

Ilisu Hydroelectric Dam Power Plant Project

The Committee of Experts—Resettlement

Report on the First Field Visit of the Committee of Experts- Resettlement

November 29- December 11, 2007



**Report Prepared on Behalf of
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List of Relevant Acronyms

CoE	Committee of Experts
CH-CoE	Committee of Experts – Cultural Heritage (or CoE-CH)
E-CoE	Committee of Experts – Environment (or CoE-E)
R-CoE	Committee of Experts-Resettlement
DFDR	Development-caused Forced Displacement and Resettlement
DOLSAR	Name of consulting company
DSI	Directorate for State Hydraulic Works
ECA	Export Credit Agencies
ENCON	Environmental Consultants
FAM	Final Assessment Meeting
FDR	Forced Displacement and Resettlement
GAP	South Eastern Anatolia Project
IC	Ilisu Consortium of Construction Companies
IRP	Income Restoration Program
MARA	Ministry of Agriculture and Rural Affairs
MPWS	Ministry of Public Works and Settlement
PAP	Project Affected Person
PIU	Project Implementation Unit
PIU-RC	Project Implementation Unit (respectively: PIU-R, PIU-CH, PIU_E) Resettlement Committee
RAP	Resettlement Action Plan
RIP	Resettlement Implementation Plan
RSP	Resettlement Site Plan
TOKI	Collective Housing Administration

ToR	Terms of Reference
VRC	Village Resettlement Committee
WB	The World Bank

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Cover picture: Focus group interview by the R-CoE in a village in the dam construction area. **Photo: Thomas Leye**

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Executive Summary

Objectives of Field Visit. The CoE-R carried out its first field visit at the Ilisu dam site between Nov. 29-Dec 12, 2007. The visit's main objectives were:

- To meet the PIU-Resettlement Sub-Committee, understand DSI's *modus operandi*, and establish a joint work-relationship;
- To examine the reasons that led to DSI's request to re-plan the delivery deadlines of almost all ToRs;
- To assess overall resettlement preparedness and the status of each R-ToRs execution by Dec. 2007.
- To review the expropriations started by DSI in the six villages of Phase 1 site and their consistency with ToR provisions;
- To interview communities in Phase 1, slated for displacement;
- To assess the institutional capacity available for resettlement work;
- To review the state of planning for Phases 2 and 3 resettlement;
- To discuss the (in-service) staff training necessary program for internalizing WB standards in DSI/PIU and involved agencies;
- To prepare recommendations to ECAs, DSI, and PIU, as the findings require, for phases 1, 2, and 3 of resettlement.

These objectives were successfully achieved. The CoE worked jointly with the PIU's Resettlement Sub-Committee throughout the visit.

CoE members are pleased to express their grateful appreciation for DSI's and PIU's efforts to organize the field visit and for extending their cooperation and hospitality throughout the Panel's work.

Chapter 1: Introduction and Background, Schedule of Field Visit

The report succinctly reviews the milestone of Ilisu negotiations and preparation over the last two years, beginning with the Ilisu break-ground ceremony until final ECA commitment and the Zurich ECA-DSI-PIU-CoE meeting, preceding the first field visit.

Most of CoE's field time was spent in communities for assessing the status of resettlement work in Phase 1 villages and for interviews with affected farmers, individually or in focus group format.

Within the R-CoEs general assignment, the focus of the host visit was on the special request made in Zurich by DSI and the ECAs to assess the status of ToRs at end 2007. The CoE placed this task at the center of its work. After the field visit, the CoE reported its findings in the final evaluation meeting organized by DSI in Ankara through a power point presentation (see presentation in Annex 1).

Chapter 2: Status of Work on ToRs

The chapter accounts for the CoE's review of progress to date on each of the 35 ToRs, with a detailed "Status Table". Activities on the ground until now have been essentially limited to cadastral work (started in 2006) and expropriations by DSI (started beginning 2007).

After undertaking a ToR-by-ToR analysis in response to the Zurich meeting, the CoE found that the **DSI's proposal for re-planning the ToR on resettlement is justified by necessity**. By FAM (2006) agreement, the start date for work on all ToRs was set on October 2006 and completion date was set for March 2007. However, by December 2007 only the 9 ToRs that were a prerequisite for ECAs final commitment had been done or 'partly done', some only notionally. For the majority of ToRs, i.e. 26 out of 35, work has not started yet. Consequently, the resettlement and income restoration measures for the communities affected by Phase 1 construction at dam site have not been readied and are not in place. Displacement should not occur before necessary measures for resettlement are prepared and executed. In order to achieve this, the implementation of resettlement activities should precede the implementation of the investment component.

As these planning ToRs address not only Phase 1 but the timely preparation of the entire massive reservoir resettlement process, their delays entail broader consequences and represent a *de-facto* modification of the previously agreed project timetable. It is precisely from this massive backlog that the need signaled by DSI for re-planning project resettlement preparation emerges. The implications of this backlog, and of its roots, are prone to affect the schedule of construction works. Addressing them effectively requires strategic decisions and **major concentration of specialized resource capacities both in and around DSI and PIU**. The CoE supports the creation of the institutional capacities for giving life to ToRs provisions, which – together with a carefully re-planned ToR timetable – could create the ability to achieve the objectives and standards of resettlement

Therefore, given resettlement complexity and the inner linkages between the mutually supporting ToRs, the CoE also concurs with DSI proposal to re-plan the entire group of ToRs comprehensively rather than to proceed piecemeal, because modifying deadlines one-ToR-at-a-time would not be appropriate under current circumstances.

The CoE does not have the information and is not in a position to explain all causes of this ToR backlog, but can share its views on at least two fundamental factors.

First, the backlog results from the fact that the institutional capacity envisaged and indispensable for executing the ToRs did not exist yet by December 2007. Throughout the 15 months following the FAM, DSI has been

working alone, on the expropriation only, with no support for resettlement from any other Ministry or agency. None of the collaborating Ministries or agencies with major responsibilities in resettlement have mobilized themselves to address their tasks and no one has started to contribute to both strategy planning and to settlement work on the ground.

Second, the new international standards for resettlement consistent with World Bank policy are insufficiently known, or not known, or known but not yet internalized, by the DSI staff and the other institutions and agencies that are expected to apply these standards in Ilisu. This knowledge gap is hard to ignore or contend with. Overcoming it would require a massive and systematic training program as a premise for the practical work required by the ToRs, a training program that should involve all relevant staff working on Ilisu preparation, both at the center and in the provinces, and include the IC. This training program was not envisaged and included, either in the ToRs and ECAs proposals, or in DSI. During the Zurich meeting, the R-CoE made proposals in respect to training and organized international experience-exchanges involving key management staff, training of trainers, etc. Both DSI and PIU fully agreed in Zurich with treating staff training needs as a major priority. We will elaborate further on this in the present report. It may be useful to also consider upfront addressing a request to the World Bank office in Ankara for collaborating in the organization and expeditious provision of such training along a program meeting Ilisu staff 's specific needs.

Quantitatively, the overall findings on the status of ToR-related work by December 2007 can be summarized as follows:

- 5 of the 35 ToRs were defined at the FAM¹ as a prerequisite to be met before ECA's final commitment (these were: ToRs R-26 on relocation from dam site, R-27 – creation of a grievance mechanism, R-30, R-31, and R-37).
- For another 4 of the 35 ToRs, only parts of the defined tasks had to be fulfilled as a prerequisite of final commitment. (R-10 on long-term income mitigation, R-14 on benefit sharing, R-24 and R-36). Their other parts had longer deadlines
- For the first 5 ToRs, the submissions by DSI have been deemed satisfactory by ECAs before the final commitment. For the second group of 4 ToRs, the submissions by DSI have been assessed as "partly done" and thus also meeting the condition set for ECA's final commitment. As insurance agencies, the ECAs did not have a mechanism for process-assessment on-

¹ See Annex to the Agreed Minutes of the FAM.

the-ground of the fulfillment of the required activities for this group of 9 ToRs, submitted by DSI in notional form.

- The majority of the ToRs, that is the remaining 26 of the 35 ToRs, are assessed by end 2007 as “not done”, because so far no activity has been initiated to carry out their prescriptions.
- Where documents have been submitted to the ECAs in fulfillment of the above 9 ToRs, the site assessment by the CoE-R has shown that these documents were produced on a theoretical/conceptual basis without work on the ground for execution of their operational provisions by relevant agencies.²
- This uneven dealing with the ToRs has also resulted in substantially modifying the **critical-path timetable** intended for the essential resettlement activities. Specifically, expropriations are now being executed and finalized without their ToR counterpart: prior activities for site-identification to relocate farmers; also, without any planning for the income recovery measures indicated in the ToR and listed in the matrix for R-10.

Chapter 3: Consultation, Participation, Grievance System

Information and consultation of the affected population about the displacement and relocation process, and the population’s needs and proposals, is a major component for Ilisu project preparation. The CoE has inquired with farmers in 6 villages and with DSI staff on how the consultation process has been carried out between end 2005 – end 2007. Information received from both sides indicates that this process has not been carried out at the level planned. The local population reports receiving little information and was not asked to participate in preparations. No handbook addressing the process of displacement and resettlement has been prepared or translated into local languages for distribution to PAPs. In sum, compliance with ToRs has not been achieved with regard to informing and consulting with PAPs regarding their resettlement. Consultation on specific relocation sites with presentations to PAPs have not yet been scheduled. Farmers report that they were not consulted on needs and their own proposals regarding income restoration and livelihood development.

² For instance, in the ToR prescribing the creation of a grievance system, the notional outline of the grievance system was not followed by its actual creation. In the case of the Income Restoration Plan, a notional list of potential measures for income restoration was submitted to ECAs, without a specific program of provinces and communities where these measures will be implemented, and without definition of responsible agencies, budget, and time of implementation. After ECAs issued their commitment decision in March 2007, follow-up work on these conceptual submissions was not initiated, which in hindsight raises questions on their being deemed as satisfactorily internalized in the project.

ToR 27 explicitly requires the establishment of a grievance redress mechanism for PAPs, preceding the beginning of expropriations, but an actual grievance mechanism has not been created and institutionalized.

Chapter 4: Expropriation and New Sites' Identification

This chapter reviews DSI work on two interrelated tasks: (a) expropriation, and (b) the concomitant identification of sites for relocating of houses and lands.

ToRs international standards require that farmers affected by expropriation be offered not just cash compensation, but a choice among project-identified alternative land sites to which they can relocate their farming activities, or dwellings, or both--when both lands and houses are expropriated. For construction works scheduled to begin in October 2008, the site feasibility studies should have been completed by June 2007 and October 2007. Neither task has been started.

Out of the 1474 land parcels and structures to be expropriated in the six villages, some 351 plots and almost 100 structures in Ilisu and Kartalkaya villages (63%) have been expropriated and payments were deposited in the Banks. The affected farmers (except two) did not accept the valuations, claiming underpayment. A number of 449 Court cases were opened for the parcels and houses expropriated in Ilisu and Kartalkaya. The Courts have found in virtually all cases that compensations were under-undervalued, and ruled in favor of the farmers. The expropriation process is scheduled to continue in 2008 for some additional 1000 parcels in Phase 1 villages. Current expropriation done alone frees the area for construction work by the Consortium, without however introducing the safeguards to assure the relocation and livelihood of affected families.

Interviews in all six villages inquired whether PAPs were shown any relocation site they could move to, and found that, except cash compensation, no option of a site choice was offered in the six villages. Information converges from both DSI/PIU and farmers' interviews in that the process of identifying sites for relocation has materially diverged from ToRs.

Chapter 5: Land Compensation

The review has found that a compensation for expropriated parcels and houses is not paid at replacement costs levels as provided in the agreed ToRs. The PIU indicated, and the CoE agrees, that a gap exists between the compensation possible under Turkey's Expropriation Law, and what is required if international standards are to be met. For agricultural land, the "income approach" currently used by DSI to determining compensation will most likely result in farmers not being able to purchase a plot of replacement land of equal size and productivity. For houses and other structures, the depreciation approach to determining compensation results in families not being able to construct or purchase a replacement house or structure of equal size.

The CoE-R is of the opinion that there are limitations to the use of “the income approach” to determining compensation. Until land availability at prices offered to expropriated farmers is demonstrated in practice, the CoE-R concludes that “the income approach” to the valuation of land does not meet the objective of producing the replacement cost or market value of replacement land.

According to international standards, affected owners should be given a choice of replacement land or cash compensation. Preliminary household surveys have indicated that many owners are said to prefer cash compensation. The CoE is of the opinion that if suitable replacement land is made available, the desire for cash compensation will be reduced.

The CoE believes that the necessary steps must be taken to ensure that replacement land or other income generating opportunities are provided to PAPs, to restore and improve previous income; and that full replacement cost for house plots, houses and other structures is provided such that buildings lost can be replaced at no cost to the owners.

The approach suggested by the CoE to DSI/PIU is threefold: within the limits of the Expropriation Law, work diligently to obtain the maximum compensation amounts achievable; advocate revisions to the Expropriation Law in line with international practice; and supplement in cash or kind the shortfall between compensation allowed under the present legal/administrative framework, and the compensation needed to meet the stated resettlement objectives of the Project. PIU through MARA should make the land-for-land option real by pro-active searching for replacement land. Furthermore, to facilitate owners making the choice of selecting land-for-land, the PIU should consider purchasing agricultural replacement land for offer to owners.

Remedial action be taken with respect to the households which have been already expropriated in Ilisu and Kartalkaya, so as to bring their situation in line with the ToR provisions. The need for corrective measures results both from the Court decisions for the first round of expropriations, as well as from the financial analysis developed further in this report. Since a very considerable part of the expropriation in the remaining Phase 1 four villages is still to take place throughout 2008, this process should be continued only after the appropriate decisions are issued inside DSI.

Chapter 6: House Compensation

Visits in dam site villages determined that house compensation is not being paid at replacement value, and that deductions for depreciation are being made, which is not in accordance with international standards. To this day, the international standards that govern the Ilisu Project have not yet been made available to most national and local officials. Since the expropriation of houses proceeds along legislation existing in Turkey, and not along TOR lines, the

replacement value principle embedded in the TOR is not being adhered to. The present practice of calculating compensation for housing and other structures is to apply a new construction cost (of concrete buildings) per square meter to the area of the house, and then deducting depreciation based on age and type of existing house. This does not produce the full replacement cost for the house.

For expropriation and compensation, the Turkish rules and regulations continue to apply. As this is not in compliance with the Project TORs it needs to be addressed as a matter of urgency.

The CoE recommends that the depreciation feature of the present calculation formula not be applied, in order that full replacement cost compensation can be offered to those affected by the Ilisu Project, as per agreed-to international standards. PIU/DSI should make representations at appropriate levels of Government to allow it to pay full replacement cost without deduction for depreciation. The owners in Ilisu and Karabayir Villages that already have received their house compensation payments should be given additional payments (rebates) in the amount of the depreciation that was deducted from the value of their houses. The effect of distributing these rebates in the next few months will be beneficial for the image of the Ilisu Project. Seminars and workshops need to be organized by PIU that bring together all involved with the expropriation and compensation process. Also, an Ilisu Project Expropriation and Compensation Handbook should be produced that contains all key pertinent documents.

The CoE also requires that eligible PAPs receive disturbance, moving, and transition allowances to mitigate the impoverishment risks that result from displacement.

Chapter 7: The Income Restoration Program and the Employment Plan

Income restoration and improvement is the single most important component of any plan for sustainable population resettlement. The design of the Ilisu project has the merit of defining the PAPs Income Restoration Program (IRP) as the basic cornerstone of the project. It requires mobilizing multi-skill staff and financial resources for outlining an economically feasible program and executing it. At the field visit's start, the CoE was informed that preparation of the IRP has yet to begin, and the CoE was unable to review its economic feasibility during this mission. Professional studies on local agriculture, area-based studies on horticulture potential and livestock development, as well as for planning other income generating activities, need to be initiated as the basis for formulating the IRP, with high priority.

During working meetings in the field, the CoE and the staff of DSI, PIU and collaborating agencies (primarily MARA and MPWS) discussed the steps for identifying agricultural sites for households subject to imminent physical displacement. A successful exercise was carried out in Ilisu village, resulting in

the identification of such a site, agreeable to the villagers (see sections 4.8 - 4.9 and Box 1). Based on its field observations, the CoE expresses confidence that with appropriate levels of effort it may be possible to secure land-for-expropriated-land in a significant proportion.

Since 2 of 6 villages at the dam area are close to expropriation's end, but not relocated, and the other four are scheduled for expropriation during 2008, the CoE recommends that PIU RC focus immediately on preparing and submitting to ECAs the IRP for phase 1 PAPs.

An operational employment plan and wage-income forecast, time-bound by construction milestones and accompanied by the time-bound plan for formal and on-the-job vocational training, need to be prepared by IC and PIU.

Chapter 8: Resettlement Cost and Budget.

TOR R-36 on a revised budget was submitted in February 2007 and an updated budget was to be approved in January 2008. The PIU informed the CoE that the 2008 budget was approved in February 2008, and the information on its data and allocations will be made available before long.

According to earlier project documents, the budget estimate for meeting resettlement-related expenditures under the Ilisu Project was US \$1.088 billion as of October 2007. This was an increase compared to TOR R-36 of February 2007. Project implementation costs are not included in these figures.

The examination of cost and budget issues leads to several recommendations, such as:

- Setting the contingency allowance for resettlement at 20 percent of total resettlement cost;
- Providing an inflation adjustment for one year over the amount owed to 208 outstanding Ilisu owners, whose compensation was calculated in 2007 but will be paid during 2008;
- Collecting information on benefit-sharing from other countries with hydro projects, in order to assess the applicability of this approach to the Ilisu Project. DSI and PIU should study these experiences and prepare an adequate proposal for introduction in the Ilisu project.
- Commissioning a special study by PIU or TOKI to examine the conditions, difficulties, needs for assistance, etc. that house-expropriated farmers may encounter in their attempt to rebuild their houses; appropriate information, training and assistance with building materials or equipment at affordable prices can be

provided to displaced farmers who reconstruct their houses themselves.

Chapters 9 and 10: Re-planning Resettlement Preparation and Execution for Phases 1, 2, 3

These two chapters address a number of practical issues in proceeding with the re-planning of preparation work proposed by DSI (see discussion of these issues in chapter 2 as well).

Chapter 9 focuses on the immediate operational activities for Phase 1 re-planning in line with the premises set for this re-examination. While the CoE is pleased with the principle of re-planning and of correlating the construction schedule of the contractor to the timely progress of resettlement, the CoE would also like to understand, in some detail, the connection between the newly proposed deadlines, on the one hand, and the envisaged institutional capacities to carry out these activities, on the other hand. Setting new dates requires the collective decision making by agencies that have to undertake the resettlement work and deliver on the deadlines proposed now. Carrying out population displacement and resettlement with the range of activities outlined in the ToRs cannot be done by outsourcing the planning documents to consultants as the prime force, without the direct involvement of the staff of agencies that actually have to do the work on the ground. It is paramount to have assurances that the main implementing state agencies responsible in Turkey for settlement issues (MPWS), agricultural issues (MARA and GAP), housing issues (TOKI) and others are ready and able to engage in doing the job on the ground in time to meet the proposed quality levels and deadlines.

The CoE proposes to focus on these institutional issues regarding agencies involvement and capacity creation during its forthcoming visit to Turkey in March 2008.

Chapter 10, devoted to strategy planning for Phases 2 and 3, strongly emphasizes the huge magnitude of displacement and resettlement in those stages, exponentially larger than Phase 1. In CoE's view, the preparation of those stages is so complex and decisive for the entire condition of the Ilisu project that it cannot be postponed just after the completion of Phase 1.

Ilisu's task of displacing and sustainably relocating the mass of over 50,000 people now inhabiting the reservoir area will be nothing less than gigantic. After the time lost in the prior two years, it would be a risky mistake now to not also soon begin the planning for displacement/resettlement related to the cofferdam impounding and then to reservoir filling since the magnitude of population involved and of the need to find income restoration solutions for it will present enormous challenges.

The chapter candidly discusses both the benefits and the risks involved in phasing resettlement preparation, highlighting not only the good standards of the World Bank, but also the lessons from some grievous errors made in some World Bank-financed projects regarding improper phasing of resettlement.

Specific recommendations are made further with respect to improving the pattern of cadastral work for the reservoir area compared to Phase 1, so as to also include the identification of relocation sites, and also regarding the necessary census of the reservoir population and the assessment of the baseline area incomes. An important relocation issue in the reservoir area will be the relocation of part of Hasankeyf population: this issue is subordinated to the broader analysis of cultural heritage in Hasankeyf, which is a prime objective of the CH-CoE. The Resettlement CoE will cooperate with the CH-CoE in considering the population dimension of Hasankeyf CH issues.

Chapter 11: Capacity Building for Resettlement: Recommendations

However important the issues of re-planning and phasing are, as underscored in prior chapters, the R-CoE considers that an even more important, over-riding theme of the present report and of Ilisu's resettlement is the theme of capacity creation.

Nothing can be more important now, in our view, than assembling and coalescing a body of specialized organizations and skilled staff, organized into a coherent entity, indispensable for addressing the enormous resettlement challenges that this project places on the country's agenda. These challenges are multi-sided, claiming resources of a technical, social, cultural, environmental and organizational nature.

The CoE recommends that the creation of institutional capacity be structured by DSI/PIU with three levels:

- (a) In Ankara, for creating a Central Resettlement Unit, small in staff, but capable of providing policy guidance and decision-making, with open access to the higher echelons of DSI and the Ministry of Environment.
- (b) At Ilisu site, for creating a very strong Field Resettlement Unit; and
- (c) In the 5 districts of the reservoir area, for creating District Resettlement Units, with responsibility for implementing not only expropriation, but also site identification, fully sustainable population resettlement with income restoration improvement.

Staffing should be commensurate with the multi-sided functions of these structural institutional units. In each unit, the specialist staff contributed by MPWS, MARA, GAP, DSI, etc. should be integrated “under one roof” and accountable to one Senior Manager. It is necessary to have full-time staff assigned in entirety to resettlement, as the frequent pattern of giving two or more different administrative functions to the same person would not suit the time-consuming and labor-intensive demands of resettlement work.

It is also recommended that a sub-unit for training be created inside the Central Resettlement Unit in Ankara, with responsibility to organize the training programs and experience-exchange programs for all staff working at the three structural levels mentioned above. One or two trainers with experience in international resettlement should be employed in this unit, at least for a period of 1.5-2 years, until the DSI/PIU Management is satisfied that the training process has embraced the entire staff involved in resettlement.

Last but not least, the place and functions of the Ilisu Consortium in the institutional arrangements for planning and executing resettlement must be defined anew. The Consortium has played a key role in managing the preparation of the resettlement documents required by the ECAs, including the ToRs themselves, in the period that preceded final commitment in March 2007, but has largely reduced its involvement in this domain after the final commitment. In fact, however, the technical and organizational capacities of the Consortium are necessary for the further planning and execution of population resettlement. The corporate social responsibility of the Consortium, as well as the basic interest of advancing the technical construction of the dam, fully justifies the presence of Consortium staff and resources in the institutional structures to be created for executing resettlement. Specific arrangements, of course, need to be discussed and agreed between DSI, the IC and the ECAs. The CoE will be prepared to share with the Consortium relevant international information about how other major private sector transnational corporations have assumed direct responsibilities or co-responsibilities in population resettlement. Such participation represents an important new trend in international practice in large-scale projects, and experience so far demonstrates that it is indeed indispensable for assuring sound and sustainable resettlement.

