from the west to the east of this *Kecamatan*, and all of the 13 villages in the *Kecamatan* are located along the river.

Riau produces nearly fifty percent of Indonesian oil. Despite the large contribution of the Province to the foreign exchange earnings of Indonesia, its infrastructure was relatively underdeveloped and the electrification rate was only about 10% in the mid 1980s. Diesel engine generators were widely used in urban areas. The demand for electricity has been growing rapidly since the mid-1970s, and an annual average of 18% to 19% increase in electricity demand until the year 2000 was forecast in the feasibility study for the dam (JICA F/S, 1984). A hydroelectric power generation project had been an objective of the Riau policy makers for a long time.

governments suspended disbursement of new development assistance projects after this incident. Japan continued its aid program without any interruption.

⁷The smallest national administrative unit of Indonesia.

Figure 1-2. Map of the Project Area



The Kotapanjang Hydroelectric and Associated Transmission Line Project ("Kotapanjang") was planned to produce 114 MW of electrical power for industrial use and electrification of the region. The initial project identification of

the dam goes back to 1979. A Japanese consulting firm, Tokyo Electric Power Services Co., Ltd. (TEPSCO), conducted a project identification and followed up with a pre-feasibility study in 1980. Based on the result of these studies, the Japan International Cooperation Agency (JICA) dispatched a mission in order to assess the potential for a JICA funded feasibility study (F/S). The F/S was conducted from January 1982 through March 1984 with JICA funding.

Table 1-2. List of the Resettling Villages

	Original Village	No. of Families	Resettlement Destination	Resettlement Pattern
Riau	Plau Gadang	592	Koto Ranah	UPP ⁸
	Muara Mahat	447	Muara Takus Bankinang	UPP PIR ⁹
	Tanjung Alai	313	Ranah Koto Talago	UPP
	Batu Bersurat	1,257	Ranah Koto Talago Muara Takus	UPP UPP
	Pongkai	459	Sungai Papar	UPP or PIR
	Koto Tuo	599	Muara Takus	UPP
	Muara Takus	244	Muara Takus	UPP
	Gunung Bungsu	241	S. Siberuang	UPP
West Sumatra	Tanjung Balit	421	Rimbo Data	UPP
	Tanjung Pauh	313	Rimbo Data	UPP

(Source: Quarterly Report on Environmental Issues, March, 1993, PLN)

The F/S report recommended that the project be promoted as a high priority, but did not seriously address the problem of resettlement. The proposed project required inundation of total ten villages, two in West Sumatra and eight in Riau (Table 1-2.). Most of the people in these villages were farmers,

⁸Project Implementation Unit. It is a special resettlement pattern, which is discussed further in Chapter III.

⁹Nucleus Estate Program. It is primarily consisted of palm oil plantations in Sumatra.

who relied heavily on rubber production for their income . The F/S report predicted inundation of 8,989 ha of arable land, 2,644 houses and displacement of 2,990 families, or 13,907 people (JICA F/S, 1984). These statistics were later updated to 4,886 families (PLN Quarterly Report, Mar. 1993) or about 22,000 people.

The feasibility study was overly optimistic about the process of resettlement. The study team identified nine prospective transmigration and PIR projects¹⁰ to accommodate resettlement of this population, following discussions with the Provincial Planning and Development Board (BAPPEDA) (JICA F/S, 1984). This recommendation was given in accordance with the common practice of development-project-induced resettlement in Indonesia, to encourage the project affected families to participate in the national transmigration program. People who choose not to transmigrate receive basic compensation (i.e., cash and a temporary supply of necessities) from the project, but little or no other resettlement assistance (Indorawan Soelaiman, 1992).

The F/S report concluded that: "the BAPPEDA expressed its intention to continue detailed planning of the transmigration of the population, with close communication and discussion with other related agencies, such as PLN (Perusahaan Umum Listrik Negara, the National Power Authority), the Provincial Agency of Transmigration (Dinas Transmigrasi) and the Provincial Agency of Public Works (DPU). From these measures, [the study team] believe that the compensation and resettlement due to inundation will not give rise to

¹⁰GOI promotes transmigration as a national demographic strategy in order to equalize the population distribution among different islands of the archipelago. In general, agricultural laborers and low-income farmers of densely-populated islands, Java and Bali, are encouraged to transmigrate to outer islands. About 3.5 million people have reportedly moved with government assistance between 1970 and 1990, another 2.5 million, spontaneously without governmental assistance. Sumatra has been accepting the largest portion of the transmigrant population, about 62% of the total transmigrants.

any problem. The study recommends setting up a public institution that undertakes promotion of compensation and resettlement" (JICA F/S, 1984).

1.5. Structure of this study

This study examines both positive and negative aspects of the resettlement program in the Kotapanjang case. The opposition movements had some positive impacts on the planning and implementation of the resettlement program by forcing the government of Japan and the aid agency to pay special attention to the issue of the resettlement program. Project implementers, at least on the formal level, reached a consensus to respect the resettlers' demands. As a result, the physical conditions of the resettlement sites and the overall compensation improved considerably in comparison with previous resettlement cases in Indonesia. At the same time, the project also suffered in a major way from a lack of commitment on the part of project implementers to earning trust of the resettlers and to encouraging their participation. The project implementers overly focused on the results and paid little attention to the process of the resettlement program. This in turn even worsened the relationship between the government and the opposition groups despite the relative superiority of the quality of the Kotapanjang resettlement over other such cases in Indonesia.

Chapter Two provides background to understanding how the Kotapanjang case represents the recent ODA controversy. I discuss the issues raised during debate, with special reference to large projects, particularly dams. I also examine the reasons why this type of controversy has become so prevalent in Japanese society, particularly with regard to dam projects. My conclusion is that the involuntary resettlement is the element that ODA opponents find to be the most visible form of the inherent contradiction of development assistance.

Chapter Three analyses the positive results of the ODA controversy, anti-dam campaigns and the involvement of OECF in the resettlement program of the Kotapanjang case. I first describe the prior "bitter experience" of GOJ in India and in Indonesia, which had a considerable influence on Japanese policy-makers. Then I show how anti-dam campaigns developed and how GOJ reacted to the resistance movements and to resettlers' demands. I conclude with a summary of the positive elements resulting from the resettlement program.

Chapter Four focuses on the negative aspects of the resettlement program. In it, I seek to clarify why the resistance movements did not end despite the considerably improved conditions of the new relocation sites and the expressed satisfaction of the project implementers. The chapter highlights problems in the ways by which OECF reacted to external pressure and in the lack of commitment to earning the trust and participation of resettlers.

Finally, Chapter Five summarizes my tentative evaluation of the resettlement case of the Kotapanjang project. In the latter half of the chapter, I present recommendations for the Japanese aid agencies, based on the resettlement procedure analysis used in the Kotapanjang case.

1.6. Methods/Limitations of the Study

I conducted interviews with 27 people in Japan and in Indonesia with Japanese aid agency officials, Indonesian government officials, Japanese NGOs, Indonesian NGOs, consultants, researchers and journalists during summer, and in fall, 1993. I also briefly visited the resettling villages both in Riau and in West Sumatra in August 1993, although I had little chance to interview the villagers. I had intended to interview resettlers in Riau during January 1994, but this was not possible due to a reluctance of the project implementers to accept researchers in the field at that time. Therefore, to my regret, the resettlers' perspective is not

included in this study. Much of my information is obtained from project documents, magazine and newspaper articles, as well as writings of the NGO communities.

In addition to the information obtained through interviews, I rely heavily on the resettlement literature, a major portion of which is written by the resettlement experts involved in the World Bank projects. In terms of project information, I draw from newspaper and magazine articles, official project documents, internal memos of the NGOs, as well as previous research on the Kotapanjang project.

Chapter II. The ODA Controversy over Dam Projects and Involuntary Resettlement

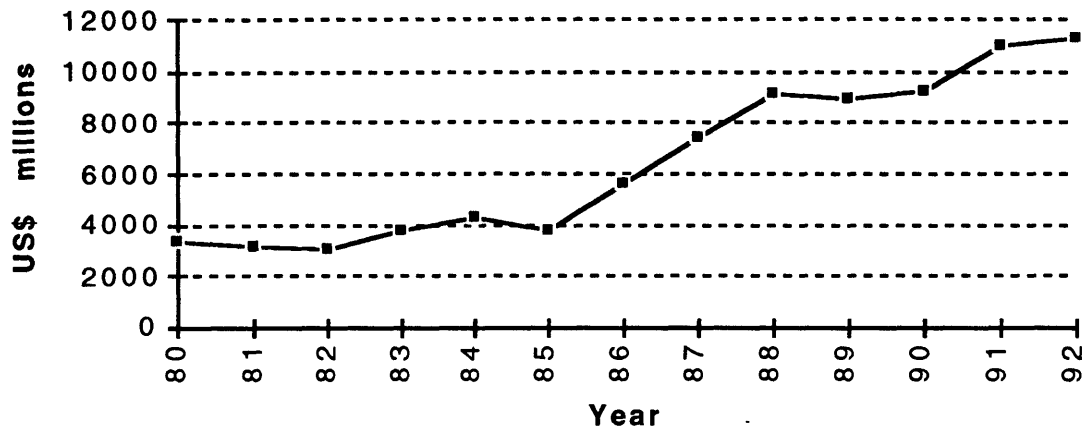
The ODA budget has been the Japanese government's fastest growing budget item for over a decade, but domestic support for the development program is questionable. In this chapter, I outline how the involuntary resettlement issue, particularly the focus on resettlers' participation, emerged recently as an ODA controversy in Japan. I will first discuss the background of the ODA controversy, why the debate has been so active in Japan and, why, in particular, dam projects have often been a target. I will then discuss why resettlers' participation is a central issue in the context of the ODA controversy.

2.1. Characteristics of Japan's ODA policy

An obvious reason why ODA has attracted so much attention within Japan lies in the agencies rapidly growing budget. The media refers to the ODA budget as "sacred," implying that its growth is considered to be justified by the government regardless of what happens to the other budget items (Chart 2-1.). As the international pressure grows on Japan to take on a larger portion of the burden of assisting developing countries, the government of Japan has to further expand the budget so that it gets closer to the DAC recommended level of contribution. The DAC recommends that countries contribute an amount equal to 0.7% of GNP. The current level of Japan's contribution is approximately 0.35% of GNP. The target of the government in the Fifth Five Year Plan is to implement about US \$14 billion worth of projects annually during the period between the 1993 and 1997. The amount in the 1993 budget is about US \$10 billion. Therefore, the trend is clearly toward further expansion of the program. Given

this situation, the taxpayers' interest in the program seems logical.

Chart 2-1. Growth of Japan's ODA, 1980-1992



Based on Disbursement of Aid

Source: Economic Planning Agency, OECF Annual Report, 1993

Despite such rapid expansion, the Japanese government's basic policy for development aid provision has not changed very much over the past 50 years. The present development assistance policy of Japan is a product of its history. The program began to distribute reparations for the Second World War to the countries invaded by the Japanese military. The reparation was made in the form of Japanese capital goods mainly used in infrastructure construction. As such, the program helped Japan's export promotion policy in the 1950s and the 1960s, because the aid used to be tied directly to the purchase of Japanese goods and services¹¹. Although the list of recipients has expanded considerably and Japan is now the largest bilateral donor in the world, the tradition of "reparation" still remains. For example, the original twelve countries to which Japan felt a responsibility to make repayments still receive top priority as "Annually

¹¹This is no longer true. The majority of Japan's ODA is untied.

Consulted Countries¹²." Moreover, Japan follows the practice of responding to the recipient countries' requests rather than suggesting development programs, unlike other donors such as the United States Agency for International Development (USAID). Further, Japan does not impose conditionalities on the disbursement of the aid money. The government announced new aid policy in 1991, in which it established four "political principles" guiding aid giving; for example, it will not disburse loans to countries with continuous expansion of military expenditure. However, it is not clear how these criteria will be enforced¹³.

The primary goal of Japan's aid giving has been the maintenance and improvement of its diplomatic relationship with the recipient countries. For this reason, GOJ has strictly refrained from actions that would be considered interventions into the recipient country's domestic political arena. Consequently, the ODA program has been geared toward the provision of funding based exclusively on economic rationales. Cooperation for infrastructure construction has been considered desirable because it is seen as purely economic, politically neutral aid giving. In other words, GOJ appears to assume that the economic goals of projects may be achieved without influencing the political arena of the recipient countries. Interestingly, GOJ has attempted to pursue its own very political, diplomatic goal through this alleged "non-political" type of intervention.

¹²Countries with which GOJ holds annual meetings to discuss lists of requests for Japanese funding. These countries receive regular funding from GOJ.

¹³For example, GOJ announced a suspension of new aid to Nigeria in 1994, judging that political climate of Nigeria was diverging from democracy in a major way. However, "democracy" is not clearly defined by GOJ. Some argue that GOJ expresses political views on African countries relatively freely, while it says very little regarding those in Asia (Orr and Koppel, 1993).

2.2. Dam projects as sources of controversy

"Mega project bias"

The "mega project bias" has become the central issue in the aid controversy. The most common arguments of the opponents of the current program are: 1) that Japan's ODA projects have been biased towards mega infrastructure projects, which only bring profits to the political elites of the often non-democratic recipient countries, while failing to benefit the poor; 2) that these large projects are tied to Japanese business interests by requiring the use of Japanese contractors and consultants, and the purchase of goods made in Japan. Both of these arguments attack the "mega-project bias" of the ODA program.

The controversy began with the "Marcos conspiracy" in 1986, in which questionable actions by major Japanese trading companies and manufacturers were raised by the US Congress during its review of the acquired financial documents of the former Philippine President Marcos. These firms were reported to have systematically bribed President Marcos to win bidding for projects under Japan's development assistance program. The Marcos incident triggered a wave of controversy; much of the media's criticisms directed at the ODA program since then have concentrated on the issue of political corruption and the Japanese companies' self-serving behavior. The "theory of corruption" developed by the media suggests that projects are bound to be large in order to profit political elites and Japanese businesses. Critics highlight the discrepancy between the stated goals of the program, which is to serve the economic development of the developing countries, and the "revealed" reality.

There is also a different aspect of the critique which concerns the stated goal of development itself. Some people are concerned that current style of development intervention may not be always considered desirable by some others in the society, particularly when such intervention is not implemented in a

justifiable manner from the perspective of the grassroots population. When certain "planned change" is brought about by a foreign institution under the name of "development," the gap between the community's goals and actual change brought about from the outside can be so large that it may not represent development from the community's point of view. No society remains static over time. However, changes can result from internal or external actions. An internal change would include: "a Mexican farmer who visits a friend in another village, notices that he is using chemical fertilizer, asks about its use, its cost, where it can be obtained, and then returns home and applies some to his field, is engaged in planned change" (Foster, 1969). When an outside institution comes in with authority to bring "planned changes" in, rather than individuals of the community bringing them about on their own, a gap emerges between the result desired by the community and the actual output of such institutional intervention. The more distant from the community and the greater the authority of the intervening institution, the larger the gap can become. Obviously, when the institution is a foreign donor agency, the potential for a large gap is high. When change is planned with a larger geographic and longer historical perspective, parts of the plan that negatively affect certain communities or individuals may be justified for the sake of greater benefit for the population in other geographic areas or a future time period. The larger the power of the agent and the scale of the planned change, the greater the possibility that a large number of communities will be negatively affected.

In addition, there is also a critical inevitable institutional reason for Japan's preference for "mega infrastructure projects": the Japanese aid administration is currently incapable of shifting its project portfolio in a major way to small scale, labor intensive efforts. On the one hand, Japan faces considerable international pressure to increase its "burden sharing;" on the other hand, Japanese aid

administration has a serious shortage of staff. Like the rest of the government, development agencies are to comply with the fiscal reform program. Consequently, the aid agencies cannot increase the number of officers significantly in the short term. This institutional constraint leads to a consideration of the "scale merit" of projects. "If one is financing projects, the staff input on any particular project will obviously not increase proportionately with the amount of money to be lent, for there are organizational economies of scale in the size of the financing. A larger project requires less staff time per dollar transferred than a smaller one, so there is a tendency for the financing organization to gravitate toward larger projects" (Tendler, 1975). Although Tendler made this statement about the USAID two decades ago, the same logic applies today to Japanese aid agencies, particularly the OECF. In fact, the organizational demand for "scale merit" is probably much stronger than the situation of USAID back then. The total number of staff of JICA and OECF is about a third that of USAID. OECF disbursed about 6 billion US dollars of loans in the financial year 1992 and had only 303 staff to handle all of the work. These statistics indicate the strong demand for "scale merit," that is, large projects.

The core of the criticism directed toward the "mega project bias" of Japan's ODA concerns the ignorance and/or insensitivity of the policy makers and the aid agencies of their own power to bring about changes in the lives of people in the recipient countries. Historically, Japan simply assisted in providing "changes" that were already judged "good" from the recipient government's perspective. Clear negative impacts of projects were labeled as "domestic affairs" of the recipient government and Japan restrained itself from becoming involved in them. While such a principle is welcomed by recipient governments, considering the considerable impact of large scale projects on society, both negative and positive, there is no such thing as "purely economic" aid giving.

Aid-giving clearly involves a conscious political choice or at least, political acceptance regarding the direction of change of the society--and who will benefit and who will lose. Critics rightly assert that failure to acknowledge such inevitable political aspects of aid giving is simply not acceptable from the Japanese taxpayers' perspective.

Attacks on dam projects

Dam projects symbolize the negative side of large scale interventions due to their often strikingly visible negative environmental and social impacts, particularly the displacement of large numbers of people. Resettlement in particular is one of clearest forms of the trade-offs between development policy and individual welfare. This trade-off is most acutely perceived at the grassroots level, often by those without much political voice.

One of the issues often raised by ODA opponents is the question about who the program is trying to benefit. "The present ODA program requires a fundamental reform, focusing on the clarification of who the beneficiaries are...Japan should stop aid projects developed by a "top-down" decision making process" (Sumi, 2/1992). Opponents call for "bottom-up" decision making of projects and the promotion of smaller scale projects that do not incur large costs of "development" by displacing people. Although the arguments are problematic because of their over-generalization, they carry one strong message, that dam projects have not adequately taken into account their true cost.

In addition to benefits of dams, such as increased power supply, water control and irrigation, dams also incur costs, most visibly in the form of forced resettlement. It is questionable whether development planners have adequately recognized true costs of such projects and attempted to minimize them. There has been little serious effort expended by the government of Japan in most

projects to quantify the impact of forced resettlement. The major reason again, is that resettlement is regarded as a domestic affair of recipient countries.

2.3. Historical cases of involuntary resettlement in Japan

The "non-political" position of the government of Japan in effect allows the recipient government to be sole judge of the desirability of development projects. This situation parallels the style of economic development historically common in Japan: centralized decision making by the Ministries that reflects little input from the grassroots level. Economic development policy and reconstruction of the nation after the Second World War were implemented with tremendous support from the entire nation. In a country where nearly every institution had collapsed, economic development had an ideological legitimacy to reunite the nation. People lost everything at the end of the war including the fundamental ideology of "the holy body of nation," which had united the country during the period of military rule and suffering from the war. Improvement of the material well-being was perceived as the single goal. Therefore, development projects of the government earned such strong support that individuals and communities that suffered from the policy had to make way for the greater benefit of the society.

Because the "income doubling" policy was so successful, GOJ, by and large, did not have to face the problem of negative impacts at the grassroots level. An exception to the rule occurred in the case of Sanrizuka¹⁴, a violent protest case against construction of Narita Airport, which lasted over a period of 25 years. This case began in 1965, when the government selected the site for a new airport without consulting the local people.

¹⁴The name of the village displaced by the Narita Airport construction.

[From the farmers' points of view,] the lack of consultation was outrageous--an act of aggression against them and their way of life. But clearly there was principle on the government side as well. In line with its industrialization policy, it wanted to drive small farmers off the land and into the industrial labor force in order to raise incomes, something the government regarded as a self-evident benefit to all (Apter, 1987).

The government was from the very beginning perfectly willing to negotiate with the farmers regarding the compensation rates. However, the government could not understand the principles for which the opposition coalitions--farmers, students and political activists--were united. The opponents stood against the government with non-economic principles such as the values of community and the traditional agrarian life styles. The government was so obsessed with the idea that economic development was a self evident good to everyone that it could neither see nor understand any other logic. Cash compensation and provision of income earning opportunity were the only "serious enough" issues to negotiate.

It was not until October 1993 that the last remaining 10 families signed an agreement for resettlement. According to one newspaper article, this was the first case of resettlement related to the Narita Airport construction in which a community as a whole resettled together. Previous resettlement was in principle resettlement of each family separately, which led to the destruction of community. The newspaper reported a comment of the Chairman of The Tokyo New International Airport Public Corporation, "I feel it is necessary to equally value the welfare of the surrounding communities and the airport construction plan. We need to find out ways by which both community and the airport can survive together." This was referred to as a "new" direction of the public corporation. After 28 years of struggles, the public corporation and the Ministry of Transportation finally learned that it was important to listen to the people in

the resettling communities and that "it is important for the farming community to stay together in the new resettlement site." The Public Corporation decided to provide basic infrastructure, such as road, water and sewage systems to the new community. Such service provision was not an issue when individual households had to relocate by themselves with cash compensation, because the Public Corporation was not concerned about where these families relocated. (Yomiuri Shinbun, Nov. 13, 1993).

The Sanrizuka experience also highlights three problems of GOJ's historical project development style. The problems are also clearly observed in the dam construction projects in Japan, which were strongly promoted particularly in the 1950s and the 1960s as a core national development policy. First, there was a lack of consultation. "Once the Ministry determines a location as a prospective dam site, the project plan has been forcefully implemented no matter how much the residents resist the idea, with a variety of "tricks" for persuasion over a long period of time. There has been almost no precedent for the construction plan to be canceled due to resistance movements" (Watanabe, 1980). "[The residents] were startled to learn about the construction plan of [a huge dam] for the first time in the newspaper (Chishima, 1980).

Second, the concept of compensation was largely reduced to an amount of cash. While the compensation standard was determined in the Law of 1953 (later replaced by a law of 1973¹⁵), which called for both cash compensation as well as replacement of assets, GOJ generally did not pay attention to sustaining farming communities. The government assumed that resettling families would move to urban areas and be employed in the new industrial sector. Therefore, "preservation of community" or "continuation of traditional industry" was not an

¹⁵This is called *Suigenchi Taisaku Tokubetsu Sochi-hou* (Special Act of Measures to be Taken for the Headwater Regions).

issue from the perspective of the government. The general attitude of the society also supported such a view; while the sentimental value of the old village was understandable, it was not a large enough issue to question the governmental policy.

Third, as a result of the governmental policy, which encouraged individual migration of the resettlers to the urban areas, development-induced relocation not only spurred the destruction of agrarian economies and movement of people from the entire region, but it also led to impoverishment of a great number of resettlers. "Compensation money temporarily supported the resettlers, but they were cut-off from the relatives and old friends, land and local culture, which made job opportunities difficult to find. Nor was it possible to find replacement land. These led to lives characterized by everything else but stability" (Chishima, 1980). "Previously, the structure of the community had capacity to salvage a few 'drowning' members. However, the compensation money cut those ties and each resettler stood on his own in new community independently. Now, there is no one who can help these people when they are in trouble" (Takamatsu, 1962). The neglect of a grassroots voice has been an aspect of the successful economic development policy of the Japanese government.

I have a strong sense that the policy makers of Japan are, consciously or unconsciously, permitting similar "development styles" in the projects under the ODA program. The neglect of the grassroots voice, even if not overtly recommended, may be permitted because Japan also experienced the same neglect. I fear that there may be a bureaucratic culture existing in GOJ that allows this type of logic to prevail.

2.3. Resettlers' participation

What then, has been lacking in Japan's overseas development strategy? Obviously, it is the role of the resettlers themselves in the process of decision making and implementation of resettlement. There is a need to set up a mechanism so that the voice of these people be heard. Even when the necessity of displacement is supported by alternative studies, it does not automatically follow that these people should suffer for the greater good of the majority. Instead, we need to establish how a mechanism can be set up to allow the resettlers have an adequate say about their own future. This, in short, is why a policy is necessary to ensure resettlers' participation.

"It is perhaps oxymoronic to speak of 'participation' in reservoir-driven relocation, since the move is inherently involuntary" (Horowitz, 1993). "Participation" of "involuntary resettlers" indeed looks like a semantic contradiction. Although "participatory development" has been a buzz word for a number of years, and has been on agenda of a number of development programs, only a limited number of success stories have been reported to date. One could list various reasons for this: that participation takes time and does not fit into the timetable of implementation agencies; that people are often not interested in collaborative work unless immediate benefits are known, etc. Participation is usually sought for projects that are supposed to benefit a particular population, and it is difficult to achieve even when the entire project benefits the community. In the case of involuntary resettlement, however, the situation is more difficult because the development project hurts the presumed participants, and for this reason there is an inherent antagonistic relationship between the executing agency and the resettlers. "Yet successful resettlement depends in very large part on an active participation of those forced to move" (Horowitz, 1993).

An important point made in the literature is that the full potential of all participating groups can be mobilized only if resettlers participate in all stages of project design, implementation, and monitoring (Humdsalz quoted by Gulyani, 1992; Cernea, 1988;1990, Partridge, 1993). To understand the process, it is useful to divide it into two stages: the trust building and information dissemination stage, and the actual participation in planning and implementation.

The trust building and information dissemination

Resettlers' participation has to start with a full acknowledgment of the antagonistic relationship between the resettlers and the executing agencies. Therefore, the first step of participation has to be the creation of "trust" between the executing agency and the resettlers. Although initial resistance is normal and should be expected, "the lack of accurate information can exacerbate misunderstanding and strengthen resistance" (Cernea, 1990). Experience suggests that dialogue in the preparation stage is key to constructing the foundation of a relationship between the resettlers and the project planners.

Partridge reports a case of hydroelectric project in Costa Rica where participatory advance planning played an important role in avoiding negative consequences (Partridge, 1993). Resettlement preparation activities, which started two years before the funding for the dam was secured, consisted of four phases: 1) ethnographic sample survey of communities, 2) information campaign and meetings with families, 3) census of people and property affected, 4) making public the planning data. Together with the effort to learn about the resettling population, the planners promised the people consultation in planning of the process. Bartolome writes about a case in Argentina, where as a result of numerous consultations (annual average of 2,493 for the period between 1983 and 1988) the affected population no longer questioned the need to be relocated,

but rather, wanted to be resettled as soon as possible (Bartolome, 1993). Guggenheim highlights another example of a hydroelectric project in Mexico, where, as a result of continuous consultation meetings, not only was the confrontational atmosphere dissipated, but the former anti-dam opposition group also became a negotiation partner through which the power company could communicate with the affected population (Guggenheim, 1993). In all of these cases, initial dialogue served to build trust between the implementation agency and the resettlers. Patient effort at communication can turn "resistance" into "negotiation."