The CoE proposes to devote its next visit to the Ilisu project primarily to examine the immediate and long-term issues involved in capacity creation and will outline further recommendations as its next field visit will be completed.

Report on the First Field Visit of the Committee of Experts-Resettlement

A. Introduction and Background

The first field visit of the Committee of Experts on Resettlement to Ilisu took place from Nov. 29, 2007 – Dec. 12, 2007, in Ankara (DSI headquarters) and in all six villages of the Phase 1 dam construction area.

The present report describes the findings, analyses, and recommendations of the Committee of Experts-Resettlement (henceforth, R-CoE or CoE).

A1. Structures

The Committee of Experts on Resettlement

Consisting of international and national specialists, three Committees of Experts, are established and tasked to review, analyze, evaluate and provide guidance on the quality, planning and implementation of the 3 non-technical components of Ilisu project: environmental mitigation (E-CoE), population resettlement (R-CoE) and cultural heritage conservation (CH-CoE).

The R-CoE is the implementation of the project's key social component: the development-caused forced displacement and resettlement (henceforth DFDR or FDR) of population that now inhabits the future reservoir area.

The establishment and Terms of Reference of all three CoEs were agreed to between the Export Credit Agencies (henceforth, ECAs) of Austria, Germany, and Switzerland, and Turkey's Government.³

R-CoE Members

The members of the CoE Resettlement who carried out the first field visit are: Professor Michael M. Cernea (Chair of CoE-Resettlement, USA), Professor Shi Guoqing (China), Professor Yavuz Kir (Turkey), and Professor Yusup Ozcan (Turkey). Professor Ozcan participated in the work of the CoE until almost the

³ The Terms of Reference for the work of the Committees of Experts are posted on the Ilisu Dam website.

end of the field visit. At that time, the Government of Turkey appointed him as President of Turkey's Council of Higher Education; this entailed his immediate assumption of the new obligations and resignation from the R-CoE.⁴ The CoE's work during this visit was assisted by Mr. Martin ter Woort, financial specialist (Canada).

Mr. Thomas Leye, legal expert representing Germany's Euler Hermes ECA, independently accompanied the R-CoE throughout its fieldwork.

Adoption of International Resettlement Standards for Ilisu

Turkey has a long experience in building hydroelectric dams for power generation, irrigation, and drinking water supply. Many large-scale dam projects, such as Keban, Ataturk, Tahtali, Karakaya, Altinkaya, Derbent, Wenzet, Birecik and others have been completed since 1970.

By any measure, Ilisu dam is a gigantic undertaking, the second largest after Ataturk dam and part of Turkey's GAP program. Currently, the Ilisu dam is the largest dam being built in Turkey, and in all of Europe in the current decade. The Ilisu power plant will have an installed capacity of 1,200 MW and is expected to produce 3,833 GWh/year, representing 1% of Turkey's total power needs by 2012. The dam and reservoir will extend into five of Turkey's provinces, which have a total population of 3.1 million people. Its involuntary displacement and resettlement component is an equally giant and utterly complex process.

Distinct from prior dams in Turkey, a main characteristic of the Ilisu project is that it is committed to introduce new international policy standards and norms in the FDR process, as well as in its environmental and cultural heritage components. These standards, as embodied in the "safeguard policies" developed by the World Bank, will be in many respects a novelty in Turkey's dam practice, and a big challenge (see further on these policy standards in Ch. 2, para 2.2.1). In deciding to introduce these higher standards in Ilisu, Turkey's Government aims to enhance the social and environmental norms for dam building in Turkey. On numerous core activities, the new standards involve higher levels of social protection and mitigation than the legislation and regulations previously and currently applied in Turkey. This entails major changes compared to past FDR practices.

In turn, the Export Credit Agencies of Austria, Germany and Switzerland (ECAs) firmly promote the same international standards and "common

⁴ Professor Ozcan contributed his field-notes and a number of recommendations for the present report, which are included. Despite his efforts after undertaking his new appointment, he was not in a position to continue his work in the CoE-Resettlement. The members of the R-CoE take this opportunity to formally express our appreciation and thanks to Professor Yusup Ozcan for his contributions in the fieldwork, and our best wishes of success in his new responsibilities.

approaches” of OECD countries⁵, and regard their consistent application as the fundamental condition of their financial insurance support and participation in the mechanisms for Ilisu design, implementation, monitoring and evaluation.

DSI

Turkey’s State Directorate for Hydraulic Works (DSI) is the central Government agency charged in Turkey with dam building.⁶ DSI “carried the flag”, and its senior management represented the Government of Turkey during the international negotiations with the ECAs. DSI is the project owner and, on behalf of Turkey’s Government, undertook the legal commitment to adopt and implement the international standards for environmental protection, population FDR, and CH in Ilisu project.

DSI is essentially a large technical organization, with a numerous and technically competent engineering staff, including also staff specialized in property expropriation, law, administration, some natural sciences, etc. However, it does not have in-house a substantial staff capacity, sociological and cultural, for addressing the project’s social and cultural dimensions – particularly, its FDR and CH components – at the same professional level as technical dam construction. Therefore, DSI has the obligation, as leading agency, to mobilize other Ministries and agencies as collaborating institutions in planning and implementing all of Ilisu’s components.

ToRs as Planning Tools

Binding agreements have been concluded between Turkey’s Government and the ECAs regarding the new policy standards for the environment, population resettlement and cultural heritage conservation. These policy standards and the requisite activities they entail are defined in a series of over 90 *Terms of Reference (ToRs)*. The ToRs broadly address two categories of issues:

- (a) project quality, planning, implementation and monitoring-supervision, and also
- (b) the timetable for sound project preparation of its environment, resettlement and CH components, as preliminary, concomitant and integral to the project.

⁵ The term “Common Approaches” designates the set of policy principles and guidelines adopted by Export Credit Agencies of the OECD countries to ensure that the loans to developing countries for which the ECAs provide their support are designed and implemented consistent with the objectives of sustainable development. The “Common Approaches” were agreed on by the OECD’s Working Party on Export Credits and Credit Guarantees (ECG) and pursue consistency with the guidelines of the IMF and World Bank on the same issues. The agreement on “Common Approaches” sets out commitments for ECAs who wish to provide commercial (i.e. non-aid) credits to public borrowers in low-income countries who face challenges in managing their external debt. An early version of the “Common Approaches” was adopted and updated on January 24, 2005, also available on the OECD website, www.oecd.org.

⁶ In Turkey, studies and preparations for the Ilisu Dam started in the 1950s and, with some interruptions, have continued since.

Among these ToRs, 37 refer directly to population resettlement, 38 refer to the environment, and 14 refer to affected cultural heritage.

The mandates of the CoEs themselves are embodied in 62 distinct ToRs that are parallel to the ToRs for DSI and collaborating agencies. In equal detail as the ToRs for DSI, these 62 ToRs define the responsibilities of the CoEs to ascertain the quality and timely execution of activities and norms outlined in the ToRs for DSI and related organizations. 33 of the 62 ToRs are for the Resettlement CoE, and 28 for the environment CoE.

The Ilisu Construction Consortium

The Ilisu Consortium of Construction Companies (henceforth, IC) consists of Austrian, French, German, Swiss, and Turkish companies specialized in dam and power plant construction.⁷ The Consortium of builders has taken a direct interest during the previous 7-8 years not only in technical planning with DSI, but also in the elaboration of the ToRs and other documents on environment, population FDR, and cultural heritage requested by the ECAs.

By understanding with DSI, the Consortium hired and managed over 2 years the work of the consulting company ENCON (February 2005-March 2007) for producing some of the environmental and social planning documents required for Ilisu Dam preparation and for international negotiations with the Export Credit Agencies. Shortly after the Vienna meeting, the Consortium discontinued the work of the ENCON consulting company, which in practice brought a stop to most further work related to the resettlement ToRs and other related documents⁸. In prior stages, during negotiations towards the contract with ECAs, the Consortium had a dynamic and continuous participation, including in the planning of the FDR component and preparation of the RAP and other requisite documents. In the new current stage a similar determination is necessary of its corporate social responsibilities and further technical support in the execution of the resettlement ToRs. Intrinsic to project resettlement planning and execution, the Consortium's future involvement and contribution, require agreed definition by the Consortium, DSI, and the ECAs.

The Establishment of the PIU

The Board of the Project's Implementation Unit (henceforth, PIU⁹) was appointed on September 26, 2007 and includes representatives of DSI, and of a number of other Ministries and agencies expected to participate in Ilisu project

⁷ The companies included in the Consortium are: VA Tech Hydro GmbH & Co, ALSTOM (Switzerland) Ltd., Nurol Insaat ve Ticaret A.S., Cengiz Insaat Sanayi ve Ticaret A.S., Ed. Zublin AG, Stucky Ltd., Temelsu Uluslararası Muhendislik Hizmetleri A.S.

⁸ The same consultants (ENCON) were brought back temporarily before the Zurich October 2007 meeting, to help prepare some documents required for that meeting

⁹ Further references to PIU in this report refer to the Board of PIU, since the project implementation **unit**, as a staff unit, had not been created yet by the time of the CoE field visit.

execution. The PIU has three sub-committees, one of which is for resettlement (R-PIU).

At the time of the CoE visit, the PIU had still to be created as a unit with a full staff equipped to exercise its central and multiple field attributions. The process of establishing the implementation **unit** still requires major institutional steps, such as:

- The elaboration of a **legal status document**, defining the structure and functions of the PIU. It must distinguish between: its management role, direct execution functions plus monitoring attributions over collaborating agencies' performance, monitoring of contractors' functions, legal authority, and its ultimate responsibility for the quality and final outcomes of resettlement.
- The allocation of a commensurate staff, free from other regular functions and duties in DSI or in other Ministries and fully dedicated to resettlement implementation (at present, virtually all members of PIU Board and Sub-Committees have other parallel functions).
- An intensive **staff-training program**, to overcome the current absence of information and familiarity of DSI/PIU and collaborating agencies' staff with the ToRs content and with international standards for resettlement.
- Vertical **presence at all levels of project work**, that is: central unit in Ankara; strongly staffed unit at the project dam site; and dedicated special resettlement units in all 5 provinces along the reservoir. It is in the field where the bulk of work for preparing resettlement and income restoration will have to be carried out.

These elements are immediately critical for overall capacity building in Ilisu, and therefore will be considered throughout this report and in its conclusions and recommendations.

Once the PIU is fully established and staffed, the responsibility for operationally managing and coordinating all the activities is to be exercised by PIU, under DSI general authority.

A2. Milestone Events

The preparation and negotiations for starting the Ilisu Project are described in detail elsewhere.¹⁰ For background purposes, the milestone events preceding the CoE's first field visit are succinctly summarized below:

August 5, 2006: Groundbreaking Ceremony for Ilisu Dam Construction

- The Groundbreaking Ceremony for Ilisu project start took place on August 5, 2006.

¹⁰ See the documents describing this event on the Ilisu website.

- Work for topographical surveys began immediately. For the Phase 1 construction area, all topographic studies have been finalized. Benchmarking covering the whole reservoir was also completed.
- Cadastral measurements of lands and house-plots started in 2006 in the communities of Phase 1 construction.
- Expropriation procedures also started in 2006. During the first three months of 2007, 351 legal cases for expropriation from Ilisu village were brought to courts, totaling 1,000,000 sq. m. Of these, 212 cases reached verdict. At date of PIU's progress report¹¹, 139 cases were still in court, awaiting verdict,

October 2-7, 2006: The Final Assessment Meeting (FAM) at DSI in Ankara

- The three key project components of Ilisu discussed and agreed upon at FAM were: environment, cultural heritage, and resettlement;
- FAM reached agreements on the structure, functions, and operation principles of the Project Implementation Unit (PIU) and of the CoEs;
- FAM adopted 153 Terms of References (henceforth, ToRs), which express the policy principles of resettlement.

On resettlement, the ToRs prescribe the timetable for preparation, site identification on the ground, relocation, and income restoration planning, etc., so as to precede the start of Phase 1 construction work;

- DSI agreed that implementation of ToR prescriptions (actual DSI work for completing planning documents, data, consultations, finding relocation sites, etc.) will begin immediately after FAM, with participation by other agencies and under DSI management and responsibility;
- The ToRs express the agreement reached between the ECAs and Turkey that the planning and actual activities for the Ilisu involuntary resettlement will be carried out in a manner consistent with international standards, as defined in the World Bank's relevant policies.

February 14-15, 2007: The ECA-DSI-Consortium meeting in Vienna

- Confirmed the composition of the CoEs and their rules of procedure, field visit frequency, etc.;
- Agreed on improvements and revisions still necessary in the Feb. 2007 draft Resettlement Action Plan, prepared by ENCON for DSI and IC;
- Outlined the steps necessary for moving toward final commitment;
- The ECAs and CoEs proposed May 2007 for the first CoE field visit, to review the area and ongoing work in dam site communities before final commitment.

¹¹ PIU Progress Report on Ilisu Dam and HEPP, October 16, 2007, Ankara.

March 2007 to August 15, 2007: Conclusion of Financial Contracts

- The Binding Final Commitment was issued by the ECAs in March 2007. The final commitments were conditioned on the inclusion of a satisfactory Environmental Event of Default Clause in the Delivery and Loan Agreements.
- DSI declined to receive the first CoE field visit in May 2007, as intended by the ECAs and CoEs. The CoE's visit was then proposed for June-July but again was not accepted by DSI and was postponed to a time after the financial contract signature;
- Final agreements on the Delivery Contract between the Ilisu Consortium and DSI, and on the Loan Agreements between the Lending Banks and Turkish Treasury, including an Event of Default Mechanism as requested by ECAs, were signed on August 15, 2007

October 18-19, 2007: ECA-DSI-PIU-CoE Meeting in Zurich

- Review of DSI "progress report". DSI announced the establishment of the PIU Board;
- DSI informs that expropriation started in all villages at dam site and was completed in two of six villages.
- DSI informs ECAs of an important delay, as the majority of ToR activities and documents due for completion on March 2007 have not been done, except in part those due as condition for final commitment, for most ToRs, work on the ground has not started;
- DSI proposes one full year delay of ToR deadlines, and their re-scheduling from March 31 2007 to completion by March 31, 2008;
- ECAs did not accept DSI's request to postpone deadlines. It asked all CoEs to assess in the field the work carried out to date and the reasons for which the ToR prescriptions and commitments had not been met;
- The date of the first CoE field visit was firmed up for beginning December, 2007;
- A document received from civil society groups in Europe (BD/EvB Switzerland, Wed Germany, and ECA-Watch Austria) on sub-standard expropriations in Ilisu dam site communities was distributed by ECAs and examined in the meeting;
- The meeting confirmed the procedures for further transparent information and communication with civil society in ECA countries and PIU's role in this, including web postings of CoEs' reports;
- DSI promised to respond and comment subsequently on the NGO document received;
- Since the Income Restoration Program (IRP) due for June 2007 was not submitted, the CoEs requested that the IRP for at least the six villages at the dam site area be prepared and submitted to the CoE *before* its December 07 first site visit;

- ECAs presented proposals to DSI/PIU for the selection of the independent monitoring group for resettlement, as provided in ToRs.

November 29-December 12, 2007: CoE-R first field visit

- The CoE-R carried out its first field visit focusing mainly on Phase 1 communities. Main findings and recommendations presented in Ankara to DSI, PIU, ECAs, IC on Dec. 11, 2007.

A3. Resettlement Magnitude in Ilisu Project

The Ilisu dam/reservoir entail substantial adverse impacts of an environmental, social and cultural nature.

On the environmental side, the dam and reservoir will impound 135 km of the Tigris River, and will flood 31,303 ha of land, 7,353 ha of which is prime agricultural land. On the cultural heritage side, the reservoir will submerge important historic cultural and natural monuments, including Hasankeyf, while other potentially important archaeological remains and ethnographic assets are still to be identified and studied during the next years. Both sets of impacts are the subject of the other two CoE Committees and of their reports.

On the social side, involuntary population displacement and resettlement represent an equally giant social undertaking, the largest in Europe this decade. 199 settlements will be affected and undergo forced displacement and resettlement (FDR). Of these, 83 settlements will be fully displaced, and 116 will be partially displaced. 49 of the 199 settlements in the reservoir area are abandoned or were evacuated, but within them people maintain property over lands, houses, trees, etc. Many departed people come back (pendulum-like movements) to their lands, trees, etc. to cultivate and harvest. According to incomplete data, the reservoir will displace about 6,249 households, or 54-55,000 people (a preliminary figure), representing close to 2% of the total population of the five affected provinces. Of this total figure, 11,266 people will lose their land and their house, and 32,002 will lose parts of their land, or their houses, or both.

The figure of 54-55,000 is an incomplete assessment, based on the consultant's 2005 initial survey. This survey didn't cover auxiliary civil works and infrastructural constructions, with footprints outside the reservoir, such as access roads, highways, new public buildings, and other new facilities, that will require land acquisition and cause added physical or economic displacement (land, houses, etc). The adequacy of the preliminary survey needs to be assessed, and baseline income data collected.

Furthermore, the figure of approx. 55,000 displaced people did not consider population growth rates or other factors affecting population counts, in an area where the normal population growth rate is significantly higher than the average for Turkey. Overall, it may be expected that a full count will result in

modifying the initial estimates. Work to reexamine and assess the magnitude of reservoir-caused FDR will be necessary, as required in the Terms of Reference.

Last but not least, the magnitude of resettlement in Ilisu also has another dimension, so to say a new “knowledge dimension”. The new policy and operational standards intended for Ilisu involve a major distinction between the concepts of “expropriation” and “resettlement”. Traditionally, development-caused displacement has often been equated with expropriation alone. But expropriation, however important, is a limited activity, confined to the “taking” of land/house and to compensation for it. Resettlement is a considerably broader concept, which comprises much more than expropriation, both in terms of knowledge and action. Expropriation is only one moment in the sequence of activities that are required by the process of preparing and implementing resettlement and rehabilitation. The “unit of action” in expropriation is the physical parcel of land, while the “unit of action” in development-caused resettlement is the community that is to be relocated elsewhere and each family household within this community. The differences are immense. The range of knowledge and the volume of sheer work required by resettlement are much larger than the knowledge and the volume of work required for expropriation alone. By this measure, the dimensions of Ilisu’s large-scale resettlement are much bigger than the expropriation that it involves. It is this additional knowledge-dimension and content-dimension that has to be well understood to properly appreciate the magnitude of Ilisu’s resettlement in both quantitative and qualitative terms.

Ch. 1. R-CoE's First Field Visit: Objectives, Schedule, and Key Findings

1.1 Objectives of Field Visit

The R-CoE aimed to achieve the following objectives during its first visit:

- To meet the PIU-Resettlement Sub-Committee, understand DSI's *modus operandi*, and establish a joint work-relationship;
- To assess resettlement preparedness and the status of each R-ToRs execution by Dec. 2007.
- To examine the reasons that led to DSI's request to re-plan the delivery deadlines of a majority of ToRs;
- To analyze the expropriations started by DSI in the six villages of Phase 1 site and their consistency with ToR provisions and standards;
- To interview communities in Phase 1, slated for displacement;
- To assess institutional capacity for resettlement;
- To review state of planning for Phases 2 and 3 resettlement;
- To discuss the (in-service) staff training necessary program for internalizing WB standards in DSI/PIU and involved agencies;
- To prepare recommendations to ECAs, DSI, and PIU, as the findings would require.

This substantial agenda was accomplished. Despite the visit's limited time, pursuing several objectives at once was indispensable, as the visit could not take place earlier and issues for field review accumulated. Some of these objectives will be followed up in the next visit, envisaged for March 2008.

1.2 Structure of Present Report

The report's logic calls first for an overview of activities to date on the ground (Ch. 2), to ascertain: the status of work for fulfilling the prescriptions of R-ToRs at end 2007; performance quality in resettlement activities for phase 1 villages, particularly expropriation, compensation, site identification; DSI's submission of expected resettlement planning documents to ECAs, compared to ToRs completion dates; and measures taken to prepare phase 2 and 3 of resettlement.

The subsequent eight chapters are each dedicated to another of the main "building blocks" of the resettlement process in the six phase 1 villages, as follows. Ch. 3: Information, consultation and participation of communities in resettlement activities; Ch. 4: Identification of relocation sites for houses and

land; Ch. 5 & 6: Compensation payments for expropriated lands, houses, structures, and communal properties; calculation methodology for compensation at replacement costs, legal aspects, and necessary corrections; Ch. 7: Status of the Income Restoration Program; Ch. 8: Preliminary updating of resettlement budget; Ch. 9: Tasks and work plan for preparing phases 2 and 3 resettlement in reservoir and at Hasankeyf; Ch 10: Main conclusions and recommendations regarding capacity building and for an immediate Action Plan.

Within each chapter, analysis starts from the ToR-defined key tasks and examines what has (or what has not) been done for that key task.