Lack of visible resistance is not necessarily a positive sign, as the resettlers may choose to keep silent because they do not know how to appeal or are hesitant to do so due to social and cultural constraints, which can result in a disastrous consequences in later stages (Holden, 1990). Also, it is important to realize that people may change their preferences as the actual resettlement comes closer (Holden, 1990). People tend to maintain a "business-as-usual--it can't happen to us" reaction to a possible relocation until the end. Therefore, it is often the case that they realize the reality and their true needs only at the later stages of the dialogue¹⁶. Therefore, while the dialogue should start early, there must always be flexibility to accommodate changes in the resettlers' ideas. Two-way communication is critical in this initial stage. Planners need to learn about the resettlers' needs, resources and preferences in order to prevent costly mistakes; the resettlers can reduce the degree of anxiety by obtaining the correct information on the project from the responsible agency. Through continuous dialogue, the initial antagonistic relationship is likely to be improved. This is the prerequisite for the participation in the next stage.

¹⁶An example of Kedung Ombo is discussed in Chapter III.

Resettlers' participation in planning and implementation

At a practical level, implementing agencies need resettlers' participation in planning (e.g. selection of the sites, layout of the community, housing design) and implementation (e.g. construction of houses, preparation of land for agriculture), since the agencies "have neither manpower nor experience to do the whole job" (Humdsalz quoted by Gulyani, 1992). This dialogue develops into a negotiation of substantive planning issues. Guggenheim provides an example in which a local objection to the implementation agency began to present counter-proposals to specific elements of the plan, such as "replacement housing styles, types of improvements needed on the replacement lands, location of replacement villages and rights of the landless" (Guggenheim, 1993). Sometimes, the resettlers themselves recognize the opportunities to improve their lives in the new sites, once they accept the basic elements of the plan. For example, Guggenheim found that people preferred to choose new housing styles as opposed to traditional ones (Guggenheim, 1993). This shows that while it is important to respect the traditional community structure and cultural elements of the resettlers, it is not always "right" from the view point of the resettlers, once they accept to move and live in a new reality.

Participation helps to determine the exact needs of the people and thereby motivates them to contribute to the construction of their new community. In the case of the hydroelectric project in Costa Rica, popular votes were taken about the selection of site, and the planning of new settlements incorporated opinions and wishes of the displaced population gathered through studies which were discussed, modified and approved during meetings. In addition, groups of families organized by social workers and community promoters participated in such community tasks as construction of a church and the arrangement of

services, the provision of school facilities, such as desks and chairs, and the arrangement of agricultural extension meetings (Partridge, 1993). The benefit of the participatory work was not limited to non-confrontational resettlement operations. Experience shows that the participation made planning and implementation more effective in meeting the resettlers' needs and preferences. Equally important, people positively contributed to re-establishment of their communities, instead of being driven away by the "dependency syndrome." While patience is definitely a key to the success of participatory planning and implementation of resettlement operations, the evidence shows that the difference in the results of the entire operation well deserve the considerable investment by the responsible agency.

2.5. Summary

Since dam projects are typical development projects financed by Japan, resulting forced resettlement is also a common problem. While it is well known that poor management itself creates many problems of resettlement, Japan has, for a long time, avoided taking active measures to prevent or minimize certain costs of development that its assistance program creates. This is the most frequently cited criticism of the ODA by its opponents. The ODA controversy reflects a concern about the ways development projects were built in Japan during its rapid economic growth period in the 1950s and the 1960s. A peculiar social environment and a centralized decision making style facilitated Japan's rapid reconstruction. However, while the economic development success of Japan is well respected, the replication of its decision making style of project development elsewhere should be questioned. If development assistance, consciously or unconsciously, replicates the decision making process of the donor country, it is far from the "non-political" type of intervention allegedly

followed by the government of Japan in its aid giving. I believe that choice of the process is at least as important as the goals of development. The Japanese aid agency and policy makers need to seriously reexamine their own policies on this issue. In such reexamination, policy-makers should remember that the success of resettlement and the minimization of costs of development depends on how successfully the project hears the resettlers' voice and earns their participation.

Chapter III. Some Positive Impacts of the Controversy

--Did it help for the resettlers' voice to be heard?--

The government of Japan pledged a loan for the Kotapanjang dam at the annual meeting of the Inter Governmental Group on Indonesia (IGGI) in 1990. The loan covered 60% of the total construction cost of 250 million dollars. A few months earlier, while OECF was conducting the appraisal for the dam project, a news paper reported that the project could create an environmental problem by displacing rare Sumatran elephants to make way for the reservoir. The news paper also said that the conditions of the resettlement site planned for these elephants were not very favorable for their survival (Nihon Keizai Shinbun, 4.16. 90). Soon afterwards, it was revealed that 10 villages would have to be resettled. The resettlement of these villages became the focus of the controversy. In the context of the whole ODA debate, this media report triggered an anti-construction movement among NGOs in Japan. Japanese environmental and ODA-watchdog NGOs made an alliance with NGOs based in Jakarta and Riau and started resistance movements to block the Kotapanjang construction plans. In this chapter, I describe how these anti-dam campaigns by the Indonesian-Japanese NGO alliance had contributed to producing some relatively positive outcomes of the resettlement program.

3.1. Prior bitter experiences of the government of Japan

NGOs and the Japanese government officials shared experiences from several prior important dam project cases. Two of the most significant projects were the Sardar Sarobar dam in India and the Kedung Ombo dam in Central Java, Indonesia. The perceived "failure" in these projects from the GOJ's perspective was important, because every party involved in the Kotapanjang

case remembered these two cases. The media and the NGOs, as well as OECF and MoFA, emphasized that they did not want to repeat the mistakes of Sardar Sarovar and Kedung Ombo. What then were the lessons that the government of Japan learned from these prior cases?

The case of Sardar Sarovar dam

Sardar Sarovar project was planned as a part of Narmada Valley Project, a long-term (40-50 years for completion) regional development project which included the construction of 30 large-scale, 135 medium-scale and more than 3,000 small-scale dams for irrigation and hydroelectric power generation. If all of these dams are constructed as planned, a total of 350,000 ha of forest and 200,000 ha of arable land are expected to be inundated. This will entail the displacement of more than one million people.

The Sardar Sarovar project consisted of two components: construction of a dam and power plant, and irrigation canals. The Sardar Sarovar dam required the inundation of 234 villages and the displacement of 100,000 people; the irrigation canals were expected to displace 50,000 people. The project, however, was supposed to benefit millions of people by the irrigation and power generation. In May, 1985, the World Bank pledged a loan of 450 million dollars: \$300 million for construction of dams and \$150 million for canals (Morse and Berger, 1992). The government of Japan participated under a co-financing scheme with the World Bank to finance the construction of the power plant of this project, committing an OECF loan of about \$20 million (Sumi, 1990).

Construction of the project began in 1987, before the planning of the resettlement program by the Indian government had been completed. This triggered grassroots resistance in India, supported by campaigns of international environmental NGOs. NGO campaigns in Japan, calling for cancellation of the

OECF loan for the power plant started in 1989. The media and NGO campaign were unusually active in Japan, with strong support from the international NGO network opposed to the project. A number of public hearings, meetings of the NGOs with government officials and demonstrations in front of the MOF buildings highlighted the controversy. In addition, and quite importantly, the issue was brought up a number of times in the National Diet by members who sympathized with the NGO activities¹⁷. As a result, the government announced cancellation of the loan in June 1990 at a donor group meeting¹⁸.

This was the first time the Japanese government canceled an already pledged loan. The cancellation of the loan not only disappointed the Indian government, but more seriously, called into question the credibility of the Japanese government, particularly of the MoFA. Given that one of the major objectives of the ODA program was the strengthening of diplomatic relationships with recipient countries, the cancellation of the pledged loan was seen by the GOJ as the worst mistake that it could commit. The NGOs criticized the OECF for its lack of first hand information about the site, as the agency had trusted the decision made by the World Bank. The OECF, in particular, relied completely on the World Bank's environmental assessment, which is normal for OECF in cases involving co-financing with the World Bank. In contrast, NGO opponents were backed by strong information and other support from the international network of environmental groups.

¹⁷Unlike the case of the US, there is no obligation for the aid implementation agencies in Japan to report directly to the Diet on their performance. Therefore, unless the Diet members bring up an issue about specific project, no discussion is held in the Diet.

¹⁸In a formal legal terms, Japan "suspended" an early tranche of the loan until the resettlement issue was dealt with and an informal arrangement was made with the government of India, so that the later tranche of the loan would not be formally requested. Therefore, in effect, the loan was cancelled.

Cancellation of the loan was seen by the Japanese government as a formal surrender of the government to the NGO campaigns. Therefore, GOJ perceived the mistake of this case as the cancellation of the loan, rather than as a lack of environmental policy of the aid agency. MoFA in particular can not afford to commit another similar "mistake" from a diplomatic point of view. MoFA badly needed public support for its ODA program, and repetition of such mistake could endanger the continuation of the program. From the opponents' point of view, however, the case was a rare visible success for the NGOs. Therefore, in this particular battle, there were clear winners and losers.

What were the lessons that GOJ learned from this case? First, OECF staff learned that NGO campaigns and questions in the Diet implied an extremely high time cost for them. The officers in charge spent a great deal of time putting together information and preparing papers in order to answer the questions raised in the Diet and in meeting with NGOs. In addition, MoFA and OECF learned the danger of not being able to disburse a loan because of NGO resistance. However, because the debate was so focused on whether GOJ should finance the project or not, there was not enough substantive discussion of the GOJ's responsibility in the resettlement. With cancellation of funding, the problem seemed to be treated as over. The case seemed to be remembered simply as a successful struggle of the NGOs and did not give rise to consideration of more fundamental policy issues of the GOJ regarding involuntary resettlement.

The Case of Kedung Ombo Dam

The Kedung Ombo Dam was built for the purposes of flood control and hydroelectric power generation, as well as industrial and domestic water supply to an area of more than 59,000 ha in the Serang River basin in North Central Java,

Indonesia. It required acquisition of 5,898 ha of land, which before the flooding began, housed between 25,000 and 30,000 people. (Inside Indonesia, April 1989). The construction was completed in 1989 and the water gate was closed to start flooding the reservoir. Again, however, this occurred before the resettlement problem had been dealt with. "[S]ome 1,500 families, or about 7,000 people, out of the total of about 5,400 families, 23,400 people, refused to resettle from the inundated villages and continued to stay on the embankments of the flooding reservoir" (Inside Indonesia, Apr. 1989). There were a number of protest movements aided by Indonesian university students. Over 700 families remained in the dam area more than one year after the flooding of the reservoir "living in makeshift villages they had built on higher ground around the edges of their flooded land" (TAPOL Bulletin No. 99, June 1990).

The overall cost of the scheme was more than US \$250 million, 74% of which was financed by the World Bank. Japan provided a concessionary loan through the Export Import Bank of Japan, not through the ODA scheme. Nevertheless, this fund also consisted in part of official capital transfer to developing countries. The amount of the loan disbursed by the Export Import Bank of Japan was \$50 million (Record of Discussion, Committee of Ministry of Finance, 1989, 6.16). This incident of flooding the reservoir while the villagers were still residing on the site caught the attention of international NGOs and attracted wide media coverage as a case of human rights violation.

Why did the Indonesian government, or the Ministry of Public Works in this particular case, commit such an obvious mistake? The most important reason was that people did not actually transmigrate to an outer island, contrary to the statistical records that the Indonesian government held. As in most of the development-project-induced resettlement cases in Indonesia, people were forced to choose between Transmigration and cash compensation. A choice of

cash compensation meant that people had to purchase land and find means to reconstruct their lives by themselves, although the compensation was usually not enough to purchase comparable replacement land. On the other hand, the choice of Transmigration usually meant life in an entirely unfamiliar environment far from the original village. In this latter case, the government provided basic infrastructure and some economic resources, such as palm and rubber trees or employment on a plantation. According to a consultant report, in a survey conducted in 1973 at an early stage of the project, 75% of the people expressed preference to participate in the national Transmigration Program, rather than to self migrate with the cash compensation (Butcher, 1988). The Indonesian government, however, expected that an even higher percentage of people (90% of the population) would transmigrate "based on experience from other such projects in Central Java" (Butcher, 1988). However, in the end, many people did not participate in the Transmigration Program.

So what did the Japanese government learn from this case? An OECF official told me that one important lesson that OECF learned from Kedung Ombo case was the importance of determining and fixing the number of eligible families to receive compensation as of a certain cut-off date. The Indonesian government found that two things happened to explain why many people remained in the reservoir area despite the fact that the Transmigration budget for about 4,000 families had been spent and that the Ministry of Transmigration's record said that they provided service to these 4,000 families. First, the households broke down into smaller units of different generations and the households composed of younger people participated in the Transmigration Program while the older people remained on the reservoir. Second, people moved from surrounding villages to the reservoir area and squatted, expecting to receive compensation. These problems occurred because the GOI did not clearly

identify which families were eligible to receive compensation and did not fix the number of families. A World Bank memorandum on the Kedung Ombo resettlement issue notes that "in order to serve the objectives of involuntary resettlement, Transmigration procedures would have to be modified so that entire households (three generations living together) are transmigrated as a unit (Partridge, 1989). The most important lesson that OECF learned, I was told, was that the list of families eligible to receive compensation has to be fixed as of certain date so that the government does not give people chances to "cheat" and try to get more compensation.

From the above, I argue that while GOJ learned a hard lesson from the Sardar Sarovar and the case Kedung Ombo, that displacement and international NGO resistance can develop into a major threat, neither case gave GOJ an opportunity to take a close look at the fundamental causes of the resistance and their own policies on involuntary resettlement.

3.2. The campaign against the Kotapanjang project

Villagers of the project-affected villages first learned about the project plan in 1983 during the feasibility study for the project, which was conducted with JICA funding. According to a report, "residents of the eight villages to be inundated in the sub-district XIII Koto Kampar in Riau, first heard about the proposed reservoir from researchers who came from Andalas University in Padan, West Sumatera," who visited the area to conduct an Environmental Impact Analysis (Aditjondro, 1991):

Initially, the villagers were totally against the project. Therefore, during the month of Ramadhan of 1983, sub-district officials made special efforts to convince the village leaders about the importance of Kotapanjang. After a lot of discussions, on 19 December 1983, fifty elders from the eight Riau villages which were to be inundated

signed a petition in the sub-district capital, Batu Bersurat. In that historical petition, they accepted the construction of that dam, under 17 conditions...Whatever other commitments some leaders signed in later year, there were always other leaders who kept returning to the 1983 petition. Probably, the fact that it was voluntarily signed by 50 clan chiefs, religious leaders, and formal leaders in Darussalam, a well-known Islamic institution in the sub district capital, gave the petition its own legitimacy (Aditjondro, 1991).

The 1983 resolution stated conditions such as that the new settlement site should be along the road near the reservoir shoreline, that the land that was not inundated would remain in control of the community, and that all of the culturally and religiously important graves would be spared from inundation (Appendix I). I first wondered how this consensus was reached, considering the difficulties involved in traveling and communicating with one another among geographically dispersed villages. At this point, the villagers did not have any contact with outside support groups. Although there remains a possibility that the village leaders may have asked for the assistance of sympathetic local intellectuals in formulation of the written form of resolution, it seems reasonable to conclude that the content of the resolution reflects the genuine representation of the consensus voluntarily reached among the village leaders at that time.

According to an interview with a consultant, another appeal from the villagers was made in 1987, confirming that they wished to move to locations surrounding the reservoir. A reply from the Provincial government was not given to either of the appeals. The stated reason for this is that no formal approval for the project at the central level was made at either of these times. The government started discussions with the villages in 1989, when the approval process advanced from the Provincial level to the central government

level, and a Presidential decree was issued to the Provincial Governor indicating that the central government wanted to proceed with the project.

The media coverage on Kotapanjang in Japan, which was in large part regarding the relocation of the Sumatran elephants, appeared in April 1990, while the OECF appraisal of the project was being conducted. MoFA reacted sharply to this news report, demonstrating a concern over proceeding with this project. The discussions on the problems of Kotapanjang within MoFA and OECF began almost immediately after the media coverage began.

In the meantime, in August 1990, a group of ODA watchers led by Prof. Kazuo Sumi conducted a private investigation of the project. The investigation mission was joined by Ms. Akiko Domoto, a Diet Member of the Socialist Party. Upon returning from the mission, they made recommendations to OECF to reconsider funding of the project. The same group of people who led the Sardar Sarovar campaign made the same recommendation to the OECF. At this time, reasons for such a recommendation were: 1) that construction of the dam would necessitate the relocation of a large population; 2) that the reservoir area is inhabited by rare Sumatra elephants; 3) that Muara Taks ruins, a tenth century Buddhist temple near Kotapanjang, would be damaged by the project; and 4) that the project-affected villagers were not informed that the project is funded under the development assistance program of Japan.

However, serious resistance against the project did not begin to build until 1991, after the agreement for resettlement was signed by each household. The focus of the controversy was the way in which the villagers signed the agreement for resettlement. PLN (Perusahaan Umum Listrik Negara, the National Electric Power Authority) and the Provincial government called for a meeting with village leaders in order to obtain signed evidence of agreement, which determined the compensation rates for various kinds of assets, such as house,

land, and rubber and other trees with economic values. It is not clear from the available information whether the Provincial government tried to keep this meeting secret from the rest of the village members, but it is reported that many villagers did not know about the meeting until later. Along with agreement on the compensation rates obtained from village leaders, the land acquisition committee of the Provincial government started in February to obtain signatures from each household agreeing to the resettlement, together with lists of assets subject to compensation under the resettlement program. When the agreement

Table 3-1. Comparisons of the Compensation Rates-1.

Item	Compensation Rate		Assessed Value	Resettlers' Demands
	Rp.	US\$ 1US\$=2100Rp.	Rp.	(Plaugadang) Rp.
A. Buildings (Rp./m2)				
1)Permanent	74,000-192,000	35-91		350,000
2)Semi-permanent	42,000-80,000	21-38		300,000
3)Temporary	25,000-48,000	12-23		100,000
B. Land (Rp./Unit)				
1)House-Yard	450-750	0.21-0.36		7,000
2)Rice Field	400-600	0.19-0.29	2,000	15,000
3)Plantation	30-50	0.01		3,000
4)Dry-land	40	0.01	500	1,000
5)Other land	30	0.01		
6)Cemetery	75,000	36		
C. Plant (Rp./tree)				
1)Rubber	1,250-4,200	0.59-2		15,000
2)Coconut	1,500-4,800	0.71-2	8,000	40,000
3)Clove	1,500-4,675	0.71-2		
4)Coffee	500-1,760	0.23-0.84		
5)Rambutan	2,000-9,000	0.95-4		
6)Durian	2,000-9,900	0.95-4		

(Source: "Answers to Questionnaire," submitted by PLN to OECF, 1991; Friends of the Earth Japan)

signed by village leaders concerning the compensation rate became known to the villagers, it triggered efforts to appeal and request the invalidation of the agreement. The "agreed" compensation rates were considerably lower than the villagers' demands (Table 3-1.). Simultaneously, villagers, joined by the national NGO alliance claimed that the signatures obtained from many of the households were in fact not the results of voluntary decisions made by the villagers.

In May 1991, the first effort at resistance began in the village of Koto Tuo, with the gathering of the signatures on an appeal to OECF. 182 signatures were collected. It appears that both local as well as Jakarta-based NGOs were already working with the villagers at this stage. In July, a delegation of farmers, accompanied by SKEPHI, a Jakarta-based environmental protection group, and other NGO members, visited the OECF office in Jakarta and submitted the collection of signatures. The delegation informed OECF representatives that the original agreement was obtained by force, rather than through the voluntary agreement of the villagers.

"The delegation appealed that the agreement was obtained by force, by giving examples of the incidents. The delegation appealed that the villagers were threatened by the Provincial government officials and PLN officials that unless one signs the agreement now, the household will eternally lose the right to compensation. Another aspect of the appeal was that there was no explanation with regard to the compensation rate to the villagers. The village leaders signed the agreement for compensation rate, but they are not valid. The compensation rate is even lower than the Official Rate provided by the Provincial government" (Asano, 1993).

In September, a delegation of farmers and NGOs lodged a protest with the House of Representatives in Jakarta. Presenting a petition signed by 700 people of Koto Kampar district, Kampar regency in Sumatra, the delegation reported to the United Development Party that they were offered as little as Rp 30 (less than one US cent) per square meter of land. The delegation also made an appeal to

the Embassy of Japan and the OECF. These protest movements attracted wide coverage by the media.

Following the appeal to the government agencies in Jakarta, a villager of Batu Bersurat and an NGO activist flew to Japan at the invitation of the Japanese NGO alliance. The Japanese NGO alliance held a symposium in two cities near Tokyo, and the two delegations from the Kotapanjang Opposition Alliance appealed to the Japanese citizens, saying that villagers were being forced out of the villages without appropriate explanations from the government. The delegation met with officers at MoFA and the Ministry of International Trade and Industry, as well as several Diet members, to demand cancellation of Japanese funding for this project.

3.3. The resettlement program

In September 1990, MoFA decided to dispatch an OECF mission to reinvestigate the environmental problems of the project before Exchange of Notes and Loan Agreements were signed. A MoFA official stated that "the purpose of the mission is to check the issues of environment and resettlement before formal approval of the loan. This was in addition to the investigations already made by GOI as well as OECF in order to be extremely cautious about the decision making. We have determined to take such steps based on the prior experience of the Narmada (Sarvar Sarovar case)" (Asano, 1993). Consequently, these MoFA reactions were the result of lessons learned from the past experience. Through discussions between the Indonesian government and the OECF, an agreement was reached on the possible measures that could be taken to solve the problems. Usually, disbursement of loans for Indonesia is conducted in a fixed schedule, but because of these extra discussions between OECF and GOI, the signing of Exchange of Notes and Loan Agreements took place in December

1990, a few months later than the regular schedule. This may seem like a minor delay, but one needs to remember the fact that Japanese bureaucratic culture absolutely dislikes irregularity.

In the Environmental Investigation Mission preceding the signing of loan agreement, the governments of Indonesia and Japan agreed that the GOJ would confirm several facts in the course of the disbursement of the loan, and the GOJ requested appropriate reporting from the GOI concerning the outcome of their effort. The facts to be verified included: 1) signatures of consent from all households; 2) preparation of adequate new dwelling sites; 3) consent for compensation funds--not by one-sided government pressure, but by consent of all dwellers, after discussion with representatives of the people; and 4) ensure a new habitat for the elephants.

The media reported this as the first "conditionality" that the government of Japan ever imposed on a recipient country, saying that the loan would not be disbursed unless these conditions were met. Interviews with OECF officials revealed that the GOJ did not say that these four points were preconditions for disbursement of the loan. The GOJ basically declared that they would like to pay attention to these issues but did not threaten to cancel the loan in the event that these four conditions were not fulfilled. In a purely technical sense, "conditionality" means a provision of the agreement that states necessary conditions for the agreement to take effect.

Nevertheless, the media reported that this was a new policy for Japan. Certainly, both MoFA and the OECF were both aware of the nontraditional nature of requests that they made to the Indonesian government. In fact, my interviews with OECF officials revealed the sensitivity of this issue. Through the interviews, I found discrepancies in the understanding of this new policy among the officials. Some said that it was equivalent to "conditionality" in referring to

these requirements and others firmly refused to use the term "conditionality." In answering questions of Ms. Domoto in the Diet, Mr. Hatakenaka, an MoFA official, clearly denied that these were "conditionalities." (Record of Discussion, Special Committee of Environment, 9.25.1991).

In terms of the arrangements made to enable the OECF to confirm these issues, the OECF tried to incorporate the nontraditional requests into the regular practices. The OECF asked the Indonesian government to submit quarterly progress reports on environmental issues. "It was basically a part of the regular procedures included in any project implementation that we [OECF] administer. We simply tried to ensure that the quarterly report includes a section on the environmental matters. But the GOI decided to do a little more than we requested, and they produced independent reports on the environmental issues," said an officer in charge of the project at OECF.

In any event, by declaring a right to confirm what PLN, the implementation agency, has done on resettlement, the OECF officer in charge of the project examined every report that the GOI submitted. On each quarterly progress report on environmental issues, the OECF went back to PLN with a series of questions on the details. For example, they asked about the compensation rates and how they compare with the other resettlement cases, and they required submission of statistics. The list of signatures on the assets and the agreement to move was the single most important piece of evidence that both the GOI and GOJ recognized as the proof of the "democratic process" undertaken for the resettlement. As for the list submitted to the OECF, the OECF officer in charge confirmed each agreement for all 4,886 households, not only checking that every household had signed but also confirming their preferred relocation destinations and checking to see that there were no identical signatures for more than one household. Through these monitoring activities of the progress of the

resettlement during the disbursement of the loan, the OECF tried to pressure PLN to handle the resettlement project in an appropriate manner. The OECF also suggested to PLN that their agreement with the consultants who were supervising the project should include the supervision of the "environmental issues" of the project, the major component of this being resettlement. In addition, to ensure that PLN involved a "neutral" agent in handling the resettlement issue, I understand that OECF intended to expand accessible sources of information regarding resettlement by involving the Japanese consultant in the process.

Thus, for the first time, the OECF took active measures--at least based on their historical standard--in this resettlement case. Numerous missions were dispatched to visit the villages both from Jakarta and from Tokyo. One OECF official told me that officers from headquarters rarely visit a project site until the dam construction makes certain progress. He commented that "this was a special case. People visited the villages a number of times even before dam construction started. You know, this does not usually happen as there is nothing there [until the dam construction starts]." This opinion clearly expresses the bias of OECF towards considering projects simply as the "construction of hardware." The resettlement issue of Kotapanjang reminded them of the very basic fact that projects exist in a larger social context.

The OECF also helped to improve the quality of the resettlement program by providing financial support for part of the program that exceeded the normal components of the public Transmigration Program. Since the public Transmigration Program is designed for low-income, voluntary migrants, the standard package of services provided for the resettlement sites does not include much infrastructure provision. However, in the resettlement site of the Kotapanjang project, pavement of access roads, electricity and installation of

water tanks were provided in order to maintain the standard of public service that existed in the villages prior to resettlement. Many of these services were above the standard of the regular Transmigration Program. Provision of some of these above the standard services was paid for by an additional OECF loan, provided under its Sector Loan arrangement.