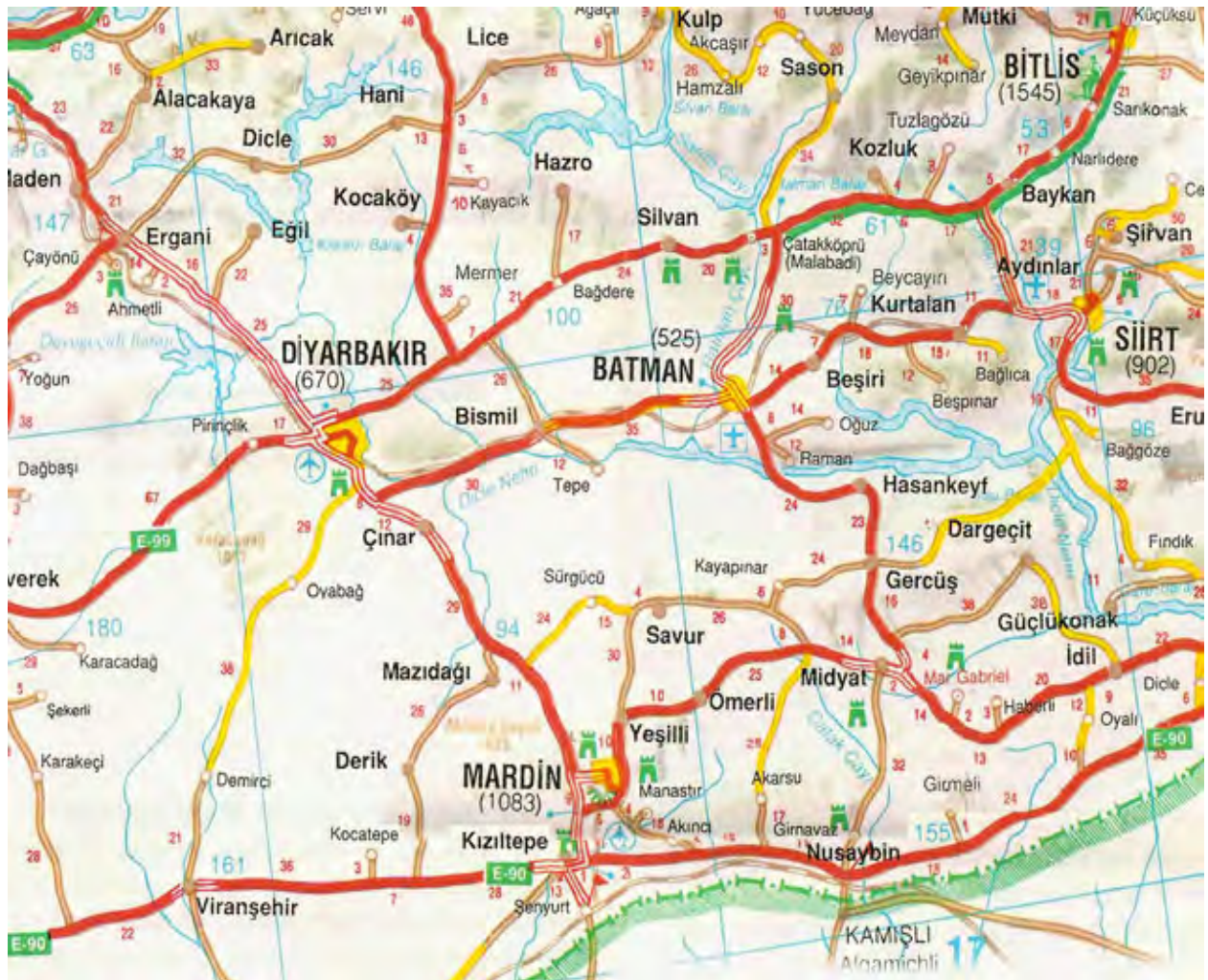
For one important activity (the search for relocation sites), this report describes a joint field initiative of CoE and PIU with Ilisu community to test a method for finding – hand-in-hand with villagers – the needed resettlement site for Ilisu houses, acceptable to house-losing villagers (Box 1, Ch. 4).

1.3 Schedule of the R-CoE Visit

The actual schedule and itinerary of the R-CoE’s visit is listed below. The map of the reservoir area follows.

Date	Day	Activity
29-Nov-07	Thursday	09:30 / Meeting at DSI General Directorate Ankara with PIU & CoE Sub Committee
30-Nov-07	Friday	11:50 - 13:20 / THY TK626 Ankara – Batman 18:00 - 22:00 / Meeting in Batman
01-Dec-07	Saturday	Full day / Karabayır and Temelli Villages
02-Dec-07	Sunday	Full day / Koçtepe and Dügünyurdu Villages
03-Dec-07	Monday	08:30 - 13:00 / Ilisu and Kartalkaya (Liyani) Villages 13:00 – 17:00 / from Ilisu to Batman 18:00 - 22:00 / Meeting in Batman
4-Dec-07	Tuesday	09:30 - 12:00 / PIU/DSI-CoE-ECA Meeting in Batman 14:00 - 16:30 / Meeting with Batman Governor and Mayor
5-Dec-07	Wednesday	Full Day / Yanarsu - Garzan + Reservoir Area
6-Dec-07	Thursday	Full Day / Hasankeyf visit and interview, meeting with Governor and Mayor
7-Dec-07	Friday	Full Day / From Batman – Ilisu Village and Surroundings; meetings in the hotel

8-Dec-07	Saturday	08:30 – 12:00 / Meeting and report preparation
		13:00 – 17:00 / Travel from Batman to Diyarbakir
		17:10 - 18:40 / Flight THY TK 647 Diyarbakir - Ankara
9-Dec-07	Sunday	CoE preparation of conclusions and power points for wrap-up evaluation meeting
10-Dec-07	Monday	10:00 - 17:00 / Wrap Up and Evaluation Meeting CoE-DSI/PIU-IC-ECA
11-Dec-07	Tuesday	9:00 - 12:00 / Visit to DSI; meeting on economic/ technical issues btw. CoE- DSI/PIU-ENCON



1.4 Interviews of Farmers

Most of the CoE's field time was spent on interviews with the villagers, individually or in focus group format, and with village leaders. To learn as much as possible about the visited communities, in each village the CoE divided itself into two subgroups, which carried out parallel interviews with different villagers, village leaders (Mukhtars), Imams, etc. The CoE carried out these interviews together with two members of the PIU Resettlement Committee and one consultant assigned by DSI to the CoE team. The list of (most) villagers interviewed by CoE members in each village is attached as Annex 3. Other members of the PIU went themselves each day to another village, carrying out a similar program of discussions. The CoE also attended meetings with the Batman Governor and the Batman Mayor, and with the Hasankeyf Mayor.

1.5 CoE-DSI-PIU Meetings and Collaboration

Several meetings between CoE and PIU took place during the field visit, in full or in small subgroups, to discuss findings and exchange information. These meetings addressed:

- Basic resettlement strategy objectives and state of preparedness;
- Findings on compensation payments and needed retrofit remedies;
- The content of some key international WB standards for resettlement and income restoration and improvement;
- Differences between legislation in Turkey and international standards;
- Training needed by the resettlement central and locally based staff; and
- Especially, modalities for creating the institutional capacity necessary to carry out the large, complex and long Ilisu resettlement process.

Joint fieldwork, and the working meetings held during it, established a good working cooperation between the CoE and the PIU-RC.

The CoE feels that the members of the PIU-RC have gained a deeper grasp of the need to start executing all the agreed Terms of Reference, build the massive staff capacity required for achieving the tasks prescribed in the ToRs, and help in the generation of "the required legal arrangements in order to execute the ToRs in accordance with World Bank norms (See Annex 2 : "PIU-RC *Summary of the Site Visit*" statement, received by CoE from PIU-RC on Dec. 07, 2007).

The CoE takes the opportunity to state that it has been impressed by the technical competence of the DSI staff-members as professionals doing their tasks by the long-known existing rules. Serious difficulties and backlogs have appeared largely because the new standards had not yet become internalized and, therefore, the work along these new standards has not started. Information

on what DSI staff must do, and Ilisu project must achieve, to actually execute the ToR's prescriptions, and the RAP, RIP and prepare key planning documents, had not yet percolated to collaborating agencies either. In-depth discussions during the village visits around CoE findings started to evolve a different understanding among participating DSI staff on the preparedness needed for carrying out resettlement in Ilisu.

1.6 Wrap Up Evaluation and Key Findings Presentation

After the field visit, the R-CoE reported its key findings in the form of a power point presentation in the final evaluation meeting organized by DSI in Ankara. The wrap up meeting was chaired by Mr. Ismail Ugur, DSI Deputy Director General. The R-CoE power point summary of key evaluation findings is attached (Annex 1). The DSI meeting was attended by all PIU members, representatives of the Ilisu Consortium, DSI staff and representatives of DSI collaborating agencies. Also, representatives of the ECAs of Austria, Germany and Switzerland arrived in Ankara to attend the wrap up meeting.

The CoE's presentation in the DSI meeting described the current state of insufficient preparedness, and the main ToR items on which the field-findings indicate non-compliance with the agreed ToRs. Most of the prescriptions of the 35 resettlement ToRs have not been carried out and, unfortunately, one year of preparation work was lost.

The present report provides additional analysis and field-gathered empirical evidence that led to the conclusions of non-compliance presented in Ankara, together with detailed recommendations for remedies, or some necessary new measures, not contemplated until now. These address the range of issues that have surfaced to date in the Phase 1 resettlement of the Ilisu Project.

1.7 ECAs Subsequent Follow-up

Following the wrap up meeting attended by ECA representatives, the participating ECAs summarized their assessment of the situation in a letter to the Minister of the Environment and Forestry (December 13, 2007). The letter sums up the findings of all three CoEs (environment, resettlement and cultural heritage) regarding the large backlog at end 2007 in carrying out the planned activities and the preparation of resettlement planning documents, as required by agreed ToRs; the needs for immediate remedies; and expresses support for the recommendations made by each of the three CoEs.

Subsequently, on January 11, 2008, DSI sent to ECAs and the CoE new information and proposals about re-planning the work on the unfulfilled ToRs. This new information is also taken into account in the present report, in Table 1 and in further analyses, and the newly proposed critical path and calendar is included in the Annexes.

1.8 Suggestions for the next R-CoE Visits

The logistics of travel during fieldwork was complex. Lengthy and rather excessive back-and-forth daily bus travel needs streamlining in future field-visits to maximize CoE time-use and effectiveness in fieldwork.

We suggest in particular that the organization of future visits should minimize time spent on bus travel and increase time for interviews in affected communities, as well as for joint CoE-PIU analysis of findings during the visit itself. Basic socio-economic data on households in each affected community, and not only on the expropriated parcels, are also necessary. Given the very broad range of issues to be covered, and the travel time, the relatively short duration of the mission proved to be a limiting constraint. These limitations need to be remedied in future visits¹². It is also expected that R-CoE work during future visits will receive assistance from the work of the Monitoring Group.

¹² Our R-CoE's suggestions in this respect converge with those of the other two CoE committees, and are reflected in the report of the CoE on environment (see its section 1.3).

Ch. 2. Status of Work on ToRs and Capacity Building

2.1 Introduction and Main Findings

In Zurich, DSI proposed an overall re-planning of the ToRs deadlines consisting of an overall postponement by one full year or more, from March 31, 2007 to March 31, 2008 (with some ToRs to June 30, 2008). A new schedule was requested also for submission of various documents. The ECAs could not accept this proposal without documentation and analysis. The Zurich meeting directed the Resettlement-CoE, and the other CoE's, to examine the situation in the field and report their recommendations.

This chapter follows-up closely on the Zurich meeting and the central issue: the status of ToR-prescribed activities for sound resettlement preparation. The CoE focused on this task beginning with its first meeting with DSI in Ankara and throughout the fieldwork, in interaction with the R-PIU. This chapter reports the findings.

The state of execution of the 2006 FAM 35 ToRs¹³ is assessed 15 months after the original commitment, as found in December 2007. The findings are first summarized quantitatively, and then detailed further in “**Status Table 1**” and in a series of chapters devoted to the main issues, such as: consultation; expropriations; site identification; compensation payments levels for land and for houses; the Income Restoration Program; the budget; priorities for Phase 1; planning for Phase 2 and 3, capacity building and training.

The ToR activities carried out on the ground until now are limited essentially to cadastral work and expropriations. The expropriations procedures were started beginning 2007. For several hundreds of parcels and a number of houses, the expropriation procedures have already been brought to near completion. Except the ToRs required before the ECAs final commitment, the execution of virtually all other ToRs has been delayed, or not started yet. For various causes, neither the ToR inception dates, nor the completion dates agreed upon at the FAM in October 2006, could be respected.

The substantial delay in ToR work on the ground affects process content. It has also *de facto* modified the timetable agreed for carrying out the Ilisu project preparation. These activities were agreed and planned as preparation necessary

¹³ After the FAM meetings and by common decision, the ToRs 15 and 16 were combined in a single expected product: preparing the Resettlement Implementation Plan (RIP). They are not counted any longer as ToRs. Thus, despite the numbering of ToRs from 1 to 37, their actual total number is 35 ToRs. DSI has justifiably maintained the initial numbering to avoid discrepancies between various documents.

to take place before the start of the construction works. In line with this agreement, **the CoE found that the DSI proposal in Zurich for re-planning is justified by necessity.**

Once the re-planning is finalized by DSI and agreed, the ECAs, DSI and the Ilisu Consortium will need to assess and agree on the implications of this re-planning on the critical path and calendar for starting project works at the dam site and for the subsequent project phases.

The CoE also confirms that DSI's proposal to re-plan the **entire group of ToRs**, instead of piecemeal, is based on good reasons. Modifying dates one at a time would not be appropriate and effective under current circumstances.

In hindsight, expecting all ToR prescriptions to be fulfilled by or through DSI was an overestimate. None of the collaborating Ministries or agencies with major responsibilities in resettlement are mobilized to address their tasks and no one has started to contribute, either to strategy planning, or to settlement work on the ground. The CoE will address capacity formation issues in further chapters of this report.

The international standards are challenging and, while in some respects they are compatible with existing regulations in Turkey, in other respects they require significant adjustments in regulations, as well as in traditional displacement practices and in the sequence and critical path of carrying out displacement with resettlement, income restoration, and improvement.

While DSI staff has high professionalism in implementing previously existing rules and legislation, the insufficiently known new standards cause a knowledge gap that has to be overcome first, before activities along these standards can be consistently carried out.

- The FAM schedule for ToR completion allowed for a two-year period for resettlement preparation between FAM October 6, 2006, towards a tentative construction start around October 2008. During this two-year period, much work had to be done for preparing the indispensable planning documents for income restoration, for relocation of communities of Phase 1 to new sites and for advancing many preparation activities on the ground (as well as planning documents) for Phase 2 and 3. The de facto schedule-changes after FAM require now the reconsideration of the initially envisaged project timetable.
- ToR provisions regarding compensations were not implemented, both before and after final commitment. This

resulted in underpayment of compensation, which now calls for corrections, according to international standards.

- The departures from ToRs create risks of project cost externalization and of farmers' impoverishment.
- Fundamental strategy and planning documents (such as the Income Restoration Plan, and others) have not been submitted to ECAs, and remain a key priority.
- The above findings raise questions on how to prevent subsequent calendar delays, and also cause concerns about essential activities missing from the resettlement process and concept.
- The institutional and staff capacity for their execution is not yet assembled in December 2007, either in DSI or in collaborating agencies. This conclusion has emerged as perhaps the most critical issue for the period immediately following the CoE visit, as the entire implementation of the ToR depends primarily on the creation of such a capacity. DSI and PIU fully agreed with the CoE on the priority of capacity creation for adequately addressing all other issues on the agenda.

In line with the Zurich meeting and in light of these findings, re-planning of previously agreed project preparation schedule and ToR deadlines become indispensable at this stage.

PIU had assured the Panel, during the final evaluation meeting, that it would expeditiously proceed to respond to the CoEs findings and recommendations immediately after the field visit.

The CoE is very pleased to note that indeed, on **January 11, 2008**, one month after the field visit, DSI/PIU's sent to ECAs and the CoE information about re-planning of the unrealized ToRs. This materialized in the form of **a new schedule for all resettlement ToRs** divided by phases, accompanying the PIU note.

This recent information arrived while the drafting of the present report was well underway. However, given the importance of the new DSI/PIU proposals, the CoE carefully reviewed the new schedule and incorporated the new information in this report and in the "Status Table 1". Further comments on the new DSI planning schedule and its implications for both the immediate work and the calendar of project construction are also discussed, besides this chapter, in following chapters of the report, particularly chapters 9, 10 and 11.

The CoE hopes that DSI/PIU and the ECAs will consider these comments in their direct negotiations for reaching agreement on the new planning schedule.

The above fact-finding summary regarding ToR status is in direct response to the request made in Zurich by DSI and the ECAs to the Panel. In light of the summary above, this chapter will now proceed with considerations on the basic objectives in development-caused forced displacement and resettlement (DFDR), on international standards, on the functions and qualities of the ToRs that incorporate them, and provides in Table Status 1 an overall image on the timetable envisaged for each individual resettlement ToR.

2.2 The Objective of Resettlement and its “Golden Rules”

2.2.1 International Resettlement Standards. The standards and objectives embodied in the World Bank policy for involuntary population resettlement, which guide the ToRs for Ilisu, are a product of experiences and research over the last 30 years. A succinct overview of their emergence and evolution is relevant to why¹⁴ these guidelines have been agreed upon for Turkey’s Ilisu project as well.

Following a number of disastrous experiences with forced population displacement by hydropower dam projects, the World Bank elaborated in 1978-79, and adopted in February 1980¹⁵, the first-ever international policy on development-caused forced population displacement and resettlement (DFDR, or abbreviated, FDR). The goal of adopting a formal, compelling policy for the Bank itself, its staff, and the Bank-financed projects that involve involuntary resettlement, was to prevent the repetition of catastrophic impoverishing outcomes from forced displacement that occurred in a number of previous projects of different types, but primarily hydropower projects¹⁶.

In the years following 1980, all Multilateral Development Banks (MDBs) have in turn adopted their own resettlement policies, all essentially similar to the World Bank’s: These are the Asian Development Bank, the African Development

¹⁴ Significantly, during the first meeting between the PIU-R and the R-CoE at the beginning of the field visit, a question was asked from the CoE about the nature of a resettlement action plan – why is it necessary and what are the international standards? It became apparent from the outset that a large number of PIU members were not familiar with either the RAP or the policy standards. The CoE clarified the question raised during the meeting and in further interactions and meetings with the PIU. It may be useful, therefore, to succinctly address the same questions in the present report.

¹⁵ World Bank, February 1980, *Social Issues in Involuntary Resettlement in Bank Financed Projects*, Operational Manual Statement No. 2.33.

¹⁶ Subsequently, the World Bank revised and improved their policy in 1986, 1990, and 2001, issuing

Bank, the Inter-American Development Bank and the European Development and Reconstruction Bank.

In turn, in 1991 the OECD and the Bi-Lateral Aid agencies of 25 developed countries also adopted policy guidelines on resettlement similar to the World Bank's Policy.

Further, in 2003-2004, 10 major private transnational Bank adopted the Equator Principles, which replicate the WB group's (including IFC) resettlement policy and other safeguard policies. By end 2007, the number of transnational commercial banks that adhered to the Equator Principles increased from 10 to 46.

The Export Credit Agencies (ECAs) of OECD countries also follow the "common approaches" in their contractual arrangements, reflecting the World Bank's resettlement and other safeguard policies. During the last 30 years, many national governments from Asia, Africa and Latin America also adopted similar standards in their national resettlement policies.

This brief history shows how the international standards on resettlement came to the Ilisu project with the high reputation of novel and sound approaches, gradually embraced by all relevant international agencies and organizations, and by many national governments. By entering into contractual agreement with the ECA's of Germany, Austria and Switzerland, the Government of Turkey agreed to introduce to the country's hydropower sector the same advanced resettlement standards gradually embraced in the construction of Ilisu.

This is expected to bring Turkey's practices in line with the current international levels, and to offer higher protection and compensation to the populations affected by the tragedies of losing their homes and their lands.

The main lesson from worldwide experiences with development-caused resettlement is that fundamental for success is to keep in sight, starting from the initial planning, the ultimate livelihood objective. This objective is: *prevent impoverishment and restore and improve the incomes and livelihoods of the populations displaced, whenever involuntary displacement cannot be avoided.*

2.3 The Policy Rationale

To achieve this objective, at least three "golden rules" must be followed:

- First, inform, consult and secure the participation of the affected population.

- Second, plan the expropriation, displacement and site selection for relocation activities in an **integral manner**, and carry this out “two steps ahead” of the advance in construction activities.
- Third, pay fundamental attention from the outset to planning effective and feasible measures for income restoration and improvement, and provide the displaced population with access to sharing in the benefits of development.

2.4. Quality of the ToRs

The CoE reexamined the entire set of ToRs (prepared before the CoE was created) and concludes that the ToRs do adequately address the central issues in development-caused involuntary resettlement. Both the fundamental objective in resettlement and the “golden rules” mentioned above are embodied in the provisions of the set of 35 ToRs. The ToRs have rightly, and in time, offered a compass for moving forward. They reflect the key principles and standards that must guide resettlement planning and execution toward the restoration and improvement of PAPs’ incomes and livelihoods. This is why adherence to, and timely execution of, ToR’s prescriptions, as agreed by all Ilisu sponsors, is quintessential.

Yet the agreed ToRs themselves, like any ToRs, *are not the plan*: they are the “terms of reference” that **prescribe the drawing of plans** and must be followed by action and translation into tangible activities on the ground. *The test and the challenges lie, as always, in implementation: not just in the formulation of ToR prescriptions, but in the development of real and feasible plans and in their implementation on the ground, in the project area.*

DSI, as the project owner, and the Ilisu Consortium, as the main technical builder, have committed from the outset, long before the financial agreement was concluded, to begin the work prescribed by ToRs for the project by *integrating the sequence of activities outlined in ToRs within the technical schedule and critical path of dam construction*, and to execute it in the agreed time. This integration and execution is now under question mark, because the critical path of resettlement preparation has not been followed and important activities have been omitted. Both DSI/PIU and the IC have yet to achieve the necessary integration.

2.5 Purpose of ToRs and Original Commitments

The purpose of the Terms of Reference is to guide the work for—first—good quality resettlement planning, and next—for also putting in place the managerial, organizational and financial capacities able to execute this planning.

For guidance, a total of 35 ToRs have been prepared. At the FAM (October 2006) DSI committed, *prior* to, and as a condition of, the ECAs becoming contractually involved in the Project,

- (a) to produce the required resettlement planning documents, and
- (b) to immediately start work to fulfill ToR prescriptions in the field.

Nine critical ToR prescriptions had to be **carried out before** the ECAs could give their final approval, primarily the ToR on compensation at replacement cost, on relocation sites for the displaced, on identifying agricultural lands, on formulating the Income Restoration Plan (IRP), and a few other critical ToRs.

Overall, all other ToRs had to be started before final commitment and be completed shortly **after**, by either March 2007 or June 30, 2007.

For the most part, as it was learned in Zurich (Oct. 2007), these deadlines were not fulfilled. Therefore, the ECAs and DSI requested in Zurich the R-CoE to assess the status of ToR fulfillment during its first visit, December 2007.

This has now taken place. Following the guidance of the Zurich meeting, the CoE examined ToRs' current status and presented its findings in Ankara to DSI/PIU and ECAs on December 10, 2007.

The CoE confirms that DSI's proposal to re-plan the entire group of ToRs deadlines on resettlement is based on good reasons. Modifying dates one at a time would not be appropriate under current circumstances. The fundamental cause is that the institutional capacity envisaged for and necessary to execute the ToRs did not exist by December 2007 or January 2008. DSI has been working alone on some provisions of the ToRs regarding expropriation per se. None of the collaborating Ministries or agencies with major responsibilities in resettlement are mobilized to address their tasks and no one has started to contribute to both strategy planning and to settlement work on the ground.

We will return later to analyzing these reasons. First, we report here on the fact-finding review on ToR status.

2.6 The Ankara Meeting—November 29, 2007

At the initial meeting of the R-CoE with DSI and PIU (held on Nov. 29, 07 under the Chairmanship of Mr. Akif Özkaldi, DSI Deputy Director General), CoE's inquiries on ToRs were answered and the following was established:

- (a) The RAP submitted by DSI and Consortium to ECAs in Feb. 2007 has not been revised and updated during the rest of 2007, in light of comments made by ECAs and experts at the Feb.2007 meeting in Vienna. Therefore, a revised final version could not be submitted to ECAs.