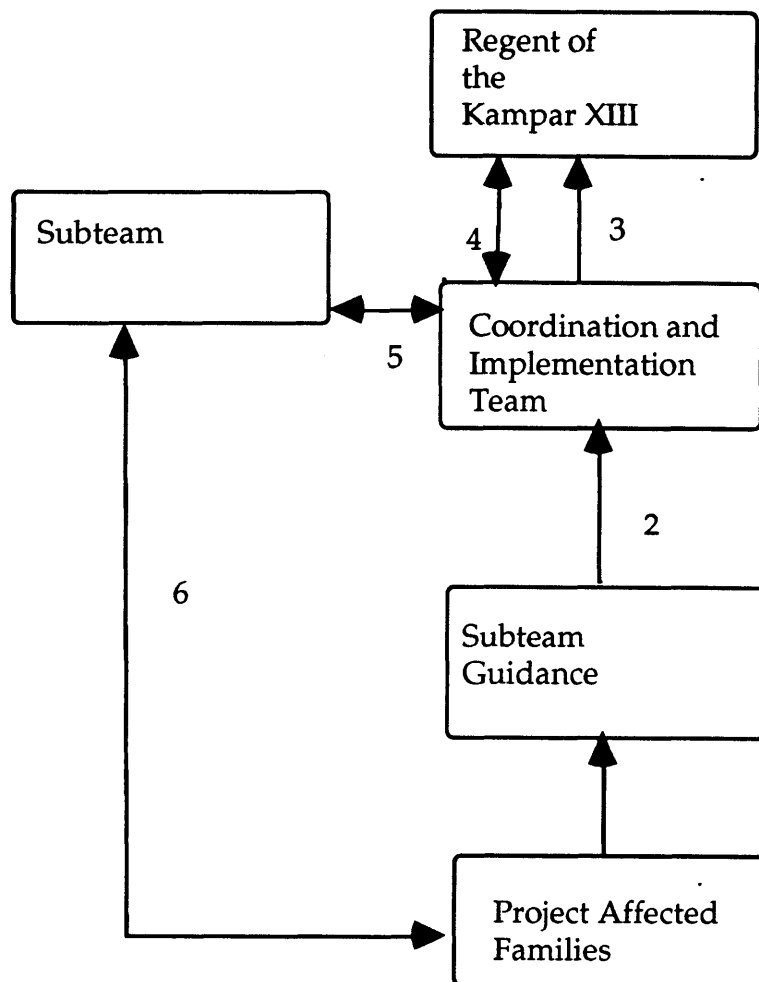
3.4. Some positive outcomes

As a result of the resistance movement, the media coverage and some of the active measures taken by GOJ, some positive outcomes emerged from the resettlement scheme. One of the goals of the project implementers was to improve the standard conditions of resettlement in comparison to the past resettlement cases in Indonesia. In this context, I would like to highlight four major achievements.

First, I consider that the most important positive effect was that the project gave legitimacy to the resettlers' demands. The OECF requested that sincere consideration be given to the demands of the project-affected population. The OECF did not specify the appropriate measures and standards to judge respect of the villagers' demands, but the OECF request played a key role in building consensus among project implementers. Project implementers were indeed conscious that they had to pay attention to what the villagers said. For example, a system was set up in each resettling village so that the demands of the villagers could be communicated well with the project implementers, although the critical NGOs express a strong doubt about the efficacy of this system (Figure 3-2.)

The pressure of OECF, as well as the active NGO campaigns, reminded the project implementers of the long-forgotten 1983 resolution of the villagers.

Figure 3-2. Flow Chart of the Village Level Communications



1. Claim and problem appealed by the resettlers
2. Discussion of claims and problems and report to the team leader
3. Report to the Regent
4. Instruction from the Regent for solution of the problems
5. Discussion and implementation
6. Discussion and implementation with the resettlers

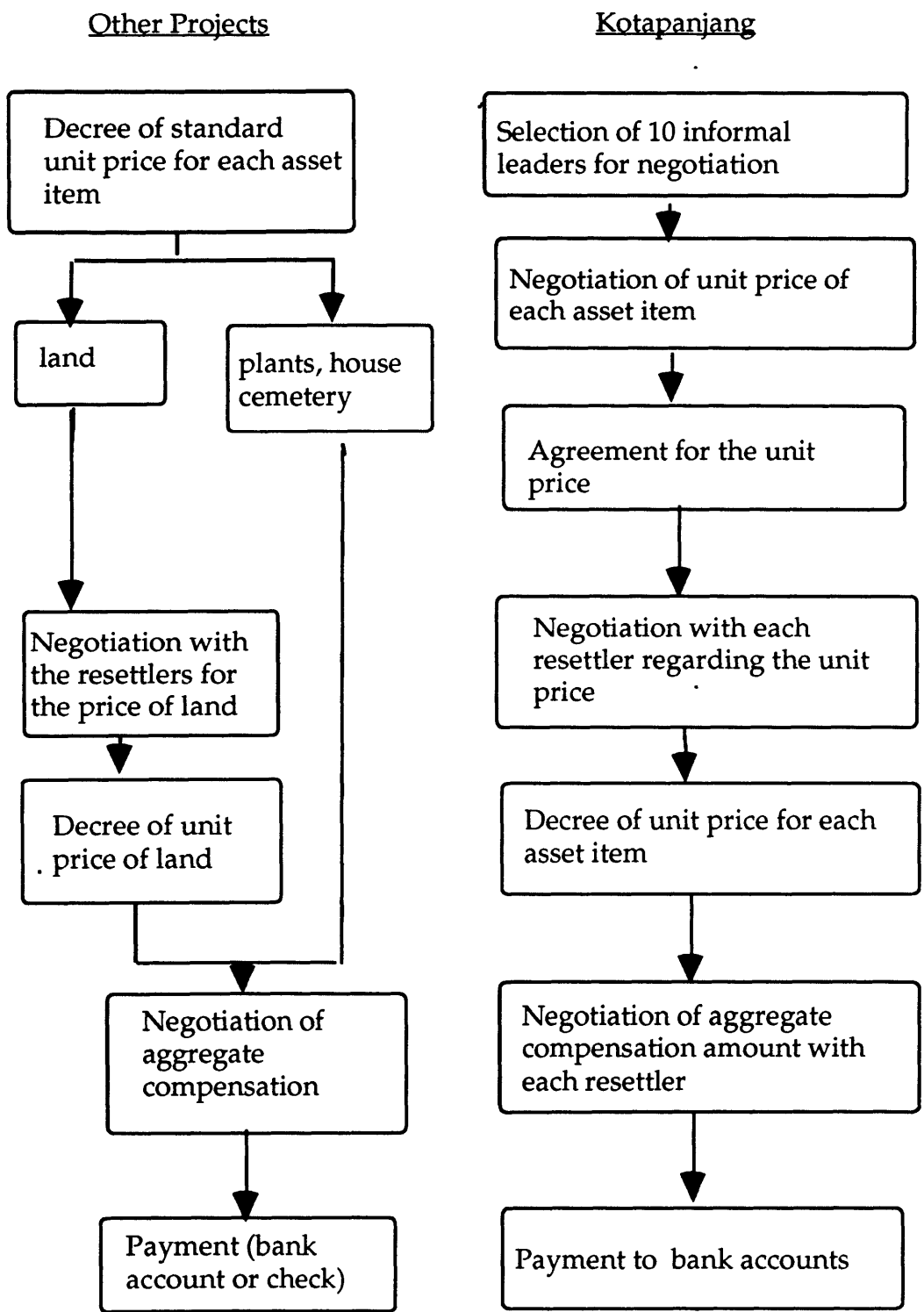
(Source: Quarterly Progress Report on Environmental Aspects, PLN, 1993)

The resulting resettlement scheme complied with a number of points stipulated in their resolution. For example, discussion with the villagers of Plaugadan, the first group required to relocate due to the construction of the project, began in 1989. In accordance with the request of the villagers, the new resettlement site, Koto Ranah, was chosen close to the original village and also close to the Provincial Road, to which the village is connected with an access road. Therefore, the villagers did not have to move a long way, which makes adjustment easier and takes less time.

Equally important, there was a clear pressure on the project implementers that this resettlement should be carried out in a "democratic" way, although "democracy" meant different things to the different parties concerned. For example, Figure 3-3. shows that PLN was conscious about increasing opportunities for input of the resettlers in the process (Figure 3-3.). Also, there was a clearly recognized principle that the villagers should not be moved by force. I was surprised to hear from a consultant that a GOI official once suggested that they might use military force to move people out of the way. I would suppose that this was a personal idea of this officer and not an official plan of GOI at that point. Such an idea was immediately rejected by the consultant, who argued that "once the military is used, that will place an irremovable negative label on the entire project." This story made me realize that democratic process can be easily undermined in this particular environment. At the very least, however, there was sufficient pressure placed from various directions that such an idea was immediately rejected before it materialized.

Second, the PLN, the implementation agency, played a major role in resettlement. In the past PLN was very reluctant to become involved in the resettlement issues (Butcher, 1989). Primarily as a result of the cautious position taken by OECF, the PLN exerted a considerable effort in monitoring details of the

Figure 3-3. Comparison of the Procedures of Compensation



(Source: Quarterly Progress Report on Environmental Aspects, PLN, 1993)

resettlement program and spent time in making sure that the resettlement program proceeded as scheduled. An OECF official told me that "there was a frustration among PLN officials as to why they have to worry about the ceilings and the floors of each of the resettlers' houses. They have this pride that they are power company. Just because these officials are in charge of Kotapanjang, they have to look after housing problems of the resettlers...because OECF questions these things." The engineering bias of the power authority is clearly seen in these comments. Nevertheless, PLN had to work hard in order to live up to the standard required by the OECF. This helped improve the resettlement program in comparison to the past comparable cases in Indonesia.

Third, the GOJ developed a higher standard for the resettlement package offered to the villages affected by the Kotapanjang project. The Transmigration pattern applied in this resettlement case is called UPP, a special Transmigration package prepared for resettlement induced by national development projects, which had rarely been applied in the past (Table 3-4.) The quarterly environmental report prepared by PLN shows that Koto Ranah was originally planned to be built with a standard public Transmigration package, but later revised to UPP. Since public Transmigration is voluntary relocation of low income families to an outer island, the farmers generally do not receive much more than a house and some cleared land, as well as temporary assistance after relocation (e.g. one year supply of rice). Under the UPP, the resettling families receive 0.5 ha of arable land to grow food crops, a house, 2 ha of rubber plantation and 1,000 rubber trees, as well as a supply of food for the initial year after relocation. Equally important--and unlike the usual cases of involuntary resettlement in Indonesia--the resettlers also received cash compensation for their assets owned in their previous village in addition to the replacement land and

Table 3-4 Comparison of the Service Provisions between UPP and the Public Transmigration Pattern

	UPP Pattern (for Kotapanjang)	Standard Public Pattern
1) Land(per household)		
House	0.01 ha	0.25 ha
House Yard	0.49 ha	0.75 ha
Plantation	2.00 ha	1.00 ha
Total	2.50 ha	2.00 ha
2) House	Wooden house (33m ² /family)	Wooden house (33m ² /family)
3) Land Clearance		
Tree cutting/Burning	2.5 ha each	1.00 ha each
Terracing	by Dept. of Agriculture	by the residents
4) Road		
Access Road	width 7.5 m (asphalt pavement)	width 7.5 m
Reconstruction of National Road	width 8.0 m (asphalt pavement)	--
Reconstruction of Provincial Road	width 6.0 m (asphalt pavement)	--
5) Public infrastructure		
a. Dept. of Transmigration	Village hall, Health center, Mosque, Elementary School, etc.	Village hall, Health center, Mosque, Elementary School, etc.
b. PLN	Village offices, Markets, Elementary schools, Local government offices	---
6) Water Supply	One well/4 families	One well/4 families
7) Electricity	Provided by PLN	---
8) Assistance for moving	Transportation, Meals, Medicine, etc.	Transportation, Meals, Medicine, etc.
9) One year food provision	Rice and other essential food	Rice and other essential food
10) Food crops	Rice, Maise, Beans, etc.	Rice, Maise, Beans, etc.

(Source: Quarterly Progress Report on Environmental Aspects, PLN, March 1993)

facilities provided in new relocation site. This represented a significant improvement from past cases, although the appropriateness of the compensation rate is debatable, as I discuss in the following chapter.

Fourth, additional upgrading of the conditions of the UPP package was implemented in order to replicate the standard of infrastructure found in the original villages. These upgradings were negotiated by the resettlers of Plaugadang. As the same service was provided to the other villages, the successful negotiation of the Plaugadang people had an enormous positive externality, which was made possible by three factors. First, Koto Ranah, the resettlement site, was close enough to the original village to enable the villagers to observe what was happening in the construction of their future home. They could make claims to the government regarding the conditions of the new village based on first hand information from their own observation. Second, the attention given to the project led to frequent visits by the GOI officials, OECF, MoFA and NGOs. The frequent visits of outsiders provided ample opportunities for the people of Plaugadang to make their claims. In fact, people succeeded in improving the conditions of their village this way. For example, they asked for installation of electricity and water pumps, as they had access to these services in Plaugadang. At another time, they claimed that the conditions of the standard housing model of the regular Transmigration Program were inferior to their original housing and required wooden ceilings and concrete flooring to reduce the heat. As a result, villages were serviced by electricity, water pumps and wells and public facilities, such as schools, community hall and mosques in Koto Ranah. Third, the OECF provided some additional funding to make these service provisions financially feasible.

Chapter IV Yet Conflicts Remain

-What hindered the resettlers' voice from being heard?--

Despite the considerable improvements in the Kotapanjang resettlement program, the NGO opposition was not appeased. As of the end of 1993, when the payment of the compensation to all of the 10 villages was about to be completed, the Japanese NGO alliance was still planning to make another appeal to the GOJ, arguing that the resettlement issue of Kotapanjang had not been resolved and that the construction of the dam should be halted. As a matter of fact, the project implementers were experiencing problems at the resettlement site, and my request to visit the villages for interviews with the villagers was turned down, because "there is a prior experience that involvement of an outsider further complicated an issue" (Facsimile message from a consultant, Dec. 1993). Apparently, some conflicts between the villagers and the project implementers were taking place. Why did these conflicts persist despite the effort expended by the project implementers? In this chapter, I explore four issues that help to explain this persisting conflict.

4.1. Lack of concern over the process

The Japanese government's reactions to the NGO-alliance resistance movement certainly had an impact on the way in which the resettlement program was formulated and in producing the tangible positive results discussed in the previous chapter. There seems to have been a consensus among the project implementers that they needed to respect the villagers' demands. However, as I continued interviews with various parties concerned, I began to wonder what respecting the villagers' demand really meant to the project implementers. Evidence suggests that OECF was primarily concerned about

obtaining "hard evidence" to demonstrate to the project opponents that resettlers were indeed respected, without being interested in learning about the ways in which they were respected. Of course, a major reason for this derives from the limitation imposed by the OECF's administrative capacity. The dispute over the agreement for resettlement is a good example. Whether the signatures for the agreement were obtained by voluntary will of the villagers or by force was one of the major issues of dispute between the project implementers and the opponents. In anti-dam campaigns in 1991, the villagers and the NGOs appealed two points about the already signed agreements: one was that the compensation rates on assets, which were agreed upon by some of the village seniors, were invalid; the other was that the agreement for resettlement and the list of assets, which was signed by each household was in fact obtained by force, rather than voluntary will of the villagers. They claimed that they were "threatened" by the land acquisition committee members who came to obtain the signatures by saying that unless the villager signs the agreement at that moment, the household will eternally lose the right to receive compensation. Opponents also claimed that the villagers were threatened by the presence of military officers, who came with the land acquisition committee. These people were holding guns.

It is difficult to judge from the available information whether the villagers were indeed threatened by the land acquisition committee to sign the agreement. However, the important point is that OECF was not interested in learning about what actually happened in the field in the process of obtaining the signature. When I interviewed an OECF official about these claims, he basically dismissed them. "Probably the complaints at this point simply reflect the fact that people were not satisfied with the aggregate amount of the compensation, while agreeing to the unit compensation rates. Once you agree to the compensation rate and the list of assets, you automatically get the aggregate amount of

compensation by multiplying the two and summing up each item...It often happens that people regret their own decision even when the decision was made by their own will at that moment, not by external force. The discussion gets too messy if you start doubting what actually happened in obtaining the signatures. No one can prove in a satisfactory way what happened."

However, I believe that the agreements represent a critically important aspect of the resettlement process for several reasons. First, the collection of a signature from each household for the agreement to resettle and for the list of assets started in some villages in February 1991, before the village leaders agreed on the compensation rate. This means that at least some people signed without knowing how much they would get in compensation for their assets. Even if these people signed the agreement by their own free will (trusting the village leaders), the project implementers behaved improperly, because the process was set up in such a way that these villagers obviously could not know the amount of compensation, an important element of the conditions of their resettlement, when expressing agreement to the resettlement.

Second, I believe that it is probably true that the land acquisition committee members told the villagers that they would lose the right to receive compensation unless they signed at that moment. One of the most important objectives of the collection of the signatures on the project implementers' agenda was to fix the number of households eligible to receive compensation. Such an objective reflects the Kedung Ombo experience discussed in Chapter III, in which failure to clearly define the resettling families led to problems of subdivision of households, and to squatting of other village residents on the reservoir, with the expectation of receiving compensation simply by moving there. Therefore, the land acquisition committee members were correct in saying that the only way that the villagers become eligible for receiving compensation is by signing the

agreement no later than the cut-off date, which in effect probably required the villagers to sign on the spot.

I believe that establishing a cut-off date for obtaining signatures was in and of itself, a legitimate implementation step. However, in the context of the Kotapanjang case, it exacerbated an existing problem. If discussions with the villagers had been carried out enough so that people fully understood their rights and the conditions of resettlement beforehand, then confusion could have been avoided. The act of signing legal documents is threatening by its nature regardless of what the land acquisition committee members tell the villagers. Signing a piece of paper should be made as "non-threatening" as possible by making sure that people understand the substance of their entitlements well before the act of signing takes place. Substantive explanation to the villagers should not take place while placing the documents in front of them for their signatures. Therefore, the key issue is not really whether or not the land acquisition committee members "threatened" the villagers with their explanations. Rather, it is whether the villagers were given sufficient opportunities to understand the procedures and entitlements before the committee members arrived. The project implementers cannot justify themselves by claiming, by pointing to the "hard-evidence," that they obtained agreement for each necessary component of the resettlement program and, consequently, that they had followed a "democratic" process.

4.2. The problematic aspects of "fair compensation"

Evidence suggests that the project implementers were only concentrating on improving the resettlement program of Kotapanjang in comparison to the past cases in Indonesia, without seriously examining the appropriateness of the

Table 4-1. Comparison of the Compensation Rates-2.

Province	RIAU				West Java	Central Java
	Kotapanjang	PT. Serikat Putra	PT. Mulya mir Raya	PT. Sawit Asamam Imdam	Cirata	Mrica
Item	1990 12,400 ha	Apr. 1990 (6,000 ha) 80.5 ha	Mar. 1990 (95,872 ha)	Jun. 1989 (8,000 ha) 484.39 ha	1984	1983
A. Buildings (Rp./m²)						
1)Permanent	74,000-192,000	--	--	--	40,000-80,000	30,000
2)Semi-permanent	42,000-80,000	--	--	--	23,000-34,000	15,000
3)Temporary	25,000-48,000	--	--	--	6,000-20,000	2,000-7,500
B. Land (Rp./Unit)						
1)House-Yard	450-750	--	100-150	--	480	1,050
2)Rice Field	400-600	--	--	--	720	550-1,500
3)Plantation	30-50	32.5-40	10	10-20	480	--
4)Dry-land	40	--	--	--	480	--
5)Other land	30	5-11.5	3	5	--	--
6)Cemetery	75,000	--	--	--	--	15,000
C. Plant (Rp./tree)						
1)Rubber	1,250-4,200	400-800	500-1,000	300-750	1,500-7,500	--
2)Coconut	1,500-4,800	--	--	--	2,000-10,000	250-3,000
3)Clove	1,500-4,675	--	--	--	5,000-150,000	500-15,000
4)Coffee	500-1,760	300-	--	300-600	1,000-6,000	100-3,000
5)Rambutan	2,000-9,000	500-1,500	500-1,500	500-1,500	4,000-10,000	--
6)Durian	2,000-9,900	1,000-3,500	--	500-6,000	5,000-15,000	--

(Source: "Answers to Questionnaire," submitted by PLN to OECF, 1991)

standard applied to the past cases. Table 4-1. shows the compensation rates that PLN offered. According to the table, the compensation rate applied in the Kotapanjang case was considerably better than in other recent cases in Riau province. Comparison with cases for the early 1980s in Java is difficult due to

variations in price levels between Java and Sumatra, particularly with respect to land, as well as general inflation. However, from the comparison between Kotapanjang and two cases in Java, Cirata and Mrica, the general impression is that Kotapanjang's compensation rate is at least not drastically inferior to the two cases in Java. This is how PLN determined and justified the compensation rates. OECF, at the same time, regarded the compensation rates as appropriate in comparison to historical precedents.

However, the resettlers do not determine "appropriateness" of the compensation rates in comparison to the cases elsewhere. From their point of view, it does not matter what compensation the resettlers in Cirata received 10 years ago. Obviously, the standard of "fairness" from the resettlers' point of view is based on other considerations. They regard the appropriate rate as being the replacement costs of assets. Villagers and the NGOs produced a comparison of the prices offered by the government and the replacement costs calculated by themselves (Table 3-1.). The point that they are trying to make is--in addition to stressing the lowness of the rates to the general public--that the compensation offered by the Kotapanjang project is even lower than the official assessed values. The assessed values are usually considerably lower than the market values, which is the replacement cost for which the villagers are asking compensation. This situation also applies to Sumatra, where the assessed value is almost always lower than the market value because assessment is not conducted often enough to keep up with the market.

In fact, determination of the compensation rate is often one of the most problematic aspects of resettlement procedures. The problem is particularly acute with regard to land, the main economic resource for farmers. When the resettlement program is such that resettlers have to obtain land by themselves, compensation at the assessed value results in impoverishment of the resettlers

because the compensation does not allow the resettlers to purchase comparable quality and quantity of land.

The justifiability of the resettlers' demand for compensation at the replacement cost in the Kotapanjang case is a different issue. It may be possible to refute their demands based on the fact that the resettlers are already provided with replacement land for free and, consequently, they do not have to purchase their own land. Therefore, cash compensation really means the provision of supplemental income to compensate for the expected lower income for the initial three to four years until the rubber plants become mature enough to produce sufficient income for the resettlers. In fact, the project implementers, including Indonesian officials as well as OECF officials, stressed that the compensation per household adds up to about three to five years' worth of annual income per household. They argue that productive resources, such as 2 ha of rubber plantation, 1,000 rubber trees and 0.5 ha of arable land to produce food crops, are already provided to each family without any cost. The role of the cash compensation is to provide income for the transitional period until the rubber trees grow and become their major income source. However, in my view, the real problem is not whether or not such logic is correct. The question is, rather, whether such logic is appropriately communicated and understood well enough by the resettlers. If such logic is not agreeable from the villagers' point of view, sufficient negotiation has to take place until the both parties reach an agreement. The compensation rate is such an important element of resettlement program that the project implementers need to make sure that the resettlers understand

and fully agree with the way that the compensation rates are determined¹⁹. Unfortunately, from the available information, I believe that this did not occur.

4.3. Failure to recognize the different perceptions among the villages

It is reasonable to assume that perception of the resettlement program varied from village to village, as well as from resettler to resettler. Although good evidence on this point is not available, it is clear that villagers differed in their economic status before resettlement (Table 4-2.). There was a marked difference among villages in terms of economic well-being prior to resettlement, particularly with regard to location (i.e., relative ease of access to market) and the quality of land. For example, Batu Bersurat and a few other villages had paddy fields but other villages did not. Since a major part of rice production was for domestic use, paddy field probably did not directly affect the income levels among the villages. However, it does make a considerable difference in overall economic well-being.

The relative economic well-being before and after the resettlement has probably been very different among the villages due to the way that the

¹⁹NGOs as well as some researchers of this case argue that the selection of the "village leaders" to agree to the compensation rate as well as the way that the meeting with these village leaders was held were both inappropriate.

"(The Kampar district authorities) only invited ten persons from each village, many of whom had not yet received the authority to negotiate compensation issues on behalf of their tribal constituencies....(Three leaders invited from Batu Bersurat) were wrongly assumed by the district authorities to be able to represent the entire social structure of Batu Bersurat, which encompasses one paramount chief, three *koto* chiefs, and 21 clan elders.

The invitations to the Batu Bersurat elders, as they told me in July 1991, were hand-delivered at 11 o'clock at night. They were asked to come the next morning to Bankinang, with Rp. 150,000 "traveling costs" enclosed in each invitation envelope, although a bus fare from Batu Bersurat to Bangkinang only costs about Rp. 1,000. In that meeting on April 12-13, 1991, they were persuaded to agree in principle with the construction of the dam and with a total compensation budget of Rp. 35 billion. On the second item, no consensus had been reached. Yet, at the end of the deliberations, when the village leaders were already tired of a sleepless night and eager to go home to prepare for the *Idul Fitri celebrations* which start on April 16, the district authorities distributed computer print-outs of the compensation rates" (Aditjondro, 1991).

compensation scheme was formulated (Table 4-3.). As discussed in Chapter III, the major part of the compensation in the Kotapanjang's scheme was in-kind provision of economic resources, such as land and rubber trees. These and other private and public assets and infrastructure such as houses, community facilities and utility services, were distributed to each household and village equally, regardless of the assets held prior to relocation. On the other hand, for the reasons already explained, cash compensation for the assets were paid at a quite low rate, at least lower-than-replacement-cost. Therefore, in a relative terms, the more assets one owned previously, the worse-off one became after the resettlement. Exactly the opposite is true about the asset-poor families and villages. Therefore, the resettlement program--at least to a certain extent--had an unintended redistributive effect.

Table 4-2. Pre-Resettlement Economic Status of the Villages

	Number of Families	%	Rice Field (ha)	%	Plantation (ha)	%	Permanent & Semi-Permanent Houses	%
Plau Gadang	592	12.1	25	1.2	183	3.5	132	17.0
Muara Mahat	447	9.1	2	0.1	331	6.4	91	11.7
Tanjung Alai	313	6.4	11	0.5	103	2.0	46	5.9
Batu Bersurat	1,257	25.7	653	32.3	1,907	37.2	145	18.7
Pongkai	459	9.3	437	21.6	647	12.6	38	4.9
Koto Tuo	599	12.2	456	22.5	616	12.0	143	18.4
Muara Takus	244	4.9	5	0.2	331	6.4	52	6.7
Gunung Bungsu	241	4.9	350	17.3	25	0.4	20	2.5
Tanjung Balit	421	8.6	51	2.5	860	16.7	80	10.3
Tanjung Pauh	313	6.4	28	1.3	122	2.3	26	3.3
Total	4,886	100.0	2,018	100.0	5,125	100.0	773	100.0

(Source: Environmental Impact Analysis, Andalas University, 1984)

Table 4-3. Composition of the Resettlement Budget

(in thousand Rp.)