- (b) The other RAP field activities to prepare (consultations, sites, etc), or to follow up, the expropriation, have not started.
- (c) The PIU has not started to operate as expected. The organizational capacity for RIP execution was not created (except appointment of members in PIU-board/R-sub-committee). No PIU work plan exists yet.
- (d) The Income Restoration Program (committed to ECAs by DSI and IC for June 2007) has not been prepared and submitted by December 2007. Work for concretizing a specified IRP, area by area, has not started yet, the same as for the revised RIP for Phase 1.
- (e) At the Zurich meeting (October 2007), the ECAs requested that at least the Income Restoration Program (IRP) for the six villages in phase 1 be prepared and submitted to ECAs and CoE **before** the first CoE field visit. This reduced IRP was not prepared yet, again for reasons of institutional capacity that are analyzed further in this report.
- (f) While the PIU Board was nominated in Sept. 2007 as coordinating body. But an actual, full fledged Project Implementation **Unit** (PIU), staffed and located in the project area, as well as in the provinces, with specialized sub-units able to carry out the various sub-components of resettlement, **does not yet exist**.

2.7 Two Time Periods: Status of ToRs at End 2007

This analysis covers two distinct time intervals:

- first, the half year between FAM and ECAs final commitment (03/2007)
- second, the 9 months between final commitment and end of 2007.

The CoE understands well the challenges involved and the need for time. Not all required activities could start right away, the next day after FAM. The 9 ToRs due before final commitment were submitted as notional documents. On the ground, however, only expropriation procedures were started.

The CoE learned, however, that even after ECAs final commitment in March 07, work was not initiated throughout the full year on the other 26 ToRs.

The ECAs asked the CoE to assess the field work done on the 9 notional ToRs submitted to ECAs earlier. However, on them as well, there is nothing to report at this time because their implementation in practice has yet to start. Below, this will be accounted for more specifically.

Table 1 below reflects the status of each of the 35 individual ToRs at end 2007-beginning 2008. First, the Table summarizes (col. 2) the **tasks and content** of each ToR as defined in DSI, Consortium, and ECA documents.

Second, the table lists (col 3) the relevant **collaborating ministries and agencies** nominated by DSI in the ToRs as implementing organizations. Further, it shows **the timeline** for each ToR.

To give a complete picture, we included in this Table also the **new dates proposed and communicated to ECAs and CoE after the field visit, on January 11, 2008** by DSI/PIU, prepared with help from DOLSAR consultants. Thus, the following time-related information on each ToR can be found in Table 1:

1. **Beginning date** for the ToR prescribed activity, FAM agreed;
2. **Completion date** set for it, per DSI commitment at FAM;
3. **Status of work** done by December 2007;
4. Phase 1: **Proposed New Date** for DSI Completion of ToR prescribed activity
5. Phase 2: Proposed Date of Completion of ToR Activity for Phase 2 Villages

The CoE expresses its appreciation for the prompt follow up undertaken by DSI after the field visit and CoE's analysis in the evaluation meeting of Dec. 11 in Ankara, by preparing a **fully new timetable for project preparation work on Ilisu's resettlement operations.**

We will comment on the first 3 columns of the Table and then discuss the new proposals made by DSI/PIU/Dolsar to ECAs and CoE.

Table 1:
Status of Work on ToRs by December 2007

TOR Nr	Task of DSI/PIU	Agencies Collaborating with DSI/PIU	Dates for Activity Start and Completion		Status on Dec. 2007. (CoE & PIU information)	New Dates from DSI/DOLSAR**	
			Begin Activity by:	Complete Activity by:		Phase 1 Villages To complete before start construction:	Phase 2 Villages To complete by coffer dam impounding:
1	2	3	4	5	6	7	8
R1	To determine the size of population affected & degree to which they are affected	GAP RDA	To begin immediately after FAM	To be completed by March 31, 2007	Partly done; Size of unaffected village portion not yet determined	9/04/08	5/08/09
R2	To determine numbers of parcels/ owners to be expropriated	Gen. Dir. Title Deeds & Cadastre Min. of Interior	To begin immediately after FAM	To be completed by March 31, 2007	Partly done by cadastre	8/07/08	3/27/09
R3	To assess distribution of resident & absentee owners affected	Gen. Dir. Title Deeds & Cadastre Min. of Interior	To begin immediately after FAM	To be completed by March 31, 2007	Not done (Nr. of absentee owners to be determined)	8/07/08	3/27/09
R4	To determine number of resident & absentee owners affected by auxiliary infrastructure	Gen. Dir. Title Deeds & Cadastre Min. of Interior	To begin immediately after FAM	To be completed by March 31, 2007	Information not supplied	7/02/08	1/30/09
R5	To determine the number of PAPs broken down by types/ categories, including homeless/ landless, etc., and nr/proportion of households affected in each village	Gen. Dir. Title Deeds & Cadastre Min. of Interior	To begin immediately after FAM	To be completed by March 31, 2007	Not done	7/17/08	2/13/09
R6	To determine nr and size of host villages or towns slated to receive project-displaced people	Gen. Dir. Title Deeds & Cadastre Min. of Interior	To begin immediately after FAM	To be completed by March 31, 2007	Not done; Host areas not yet determined	7/17/08	2/13/09
R7	To determine the land requirement for auxiliary facilities (e.g., transmission lines, roads, & buildings)	GAP RDA; MARA; MPWS	To begin immediately after FAM	To be completed by March 31, 2007	Not determined by DSI	9/04/08	4/03/09

1	2	3	4	5	6	7	8
R8	To analyze the adverse impacts on host groups & PAPs as a result of resettlement & define mitigation measure, budget & time schedule to assist the host groups	Host communities	To begin immediately after FAM	To be completed by March 31, 2007-- framework; subsequent documents six months before resettlement begins	Not done; Host areas not yet determined	10/30/09	12/13/12
R9	To identify inequities in land ownership, potential impacts on resettlement & measures to mitigate impacts	Local communities	To begin immediately after FAM	To be completed by March 31, 2007-- framework; subsequent documents six months before resettlement begins	Not done	1/09/09	4/12/10
R10	To inform affected group about all measures for income restor. with details on groups to which measures apply, on funding these measures, and on an implementation schedule (for PAPs)	Local communities ; Ministry of Agriculture; Ministry of Culture & Tourism; MPWS	To begin immediately after FAM	To be completed before final commitment-- measure provided to ECAs; will receive by June 30, 2007 full plan with implement. schedule; "in any case three months before the respective resettlem. begins"	List of possible actions submitted; Income Restoration Plan not yet prepared	1/17/08	3/06/09
R11	DSI/PIU will provide a complete cadastral survey (including vacant villages); survey analysis will determine magnitude of absentee ownership, title disputes & problems; also their effects on resettlem., mitigation measures, budgets & implement. schedules for each measure	DSI; Local communities	To begin immediately after FAM	To be completed by December 31, 2006-- for construction area; six months before each successive stage of expropriation during the construction people for reservoir area	Mostly done	6/06/08	1/05/09

1	2	3	4	5	6	7	8
R12	To develop time-bound, step by step compens. and resettlem. measures for each community, with implementation schedules, regardless of whether assisted by state or self-resettled	Local communities	To begin immediately after FAM	Completion of Master Plan by June 30, 2007; Detail planning at least one year before actual resettlem. of each settlem.	Partly done; Only expropriation done, relocation not done	8/07/08	3/27/09
R13	To provide measures, implementation schedule & monitoring plan for distribution of land assigned to DSI by MARA, including option package; To provide evidence that affected households were informed on options	MARA	To begin immediately after FAM	Completion at least one year before actual resettlement with detailed measures, and implement. schedule for each community resettlem.	Not done	8/28/08	6/19/09
R14	To provide plan and schedule of measures, and monitoring of PAP benefits, such as improved water/electricity supply for existing and new villages, health services, schools, irrigation, infrastruc., etc; To indicate benefits to non-affected people	MPWS; MARA; Local authorities; TOKI	To begin immediately after FAM	List of measures to ECAs before final commitment; At least one year before actual resettlem.-- implement. schedule monitoring for each settlem.	Except "list of measures" - not done	9/18/08	6/19/09
R17	To provide calculations of transaction costs caused by displacement (e.g., compens. for productive equipment & livestock that has to be sold at low price, title transfer costs, etc); Implement. schedule & monitoring of cost payments	DSI; MPWS; GAP RDA	Beginning: After final commitment	Completion to ECAs & CoE by June 30, 2007-- concept; Full plan at least one year before actual resettlem. of each respective settlem.	Not done	11/20/08	6/19/09

1	2	3	4	5	6	7	8
R18	<p>Task A-- Calculate land requirements for resettlement based on land-for-land resettlement policy & identify resettlement sites for PAPs; Task B-- to carry out for each resettlement site a feasibility study, once adequacy of site is confirmed through consult. with PAPs. Based on study, a farming model for income restor. will be provided & PIU will develop & execute a plan to inform & consult w/ PAPs</p>	MARA	To begin immediately after FAM	To be completed by June 30, 2007--Task A; Task B at least one year before start of each respective resettlement phase.	A: Not done B: Not done	A: 7/18/08 B: 11/21/08	A: 12/11/09 B: 4/16/10
R19	To make income restoration forecasts for all PAPs during dam construction & after completion until income is restored (assessed by indep. mntrg., & confirmed by CoE)		To begin immediately after FAM	To be completed by June 30, 2007-- concept & master forecast; Detail forecast at least one year before start of respective resettlement phase	Planning not done	8/28/08	3/27/09
R20	To ensure that PAPs are allowed to continue farming on expropriated lands until impoundment	MARA	To begin after final commitment	"Concept in further updated URAP; Completion at flooding of respective land"	To be confirmed publicly	10/31/08	4/01/14
R21	To provide a forecast of labor/skill demand & define how apprentice/training programs for affected communities will be organised & paid for	MARA; Ministry of Tourism & Culture	To begin after final commitment	To be completed by June 30, 2007	Not done	11/20/08	6/19/09
R22	To recruit and employ a minimum of 60% of construction workers from among PAPs	Consortium	To begin one quarter after the start of construction work	Semi-annual reports until completion of construction related work	Planning not done	9/15/08***	

1	2	3	4	5	6	7	8
R23	To recruit and employ, after construction of the dam, a significant minimum quota from among PAPs	Consortium; DSI	To begin one quarter after the start of relevant work	To be completed by October 18, 2006-- proposed quota; Semi-annual reporting until full repayment of ECA-covered loan	Planning not done	4/01/08***	
R24	To ensure that expropriation money of land and houses reflects replacement value at time of payment	DSI	To begin immediately after FAM	To be completed before final commitment-- measures provided to ECAs; Completion at end of resettlement & expropriation	Not done	6/06/08	1/05/09
R25	To provide supplementary list of measures with implement. schedule & monitoring for people displaced earlier from now vacant settlements	Ministry of Interior; GAP RDA	To begin immediately after FAM	To be completed by June 30, 2007-- plan; To be concluded within two years of approval of plan by COE, but one year at the latest before actual resettlement	Not done	2/01/08	2/01/08
R26	To create a comprehensive R plan for communities affected in dam construct. area; also, to collect data on properties at dam site by household, livelihood restoration measures, relocation sites, timing, etc.	MPWS; Local communities	To begin immediately after FAM	To be completed before final commitment	Draft RAP prepared: revisions and specific planning measures not defined	No new date provided by DSI/PIU	No new date provided by DSI/PIU
R27	To design grievance redress mechanism for all R issues including income restoration, with schedule & monitoring or grievances	MARA; Ministry of Tourism & Culture; MPWS; DSI	To begin immediately after FAM	To be completed before final commitment	Conceptual design submitted, but not implemented	9/01/08	5/01/09
1	2	3	4	5	6	7	8

R28	To provide a comprehensive disclosure plan for the public for all material aspects of project	Local authorities	To begin immediately after FAM	To complete by June 30, 2007-- master plan; Details at least one year before actual resettlem. of each respective settlem.	Done only in a small part	7/31/08	3/31/09
R29	To plan, organise & hold forums to ensure informed consultation of PAPs; To provide evidence on content of consultation and PAPs' participation	Local authorities	To begin immediately after FAM	To complete by March 31, 2007, a strategy/maste r; plan, at least one year before actual resettlem. of each settlem.; quarterly reports to CoE	Not done	6/06/08	1/05/09
R30	Declaration to ECAs & COE with explanation of why Article 27 on emergency expropriation and Court procedure should be invoked	DSI	To begin immediately after decision to envoke Article 27	To be completed before final commitment; Future application before Article 27 is invoked	Done	4/30/08	
R31	To provide to ECAs and CoE MARA's commitment to make available to DSI agricultural land of equal dimensions & quality as that expropriated, for rural resettlem. of PAPs	MARA	To begin immediately after FAM	To be completed before final commitment	Intended transfer lands not yet earmarked	No new date provided by DSI/ PIU(?)	No new date provided by DSI/ PIU(?)

1	2	3	4	5	6	7	8
R32	To develop 3 RIPs-- RIP 1 -- construction site; RIP 2 --reservoir phase 1 impound. cofferdam level; RIP 3 --reservoir phase 2 & 3 for all resettlement. Update based on RAP & consult. with PAPs & other stakeholders. Provide list of DSI actions for implement., schedule & monitoring work	MARA; MPWS; Resettlement Commission; Local authorities; Consortium	To begin immediately after FAM	To be completed by Dec 31, 2006 for 6 sites Ilisu; April 30, 2007 for other construction sites (or at least one month prior to land acquisition); RIPs 2&3 phases--at least two years before actual resettlement in each phase	No RIP exists yet for the 6 villages		11/01/09
R33	To provide institut. arrangement & capacity building plan, for implement., supervision, administration, planning & design, and internal/external monitoring. Indicate collaborating agencies, w/ their staff numbers, capacity & budget	MARA; MPWS; Resettlement Commission; Local authorities; Consortium	To begin immediately after FAM	To be completed by March 31, 2007	Not done	4/30/08	No date provided for expansion of activities & capacity in Phase 2
R34	To provide plan for external monitoring of resettlement implementation, with profile of indep. group plus international monitoring experts with indicators, method, frequency, and budget for baseline survey, and provide to ECAs and CoE semi-annual monitoring reports		To begin as soon as possible after FAM	To be completed by March 31, 2007. Monitoring reports to be provided semi-annually until repayment of loans	Under review; Adequate group to be identified	3/31/08	No new date provided by DSI/PIU
R35	To update the URAP by including amendment already published, new information & action plans consistent with ToRs R1-R37 & C-6			To be completed by June 30, 2007	Not done	4/01/09	No new date provided by DSI/PIU

1	2	3	4	5	6	7	8
R36	To update the budget for the implementation of all resettlement actions reflecting the full legal costs & budgeting for the resettlement related tasks & staff described in the ToRs of PIU & COE	Ministry of Finance		To be completed before final commitment	Insufficient information provided to CoE	No new date provided by DSI/PIU	No new date provided by DSI/PIU
R37	In light of Law 5543 (2006), to provide: A) comparison of the old & new laws; B) examine implications for Ilisu Project RAP & C) present necessary adjustments		Work to begin after FAM	To be completed before final commitment-- points A&B; by March 31, 2007, point C	Point A and B done; C to be done	4/30/08	No new date provided by DSI/PIU
F1	To provide a financial structure ensuring the timely flow of funds for anticipated activities in the areas of environment, cultural heritage, and resettlement		To begin immediately after FAM	To be completed before final commitment	Partial information supplied in 2007		
F2	To provide a letter of assurance on the government level that the budget for all of the following is at PIU's disposal: The construction of the HEPP Ilisu, all measures related to the environment, cultural heritage, and resettlement as described in the documents submitted		To begin immediately after FAM	To be completed before final commitment	Done		

**The CoE has had no ability to analyze the feasibility of the new deadlines, that is, the capacity for realistically meeting them. The data supplied by DSI/PIU are included here provisionally, for information and further discussion.

***DSI/PIU needs to confirm intermediary date for Phase 1, 2 & 3

All information supplied by DSI to CoE has been employed and used by the CoE in this report, but for many ToRs, particularly where work on them has not started, PIU could not provide any data. Some of these data must be generated by collaborating agencies, not by DSI itself, but these collaborating agencies, despite being listed in the RAP as the responsible implementing agencies, had not yet been invited and mobilized by DSI, until Autumn 2007

(before the Zurich meeting and CoE first visit). Formal protocols of collaboration are still to be concluded between DSI and the respective agencies, before those agencies can make staff and budgetary allocations for their participation in the Ilisu project.

2.8 Summary of ToR Status Table

The table speaks for itself. By end 2007 only few activities were started – mostly, the expropriation.

For 26 ToRs, the prescribed activities have not started at all (including specific plans for resettlement and income restoration). Only in 5 ToRs some activities have been found to be “partly done”. For the other 4 ToRs, information is not sufficient.

The CoE confirms DSI’s report in Zurich, and documents now this situation on a ToR-by-ToR basis. Altogether, the assessment leads to the sobering conclusion that a period of one year to 15 months, October 2006 to December 2007, was largely lost.

The causes of failure in the intended ToR activities are complex, and the CoE has no sufficient information or knowledge of the relevant organizations, to comment in detail. But it appears that the basic explanations reside in that the set of specialized Ministries and agencies envisaged to participate have not been mobilized after FAM 2006 to start work under DSI’s responsibility. DSI itself has undergone important internal organizational changes during 2007.

Following the intense CoE-PIU-DSI dialogue in December 2007, the PIU has moved quickly towards full re-planning of resettlement of resettlement preparation work not only for Phase 1, but for the entire reservoir – Phase 2 and 3.

On January 11, 2008, DSI/PIU submitted to all ECAs and CoEs a fully new critical path outline, proposing new deadlines for each single ToR on a phase-by-phase basis.

This new and fully changed DSI/PIU timetable definitely represents a positive step. These new dates can be seen in columns 7 and 8 of Table 1, respectively for Phase 1 and Phase 2. Given its high importance, a special section of this report (chapter 9) discusses the new proposals distinctly. The new timetable involves both immediate operational issues and medium and long-term strategy issues, while it also invites questions about the staff resources behind the dates of the new calendar. The CoE expects to follow up on this calendar, not only in chapter 9, but also in the quickly approaching forthcoming visit to the project.

2.9 Capacity Issues

What has been lacking, and still is lacking, is a well-organized and fully mobilized institutional capacity at the site, capable of translating the new resettlement standards into reality.

Usually, development projects that cause FDR of similar magnitude set up from an early stage a large staff capacity to work full-time for about 1.5-2 years, if not longer, to prepare in detail the plans for such operations. China's experience, for instance, suggests that the staff size necessary to prepare a large resettlement of 50-60,000 people (like in Ilisu) is about 200-250 professionals of various skills, divided between work in headquarters and work on the reservoir area. China's Shuikou Dam is a good example: it has resettled over 60,000 people. In Shuikou, the preparation of the resettlement plan involved a total of 700-800 staff years, deployed before that project was seen as ready for appraisal by the World Bank. Additional hundreds of years of staff-work have been dedicated for implementing the resettlement and income restoration plans. The Shuikou resettlement ended successfully.

The creation of a comparable capacity, under one roof, would have been necessary in the case of Ilisu, for resettlement preparation, multi-sided planning and implementation immediately after the FAM meeting. Absent capacity creation, it should not be a surprise that the very massive work required by the ToRs could not have been carried out. In fact, Turkey's own experience in prior dam construction indicates that the staff-intensive and time consuming preparation and planning of resettlement were carried out by a range of specialized project and planning units, land allocation staff, cost analysis staff, training, settlement and reconstruction specialists and monitoring, evaluation and studies units, dedicated particularly to resettlement.

In conclusion, in the case of Ilisu, **no new and dedicated institutional and organizational capacity was so far assembled under one roof, to match the magnitude, the diversity, and the complexity of displacing and resettling over 54-55,000 people, while maintaining their incomes and livelihoods** and assisting them to recover and improve their living standards after the shock of involuntary displacement.

The CoE has discussed with the PIU Resettlement Committee, in rather great detail, what needs to be done to create the requisite institutional capacity. Some such suggestions will be outlined further in section 2.8.

Before this, however, we will emphasize the work that has just been initiated in DSI and PIU, following the Zurich meeting and the CoE field visit, to re-plan the activities necessary for accomplishing the purposes of the R-ToRs.

Ch. 3. Consultation, Participation, Resettlement Committees, and Grievance System

Information and consultation of the affected population about the displacement and relocation process, and about the population's needs and proposals, is a major component in Ilisu's plan for the project preparation work. The agreed measures about this component are outlined in ToRs 18, 27, 28, 29 and in the "*Updated Resettlement Action Plan for Ilisu Dam*" of July 2005.

3.1 ToR Prescriptions

Public disclosure plan and PAPs' Participation

ToR 28 requires comprehensive disclosure/dissemination of information about the project to the affected population. The Master Plan for public disclosure had to be ready by June 30, 2007, with details regarding the plan available at least one year prior to resettlement.

Additionally, ToR 29 states that "*appropriate forums to ensure informed consultation of PAPs*" should be planned, organized, and actually carried out at least one year before resettlement. Completion date for the plan for PAP participation was March 31, 2007.

Resettlement site consultations

ToR 18 requires that PAPs be consulted to confirm "*adequacy of resettlement sites*" prior to expropriation. This involves the timely identification of such sites, showing them to the PAPs, and consulting PAPs on adequacy, selection, alternative sites, etc. It also requires the development of a participation plan "*to inform and consult PAPs.*" The purpose of this ToR is to offer "land for land" and give farmers a real option to relocate on land and continue their farming actively, instead of limiting them only to dislocation with cash.

Grievance redress mechanism

ToR 27 requires that a grievance redress mechanism be installed "*for all resettlement issues including income restoration.*" It had to be established before the final ECA commitment of funds.

3.2 Findings: Status of Consultations and Participation in December 2007

The CoE has inquired with DSI and the agencies' representatives, and with farmers in 6 villages, on whether, when, and how the consultation process has been carried out between end 2005 – end 2007.

Information received from all sides consistently indicates that this process has not been carried out. Since ENCON's study conducted in February-July 2005, no organized consultations by DSI or other agencies have been held with PAPs about their involvement and organized participation in resettlement choices and procedures. Nor was the consultation Master Plan prepared and executed (ToR R-29). Thus, the objectives of information and participation have not been reached.

PAPs interviewed by the CoEs jointly with PIU during the field visit indicated that no consultations were held in those villages during 2006-2007. Thus, the agreed procedure was not followed and a precious time period (2006 and 2007) has been lost.

The CoE concludes, therefore, that **compliance has not been achieved with this key set of international standards and the ToR's provisions**. The World Bank standards on these activities have not been met.

The CoE also found that the implementing agencies (MPWS, MARA, GAP, TOKI, etc) had been unable to participate in/organize consultations with PAPs, and that these agencies had no knowledge themselves about resettlement standards and plans. During 2006-2007, the staff of these implementing agencies had not yet started their work, and were not yet located or working at the dam area (or the rest of the reservoir), to consult with PAPs and work on the issues that fall under their competence.