		Allocation 1992/93	Proposed 1993/94	Total Budget for 92/93- 93/94	
In-kind	Land clearing	3,754,621	7,801,257	11,555,878	
	Roads & Bridges	12,730,935	4,535,740	17,266,675	
	Housing and water supply	4,671,319	2,609,140	7,280,459	
	Supervision	1,029,341	--	1,029,341	
	Total In-kind	22,186,216	14,946,137	37,132,353	43.2%
Cash				46,800,000	56.8%

(Source: BAPPENAS, 1993)

This difference in relative economic well-being before and after resettlement seems to explain some of the reactions in different villages. For example, the village of Gunung Bungsu was supposed to be quite excited about the resettlement program. According to a consultant, Gunung Bungsu pressured the project implementers to push the relocation schedule forward to early 1993, although their resettlement was scheduled later, in accordance with the construction schedule of the dam. On the other hand, villagers of Batu Bersurat were very concerned about their future. Batu Bersurat and Koto Tuo played the central role in the resistance movement. Villagers in Koto Tuo initiated the collections of signatures to petition for the invalidation of the compensation rates. The people of Batu Bersurat consisted in large part of the villagers who went to Jakarta for a campaign, and of the person who flew to Japan was also from Batu Bersurat. I learned from Prof. Murai, who works with the Japanese NGO alliance, that the villagers of Batu Bersurat knew very well about the

compensation conditions of Koto Ranah and firmly refused to allow similar conditions to be applied to their future village. For example, leaders of Batu Bersurat hated the housing design in Koto Ranah, which is basically the same as the houses provided in public Transmigration, although some internal improvements were made. According to Prof. Murai, leaders of Batu Bersurat insisted that they requested provision of Permunas (Pembangunan Permahan Nasional, the National Housing Corporation) housing²⁰ in the 1983 resolution and that the government should fulfill their original request. Batu Bersurat was the last village to receive compensation in late 1993, and this was probably where the project implementers had the hardest time completing the payment of compensation and resettlement.

From the discussion above, it appears reasonable to conclude that there had been varying degrees of acceptance and of resentment over the compensation scheme among the villages, even when evaluated exclusively from the economic point of view. Although more equitable distribution of income itself is probably not a negative consequence of the resettlement program, it does not seem to make sense to seek redistribution within the resettling villages by having the richer members of the community to support the compensation of the poorer members²¹. If the resettlement program intended to have redistributive effect, the program needs to include a larger geographical area in the picture. This means that people who directly benefit from the dam project (i.e. the urban industrial sectors, electrified households, etc.) should be part of the

²⁰Walk-up flats built by the National Housing Corporation, mainly prepared for middle-income population. The National Housing Corporation operates to build housing and neighborhood infrastructure, including land acquisition and land development, sites and service and financing.

²¹The Environmental Impact Assessment Report, prepared by the Andalas University comments that the application of the Transmigration scheme is desirable in order to correct the skewed income distributions among the resettling villages (Andalas University, 1984).

redistributive program to support the well-being of the members of the resettling villages.

4.4. Lack of commitment to resettlers' participation

Most importantly, the project implementers lacked a true commitment to encouraging the participation of the resettlers in program design and implementation. There are four important issues which highlight this lack of commitment. The first is the timetable determined to formulate and implement the resettlement program. As already discussed, Kotapanjang' s feasibility study was conducted by JICA nearly a decade prior to the approval of the loan by the OECF for the project, when international concern for resettlers' rights was not clearly expressed. The OECF recognized that no satisfactory plan for resettlement existed at the time of appraisal, but both the GOJ and the OECF were optimistic that these problems would be resolved within the pre-set schedule of the project. I see this as an unjustifiably mechanical way of understanding of the problem of resettlement, if the OECF was genuinely interested in providing sufficient opportunities for the resettlers to express their free decisions and negotiating with them.

In fact, according to information provided by a consultant, the construction schedule of the resettlement site of Koto Ranah, which began in 1989, was already problematic. Discussions with the resettlers started in 1989, but the site preparation of Koto Ranah also began in the same year. This means that preparation for resettlement actually had started even before agreement from each household was obtained, which took place in 1991. The consultant informed me that such schedule was implemented because there was some remaining budget of the Department of Transmigration for that financial year and this budget was used for land preparation in Koto Ranah.

Given such a hasty time table, OECF's pressure to "respect the villagers" had an ambivalent effect. On the one hand, it had a certain positive influence in improving the conditions of the new resettlement sites, as discussed in Chapter III. On the other hand, however, the pressure to "obtain written agreements" within the pre-determined time table may have given the wrong signal to the field level implementers of the resettlement program, such as the land acquisition committee members encouraging them to pressure the villagers to cooperate. If OECF truly valued the villagers' independent decisions, it should have allowed enough time to consult the villagers before the construction schedule was set.

The second issue is closely related to the first: the issue of defining resettlement as an "environmental problem." By defining resettlement as part of the "environmental problem," the project implementers seem to have failed to recognize the difference of two distinct sets of problems: the resettlement of 22,000 people and the relocation of some 30 elephants. I do not discount the importance of protecting the endangered species; however, I believe that there is a qualitative difference between issues concerning human-beings and those concerning natural environments. The term "environment" gives a misleading impression that people are simply part of the scenery and that the producers can manipulate them in any way they want. In this sense, I question the legitimacy of the donor agencies' common practice, which is not limited to the case of the Kotapanjang, of defining social and human elements of development projects as "social environmental issues."

Third, the process lacked an effective commitment to information dissemination. The project implementers were not willing to share information about the compensation with the resettlers. For example, the compensation rate for West Sumatra and Riau was different for reasons that were not well-explained. In fact, the OECF official in charge of the project was not aware of this

fact. In any event, this difference was not perceived as an important factor by the project implementers. According to information that I obtained from an Indonesian official, the difference in the compensation rate was not significant (Table 4-4.). Because correct information was not shared with the resettlers, there was a big rumor among the villagers of Riau and the NGOs that people in West Sumatra were receiving ten times as much for their lost assets. In fact, villagers in West Sumatra did not take part in the resistance movements. The rumors were widespread and aggravated the villagers' distrust of the GOJ and GOI. Such a problem took place due to the lack of an information sharing effort.

Table 4-4. Comparison of Average Amount of Compensation

	Village	Amount of Cash Compensation (Rp. million/household)
Riau	Plau Gadang	11.8
	Muara Mahat	6.3
	Tanjung Alai	8.6
	Batu Bersurat	9.1
	Pongkai	9.8
	Koto Tuo	9.7
	Muara Takus	7.4
	Gunung Bungsu	6.2
West Sumatra	Tanjung Balit	12.4
	Tanjung Pauh	13.1

(Source: "Answer of Questionnaire" submitted by PLN to OECF, 1993)

Fourth, lack of recognition of the resettlement program as a "development project" of the resettlers. The consensus of "respecting the resettlers' demand" among the project implementers helped strengthen the bargaining position of the resettlers. However, the project implementers failed to view the resettlement program as a "development" program, instead of viewing at it as a "welfare"

program. Consequently, they only viewed resettlers as recipients of welfare; they could not recognize the resettlers as active participants in the formulation as well as the implementation of the project.

The complaints on the housing style illustrated the problem. Many resettlers were unhappy about the ready-made housing style of the Transmigration Program. In the 1983 resolution, they requested Permunas housing, but GOI judged that Permunas housing was too expensive and built Transmigration houses instead. For some reason, GOI did not consider any other option that might have been better received by the villagers and less expensive than Permunas housing. My own impression of the houses in the new settlements was also not very favorable; the houses were tasteless box styles in comparison to the houses in the villages prior to resettlement in the original villages. People had houses of unique designs, many of which had roofs of Minankabau style²². I heard from a number of NGO staff that the villagers felt insulted to be moving into the same houses as public transmigrants. People in Koto Ranah were expanding the houses by themselves with wood and tin plates from the old houses that they had brought with them from Plaugadang. One woman in Koto Ranah told me that she was particularly unhappy about the small kitchen that was provided with the Transmigration house, and that she and her husband constructed an annex by themselves to use as kitchen. Eventually, people modified the program through self-help housing construction, despite the project's imposition of the uniform houses. They also succeeded in persuading the project officials to improve the internal structure of the houses. Nevertheless, many villagers remained dissatisfied with the whole idea of Transmigration houses.

²²Unique curved line roof design of the Minankabau tribe that is based on the image of the head of a cow.

In light of this situation, it is important to ask why the GOI had to stick with a housing design that only made people unhappy. My own sense is that the GOI was obsessed with the idea that they had to provide houses for the beneficiaries. Out of their existing housing design portfolio, GOI could not come up with any idea that met cost limits and satisfied the people. However, the GOI did not go back to the villagers in order to ask their input in the housing designs. Ultimately, the GOI and the OECF, as well did not truly understand the concept of resettlers' participation. Both the GOI and OECF could not view the resettlement program as a "development" program, in which they needed an active participation of the resettlers.

In sum, it is not clear whether the NGOs' continuing opposition to the project that I observed in late 1993 - early 1994 represents feeling of the majority of the villagers. However, this continuing resistance does highlight the existence of negative perceptions in at least some of the villages, for good reasons. These persisting negative perceptions are not something that the project implementers should easily dismiss by regarding them as the complaints of "greedy minorities." I believe that the project implementers can benefit by learning lessons from the negative aspects of the Kotapanjang case. In the next and final chapter, I summarize my evaluation of the Kotapanjang case and discuss some possible measures for future improvement of resettlement programs.

Chapter V. Conclusion and Recommendation for the Japanese Aid Agencies

I this chapter, I will first summarize the evaluation of the involuntary resettlement of the 10 villages under the Kotapanjang hydroelectric power generation project and, second, present recommendations for the Japanese aid agencies based on this case study.

5.1. Summary of the evaluation of the resettlement process

Resettlement experts identify several stages in the process of involuntary resettlement. People are very risk averse for at least about two years after relocation ("The Transition Stage"), but tend to show more initiative and take more risks when their standard of living recovers to the level enjoyed prior to relocation ("The Stage of Potential Development") (Scudder and Colson, 1982). However, many resettlement programs never pass the transition stage and reach the stage of potential development. The literature suggests that the "long-term success" of resettlement is not known until "management of local production systems and the running of the local community are handed over to a second generation that identifies with the community," which is the "Handing Over/Incorporation Stage," the final stage of the resettlement process (Scudder and Colson, 1982). Therefore, it is obviously much too early to attempt to determine the overall "success" of the Kotapanjang case. Nevertheless, I believe it is helpful to consider the preliminary evaluation of this case by summarizing the analysis of the project presented in Chapters III and IV. As is clear from the summary below, I observed mixed outcomes in the resettlement program under the Kotapanjang project.

A. The project was successful in:

1) Giving legitimacy to the resettlers' demands, in marked contrast to previous resettlement efforts

The resettlement scheme complied with a number of demands stipulated in the 1983 resolution of the villagers of the villages to be displaced by the project. This resulted from the popular opposition of the NGOs both in Japan and in Indonesia that called for unusual direct involvement of the OECF (the Overseas Economic Cooperation Fund), the Japanese aid agency, in the resettlement case.

2) Motivating the PLN (the National Electric Power Authority) officers to play a major role in the resettlement program;

PLN, the implementation agency of the project, used to be reluctant to become involved in resettlement issues in the past, but under the pressure imposed by the OECF, the PLN officers worked to improve the quality of the resettlement program in the Kotapanjang case.

3) Improving the standard of the resettlement package in comparison to the past cases in Indonesia;

The project partly followed the common practice of development-project-induced resettlement in Indonesia, by providing the resettlers with services of the National Transmigration Program. However, the Transmigration service package applied to the resettling villages was UPP (Project Implementation Unit), a special Transmigration pattern, superior to the originally proposed public Transmigration package.

4) Incorporating the resettlers' evolving demands in some of the important elements of the resettlement program , and in the upgradings of the UPP package.

The selection of the resettlement sites and the improvement in infrastructure under the program were the result of negotiations with the resettlers of Plaugadang, the first village relocated under the project.

B. The project suffered from:

1) *Lack of concern over the process by the project implementers;*

OECD only focused on the "hard evidence" of a "democratic" process allegedly followed (e.g., signatures of the villagers on agreements for resettlement) to justify the legitimacy of the process to its opponents, and did not pay attention to the actual process of the resettlement.

2) *Lack of recognition of different perceptions of the standard of "fairness" of the compensation rates between the Indonesian government and the resettlers;*

Both the Indonesian and the Japanese government were concerned about improving the compensation rate in a relative terms in comparison to the historical precedents, but the resettlers were interested in obtaining replacement costs for their assets.

3) *Failure to recognize different perceptions among the villages;*

The project unintendedly had a redistributive effect among the resettling villages and the relative economic well-being before and after the resettlement differed among the 10 villages depending on the assets held previously.

4) *Lack of commitment to resettlers' participation.*

The project implementers were overly optimistic about the problem of resettlement and assumed that the issues would be resolved within the pre-set schedule, without either allowing enough time to earn the trust of the resettlers through consultations, or expending an adequate effort toward information dissemination. Moreover, by defining the resettlement as a part of an "environmental problem," the project failed to recognize the qualitative

difference between the resettlement issue and other natural environmental impacts of the project. Most importantly, because the project implementers viewed resettlement as a "welfare project" rather than as a "development project," they failed to encourage full participation of the resettlers in either planning or implementation of the program.

5.2. Recommendations for the Japanese Aid Agencies

Based on the results of my project analysis, as well as an examination of international donors' resettlement policies, I would like to recommend the following to the Japanese aid agencies for the purpose of improving their performance in future resettlement projects:

1) Clearly recognize the donor's responsibility in involuntary resettlement;

The self-imposed limitation of Japanese aid agencies designed to maintain a "non-intervention" principle seems to be harmful in resettlement project implementation. In the case of Kotapanjang, the OECF clearly redefined its role in the resettlement, assuming the responsibilities of monitoring and placing external pressure on the PLN to improve the resettlement program. This was a large step forward for the Japanese government, given its past history. However, the OECF restricted its role to monitoring of the resettlement program, relying heavily on the information provided by the Indonesian government. Consequently, OECF simply examined and approved the reported "results" of each step of the resettlement and failed to directly observe the critical aspects of the process. In addition to Japan's political position, the OECF's lack of capacity in effect prevented it from playing any greater part in the resettlement program. The Japanese government and the aid agencies need to reexamine their policies

as well as their institutional capacity in order to permit Japanese agencies to actively ensure an appropriate resettlement process.

2) Place more emphasis on the preparation of projects;

More resources should be allocated to early preparation of projects rather than the construction of the project per se. JICA (the Japan International Cooperation Agency), in particular, should put more emphasis on the examination of project alternatives and/or alternative project designs that avoid resettlement or minimize the size and impact of resettlement.

I believe that one of the major reasons for the failure to consider project alternatives that minimize resettlement is the failure to accurately calculate the costs of resettlement. Conventional cost-benefit studies only include cash compensation and temporary provision of necessities immediately after relocation and, at most, the cost of land preparation and provision of housing and basic infrastructure. However, the real cost of resettlement would include the much longer-term costs of resettlement as a "development project," as opposed to the conventional definition of resettlement as a short-term "welfare project." This means that resettlement program should ensure, at the very least, resettlers' recovery of the standard of living they had prior to resettlement. In fact, because the benefit of the development project (in the Kotapanjang case, electric power generation by the construction of a dam), which is supposed to reach a large percent of population, is not possible without the resettlement (given existing project design), the resettlers are more than entitled to receive their share of benefits from the development project. Therefore, the cost of resettlement should include the cost of development of the resettling communities to improve their standard of living above their pre-resettlement standard. If this were done, the importance of minimizing the number of people

to be resettled would be taken much more seriously in order to ensure the economic justification of the development projects.

The more difficult cases would probably involve the projects that have already advanced to later stages of the project cycle without appropriate consideration of the resettlement issue, like the case of Kotapanjang. Theoretically, such a project should go back to the feasibility stage to re-do the feasibility study, but in reality, this seems to be an unlikely option for both the Japanese government and the recipient countries. Because it often takes a long time for the projects to progress from JICA feasibility studies to the approval stage by OECF, OECF will continue to encounter projects that lack appropriate examination of the resettlement issue during the feasibility study stage. Therefore, more emphasis on preparation at the OECF level is very important. It often happens that as the construction start date of the project approaches and the amount of money flowing into the project grows, the harder it becomes to engage in such time consuming-efforts as consultation with and dissemination of information for the resettlers. This is exactly what happened in the Kotapanjang case. The resettlement time table was determined without appropriate consultation and information dissemination for the resettling villages. As a result, the project failed to earn the resettlers' support and the achievements made in other areas were considerably diminished.

3) Allocate special staff on resettlement and social policies to each operational division;

The Operational Directives 4.30 of the World Bank and the OECD resettlement policy guidelines present all of the important policy principles of international donors regarding resettlement. The OECF is in the process of adopting its own guidelines on resettlement, which are supposed to be used as a

check-list for appraisal of projects. The July 1993 draft seems to require quite elaborate prior social analysis, but it is not clear how and when such studies are to be conducted and what OECF should do if appropriate preparation had not been made prior to appraisal (OECF (draft), 1993). The more critical issue seems to be the actual application and implementation of the principles, rather than the issues of what the principles should be. In this regard, environmental NGOs express strong doubt about and dissatisfaction with the efficacy of the "mandatory" policies stipulated in the Directives at the World Bank. I lack sufficient knowledge to evaluate the implementation of the resettlement policies at the World Bank. However, my sense is that implementation strategy at JICA and OECF should probably differ from that of the World Bank for the reasons given below.

The major reason is that dissemination of a new policy from a "specialized department" (comparable to the Environmental Department at the World Bank) does not seem to work very well in Japan--or, at least, dissemination takes too long. For example, in the case of initiative to promote the concept of Women in Development at OECF, an official of the Department of Economic Studies, rather than officials of operational departments, was appointed as the focal point of the initiative. While I admired her individual role as a symbol of the initiative, I could see neither a role for her beyond consciousness-raising in the agency nor a viable strategy for operationally integrating the initiative into the operational departments. Particularly given the fact that many of the OECF officials (including this Women in Development official) are temporarily transferred from various governmental ministries to the OECF, introduction of new initiatives should directly start in the operational departments, involving as many permanent officials as possible.

In addition, unless one closely monitors the progress of the project, one cannot appropriately tackle the issues at each stage. Experts' advice in "emergency" situations does not really help; what is needed is continuous observation and interaction with the resettlers. Therefore, rather than assigning experts to one specialized department, I would recommend that the agencies appoint specialized staff or long-term consultants on resettlement and social issues in all operational departments which directly handle projects. These staff or long-term consultants may cover several operational departments if staff allocation for each single department is difficult. The important point is that these staff are specialized by task rather than geographical regions and are not responsible for the administration of the entire project.

4) Clearly recognize the importance of the resettlers' participation;

In the case of Kotapanjang, there was a consensus among the project implementers that the resettlers' demands should be respected. However, the recognition of the project implementers did not advance to the next step of ensuring the resettlers' meaningful participation in the resettlement project. There is a marked difference between simply "respecting" the resettlers' demands with a recognition of the resettlers as passive beneficiaries and policies to ensure the resettlers' participation by looking at them as active participants in development projects. As elaborated in Chapter IV, the Kotapanjang project clearly recognized the resettlers as counterparts in negotiation, which was a significant improvement over the past resettlement cases; yet there was a failure to recognize their capacity to participate in the formulation and implementation of the resettlement program. The resettlers eventually participated in such activities as self-help housing, despite the project's imposition of the uniform houses. However, by more clearly recognizing the resettlers' capacity--as well as

their right--to create their own future in accordance with their own preferences, the Kotapanjang resettlement program could have been formulated to better meet their needs and tastes without necessarily violating budgetary constraints.

5) Learn lessons from the mistakes made in Japan .

The application of Japan's development experience to the developing countries has been a popular concept not only among Japanese development practitioners, but also in some of the international agencies. In terms of resettlement, I believe it is critically important that the Japanese aid agencies learn lessons from the mistakes of resettlement policies in Japan in the past (and perhaps in the present as well), as I discussed in Chapter II, Section 2.3. The historical problems of the government of Japan's centralized project development style, namely, a lack of consultation with project-affected families and the single-minded understanding of the concept of compensation as an amount of cash still seems to persist. In the course of rapid industrialization, the Japanese government expected that resettlers would individually self-migrate to the urban industrial sector and did not pay attention to such negative impacts as the destruction of community, which, if replicated today in developing countries, may lead to more serious problems than in the case of Japan. Application of the "Japanese way of doing things" is not a good idea as far as the resettlement program is concerned. Likewise, justifications of the process based on the experience of Japan should never be used. The aid agencies have to learn new and better ways of ensuring resettlers' participation in the formulation and implementation of resettlement projects in developing countries. This may be a good example of how Japan could learn lessons from the experience of developing countries for application to domestic policy.

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Appendix I.

Letter of Appeal (December 19, 1983)

We, the people of Kecamatan XIII Koto Kampar consisting of traditional leaders, Ninik Mmak, and Religious leaders held a meeting at Batus Bersurat on Monday, 19, December 1983. Unanimously, we would like to state the following:

First, we fully support the government's program with regard to the Koto Panjang Hydroelectric Project at Kecamatan XIII Koto Kampar, Kabupaten Kampar, Riau.

Second, we appeal the following to the government:

1. We, the people of Kecamatan XIII Koto Kampar appeal to the government that the new settlement be located in the area surrounding the road which will be built along the lake/reservoir. Thus would the status of the village and Kecamatan not be altered.
2. Prior to resettlement from the old locale to the new one, the site should be selected three years ahead of time, during which the houses should be constructed.
3. Before the resettlement, each family should be given 2 ha of mature palm oil, rubber plantation.
4. Each house to be constructed in the resettlement area should be the same type as specified within PERUMUNAS with a housing land area of 1/2 ha and prepared cultivation land of 2 ha.
5. The government should provide basic life supplies for three years.
6. That the entire property of the community be evaluated and priced for compensation. The mature crop land areas should be counted—at the minimum—for the sum total of 5 years of crop yields.
7. The government should construct facilities such as mosques/religious buildings, markets, as well as facilities to provide both a reliable electricity and a clean water supply.
8. The compensation money should be given to the people before moving to their new settlement.
9. Compensation money should be given directly to each family, without the use of an intermediary, to prevent unwanted incidents.

10. Before the compensation money is given, the government is asked to establish a branch bank, BRT, at the capital of Kecamatan XIII Koto Kampar.
11. The government shoulders the entire expense of resettlement of each family.
12.
 - a. That plantation lands be provided for each resettled village.
 - b. That extra land allotment for population growth be provided.
 - c. That grazing areas for cattle be provided.
13. That historical graves be moved to the new settlement. Among those buried there include, among other locations:
 - Syekh H. Abdul Ghani at Batus Bersurat;
 - Syekh H. Jaafar at Pulau Gadang;
 - Shykh H. Abdurrahman at Tanjung Alai.
14. That the government establish a high school and a vocational school in the new settlement.
15. That the administration expenses of the compensation process (including tax) be the responsibility of the government and not the people.
16. In the physical construction of the project the executing agency prioritizes the hiring of local labor with their existing skills, experience and educational background.
17. That government grants ownership or unflooded new land (once the water level resides) to the people.

Thus is this statement made on the consensus of the people for the consideration of the government.

On behalf of the Community

Appendix II.

List of Interviews

In Indonesia

Mr. Indro	Secretary, SKEPHI
Mr. Abdul Hakim Gnusantara	Attorney, ELSAM
Mr. Santosa	Attorney, LBH
Mr. Ribut Siswanto	Chairman, WALHI, Riau
Mr. Effendi Tedjakusuma	Bureau for Transmigration, BAPPENAS
Mr. Hanggono Nugroho	Bureau for Regional Development Aid I, National Development Planning Agency(BAPPENAS)
Dr. Manuwoto	Head of Bureau of Environment, National Development Planning Agency(BAPPENAS)
Mr. Hisanori Morita	Project Manager, Tokyo Electric Power Services Co., Ltd.Kotapanjang Office
Mr. Toshio Kanokogi	Deputy Manager, Tokyo Electric Power Services Co., Ltd. Hydro-Power Engineering Department
Mr. Y. Yoshida	Resident Engineer, Tokyo Electric Power Services Co., Ltd.
Mr. Koji Fujimoto	Chief Representative, The Overseas Economic Cooperation Fund of Japan, Jakarta Office
Mr. Takaaki Hattori	Representative, The Overseas Economic Cooperation Fund of Japan, Jakarta Office
Dr. Indrawan Soelaeman	Head of International Cooperation Bureau of Planning Department of Transmigration and Forest Squatter Resettlement
Mr. Peter van Tuijl	Secretary, International NGO Forum on Indonesian Development

In Japan

Mr. Shinro Yoshiguchi, Officer, Suigenchi-Taisaku, Bureau of Rivers Development, Ministry of Construction

Mr. Kenichi Asano, Staff Reporter, Kyodo News Service

Ms. Tomoko Kobayashi, International Development Center, Japan

Mr. Ryo Fujikura, Environmental Specialist, Technical Appraisal Coordination and Planning Division, Technical Appraisal Department, The Overseas Economic Cooperation Fund (OECF)

Mr. Takashi Yamamoto Project Officer, Technical Appraisal Coordination and Planning Division, Technical Appraisal Department The Overseas Economic Cooperation Fund(OECF)

Mr. Ken Arimitsu Secretary General, The Founddation for Human Rights in Asia, Japan

Ms. Akiko Tsuru Secretary, Japan NGO Network on Indonesia

Prof. Kazuo Sumi, Professor, International Environmental Law, Yokohama City University

Ms. Saito The Friends of the Earth, Japan

Mr. Toshiyuki Kubo Graduate Student, Satiya Wachana Christian University

Prof. Yoshinori Murai Professor, Center for Asian Studies, Sophia University

Other

Mr. Naruhiro Takesada Graduate Student, Brown University (Former Project Officer, 2nd Division, Loan Department I, The Overseas Economic Development Fund)

Mr. Kenji Kimura Graduate Student, Harvard University (Former Project Officer, Technical Appraisal Department, The Overseas Economic Cooperation Fund)