Site Presentation as part of consultation

The CoE found that specific alternative sites had not been identified and presented to displaced farmers in the six communities for their resettlement. Although the draft RAP stated that *"One of the important points for RAP implementation is the consensus of the villagers to be relocated to a certain site,"* the CoE found that there could not be a consensus because no sites had been selected and shown to farmers. (RIP, Ch 7, p. 2) Farmers were to be given a choice between resettlement sites. Since there has been no consultation with them, and no sites have been selected, this was not accomplished. Farmers were also not consulted on their own proposals and needs regarding income restoration, or on proposing sites (for instance, on moving uphill, or terracing the slopes, etc). Nor were they consulted about assistance needed to maintain viable households that lose only part of their farming lands, for instance by expanding livestock or vineyards or other productive assets.

PAPs should have been consulted also for the creation of the Income Restoration Program (IRP). A participation plan was supposed to be in place “one year before resettlement”; but such a plan does not yet exist.

The Public Participation and Consultation Plan mandated in ToR 29 states the need to “*provide a framework that will guide public participation and consultation.*” (This is repeated in RIP, Ch. 7, p. 3). But this remains a declarative statement, as no action for realizing it was taken. Such a plan is indeed essential to ensure public knowledge of the project and should be developed and added upon.

World Bank standards demand not only PAP informing, but also organized participation of PAPs in the process. Resettlement committees composed of PAPs should have been created for this purpose, according to ToR 29. These committees can promote self-help and encourage community involvement.

The PIU Progress Report of October 16, 2007, once again recognizes in general terms the importance of creating “community resettlement committees... comprised of village headmen, elderly councils and representatives of different interest groups to... inform about the need and priorities of the PAPs” (Page 4-5). But despite generalities and statements, no such committees were created in practice in any village. The ToR 29 required that this work be completed “at least one year before actual resettlement of each settlement”.

Disclosure

According to ToRs, information should have been translated into local languages and disseminated to the local population. No handbook addressing the process of displacement and resettlement has been prepared or translated into local languages for distribution to PAPs.

Grievance Redress Mechanism

Although ToR 27 explicitly mandated the creation of a grievance redress mechanism, so that PAPs could express concerns or grievances, DSU informed the CoE that such a mechanism had not been created when expropriations started. PAPs went to the Courts to challenge land valuations. While this is an appropriate venue to address some grievances, many possible PAP concerns are not within Court practices. In summary, the provisions of ToR 27 on creating a grievance redress system have not been achieved.

3.3 Recommendations

- **Staff capacity for consultations.** The CoE recommends that, immediately after the staff capacity for the Ilisu Resettlement Unit is appointed, trained, and installed at the dam site area (including not only DSI staff, but also the staff from all implementing agencies), systematic

consultation and participatory-organizational work is initiated with the population.

- **Staggered approach to consultations.** Given the backlog in this work, there is no other solution now than dividing the consultation and information process in at least two stages: first, consultation focused on the six villages, centered on the immediate needs and tasks for informing, assisting and helping relocate the affected households. A work plan for this needs to be drawn, with focus on finding practical and implementable solutions to specific problems faced by each affected household.

The second phase of consultation should cover the reservoir. A distinct plan, with assigned and time-bound tasks, should be elaborated along the “Master Plan” required by ToR R-29.

- **The role of implementation staff.** It is essential that, at this advanced stage, this work not be again outsourced and contracted to outside consultants¹⁷, who would write plans and give advisory reports. The time for **action** has come, already one year ago. The direct involvement of the implementation staff is indispensable. The implementing staff or relevant state agencies, who have authority to decide and execute, must acquire direct “knowledge and ownership” of the communities’ needs and of what is to be done on the ground in the immediate months. Written records of the consultations and of villagers’ proposals and concerns need to be kept.
- **Informational handbook on resettlement.** The PIU Resettlement Committee needs to initiate the preparation and printing of an informational booklet (short handbook) with the basic data which villagers need to and are entitled to know regarding their displacement and resettlement. The Field Resettlement Unit should ensure its dissemination to each affected household. (See ToR R-28 about the “comprehensive disclosure plan” for the public on all material aspects of project and its resettlement.)
- **Village Resettlement Committees (VRCs).** Communities in both Phase 1 and Phase 2 villages should be encouraged to immediately self-organize themselves to better meet their own needs during the relocation process. International experience indicates that the creation in each affected village of a “Village Resettlement Committee” (VRC) is apt to mobilize and

¹⁷ This is not to underestimate the value of consultants’ contributions, which can be essential for tasks suited for consultants. But outside consultants should not be asked to do the work that must indispensably be done by the regular staff itself. DSI experience shows that when consultants alone wrote the “Resettlement Action Plan” without the agency’s staff participation, the plan became practically a “document-on-the-shelf,” which was not even read by most agency staff and failed to be “owned” and implemented in practice.

organize the self-help of villagers and their mutual assistance. Such VRCs may become a counterpart to the Ilisu Resettlement Unit, facilitating the unit's staff contacts and work with individual households in each village.

- **Grievance System.** The grievance system needs to be established and made accessible to PAPs with quick resolution and return feedback on received complaints. This will simplify the practical resolution of villagers' needs and complaints without resorting in every case to the formal judicial system and to paid lawyers. While maintaining the villagers' right to go to courts, the grievance system may avoid, in many cases, the cost of resorting to lawyers.

Ch. 4. Identification of Resettlement Sites and Expropriation in Phase 1 Villages

This chapter reviews DSI work on two interrelated tasks: (a) expropriation, and (b) the concomitant identification of the sites to which the expropriated farmers could move.

The international standards in the ToRs require that farmers affected by expropriation be offered not just cash compensation, but a choice among project-identified alternative land sites to which they can relocate their farming activities, or their dwellings, or both --when both lands and houses are expropriated. Past experiences in various countries have shown that, if and when these two activities are de-linked, the displacing agency typically tends to limit itself only to the legal expropriation based on eminent domain and to payment of cash compensation, without due concern for reestablishing the farmers forcibly displaced at another acceptable land site, where they could continue their farming activity to restore and improve their livelihood. Leaving farmers to alone bear the risks of finding news lands for relocation makes it most often impossible for them to identify suitable sites to reconstruct their livelihood. As historical experiences show, such practices tend to result in the impoverishment of the affected.

4.1 ToR Prescriptions on New Sites and Expropriation

The World Bank's standard guidelines on relocation site identification, described above, are properly reflected in ToR-18 on "resettlement sites". At FAM -- October 2006, DSI and ECAs formulated the following two crucial tasks for site identification in Ilisu:

Task A: *"To calculate the approximate land requirement for resettlement based on land-for-land resettlement policy and identify resettlement sites for PAP".* The completion date of Task A was June 30, 2007.

Task B: *"Once the adequacy of sites is confirmed through consultation with PAPs, to perform for each site a feasibility study. Based on the study, a farming model for income restoration would be provided".* The scheduled completion date for Task B is *"at least one year before start of each respective resettlement phase"*.

These are indeed **fundamental** tasks. Success or failure in resettlement depends largely on their correct and timely implementation.

To enable PAPs to make a real *choice* between land-for-land compensation and cash compensation, the alternative resettlement sites have to be identified early, and to be presented in time to the affected farmers, for their informed choice. Covering the “transaction costs” of such site presentations (for instance, the cost of transporting the farmers to visit the proposed sites) is the project’s obligation, as stated in ToR R-17 about “transaction costs”. The project’s physical presentation of relocation sites to farmers is part of the information and consultation process, before expropriation and displacement.

To examine these two aspects, it is necessary to first briefly consider the dam area’s farming systems and the ecological and topographical characteristics of local lands.

4.2 Farming Systems in Villages at Dam Area

The dominant characteristics of the dam area’s topography result from its mountainous-hilly and undulated terrains, partly rocky, with rather shallow low productivity topsoil cover. Villages are perched on hillsides. Only limited areas of the hilly terrain are cultivatable, given the area’s high degree slopes and pronounced risks of erosion. However, the slopes’ exposure to sun makes parts of them suitable to viticulture and limited horticultural activities, particularly when terraced. The phase 1 area’s physical profile contrasts markedly with the typical river-valley, large and flat fields along the Tigris, upstream of the dam, to be affected by later resettlement.

The area’s farming systems are based on predominantly rain-fed agro-pastoral farming. Local households practice mostly a subsistence economy, with limited market exchanges. Nonagricultural employment is scarce, in some villages virtually absent. Farming is the central option for livelihood. Neither private enterprise nor government jobs (except teachers jobs and village guards) are easily available. This results in low-income levels and poverty.¹⁸

The land tenure system is based on joint ownership over land by extended families; sibling often “own” and cultivate portions of land that are formally held under one name, while informal partitioning arrangements are transferred from one generation to another. Many parcels are held and utilized customarily, without formal registration. The household incomes, though meager, have a complex composite structure, and consist of a sum of several weak income streams from farming, livestock and pastoral activities, and forest products. Much of this income is in kind, i.e. in the form of the self-consumed products of the household. Given terrain characteristics, each household’s owned lands tend to be highly fragmented into several small or very small parcels. Small-scale land ownership and fragmentation of holdings have implications for

¹⁸ No quantified data about income and poverty levels in the area were made available, or collected by DSI.

compensation and the farmers' ability to self-reconstruct economically after expropriation.

4.3 CoE's Field Findings

Since construction works were tentatively scheduled to begin in October 2008, both Tasks A and B defined above (identified sites and site feasibility studies) should have been completed by June 2007 and October 2007, that is "at least one year" before October 2008, when the Consortium has programmed to start construction works.

However, neither Task A nor Task B has been started yet. The non-completion by DSI of these two fundamental standards causes a major problem in advancing with expropriations and resettlement that has to be addressed by DSI, the Consortium, and ECAs before a decision on the date of construction start is made.

CoE's interviews in all six villages inquired whether PAPs were shown any relocation site they could consider moving to. Farmers' answers in all six villages were negative. DSI staff confirmed this information, because DSI or collaborating agencies have not yet undertaken the ToR mandated work to *concomitantly identify* alternative relocation sites and to present them to affected villagers. Except cash compensation, no option of a site choice was offered to the farmers in the six villages. Apparently, in some cases, an abstract mention was made to possible relocation to a part of the state farm Ceylanpinhar, but no group or single farmer was taken to visit that site.¹⁹

In sum, based on information from DSI/PIU and interviews with farmers, **the CoE concludes that that the process of identifying sites for relocation on the ground has so far not taken place. Instead, the expropriation process has materially diverged from ToRs 18 and 17.** This situation requires retroactive correction before the start of construction works.

The actual process went through the following sequence. Preparations for expropriation began in 2005-2006 (cadastral measurements²⁰). The cadastral consultant, however, was given narrow terms of reference, limited to the measurement and tenure clarification of the land needed only for construction work. Cadastre work was carried out only on parcels to be expropriated, but not on potential lands for relocation sites, either as house plots, or for replacing farming land-for-land. Cadastral measurements, valuation, and financial

¹⁹ In prior correspondence submitted to the ECAs, DSI requested MARA to release land at Ceylanpinhar. MARA's response at that time has not yet clearly confirmed circumstances or specific amounts of land available for release.

²⁰ Carried out by Cekul Engineering Ltd, a local consultant hired by the Consortium at DSI's request.

calculations,²¹ were submitted to courts in February 2007. Court examination, revisions and legal procedures were completed by June 2007. No search for relocation sites was started after that time either.

The event of forced eviction and house demolition is fast approaching, in light of the scheduled start of construction work. Therefore remedial action in line with ToRs must start immediately.

During fieldwork, DSI representatives told the CoE that farmers had chosen “self resettlement”. This interpretation, however, was not confirmed by CoE’s field analysis and interviews. The self-resettlement concept is inappropriately used in this case. Farmers clearly stated that they had been offered no other choice of land at all, but only compensation in cash and that they are given no other option than to accept the cash for the land that is taken away. Indeed, even during its own field visits throughout the area, the CoE was not shown any proposed relocation sites. Interviewed farmers indicated they welcome government assistance in finding adequate house and lands sites close to their current locations, but that no such state assistance has been given.

As they declared to the CoE, the relocation activity that Farmers are ready to undertake themselves, rather than resort to government help, is the self-reconstruction of their houses at a new site. They would welcome Project assistance in identifying and obtaining the needed house-plots to rebuild their houses. CoE’s interviews focused on this question in all six villages and answers were consistent.

The places for which house-losing farmers have preference are places as close as possible to the prior location, sometimes uphill, where they want to self-rebuild. In rare cases, some families indicated that if they moved to town (e.g. to Dargecit), they would like to be shown what the TOKI agency could offer them, before making a decision.

4.4 Size of Expropriation in the Dam Area Villages

The following areas of the six villages (Table 1) fall under the expropriation process, according to the Ilisu Resettlement Action Plan (Feb. 2007).

²¹ See analysis of valuation of the calculation of compensation rates for condemned land and structures in Chapters 5 and 6.

Table 4.1
Lands to be Expropriated in Phase 1 Villages by Tenure Regimes (in m²)

Settlement	Private Ownership	Treasury*	Village Legal Entity	Engaged in Lawsuit	Total
Dugunyurdu Village	229,520	355,724	0	0	585,244
Ilisu Village	1,735,163	3,600,310	85,145	126,094	5,546,712
Karabayir Village	542,403	320,505	0	0	862,908
Kartalkaya Village	313,890	1,101,198	0	28,691	1,443,779
Koctepe Village**	2,868,832	450,746	32,338	0	3,351,917
Temelli Village	969,676	44,699	5,494	0	1,019,869
Total	6,659,484	5,873,182	122,977	154,785	12,810,427

* Treasury lands are re-allocated to the project, not expropriated.

** Koctepe village includes the Kocyurdu hamlet

Source: DSI, "Ilisu Dam and HEPP Project Resettlement Implementation Plan" February 2007, Ch.1, p. 2.

More than half of these lands (666 hectares) have been privately owned by small local farmers. Lands and grazing lands under legal collective village ownership total about 12.3 hectares. The extent of affected grazing areas under customary or usufruct ownership is not documented in the Table.

For a full understanding of the process, the CoE expects to also receive from DSI data about community-owned lands and pasture areas expropriated; public buildings subject to demolition; and about calculation and payment of compensation for these assets as well.

4.4.1 Comment on the Nature of Data As the CoE's learned during its village visits, the 6 communities will not be displaced in their entirety. Only some communities fall fully under expropriation for the construction perimeter. Other communities are affected only in part and some houses do not have to be demolished. Thus, the degree of socio-economic impact varies from one community to another. This is essential for determining the proportion of mitigation and for how income restoration activities are targeted. However, the DSI statistical information made available to the CoE for the 6 affected villages is insufficient for assessing the limits of impacts and the different prospects of these communities. DSI data in the preceding Table 4.1 are structured only along expropriated *parcels*, but don't inform at all about the affected *families* and households behind those parcels. This focus reflects an expropriation-centered

approach in displacements rather than a community and household-centered approach to resettlement.

4.4.2 The Unit of Action in Resettlement. Furthermore, the way expropriation has been carried out also reflects a traditional approach, rather than an integration of the expropriation procedures into the broader process of preparing resettlement. Expropriation is a necessary step but for properly carrying it out, it cannot be conceived as a separate step in itself, without forward linkages, unrelated to the other elements in the sequence of resettlement activities.

The unit of action in development-caused rural resettlement is either the community (the village), or the household inside the community affected by resettlement. The unit of action is not the parcel that has to be expropriated. Resettlement considers what will happen to the community in its entirety, where it can be relocated, where its houses can be sited, and where the farming lands of the community will be, its water sources, its access roads, etc. When the focus is exclusively on the parcel(s) to be expropriated, the broader resettlement concerns fall by the side and are simply not addressed. Focus on the parcel only presumes only one next step – the payment of compensation – and does not involve concern for household re-siting, household economic viability, restoration of income and livelihood. This narrow focus shifts every other issue as a burden on the displaced family itself, who is paid compensation but is not receiving any attention for its next day needs from the expropriating agent. Nor does the focus on parcel expropriations concern itself with the public services that are integral to the life of a community (school, prayer-houses, village bath, electricity, etc.) and with their reconstruction. Once again, focus on the condemned parcels alone frees the expropriating agent from thinking about the social content of resettlement and the immediate destiny of the affected household and family. Obviously, this would conflict with the policy standards adopted for Ilisu.

Conversely, expropriation can be done in a fully different way if it is seen and integrated in the sequence of steps defined by the broader concept of resettlement. Absorbing and internalizing the understanding of resettlement as a process is indispensable for carrying out this component of the Ilisu project.

In some cases, the un-affected segments of the village housing might possibly become a relocation site for some of the demolished households. On the other hand, if the segment of the village that now remains un-affected by Phase 1 will, nevertheless, become ultimately subject to reservoir flooding, it is essential to warn the dislocated farmers against rebuilding their houses in the temporarily not-affected segment, so as to prevent their secondary displacement.

Therefore, the CoE recommends that statistical data on expropriation be tabulated and analyzed **in the context of the overall demographic and socio-economic picture on the totality of the respective communities**. Data need to be structured along community size and composition, so that the differential degrees of expropriation impact can be made visible. This is not just a request for data use by the CoE: this is a recommendation for DSI's work itself, because the heart of the issue is not parcel-expropriation but the families that are differentially impacted, and whose income and livelihood must be restored.

Indeed, this is the critical requirement for designing the Income Restoration Program in a specific manner, since the IRP will have to be tailored around not the expropriated parcels, but around households of three kinds:

- (a) totally affected households;
- (b) partly affected households; and
- (c) non-affected households.

In this context, by household we have in mind both *the family* with its members (family size is always a key definitional variable) and the family's *income producing assets*, such as: lands, livestock, trees, house, barns, stables, and other built structures.

4.5 Current Status of Expropriations (November 2007)

Out of the 1474 land parcels and structures to be expropriated in the six villages, some 351 plots and almost 100 structures in Ilisu and Karabayir villages (63%) have been expropriated and payments were deposited in the Banks. For the other 208 expropriated plots in the same 2 villages, payments are to be made from the 2008 budget. Therefore, these expropriations procedures have not been completed.

Except two, all the other affected farmers rejected the valuations offered by DSI for their lands, claiming underpayment. Expropriation files were submitted to the Courts, and 449 court cases were opened for the land parcels and structures expropriated in Ilisu and Karabayir. Many farmers hired local lawyers to defend their claims in court. Since the grievance system had not been instituted yet by DSI, the affected farmers could not bring up their complaints through the grievance procedure.

By June 2007, in practically all cases the Courts found in favor of farmers. The courts concluded that the payments offered by DSI were under-valuated, and increased compensation payments with an average of 20% (Chapters 5 and 6 of this present report are dedicated to the financial analysis of compensation calculations).

4.6 Expropriations Planned for 2008

The expropriation process is scheduled to continue in 2008 in the same manner for the remaining two groups of households.

The first group consists of 208 households for which expropriation files are complete, but financing from the 2008 budget is awaited. DSI expects to deposit the calculated payments in the Banks in the first months of 2008.

The second group consists of additional expropriations (between 915-975 parcels and structures) in the four other villages of the dam construction area: Karabayir, Koctepe, Temelli, and Dugunyurdu. The process for the four villages will apparently continue in the same way as for the first two villages, i.e., without relocation sites. Although it is expected, it is not clear yet if DSI will change compensation methodology, to respect ToR provisions and take into account lessons from Court decisions and CoEs recommendations. It is also expected that farmers in the 4 villages will also go to Court.

The CoE pointed out in its analyses with colleagues in PIU, and also in the wrap up meeting in Ankara, that if the process in the 2008 expropriations continues in the same way, the non-compliance with the agreed ToRs will only be amplified instead of being corrected.

To understand why the provisions of ToR-18 have been ignored so far, despite DSI's prior agreement with new standards, the CoE carried out detailed discussions with DSI/PIU colleagues about expropriation procedures and the identification of alternative resettlement sites. The DSI/PIU members explained that, in Turkey, expropriation has been traditionally a distinct DSI activity, without concomitant identification of new sites for those displaced, and the work in Ilisu followed so far the historic pattern. In previous projects in Turkey, site identification for new settlements had been carried out by staff from the MPWS. However, staff from the MPWS or MARA have not yet been invited to participate during 2007 in the expropriation and relocation for Phase 1 construction. As a result, expropriation procedures were different than agreed in the ToR between the ECAs and DSI.

Recent reassurances given in October 2007 by the senior management of DSI to the ECAs, prior to the first CoE visit, indicated that if adjustments will be found necessary in the expropriation procedures implemented before October 2007, such adjustments will be introduced by DSI management. The DSI letter sent to the ECAs²² on October 02, 2007 stated:

²² Letter from Mr. Mehmet Gulg, DSI Deputy Dir. General, to Dr. Heidrun Schmid, Osterreichische Kontrollbank AG OeKB, October 02, 2007.

“We are ready to adapt/adjust also the resettlement processes, which are already under execution or completed, if a justified request from the CoE is submitted to the PIU.”

The CoE made this recommendation in the Ankara evaluation meeting (December 11, 2007) and believes that adequate measures need and can be taken immediately.

4.7 Recommendations on Site Identification

To remedy the inconsistencies between practice and defined standards (ToRs-18, 17, and 31), the CoE recommends that:

1) Corrective action needs to be taken for the households already expropriated in Ilisu and Karabayir, so as to bring their situation in line with the ToR provisions about WB standards;

2) Since a considerable part of the expropriation in the remaining four villages of Phase 1 will take place during 2008, this process should be continued only after the appropriate decisions on applying World Bank standards are made inside DSI. DSI needs to prepare new technical guidelines for both the staff of DSI and the staff of collaborating agencies for aligning DSI's Ilisu procedures consistently with agreed ToRs. The involvement and on-the-ground full participation of the other agencies (particularly MPWS and MARA) must be assured with immediacy.

3) DSI and collaborating agencies need to internalize also the recommendations about the calculation of the financial compensation for land and structures, based on the analysis contained further in Chapters 5 and 6. The need for corrective measures results both from the Court decisions for the first round of expropriations, as well as from the financial analysis developed further in this report.

4.8 Villagers' Participation in Site Identification

Carrying out the remedies to Phase 1 resettlement preparations require also a significant involvement of, and consultation with, the communities affected. Villagers' participation can much help in identifying acceptable relocation sites for the households to be evicted, given the intimate knowledge that the villagers have of the local terrain and its potentials.

The following case, described in Box 1, illustrates that indigenous knowledge available in these communities and the participation of villagers and village leaders can identify opportunities and solutions not yet tapped and thus

improve and facilitate the process, both for themselves and for the implementing agencies.

4.9 Are Relocation Sites Available in the Vicinity of the Affected Area?

The CoE interviewed farmers as to whether sites acceptable to the local farmers could be found in the area, or neighboring the villages to be displaced. The answers were positive and examples were given.

In one such case, signaled by Ilisu's displaced villagers, the CoE proceeded to verify the site proposed by the community by delegating to the site one CoE member with adequate technical expertise, Prof Yavuz Kir, together with other specialists and with the Mukhtar (village head) of Ilisu and his assistant.

The verification positively confirmed the adequacy of a site that could accommodate 40-50 house-plots for relocating all Ilisu houses slated for demolition at the villagers' own proposed site. This solution now awaits confirmation by DSI. It can suggest a replicable approach to site identification, to be used in the service of villages affected in Phase 2 and 3 reservoir displacement (see details in Box 1).

Box 1

Finding a Site for Ilisu Community

During interviews in the Ilisu village, community members informed the CoE that they did not accept government resettlement because that would take them far away from the site, while they expect to get jobs in dam construction. Therefore they had to declare for “self resettlement” up hill. But that there is land close by where they could relocate. They mentioned one such site.

The CoE followed up on this signal. One member of the CoE, Prof. Yavuz Kirk, together with PIU member Ramazan Gurkan (MPWS), accompanied by the cadastral specialist, Mr. Mehmet Duran (Cekul Eng. Consultant Ltd.), went for a second time to Ilisu village to identify a potential area for relocating the 46 houses to be demolished in Ilisu. Jointly with the Mukhtar and his assistant, and with the Consortium’s project coordinator Mr Ibrahim Yavrucu, they visited 3 potential sites --of 80 da, another of 200 da, and the last of 150 da.

The team considered several suitability criteria (access to water, closeness to power network and future road to Dargecit, etc). Based on these criteria, site 1 and site 2 were eliminated, and site 3 was confirmed by the technical team and the Mukhtar as suitable and acceptable to the Ilisu villagers. The site has no direct connection to the construction site. Its size (150 da) is more than enough for the current relocation needs of the entire community, and has potential for future enlargement. Other advantages: it is close to the planned school, hospital, and new road. Since the plot is now under DSI authority, it can be released with DSI approval and without added expropriation. (For more details see the Field Site Report and Map, in Annexes 4 & 5)

Through this practical exercise, the solution for a to-be-displaced community has been found. The CoE undertook this practical exercise, with PIU support, with a strategic intent, as it can suggest a model of how detailed local assessment and consultation with villagers can result in identifying sites acceptable to PAPs and in counteracting displacement’s risks.

4.9.1 The New Resettlement Site Plans (RSP). Important lessons for the future can be derived from what was done, as well as from what hasn't yet been done in Phase 1 expropriation. In this spirit, the CoE suggests that PIU develops a work-pattern for resettlement sites planning and implementation, desirably along the following steps:

- a) Establish a joint team within PIU, which leads the work for resettlement site identification and consultation with villagers about available options. The team could be led by MPWS staff and include field officers from DSI, the Consortium, MARA, GAP, and a cadastral consultant specialized in site identification.
- b) The team conducts consultation meetings in each village. Village leaders and representatives of each affected household are invited to participate in the meeting and present their views, proposals, and questions on possible/acceptable sites. Meetings should be repeated until agreement is reached between PIU and the majority of the village households. The information on a final decision will be disclosed to all households.
- c) The team makes field visits to choose possible alternative sites for each displaced village, one or two at a time, and prepare for each a draft new "Resettlement Site Plan (RSP)". It should include the maps of proposed new sites, description of access to basic amenities (water, electricity, roads, etc.), planned public facilities, missing and necessary basic facilities and public services, estimated time schedules for site and facilities preparation, and available income restoration options in the areas surrounding the proposed sites.
- d) In allocating house-plots, the option of each household to rebuild its own house should be encouraged, with technical support for models of improved house design and project assistance to families deprived of able labor resources.
- e) The PIU and the Consortium need to collaborate in the technical work for leveling the land for the new village platform. Constructing the public facilities, including access to water supply, roads, school, village garden, and functional service buildings (e.g. community meeting room, and others) is indispensable when new settlements are established for those displaced and this is also part of the resettlement and reconstruction process. Displaced households rebuild their houses along their preferences, while being also given the options of selecting among house models professionally prepared, adequate for the ecology of the given sub-area.

- f) The affected household moves to its new house (in some cases, to a partly rebuilt house that will be completed after demolishing the old house).
- g) The old house is gradually demolished. The affected family should be allowed to retain materials from its previous, demolished house.
- h) After the old house is demolished, and the household moves to its new house, an "Acceptance of Resettlement" document is concluded between the site identification team and the affected family.

4.10 Time Considerations in Completing Relocation of Phase 1 Villages

The CoE calls particular attention to the principle of fully completing resettlement two steps ahead of construction work.

Many of the ToR provisions discussed in this chapter had to be carried out and completed by March 2007, in order to make possible the start of construction in October 2008. The delay in meeting the ToRs' resettlement preparation deadlines agreed between Turkey and ECAs entails now changes in the follow-up schedule. It is essential to prevent the risk of disregarding further the ToR's provisions and of rushing to forced premature evictions and house-demolishing, without proper resettlement, as this risks causing impoverishment and disenfranchising of displaced households.

To prevent this risk requires immediate planning of the correlation between the amount of work left for resettlement and the beginning of construction. The ToR R-12 provides essential guidance on the requirement to **finish** the resettlement 6 months before an area is being affected by construction. It requires:

"a time-bound, step-by-step compensation and resettlement implementation schedule and monitoring for all affected populations, regardless of whether they seek resettlement assistance from the State or not, to assure the timely completion of resettlement six months prior to the area being affected, and avoiding temporary resettlement".

(See ToR R-12, *RAP-Compensation and Resettlement*)

To achieve this, it may become necessary that the Consortium joins resources with DSI/PIU's at this stage, by providing the technological, organizational, and staff assistance to carry out some necessary infrastructural activities for preparation of the resettlement sites. This is relevant also to the next phases, not only to Phase 1. Of course, this is a matter of general strategy that requires agreement between DSI and the Consortium. The CoE can only

call attention of the parties and of ECAs to this critical strategy and capacity creation matter, of interest to all stakeholders.

The lessons derived from Phase 1 to date must lead to an improved and more timely planning and implementation of the sequence of activities of Phase 2 and Phase 3 resettlement, fully consistent with the agreed ToRs.

Ch. 5. Compensation for Lands

5.1 ToRs Requirements

Compensation for land and other assets is a cornerstone in displacement and resettlement. Several ToRs deal with compensation and income restoration, particularly ToR R-24. According to international standards, the level of compensation is the replacement cost of expropriated assets. This replacement level is usually higher than the market value of depreciated assets in the zones condemned for “right of way”, not only in Turkey, but generally.

The ToR R-24 defines the criterion and objective of DSI and the Ilisu project regarding compensation levels by stating that the project

“will ensure that any monies paid out for expropriation (of Land and Houses) reflect replacement value at time of expropriation.”

The CoE visited the dam site villages where expropriation procedures have been carried out and interviewed households, with the aid of some 30 summary household records that had been prepared by PIU/ENCON at CoE’s request. The names of the persons interviewed are included in Annex 2.

5.2 Expropriation Law and Application

Historically, expropriation of immovable property for public purpose in Turkey has been taking place under the Expropriation Law 2942, as amended more recently by Law 4650 on May 5, 2001. The provisions and regulations under this Law have been the basis for carrying out the expropriation of private property for the purpose of the Ilisu Hydro-electric Project, in Phase 1, up to December 2007.

CoE-R review of the process and outcomes of the expropriation activities to-date has led to the inescapable conclusion that a gap exists between what can be expected in terms of compensation under the Expropriation Law, and what is required if international standards are to be met. As such, the Expropriation Law and Regulations is a deficient vehicle for solely reaching the objectives of resettlement.

Specifically, it is concluded that

1. for agricultural land, the income approach to calculating compensation will most likely result in farmers not being able to purchase a plot of replacement land of equal size and productivity; and

2. for houses and other structures, the depreciation approach to determining compensation does result in families not being able to construct or purchase a replacement house or structure of equal size.

Overcoming these deficiencies of the Expropriation Law for the purpose of the Ilisu Project may well be outside the scope of work of the organizations charged with the execution of the Project. If that is the case, then other supplementary steps need to be taken by those in charge of the Project to ensure that

1. replacement land or other commensurate income generating opportunities are provided such that previous income is at least restored, and preferably improved; and
2. full replacement cost for house plots, houses and other structures is provided such that buildings lost can be replaced at no cost to the owners.

The application of the valuation methodology prescribed by the Expropriation Law and Regulations does not presently ensure (as stated in TOR R-24) that replacement value is paid out. As such, TOR R-24 is not met in the expropriation process carried to date.

The approach suggested by the CoE to DSI/PIU is threefold:

1. Within the limits of the Expropriation Law, work diligently to obtain the maximum compensation amounts achievable;
2. Advocate revisions to the Expropriation Law in line with international practice; and
3. Supplement in cash or kind the shortfall between compensation allowed under the present legal and administrative framework, and compensation needed to meet the stated resettlement objectives of the Project.

Chapters 5 and 6 aim to provide recommendations that support this approach.

5.3 Cadastre and Valuation

Once expropriation becomes necessary, the first activity is usually to declare a formal cut-off date. This involves the publication of a regulation that states that the authorities wish to acquire lands within certain prescribed boundaries for a stated public purpose, and that any improvements to these lands beyond a certain date will not be compensated. In other words, any further construction should be halted, as it will not be eligible for compensation.

In its fieldwork, the CoE noted that new house construction was taking place in Ilisu Village. It could not be immediately ascertained if this construction is taking place outside the boundaries or within the boundaries of the area to be expropriated. Neither could it be confirmed that a cut-off date regulation had been duly passed and distributed to those in the dam site area. This matter is further complicated in that easily visible on-the-ground physical boundary marking of the areas to be expropriated had apparently not yet taken place, thus increasing uncertainty and confusion to the householders.

The second expropriation activity is to carry out cadastre surveys. These field surveys record the ownership and size of all parcels of land under expropriation, and the improvements to the land. Detailed maps are prepared which form the basis for preparing the valuations.

The cadastre activities for the four dam site villages where expropriation proceedings have not yet commenced were to be completed by the end of December 2007 (TOR R-11).

In conducting interviews with families in the six dam site villages, the CoE-R repeatedly heard comments to the effect that the cadastre work took place without the owners being advised or consulted, and that as a result errors were made that could have been prevented. It is therefore recommended that

- The measurement of land and buildings is carried out with the full involvement of the affected owners with whom the results should be discussed, and agreement reached on the results of the technical measurement tasks.
- Before the cadastral and building surveys take place, affected owners should be advised of their legal rights and should be advised of the steps in the expropriation process. A booklet to deal with this subject matter should be prepared, to also include the explanation of the consultation process.

After the cadastre work, the valuations take place. This determines the value of the properties as measured, for compensation purposes. The approach to the valuation of land is discussed in section 5.4. A Valuation Appraisal Commission is established by the organization that is responsible for the expropriation -DSI- consisting of three experts. So far, their valuations for expropriations for the Ilisu Project have, as a matter of course, been submitted to the District Court for review and confirmation.

At the District Court, a group of independent experts convened to review and recalculate the value findings of DSI. This expert group also visited the properties in the field. In the case of the first two villages for which records are available – Ilisu and Karabayir - review by the district court judge and court-

appointed experts, led to an increase of all household compensation amounts originally calculated by DSI. The Court valuations on average are 20 percent higher than the DSI valuations. This indicates that DSI values are less than what can be supported by the application of the present expropriation law. This should be of concern to the valuation group at DSI.

CoE-R recommends that

- Owners should be advised that as part of the expropriation procedures DSI/PIU would present its valuations to the District Court for review at no cost to the owners. Owners who do not agree with the findings of the District Court will still have the opportunity to take their case through the Project Grievance Process and ultimately to a higher court.
- The allowance provided by DSI for legal services needs to be revised upwards, in order that more lawyers will be encouraged to provide services within the limit of the allowance. PIU in concert with the Area Bar Associations could publicize names of lawyers willing to provide expropriation services for the amount of the (revised) allowance.

5.3.1 Expropriation status at dam site. The status report of expropriation of the six villages at the dam site shows that the expropriation process for Karabayir village has been completed, with payments having been made in 2007 for 112 plots of land. Some plots are land only while other plots have houses and other structures.

Land and structures expropriation for Ilisu village (559 plots) has been 63 percent completed, with payments made for 351 plots. The payments for the remaining 208 plots will be made in 2008 (see chapter 8 for implications).

Overall, expropriation of land and structures at the dam site is 31 percent completed – 463 plots out of a total of 1474 plots to be acquired.

During household interviews, the CoE noted that in some cases the compensation payments were made not directly to the owner but rather to a lawyer authorized by the owner. This resulted in confusion and lack of clarity on the part of the owner as to exactly how much compensation had been paid, and how much he was paying for legal services. PIU should therefore ensure that all compensation payments are made directly into the bank accounts of the owner.

5.4 Calculation of Compensation for Agricultural Land

5.4.1 Market Value. In areas where there is a functioning property market (meaning a reasonable number of sales of comparable properties between a willing buyer and a willing seller), the usual approach is to rely on sales' transaction prices as the indicator of value. This approach does not seem to be applicable at the present time in the Ilisu dam site area, as transactions are reported to be few and far between. Nonetheless, it is important to collect whatever market information exists now, and in the years ahead, on the area inside and outside the reservoir, where land transactions may be more frequent.

- The market-value-approach to establishing compensation should be used to the maximum extent. The prices of all land sales in the open market in the reservoir watershed area (not just the area to be inundated) should be systematically collected on an ongoing basis.

5.4.2 Income Approach. When only insufficient transaction data is available to establish the value of land, the income approach is used. The income approach aims to establish the market value through the use of two basic concepts: 1) the net annual income produced by the property, and 2) the capitalization rate. This requires a detailed knowledge of actual agricultural practices and conditions. The main factors that determine the value of the land through the income approach are: type of crop, yield, revenue, and input expenses. All these variables are subject to margins of error and location-specific conditions.

As an example, if a farm produces three types of produce – wheat, lentils, and barley – three individual farm budgets are prepared, one for each crop. These budgets show the yield of each crop (kgs per decare-100 sq.m), market price for each commodity, revenue from each type of crop, and the cost of producing each crop in terms of the cost of the inputs used. Labour is excluded in these calculations, as the net income of the farm so calculated is considered the return to labour. On a weighted basis, depending on the area occupied by each crop, the net income of the farm is calculated.

Once the capitalization rate is applied to the net income (see section 5.4.3) the valuations emerge. These are usually expressed on a per sq. m. basis. For the valuation work performed at the dam site, the valuations made by DSI and the increases in valuations made by the courts are as follows (YTL/m²):

	DSI	COURT	COURT INCREASE
Dry Farm Land	2.81	2.81	nil
Irrigated Farm Land	4.50	5.67	+26%
Land for Fruit Growing	9.92	12.49	+26%

The task of the valuation committees is to collect the relevant information for a farm and to calculate the annual net income. While this may appear to be an objective fact-based exercise, there is room for many assumptions, rules of thumb, and subjective judgments.

In a recent decision by the court, the experts of the court and the experts of the DSI differed in assigned values on just about every category (Yield, Income, Expenses, Cap. Rate), and in all cases by significant margins, with the court favouring higher compensation and DSI lower compensation. It is therefore deemed advisable that more information on area crop budgets be collected and made available in order to establish a more objective base for use in property valuation.

- It is recommended that for all typical crops, data on yields, revenue and input factors of production be systematically collected based on reservoir conditions and that they are made available to the farmers to help in their understanding of the valuation process, and to valuation experts to aid their work.

5.4.3 Capitalization Rate. In effect, this rate determines the multiplier to be applied to the annual net income to arrive at a proxy market value.

The capitalization rate is a major determining factor in establishing the value of land for compensation purposes under the income approach. This rate (its theoretical base is the actual cost of commercial loans less the rate of inflation) expressed the real value of money. For the expropriations to-date a rate of mostly 6 percent has been used. That is to say, the value of the property is deemed to be 16.6 times the annual net income. A lower capitalization rate would produce a higher land value. For instance, a capitalization rate of 5 percent produces a value that is 20 percent greater than when a rate of 6 percent is used. For those to be expropriated, a low capitalization rate is advantageous.

- PIU should examine if a permanent case can be made for a reduction in the going capitalization rate, to be applied to the Ilisu Project, on the grounds that the area's judiciary has consistently recognized a higher value for the area's lands. This would assist the economic rehabilitation of the affected population, would stimulate the economic development of the region, and would, in the process, most likely produce values closer to full replacement cost.

While the capitalization rate can more or less be established by administrative fiat, the capitalization rate can also be determined empirically. This is common practice in the real estate world for income properties. For an agricultural property with a known recent transaction price or market value, the implied capitalization rate can be calculated by determining the net annual

income of the property, then dividing this value into the known market value. As an example, if a property has an annual net income of say 50, and a market price of 1,000, then the multiplier is 20 which translates into a capitalization rate of 5, arrived at by dividing 100 by 20.

- To test the adequacy of the capitalization rate now being used, PIU should carry out comparative studies by calculating for agricultural lands with a known market value, the compensation value by way of the net income and capitalization rate approach. If the results do not produce a value identical to the known market value, then the income approach can only be used if the capitalization rate is adjusted to meet the known market value.

The final decisive test of the adequacy of the land compensation is the following:

Is the amount calculated sufficient to purchase in the open market a replacement plot of land equal in size and productivity, within a reasonable distance?

If the answer is no, then the amount of compensation is inadequate. In that case, adjustments to the compensation should be made until this final test is met.

At a right price point, land will always become available. In order to pay the right price, and to enable the expropriated farmers to regain land for farming and restore their incomes, the right amount of compensation must be offered.

The CoE-R is of the opinion that there are limitations to the use of the income approach to determining compensation, both in theory and in practice. The information provided to-date does not convince that the income approach produces realistic replacement values. Until such time that more robust and systematic information is provided, the CoE-R concludes that the income approach to the valuation of land does not transparently meet the objective of producing the replacement cost, or market value of the replacement land.

The compensation paid for land should reflect the value of the land at the time the compensation payment is actually made. If the initial calculations were made six or nine months earlier, then the compensation will not reflect the value at the time of payment. On the day the compensation is received, the owner should be able to go into the open market and replace what he lost with the money he received.

- Adjustments to the compensation amount need to be build-in to take account of the time lag between calculation and payment of compensation.

TOR R-24 provides “Steps of the mechanism for ensuring replacement value.” Step 3 indicates that PAPs will be paid the calculated expropriation value. Then Step 4 states, “PAPs will compare the expropriation value with market prices”. This may be an impossible step to carry out since the PAPs can do little, if they “compare” and find out that compensation is insufficient to restore their lands. The onus on demonstrating to PAPs that the compensation reflects replacement value is on the DSI, not the PAPs. Consequently, this mechanism should be revisited as it goes to the heart of the compensation issue: namely, **it is the duty of the authorities to convincingly calculate replacement value of land, so that land can be replaced, and income objectives through cultivating that land can be met.**

5.5 Land-for-Land Compensation

According to international standards, affected owners should be given a choice of replacement land or cash compensation. Preliminary household surveys have indicated that many owners are said to “prefer” cash compensation. In practice, however, the farmers interviewed by the CoE indicated that this was not a situation of “preferring” cash over land, because no alternative land sites were shown and offered to them, and cash was the only option, not a “preference.” This situation may, and needs to, change as expropriation work progresses.

With the exception of the Ceylanpinhar state farm site, the efforts to identify replacement agricultural land have been minimal. In the case of the two dam site villages with expropriation in progress, no household was shown any other replacement agricultural land as an option. Regarding the Ceylanpinhar site, the CoE was informed that no PAPs have yet been taken to this site to see if they might be interested in relocating there. Consequently, the owners did not make an informed choice between replacement land or cash compensation.

- The DSI/PIU and MARA should make serious efforts to make the land-for-land option available by pro-active searching, identifying and offering replacement land. Furthermore, to facilitate owners making the choice of selecting land-for-land, the PIU should consider purchasing agricultural replacement land for offer to owners.

Payment for the land would be made with the compensation received, with the PIU providing any bridging funds.

ToR R31 deals with a PIU/MARA’s commitment to provide agricultural land:

“PIU will provided a commitment with which MARA puts at DSI disposal agricultural land of equal dimensions and quality as those expropriated for the rural resettlement of the people affected by the Project.” (ToR/R-31)

While this commitment has been made in principle, it has yet to be operationalized.

During the field visit, attended by MARA staff, it became clear that MARA had not yet received any specific instructions as to how to go about its task. DSI/PIU needs to develop, jointly with MARA, a work-plan for the identification of potential land-for-land sites (see also Chapter 4, sections 4.7 to 4.10 on steps towards new “resettlement site plans”). Such agricultural land plans need to be specific in terms of agronomic suitability of land, quantities required and locations preferred.

5.6 Cash Compensation

Reference has been made to surveys among PAPs that indicate a preference for cash compensation.

While cash compensation is a solution that has administrative simplicity for expropriators, and sometimes a certain appeal to cash-deprived landowners, it is also a compensation method that in practice has serious drawbacks. International resettlement experience indicates that in many cases when cash is paid as compensation, once the cash is gone (frequently on consumer goods instead of investment goods), the underlying problem remains, namely the inability of the PAPs to economically reestablish themselves. Cash compensation can easily lead down the road to impoverishment.

Cash compensation can have a role to play in cases where there are absentee landowners, provided adequate provisions are made for the renters. Cash compensation can also be used in cases where the owner has a defined plan as to how to re-employ the compensation towards some other investment. Such plans also need monitoring and technical financial assistance, because cash payments transfers a full set of reinvestment risks on the displaced/expropriated farmers.

In the base line surveys that are still to be carried out, particular attention needs to be paid to questions concerning the intentions of the owners, so that a realistic estimate can be made of the magnitude of the cash compensation component of the RAPs.

The CoE is of the opinion that if suitable replacement land is made available, the desire for cash compensation on the part of owners will be reduced.

Ch. 6. Compensation for Houses

6.1 ToR Requirements

The ToR R-24 that guides land replacement compensation also covers the compensation for houses that are in the “right of way” and are to be expropriated.

ToR R-24 states that

“PIU will ensure that any monies paid out for expropriation (of Land and Houses) reflects replacement value at the time of expropriation”.

The CoE visited the dam site villages where expropriation was in progress and was able to hear firsthand from householders about their “replacement value” experience.

6.2 Valuation of Compensation for Houses

The present practice of calculating compensation for housing and other structures is to apply a new construction cost (of concrete buildings) per square meter to the area of the house, and then deducting depreciation based on age and type of existing house. This does not produce the full replacement cost for the house as required by international standards. For a stone house between 16 and 20 years of age, a depreciation deduction is made of 32 percent. Such an unfortunate owner would only be able to replace 2/3 of his house with the money received.

Still, making deductions for depreciation is not in accordance with international standards. Since the expropriation of houses has started to proceed strictly along Turkish lines, the replacement value principle embedded in the ToR is not being adhered to.

The calculation of the compensation value of residential house-plots uses the agricultural potential of the plot as the basis. This in no way recognizes that residential plots have a much greater value, as these are lands to which services are or can be provided, such as water, paths and electricity. This is another aspect of the valuation procedures that requires examination. Making relocation sites available means to make it possible that the cost of the new residential building plot is financed with the compensation received from the previous plot. On the full replacement principle, this means that the compensation for the previous plot should equal the price of a new plot. If it doesn't, the compensation is likely too low.

- It is strongly recommended that the depreciation feature of the present calculation formula not be applied, in order that full replacement cost compensation can be offered to those affected by the Ilisu Project, as per agreed-to international standards.

- DSI/PIU should make strong representations at appropriate levels of Government to allow it to pay full replacement cost without deduction for depreciation. In the meantime, as of now, PIU should pay house compensation without deduction for depreciation as a matter of Ilisu project policy. This should apply to those awaiting final payment in 2008 (208 cases).
- The owners in Ilisu and Karabayir Villages that have already received their house compensation payments should be given additional payments (rebates) in the amount of the depreciation that was deducted from the value of their houses. This rebate of the depreciation deduction should be considered an entitlement and not an extra. The effect of distributing these rebates in the next few months will be beneficial for the outcomes and image of the Ilisu Project.
- PIU should calculate the financial effect of the discontinuation of the depreciation deduction and adjust the resettlement budget accordingly.

Typical construction unit costs are annually Gazetted by the Ministry of Public Works and Settlements and are used by DSI to determine replacement cost for structures. In March 2007 the construction unit cost for a single storey structure was YTL230 per m². DSI/PIU should be informed of construction costs in the Project Area to determine if the Gazetted rates are appropriate for the area. The use of 2007 rates for compensation payments that will not be made until 2008 should apply a forward-looking unit construction cost in the calculations.

6.3 Compensation for Communal Properties

All communal properties need to be compensated or replaced. In the case of infrastructure works, the international standard is that replacement is made at an equal or higher level of service. The works are generally carried out at the cost and direction of DSI, which sometimes may hire community members to carry out the works.

A plan for replacement and compensation for communal properties (roads, pastures, mosques, schools, water and sewer networks, etc.) for each dam site village should be prepared and discussed with the villagers once a relocation site has been selected. This has not yet happened for Ilisu village. In fact, no discussions had taken place as to where to move the village proper until the matter was raised with the CoE (see Ch. 4, Box 1).

Encroachment on communal property such as house building can only be compensated if the construction occurred with the approval of the village leaders. No compensation for the land-footprint of the houses encroaching communal land can be made.

Properties that cannot be replaced (such as for instance pastureland) will be compensated in cash to the village, for use towards developing communal property in the resettlement site.

6.4 Expropriation Allowances

The owners that have to undergo expropriation of their property will be faced with a period of serious hardships. Under international WB standards they are owed entitlements that will help to reduce the hardship created as a result of expropriation. There are three “good practice” ways in which financial allowances, additional to compensation, can be provided to offset the social impact of expropriation:

Disturbance Allowances. The major change to the lives of the affected owners lasting over a number of years must be recognized, as it is already long recognized in expropriation laws in many other countries. This impact on their lives as a direct consequence of expropriation is often compensated through a grant that varies in different countries between 5-15% of the total compensation amount received. In India for instance, this is named the “solatium grant”.

Moving Allowances. The cost of actually moving from one house location to another location and from one farming location to another may take many days by many persons and involves animals, household goods, building materials from the old house, agricultural tools, etc. This cost must be borne by the project. This is typically done through the paying of a moving allowance to those who want to arrange for the move themselves. For those that need assistance, such as older people, the moving allowance provided will allow them to hire others to carry out the task. To avoid making different calculations for different locations, it is usual to provide a fixed amount as a lump sum, say, for instance YTL1000 for each household.

Transition Allowances. Many owners who lose all or most of their land will have to make considerable efforts to re-establish themselves economically. They will have to purchase land elsewhere, or in the case they fail or do not desire to purchase land, will have to find other means of earning income to sustain the household. To assist in the particularly difficult first year after expropriation, a transitional allowance is typically provided, on the basis of a monthly income to each member of the household for a period of 12 months at a rate of say YTL120 per person per month. This suggested allowance more or less reflects the current

cash and imputed incomes of the average village household. If after 12 months there is still a demonstrated need, this allowance can be extended for another year.

The types of allowances (grants) described above are used in many countries in addition to compensation because, by definition, the payment of compensation is only a restitution for the material assets that the state takes away, but does not account for the disturbances, hardships, and transition costs associated with forced displacement and resettlement. Moreover, many of the households subject to expropriation have a standard of living below the poverty line and therefore have little or no resources to fall back on during a period of shock and uncommon change. Therefore, in recognition of their hardships, it is recommended that:

- Households whose land and/or structures are being expropriated should be entitled to receive disturbance allowances, moving allowances, and transition allowances, recognized in the Ilisu Project Resettlement Policy.

6.5 Capacity Building in Compensation Methods & Procedures

To this day (December 2007), the international standards that govern the Ilisu Project have not yet been made available to most national and local officials. For expropriation and compensation, the Turkish rules and regulations continue to apply. As this is not in compliance with the Project ToRs it needs to be addressed as a matter of urgency.

- Seminars and workshops need to be organized by DSI/PIU that bring together other officials that are involved with the expropriation, DSI compensation and resettlement process. These include court officials, registered experts of the courts, professional associations, as well as PIU and other government officials at all levels of government. Turkish translations of relevant expropriation and compensation documents in other languages need to be made available to all attendees.
- An Ilisu Project Expropriation and Compensation Handbook should be produced that contains all key pertinent documents. This Handbook can be used as course material for seminars and reference book for field staff.
- Acquisition of relocation sites outside the reservoir for the farmers displaced is the responsibility of the Ministry of Public Works and Settlements. This function, which may involve land requisition and expropriation, is also to be carried out to international standards.

Finally, the compensation philosophy needs to be better understood. Compensation is only the beginning of a longer process of restoring and improving the incomes and standards of living of the affected households. Compensation is only a partial means to an end. It has already been recognized in the design of the Project ToRs that additional income generating measures will be required in order for resettlement to be successful. DSI is still in what can be called an “Expropriation and Compensation Mode”. Organizationally it has to move forward to the “Integrated Resettlement Mode”, based on international standards.

Furthermore, additional income generating expenditures and investments by the Project for the people will be required. The CoE must stress that, in fact, the resettlement experience of many projects, development agencies, and governments indicates that compensation in itself is not able to ensure income restoration and that additional investments are needed (see, for instance, the recent measures adopted in China in 2006 for hydropower resettlement).

In the end, the Government of Turkey has committed itself to restoring and improving incomes, regardless of whether it will be funded through compensation payments or through other sources, and a larger spectrum of financial means, and other development measures, will be necessary to achieve this objective.

Ch. 7. Income Restoration Program for Ilisu PAPs

The central requirement of the approach agreed in Ilisu ToRs is to mobilize staff and financial resources for executing a well specified action-program for restoring & improving the welfare of the expropriated farmers: the Income Restoration Program (IRP). This is the ultimate objective in resettlement – and the hardest.

7.1 ToR Requirements

Alternative income sources for PAPs

Several ToRs are devoted to income issues. To restore incomes, ToR R-10 mandates that a

“full income restoration plan including implementation schedule and monitoring concept” must be “completed by June 30, 2007, but in any case three months before the respective resettlement actually begins.”

The IRP is to cover all households suffering expropriation and the sudden interruption of income accrual, threatening aggravated impoverishment. The plan must include realistic income generation measures, among them -- programs for *“adaptation of agricultural practices, fishery, founding of own companies, employment in HEPP”*, training programs, etc. Another ToR required, in the same vein, forecasts for income restoration for PAPs be also ready by June 30, 2007 (ToR R-19).

Employment for income restoration

Additionally, ToR 21 focuses on planning for wage employment and training as methods for achieving income restoration. It requests the elaboration of *“a forecast of labor/skill demands and define how training programs for the affected communities will be organized and paid for”*. The planning had to begin immediately after the final commitment and be completed by June 30, 2007. In turn, the ToR 22 commits PIU ensure that a minimum of 60% of the workers for dam construction are recruited among the PAPs.

7.2 Findings: Status of Income Restoration Program in Dec 2007

As DSI has informed the ECAs at the Zurich meeting, the elaboration of the Income Restoration Plan (IRP) has not started yet, and DSI and the Ilisu project are in non-compliance with the TORs in this respect. Only a conceptual outline or list of possible income restoration measures has been submitted to the ECAs as

part of the conditions for the final commitment. That outline should have been fleshed out in a full-scale program specific by areas, phases, and affected communities. This, of course, is a complex and time-consuming job, requiring much on-the-ground work, consultations, agro-economic studies, planning, cost-determination, etc.

At the start of its visit, in Ankara, the CoE-R was informed that the preparation of the IRP had not yet begun, even after the final commitment (March 2007) and after contract signing in August 2007. DSI had not yet mobilized other collaborating central state agency (Ministry) for IRP preparation, and, given lack of capacity, by the June 2007 deadline for IRP submission to ECAs the planning for it had in fact not even been initiated. A long and precious period of time had been lost.

During that period DSI itself had focused fully on the expropriation of villages in Phase 1. Expropriation procedures were carried out between end 2006-June 2007. In February 2007, DSI expropriation files were readied for Ilisu and Karabaiyr, and partially for other villages. Four months later, by June 2007, the Courts had already ruled on and sanctioned the expropriation, but the IRP work had not yet been initiated on the ground.

Learning about this discrepancy, the ECAs and CoE-R had asked in the Zurich meeting for the immediate initiation of the Income Restoration Plan, so that at least a reduced "Phase 1 income Restoration Program" (for only 6 communities) be ready for review before the CoE field visit in December. However, on arrival in Ankara the CoE-R was informed that the phase 1 IRP was started yet.

Therefore, the CoE was unable to review a non-existent Income Restoration Plan and its economic feasibility.

Land availability is the main premise for designing income restoration measures. The ToR R-31 (as well as the RAP and initial RIP) have emphasized this and list the actions needed to secure such land *before* displacement, with the help of the Ministry of Agriculture (MARA) and the Ministry of Public Works and Settlement (MPWS). For instance, R-31 defines the following as a key task: obtaining

"a commitment with which MARA puts at DSI's disposal agricultural land of equal dimensions and quality as those expropriated for the rural resettlement of the people affected by the Ilisu HEPP project."
(ToRs, p. 30)

This excellent ToR provision is, in CoE views, exactly on point. It shows what should have been done. To carry out this commitment, work should have commenced *"immediately after FAM"* and be *"completed before final {ECA} commitment"* (ToRs, p. 30). The staff of MARA, with whom the CoE met and

worked, indicated that MARA was not informed about this and had not received the ToRs or the RAP even at the time of the CoE's December arrival for the field visit.

Cadastral work during 2006-2007 also focused exclusively on planning the expropriation, but not on identifying at same time the parcels potentially usable for relocation. The search for such possible relocation sites for land-losing PAPs could have been addressed by DSI and the Consortium²³ by tasking the contracted cadastre company to also identify land for relocation. In practical terms, the CoE was unable to review such lands, as MARA or DSI has not yet identified them. Additional time is now necessary to catch up with this task, and appropriate technical resources (including cadastre professionals) have to be assigned (see also Ch. 4).

During several working meetings in the field, the CoE members discussed with staff of DSI, PIU and collaborating agencies (primarily MARA and MPWS), the priority activities needed now for identifying agricultural sites for households expropriated, but not yet physically displaced. The urgency of identifying relocation sites results from the findings of the previous chapters of the present report about compensation (Ch. 5 and 6), which concluded that the paid compensation is below the replacement cost for purchasing new lands and recommended land-for-land compensation as the preferable approach.

The CoE expresses confidence, based on its field observations, that with appropriate effort it may be possible to secure land-for-expropriated-land in a significant proportion.

Also, in the views of the CoE, there are options for income restoration additional to those considered in the RAP. One option may be reclaiming some of the unaffected hilly land around the affected villages for production purposes, by terracing and making the reclaimed area usable for tree planting. An agronomic assessment of soil and water in the area and technical means for terracing are needed. Affected villages may be encouraged to save the top soil of the areas assigned to dam construction and transfer it to the new terraces to increase fertility. The other options for income restoration described in the RAP should also be acted upon and included in IRP, with proper analysis of expected economic feasibility and outcomes.

Two recommendations, in Ch. 4 of this report, are relevant:

- An agronomic survey should identify the terrains close to the affected villages that may be appropriate for land reclamation works (particularly to terracing of adjacent hilly terrains). This

²³ DSI requested the Consortium to execute, by contracting a professional cadastre company, the identification and mapping of all parcels to be expropriated.

could bring into production new lands and enable farmers to cultivate, where suitable, high-value crops on hillside terraces (fruit trees, vineyards, etc.), which are part of the local tradition.

- Saving, with farmers' participation, the fertile topsoil of the land to be inundated and using it on reclaimed hills is also an option. This option will become particularly relevant later as well, since the fertile river valley lands to be covered by the reservoir are characterized by a good quality topsoil.

Employment and vocational training as an income restoration strategy are listed in the ToRs and the Ilisu RAP only at the concept level. With the collaboration of the Consortium, these must be translated into an operational time-bound plan **before** construction begins, with specified priorities, eligibilities, hiring locations, recruitment criteria and wage income forecasts.

The CoE has found that an actual PAP employment plan has not yet been readied by the Consortium and DSI, and specific recommendations are made further below.

The CoE is prepared to provide advice to the Consortium on how other private sector construction companies have designed and implemented such quantified strategies for the employment and training of PAPs in construction works. The CoE hopes that the Consortium will proceed without delay to define a written employment strategy first for the phase 1 villages and then for providing access to jobs also to reservoir PAPs-- and will also **establish an employment office** empowered and staffed to implement priority hiring criteria, and accountable for its prioritized hiring results.

The PIU-R Committee has the good opportunity to extend the criteria, priorities, and training opportunities to the employment generated by Ilisu works **outside** the Consortium's dam construction area by collaborating agencies (e.g., for works needed for environmental protection, road building, cultural heritage protection, etc.).

7.3 Recommendations

- Since 2 of 6 villages at the dam area are almost fully expropriated, but not yet demolished, and the other four are scheduled for expropriation during 2008, the CoE recommends that PIU RC and its staff focus **immediately** on preparing the IRP for all phase 1 PAPs and submits this overdue plan to ECAs. A technically possible date would be, in our view, beginning of March 2008. The date needs to be determined and committed to by the PIU and the Resettlement Unit and its staff, which (as will be discussed further) are not yet in operating mode, fully

approved and established. These need to be approved at higher levels and set up as the first organizational priority.

- The CoE also recommends that, for the reservoir area, preparation of the IRP should go hand-in-hand with the preparation of expropriation (beginning with the cadastral identification of suitable relocation areas) to gain time and identify realistic options for relocating the PAPs. This ***change in the resettlement approach***, new for Turkey, may produce much better results than past practice.
For the reservoir, the PIU-RC has proposed to ECAs a new IRP submission date, in line with the ToR 10 and 19 provisions about the IRP, which will be discussed during the CoE's forthcoming visit to Turkey.
- An operationalized employment and wage-income forecast and plan, including both formal and on-the job training, and the organizational measures for executing the plan, need to be prepared and vetted. The responsibility for its preparation and implementation belongs primarily to the Consortium. This will be in itself a more complex endeavor as it may appear at first sight, since it will have to prevent pressures from non-PAPs job-candidates from outside the affected area. Once started, the hiring, training and wage-income plan's execution will have to be monitored tightly, on a weekly basis, with pre-set indicators.

The CoE recommends that a deadline for preparing the **employment and vocational training plan**, with definition of target group to be covered, wage-income generation, time-line over the construction period, budget, and monitoring mechanism, needs to be agreed between DSI and the Consortium soonest. The beginning of its implementation is imminent,²⁴ and the CoE would welcome a request to offer suggestions on such a plan.

²⁴ In fact, for some activities, the Consortium has already begun hiring, particularly employees from other areas.

Ch. 8 Resettlement Cost and Budget

8.1 Total Budget

TOR R-36 RAP-Revised Budget was submitted in February 2007. According to the latest PIU schedule an updated budget will be prepared by January 31, 2008.

According to project documents, the budget estimate for meeting resettlement-related expenditures under the Ilisu Project is US \$1.088 billion as of October 2007. This is an increase compared to TOR R-36 of February 2007. Project Implementation costs are not included in these figures, but have been estimated at US \$26 million for resettlement, environment and cultural heritage (REC) combined.

The cost estimate listed in general project documents for the construction of the dam including engineering works is US \$1.389 billion, while a preliminary cost estimate for population resettlement, environmental mitigation and cultural heritage protection, excavation and salvage activities (REC) is US \$1.395 billion. The latter figure in particular will be the subject for analysis by all three CoE Committees; in our view, this figure is preliminary in many respects and it will be subject to changes.

However, the focus of the CoE's work during this visit on the state of preparedness for resettlement in phase 1 villages, and the immediacy of this set of issues, did not allow the CoE to consider in detail the overall budget for resettlement for the entire project period. Moreover, the data available from DSI were not sufficiently broken down for more detailed analysis. Therefore, the figures mentioned above are included for information only, derived from existing project documents, and without a CoE analysis.

The CoE will make more specific comments and a number of practical recommendations primarily on those budget issues that result from its analysis of phase 1 villages and resettlement. (These recommendations are marked with bullets).

8.2 Expenditure Categories

The current breakdown of the budget by key expenditure categories is insufficiently detailed and more information will be necessary for the CoE analysis.

For instance, existing data comprise three expenditure categories for resettlement: (a) compensation; (b) rehabilitation; and (c) infrastructure relocation and resettlement sites. Comparing preliminary allocation to these broad categories, it appears that the budget for rehabilitation expenditures represents only 7 per cent (US \$61 million) of the amount allocated for compensation (US \$872 million). This suggests a significant disproportion, which may result from the past conceptual approach to the relationship between compensation payments and income rehabilitation and restoration measures. The CoE calls the attention of PIU and Project Management to this disproportion for further examination jointly with CoE.

Similarly, the budgetary amount for “infrastructure relocation and resettlement sites” is mentioned as a total lump sum of US \$156 million. It appears that this amount combines the cost of public infrastructure, such as access roads, bridges and other items that will be affected, together with the cost of relocation sites for displaced farmers, which may be transferred to private ownership and also with cost of sites for public infrastructure. Again, lack of sufficient information prevents analysis at this stage. This CoE expects that more detailed breakdowns could clarify the orientation of expenditures, and looks forward to joint examination with PIU and the relevant collaborating agencies of the more detailed budgetary allocations envisaged. Also, once the collaborating Ministries and agencies enter into formal protocol agreements with DSI to assume their own share of responsibility in resettlement implementation and in the execution of the Income Restoration Program, it can be expected that more precise cost and budgetary calculations will be proposed and agreed between those agencies and DSI.

8.3 Budgetary Implications Resulting from Phase 1 Resettlement

As outlined in detail in Chapters 5 and 6 of the present report, compensation for land (when such compensation is to be paid in cash, rather than in kind through substitute lands) has to be calculated at replacement cost. Also, the compensation for houses should not be discounted for house depreciation, in line with international standards. This will entail recalculations if the recommendations of this report are adopted and the cost estimate for compensation both in phase 1 and in subsequent phases will increase.

It is also expected that when the income generation TOR is finalized, the cost estimates for the various activities and programs will exceed what is currently in the budget.

Furthermore, the definitive base line survey of people affected by the reservoir has not yet been conducted. The results of this survey may show that more people and more assets are affected²⁵ than presently estimated.

It can be predicted with some certainty that resettlement costs will increase as programming is refined and implementation starts on a broader scale. The magnitude of the increases will be apparent over time.

Contingencies are also an important budget line item, as some activities in resettlement cannot be fully predicted, while others may be more costly than assumed. From the information provided to date, it is difficult to determine exactly how much has been budgeted for resettlement contingencies. However, international experience indicates that a contingency allowance of 20 per cent at this stage of the planning would be reasonable. Such an allowance would decrease as the RIPs are progressively executed.

- It is recommended that at this stage of the Project, the contingency allowance for resettlement be 20 percent of total resettlement cost.

8.4 Expenditures for 2007 and 2008

The current provisions for the 2008 resettlement budget indicate a substantially increased amount of expenditures than in 2007, which also suggests that the pace of activity will increase fast.

According to the Expropriation Law, immovable property may not be expropriated before sufficient budgetary funds are secured. However, it seems that in 2007 payment of compensation for a number of owners in Ilisu Village at the dam site was held back due to budgetary constraints.

There were not sufficient funds budgeted in 2007 to allow making compensation payments to 208 owners. These owners are scheduled to receive payments in 2008. However, since the previously calculated compensation payment will have lost some of its value between 2007 and 2008 due to inflation (the bank interest rate is currently 14 percent on deposits, according to the bank deposit book shown by one of the owners) an adjustment seems to be in order.

²⁵ This will also make possible to calculate an average resettlement cost per capita for different sub-categories of project-displaced people. Since some households will lose only part of their land, or their house, or may lose the totality of their land and structures, differences in resettlement cost-per-capita or per-household will be large. In case of such differences in amount of impacts, calculating average cost-per-capita for distinct sub-categories of households would be more relevant for comparative purposes than a generalized average cost-per-capita.

- It is recommended that before payment is made in 2008 to the 208 outstanding Ilisu owners, an inflation adjustment for one year is made to the total amount owing.

This also points to another aspect of the compensation payment system. Apparently, some budget item estimates are made from the top down (as a global budget allowance), not from the bottom up (by adding up all the cases expected to be paid). As noted this has disadvantaged some owners. It is therefore recommended that

- All compensation payments are made within 60 days of the date on which the final amount has been decided upon.

8.5 Loans to Households

The preliminary Ilisu RAP, which is to be revised and specified, as well as the RIP, expects that loans to households may play a role in the resettlement financing. Even after depreciation is refunded to house-owners whose compensation suffered from depreciation deduction, many farmers may wish to additionally invest in their dwellings and may need additional resources.

The typical solution is to facilitate the provision of a loan to affected owners for the difference between the compensation he received and the cost of the new house. For the Ilisu Project, it is planned that the Turkish Social Housing Agency - TOKI - will provide such loans at below market rates and terms, keeping in mind the owner's capacity to afford a loan. This will be for the houses that TOKI will be constructing as part of the resettlement plans. The loans thus provided are outside the regular resettlement budget.

- For the housing to be provided through TOKI, an estimate should be made of the amount of subsidy involved in TOKI housing, as this is in effect a cost of resettlement.

However, it is not yet clear to the CoE under which financial circumstances (interest) loans can or will be provided to those wishing to construct their own house and the ability of local farmers to assume exposure to the risk of mortgage loans. Nor is it clear what collateral dispossessed farmers will be able to offer and whether banks will be prepared to extend loans under reasonable conditions. The high number of farmers in phase 1 who indicated to the CoE that they intend to rebuild their houses themselves suggests that this will be a widespread problem during Ilisu resettlement.

- It is recommended therefore that a special study be commissioned by PIU or TOKI to examine the conditions, likely difficulties, needs for assistance, etc. that house-expropriated

farmers may encounter in their attempt to rebuild their houses, so that appropriate information, education and assistance with building materials or equipment at affordable prices can be provided to displaced farmers during resettlement and reconstruction.

8.6 Sharing Project Benefits

During the last 10-15 years, many hydro-electric projects around the world have adopted the practice of dedicating a defined percentage of project benefits due to the reconstruction and development of the areas affected and primarily of the areas where many displaced people have moved to, in the midst of neighboring host populations. The substantial economic rents harvested from hydropower generation allow such benefit-sharing in higher proportion than projects in other extractive industry sectors and through relatively simple financial mechanisms. Good examples are a number of large hydro-electric projects in China and Brazil, with reservoir development funds set up, into which hydro-electric companies plow-back part of their benefits. India also recently passed regulations requiring the setting up of Local Area Development Trusts that are to be funded at the rate of one "paise" per unit of electricity generated.

The objective is that those directly displaced by the project should also directly share in the benefits generated from the respective projects.

The concept of sharing some of the project benefits with the people of the area, in effect making them small shareholders of the project, is applicable to the Turkish context. It is recommended that

- Information on benefit-sharing is collected from other countries with hydro projects in order to assess the applicability of this approach to the Ilisu Project. DSI and PIU should study these experiences and prepare an adequate proposal for introduction in the Ilisu project. Information and provisions to this respect can be included in TOR R-14 Benefits for PAPs, which is to be completed by April 30, 2008.

Ch. 9 The Re-planning of Resettlement Preparation

9.1 Re-planning of ToR Activities for Phase 1 and 2

During its field visit, the CoE discussed with the PIU Resettlement Subcommittee the options for putting resettlement work on a sound new track, mobilize the resources and internalize the knowledge in a new way.

The issue at hand now is to think through the planning strategy for placing the project's schedule on the FAM envisaged itinerary and distribute the undone work over the next year and beyond. This involves not only Phase 1, but also what is to be done right now to begin the much larger volume of work for the massive resettlement in Phases 2 and 3. The next two phases will be addressed in the following chapter, number 10.

The first practical response came back on January 10, 2008, when the PIU Resettlement Committee informed ECAs and the CoE about its proposal for new completion dates for ToRs required activities. DSI invited the DOLSAR consultants to assist in determining priorities and feasibility of planning. The ECAs and the CoE received a "Note About the Completion Dates of ToRs", for each ToR for the three phases of resettlement.

Although CoE members could only exchange e-mail messages on this new information, but not yet do a detailed analysis with the PIU, it is important to include the new information in this report as a follow up response to the CoE's evaluation in Turkey.

The proposed dates are also subject to analysis and acceptance by the ECAs. It is not clear yet, however, to what degree the DOLSAR consulting group has resettlement expertise and whether it will be involved further in either an advisory or an execution role for ToR work on resettlement.

The CoE is pleased to note that, in making their new proposals, DSI and PIU start from reaffirming the basic principle regarding the need

"to ensure that displacement does not occur before necessary measures for resettlement are defined. It is considered that the implementation of resettlement activities should be linked to the implementation of the investment component of the project according to WB documents and FAM."

At the same time, DSI's note informs ECAs and the CoE that the actual date for commencing the construction activities at the dam area "is still not realized". It states:

"The construction schedule of the contractor is not finally submitted to DSI and the 'date of commencement of the work' is still not realized. For that reason, the dates given ... are relative and not final."

Since these DSI dates are still regarded as "relative and not final", and no certainty exists yet in DSI on fulfillment of ToR required activities, the date of handing over the site to the Ilisu Consortium for starting the works cannot be determined yet. The CoE emphasizes that the date of commencement of works, according to agreed ToR, is dependent on the prior completion of resettlement of the displaced communities consistent with the standards that are the basis of the international agreement with the ECAs.

To improve the re-planning of ToR activities, DSI's proposes to stagger the work on ToRs along the stages in which the resettlement should be completed in each phase ahead of the respective phase in dam construction. The three stages are defined as follows:

- I. Before the construction work for the dam begins (which is the current stage in which 6 villages are affected);
- II. The reservoir impounding up to the elevation of the cofferdam (which will affect all settlements in the reservoir area up to elevation 420.6 m, their number is not yet determined);
- III. The reservoir impounding up the maximum water level, which will affect settlements between 420.6 m and maximum water level.

The CoE supports the need of placing an intense focus on phase 1 resettlement in the immediate period, without however postponing the start of the preparation for Phase 2 and 3. The backlog of work for Phase 1 should be overcome in a steady manner. The delayed activities should not be rushed in ways that would affect the quality of resettlement as set in the ToRs, or the entitlements of affected farmers. The activities for Phase 1 should reach the basic objective of resettlement, mentioned earlier in this report.

Second, the CoE recommends that work on the second phase should also start at the same time, perhaps by another staff group working in parallel, to avoid the obvious risk of leaving little time to soundly prepare the much larger resettlement operation of Phase 2, if that operation will start only after the Phase 1 work is fully completed. Resettlement in Phase 2 will be disproportionately bigger than in Phase 1, and its preparation requires an enormous effort and much more time.

It is difficult for CoE to comment on the realism of the newly proposed dates because the new schedule has been sent without any back-up description of the human resources that are behind these deadlines, in terms of numbers and professional skills, commensurate with the difficulties of each one of the tasks. Only an understanding of who is going to work on each set of ToRs can result in an assessment of their planning realism. Similarly, the rationale behind many of the intervals allowed for various activities and stages is not indicated. This probably could be examined, but only in joint face-to-face work, in the absence of supporting written documentation.

It is also not apparent from the brief information received whether the dates proposed in the “DSI Note” and its timetable (both are reproduced in Annexes 9 and 10) have been discussed with DOLSAR alone, or still have to be discussed and adopted by the full PIU Resettlement Committee, on behalf of all Ministries and agencies expected to carry out these activities. Setting new dates without collective decision making by agencies that have to do this work by deadline dates would create a major risk of again not meeting deadline. The purpose of creating the PIU-RC is precisely to make such critical decisions collectively and realistically.

Carrying out population displacement and resettlement, with the range of activities outlined in the ToRs, is by no means a consultant-driven activity. Experience tells that it cannot be done by consultants as the prime force, and it would be imprudent to count on outsourcing as the approach to resettlement. It entails the allocation of sufficient full-time specialists, and of requisite budgetary means. It is therefore paramount to have all assurances that the main implementing state agencies responsible in Turkey for settlement issues (MPWS), agricultural issues (MARA and GAP), housing issues (TOKI) and others are ready to engage in doing the job on the ground in time to meet the proposed quality levels and deadlines. Jointly with DSI/PIU-R, the CoE proposes to focus on these issues of planning and adequate capacity creation during its forthcoming visit to Turkey in March 2008.

Ch. 10 Preparation for Phases 2 and 3 Resettlement

This chapter continues the discussion of Phase 1 to next phases. While the previous 9 chapters have mainly analyzed the interval between FAM, (Oct. 2006) and December 2007, and its operational implications for 2008 and later, the present chapter 10 shifts the analysis to the strategic future perspective. This chapter deals with preparation tasks for population displacement and resettlement in Phase 2 and Phase 3. These are the phases when the bulk of Ilisu's massive FDR is scheduled to take place.

10.1 Magnitudes of Development-Caused FDR

The development-caused FDR process in Phases 2-3 will dwarf by magnitude, socioeconomic complexities, cultural difficulties and logistic demands the displacement in Phase 1, which affects only 6 villages. The number of villages to be flooded in full or in part will be 30 times bigger than in Phase 1 – from 6 villages to additional over 190 villages. The number of households affected will be about 20-25 times bigger. Ilisu's task of displacing and sustainably relocating the mass of over 50,000 people now inhabiting the reservoir area will be nothing less than gigantic.

Full information on population and on lands and assets subject to condemnation, is not yet collected, studied and translated into plans for action. The indispensable strategy for planning the FDR process and the Income Recovery Programs for some 50,000 people (this figure is preliminary) is not yet thought through. The basic agricultural and socioeconomic studies for it are still to be carried out. This whole vast work is yet to begin, and the staff capacity for it must be assembled first.

Given the lack of necessary information and time limitations during the field visit, the CoE makes here preliminary recommendations. A future field visit will allow examination of resettlement issues in the reservoir.

10.2 ToR Requirements

The vast majority of FAM-ToRs discussed in chapter 2 (see Table 2.1) refer in fact to the entire FDR process, including integrally Phases 1, 2 and 3, while some specific ToRs, like R-31 contain explicit, time-bound provisions for Phase 2 and 3.

ToR R-31 requires that a Resettlement Implementation Plan (RIP), covering people, lands and assets affected by auxiliary construction sites, other than those needed for Phase 1, be ready by April 30, 2007. This document does not exist yet and the ECAs and CoE could not make any assessment about it.

The RIPs for Phases 2 and 3 are due early as well, at least two years before land acquisition begins. The preparation for them has not started yet; the agencies responsible for consultation, site identification and preparation are yet to be nominated. The volume of work on the ground awaiting them is huge.

Preparation work along reservoir settlement requires advance information to the affected population. Community level consultations are to be started on a community-by-community basis. The ToR R-24 on comprehensive disclosure and information plan for the public has not resulted yet in any document for public dissemination and information. Such documents must be made available in Turkish and, when necessary, in the local language as well.

10.3 Timeline and Priorities

The analysis made in Chapter 2 for the group of general planning and preparation ToRs is valid regarding Phases 2 and 3 (see Ch. 2). In summary, the same major delay – about one year to 15 months lost – has been incurred so far in the preparation of FDR not only for Phase 1, but also for the next 2 phases. Given the vast magnitude of FDR in the reservoir, it is not likely, at this stage, that this delay can be recuperated satisfactorily in a short time. What has not been done for 6 villages in the prior 15 months cannot be compressed in less time when a much larger population is involved. No indication is given about the date of cofferdam impoundment.

The new schedule submitted by DSI/PIU to ECAs and CoE on January 11, 2008, is silent (no specification) about the date when the plans for resettlement implementation (R-33), Phase 2 and 3, will be ready.

The CoE is concerned that this delay may still be growing because DSI/PIU are only now beginning to assemble the staff resources for catching up with the work to prepare sites and resettlement for Phase 1 villages, and is not yet ready to start preparation work for phase 2 and 3 resettlement.

While the short-term concerns take reasonable priority, a delay in the start of medium term tasks may also carry, *in nuce*, significant risks for the future. Therefore the CoE identifies here the priorities for the next phase as well. Attention is called to the fact that these issues as well should be present on the agenda of all major actors concerned, including DSI/PIU, the collaborating Ministries, the Ilisu Consortium, as well as the ECAs and the CoE.

We identify the following major 4 issues of phase two as priorities that require action to start now, because these activities are labor intensive and take a long time. They must begin now even before the full weight of phase two moves in its totality into the immediate DSI/PIU agenda:

1. Cadastral work in reservoir area for Phase 2 and 3 and *the concept* that will guide it, to improve over the approach for Phase 1;

2. Census of population residing in this area, or possessing land and other properties in these areas, with baseline income data survey;
3. The Hasankeyf cultural heritage conservation (see CoE-CH) and the population implications;
4. The Income Restoration Program for farmers (and non-farmers) to be displaced from reservoir area, and initiation of agronomic, economic and other studies in the area necessary for planning the income restoration program.

Before addressing each in turn, a brief discussion of the very **principle of strategic phasing** of resettlement preparation is necessary.

10.4 Benefits and Risks of Strategic Phasing in Resettlement Preparation

Chapter 2 reported earlier on the DSI/PIU's proposal (January 11, 2008) to re-plan the schedule for Phases 1, 2, and 3 (see Ch. 2.8, para 6, and Annex 10), as per agreed ToRs. The delay in their execution in 2006-2007 de-facto reschedules the initial timetable. The new schedule aims *"to ensure that displacement does not occur before necessary measures for resettlement are defined"*²⁶, it proposes a phase-based timetable.

Phase-based approaches in resettlement have certain advantages and certain risks, both of them obvious. The need for Ilisu project to focus now on Phase 1 is clear. At the same time, acute awareness remains necessary that phasing should not become a justification for focusing only on "one phase at a time". Continuous, concomitant and integrated actions are indispensable. Dealing with only "one phase at a time" ultimately results in limiting the time for the next phase. It tends to lead to compressing and rushing operations that each require lengthy intervals, especially when masses of people are affected, like in Ilisu.

Indeed, while Phase 1 affects only 6 communities, Phase 2 will involve tens of thousands of people. It will require vastly more time for its preparation than the limited amount of time that is left, according to the table proposed by DSI (Annex 10) between end of Phase 1 and end of Phase 2. The same is true regarding the time left between end of Phase 2 and end of Phase 3. If this need is not recognized in capacity creation and resettlement planning right now, with its full staffing implications and sheer volume of work, the consequence will be further delays, missed deadlines, and rushed work, with impacts on the quality of resettlement.

²⁶ PIU note about the completion dates of ToRs. January 11, 2008.

10.5 A Lesson from the Narmada Dam's Experience

The caution expressed in the above reasoning is supported by historic resettlement experiences in various countries. One paramount example, well known for its relevance to phasing, is the Narmada Sardar Sarovar Dam in India. As Ilisu aims to apply good World Bank standards, DSI must also learn from some major mistakes of World Bank-assisted projects that occurred not long ago. The Narmada Sardar Sarovar project resettlement was one of the most serious such failures.²⁷

A main cause of failure in Narmada's resettlement was precisely the acceptance by the World Bank (and by the Governments involved) of a "phased approach" in planning resettlement. This experience is worth recalling briefly, for its valuable lessons.

Indeed, when the Narmada Sardar Sarovar project was technically appraised and dam construction was about to start, a major discrepancy was identified. Although Narmada had a policy and legal framework set by Narmada Tribunal's decisions for the project's massive resettlement, it was realized that the imminent start of the project's technical works had not been preceded by proper resettlement planning, PAPs consultation, identification of relocation sites for the villages at dam site and other tens of thousands of people. Nor was any plan of income restoration measures defined.

Although the absence of a full resettlement plan was discovered late, just before the dam site works had to start, the Bank decided to postpone project approval until a resettlement plan is developed. Preparation on this plan started intensively in the 24th hour, as technical works were waiting. In several months, the Narmada Project Unit put together a plan for Phase 1, *only the first year* of resettlement, defining it as a "rolling plan", to be continued later with planning for year 2, and so on. India's Government's pressure mounted on the World Bank itself to approve the start of the Narmada project with only a one-year resettlement plan, instead of the required multi-year. The promise was that a "rolling plan" for the following phases would be developed, one year at a time.

At the time, that "solution" was considered credible and acceptable. The project started and the dam site population was displaced, albeit under protests and rushed conditions. However, the attention to continuing resettlement planning diminished once the dam was underway and became the central preoccupation. The Narmada resettlement never recovered from that initial phasing and absent planning error, and from the lack of timely preparation consistent with policy standards. The subsequent phases of resettlement deteriorated from bad to worse, unable to catch up. The disastrous evolution of Narmada's resettlement (the Bank's largest resettlement failure in its history)

²⁷ See a full analysis in the Report: Bradford Morse, T. Berger, D. Gamble and H. Brody. 1992. *Sardar Sarovar – Report of the Independent Review* Ottawa: RFI Inc.

forced the closure of the Bank's participation in Narmada long before the project's intended normal end.

The World Bank converted the Narmada debacle into a source of lessons. No "rolling plans" were subsequently accepted by the World Bank. The requirement of a full RAP **before** project start became the *sine qua non* condition.

Remembering the Narmada lack of resettlement preparation and the "remedy" of phasing is not intended as a mechanical analogy with Ilisu. Circumstances in 2007 and in Turkey are different from circumstances in India and Gujarat in 1987. But the general strategy lesson should not be forgotten. It supports the argument that strategic resettlement planning should not be replaced with a "one phase at a time" approach.

It is indeed necessary to focus immediate and full resettlement preparation on Phase 1 villages in Ilisu. But the CoE strongly recommends that separate staff resources be allocated right now also to working, *in parallel*, for preparing the massive resettlement in Phases 2 and 3. The CoE cautions that if PIU would embrace an approach predicated on beginning Phase 2 resettlement preparation only after Phase 1 is completed, and would wait for the staff allocated to Phase 1 to complete Phase 1 and be freed for beginning work in Phase 2, a considerable amount of time would be lost for Phase 2 as well, as time was lost for Phase 1. The risks would be to come close to Phase 2 resettlement with unprepared resettlement, as Phase 1 is in now.

The point of including the present chapter on Phases 2-3 into this report is precisely to caution against misdefining the virtues, risks and the slippery slope of phased approaches. Medium-term and long-term strategy **requires often concomitance, not only sequenced works**. The R-CoE believes that balancing the two properly should be a guiding principle for DSI/PIU in managing resettlement.

10.6 Cadastral Work in Reservoir Area for Phase 2 and 3

DSI and the Consortium plan to soon start the cadastral work for Phases 2 and 3 of the reservoir – an excellent and timely step now. The same is true for resettlement consultations and preparations.

When the CoE was in the field, no changes were anticipated in the manner of carrying out cadastral work compared to how it was done at the dam site. As shown in Ch. 4, cadastral work for Phase 1 identified only the condemned parcels for expropriation. No concern was present to identify also lands usable for relocating farmers' households and farming activities. Now DSI struggles with absent information about neighboring lands potentially usable as resettlement sites.

The CoE recommends that this prior narrowness be corrected. The objectives of the cadastral inventory can be broadened. This will entail somehow more resources for the cadastral team, but will achieve significant economies of scale by pursuing both objectives at the same time. The gain will be that PIU and MPWS will receive much information on neighboring lands as potential relocation sites. The same is similar for Phase 3.

Broadening the scope of cadastral work, of course, is not the only means for identifying such lands. For instance, the CoE recommends that district offices be asked to prepare a full list of “treasury lands” in the vicinity of the reservoir usable for resettlement, which may not even need new cadastral measurements as state lands. A decision on how cadastral work will be carried out is needed now, as it would affect procurement and bidding terms for contracting the cadastral team.

10.7 Census of Reservoir Population

The tenure system and the demography of the extended Ilisu reservoir area have unique characteristics that make population counts both more important and more complex. The 199 villages already identified as affected include villages fully affected, partly affected, and abandoned villages, wherefrom population has left, but land properties titled to those departed remain throughout. Cadastral measurements have to deal with properties under different tenure regimes. Population counts for areas where the departed people are involved in pendulatory movements will raise challenges.

It is already known that data on reservoir populations does not reflect natural population growth and does not include displacement by infrastructure outside of the reservoir, but part of the Ilisu complex. The CoE recommends that DSI/PIU initiate the measures necessary for ensuring the requisite demographic information at least at the quality of a population census. The CoE has not yet been given the documentation for the survey methodology used in 2005 to be able to assess data quality and usability. Given the challenges of population count in the displacement context, the CoE recommends that PIU invites the cooperation of specialized census agencies in Turkey to make sure that data will be reliable as basis for planning. Also, affected houses and other built structures, private and public, subject to condemnation, also need to be identified and described by size, quality, etc. The PIU needs to decide whether this inventory of assets, which was not done as part of the population survey carried out by ENCON in 2005, will or will not be a part of the cadastral measurements; if not, such a massive inventory needs to be commissioned.

It is appropriate also to advise the DSI/PIU about the possible implication of continued building in the reservoir area. According to the CoE’s understanding, so far no cut off point has been enacted, so as to protect the project from incurring large extra costs by having to compensation all the

buildings which may be constructed between no and actual reservoir submergence. International standards require the legal enactment of such cut off points, and international practice has full justified this procedure. The CoE has in fact observed already some forms of opportunistic constructions during its visits in the areas affected. Given the large dimensions of the reservoir areas, and the considerable time interval lying ahead when such opportunistic buildings may be erected, the implication in terms of cost increases may become very serious affect resources available for the compensation of the legitimate losers. Therefore, the CoE recommends to DSI/PIU, as well as to Ilisu project managers, to pay immediately attention to prevent such opportunistic construction and unnecessary additional project expenses.

10.8 Relocation at Hasankeyf

The reservoir impact on Hasankeyf and its cultural endowments is the main focus of the CoE for Cultural Heritage and its report. The Resettlement CoE has only passed through Hasankeyf as part of its overall initial visit along the entire reservoir, without being given the opportunity for analyzing the resettlement implication in Hasankeyf. Nevertheless, even this initial visit has called to attention some issues that need to be highlighted. For a more detailed description and analysis, we refer the reader to the detailed report of the CoE-CH.

Somehow in contrast with the absence of resettlement sites selection and identification in Phase 1 villages, as well as anywhere else in the reservoir, the R-CoE was somehow surprised to learn that for Hasankeyf population's relocation to a specific site on the other bank of the river has already been decided and that civil works are underway to prepare the site. Land for this site was already expropriated. Yet the CoE has not received any information as to the reasons which led to these early decisions on site selection, or about the criteria for relocating the population itself across the river as opposed to other alternatives.

The existing information indicates that the reservoir maximum water level will affect a large part of the natural and cultural monuments at Hasankeyf, but will not affect all of them. Part of the Hasankeyf population itself resides now above the maximum water level and will not be affected by the reservoir itself. Whether or not the least damaging option is to relocate the affected population across the river, as opposed to other options, is a question on which the CoE on Resettlement cannot comment at this time. Relocation across the river may not be the only option available and the Resettlement CoE will examine what the other options are and the reasons for which they have been considered unsuitable or less suitable. One such option is to relocate the affected population uphill of the current Hasankeyf, which may make possible maintaining the unaffected part of the historic Hasankeyf as a viable settlement enhanced by the presence of the population from the lower part of Hasankeyf.

The CoE plans to examine these aspects in more detail, most likely in cooperation with the CoE on Cultural Heritage.

Ch. 11 Capacity Building, Recommendations

This last chapter of the report is not intended to repeat the numerous recommendations made in prior chapters, which are summarized in the Executive Summary. It is rather appropriate to state, in the conclusion of this report, that however important the issues of re-planning, ToR timetables and phasing are, as underscored in prior chapters, the R-CoE considers that an even more important, over-riding theme of the present report and of Ilisu's resettlement is the theme of capacity creation.

Nothing can be more important now, in our view, than assembling and coalescing a body of specialized organizations and skilled staff, organized into a coherent entity, indispensable for addressing the enormous resettlement challenges that this project places on the country's agenda. These challenges are multi-sided, claiming resources of a technical, social, cultural, environmental and organizational nature.

So far, the DSI has been basically alone in shouldering the preparations for resettlement. It has also recently undergone some important internal re-organizations. The collaborating agencies have not yet come in on the multi-sided streams of resettlement preparations. All this needs to be corrected and a solid institutional set-up be established. Without it, there is no chance for the massive resettlement in the Ilisu project to be completed successfully.

11.1 A Three-Tier Structure for Managing and Implementing Resettlement

The CoE recommends that the creation of institutional capacity be structured by DSI/PIU with three levels:

- (a) In Ankara, for creating a Central Resettlement Unit, small in staff, but capable of providing policy guidance and decision-making, with open access to the higher echelons of DSI and the Ministry of Environment.
- (b) At Ilisu site, for creating a very strong Field Resettlement Unit; and
- (c) In the 5 districts of the reservoir area, for creating District Resettlement Units, with responsibility for implementing not only expropriation, but also site identification, fully sustainable population resettlement with income restoration improvement.

Staffing should be commensurate with the multi-sided functions of these structural institutional units. In each unit, the specialist staff contributed by MPWS, MARA, GAP, DSI, etc. should be integrated “under one roof” and accountable to one Senior Manager. It is necessary to have full-time staff assigned in entirety to resettlement, as the frequent pattern of giving two or more different administrative functions to the same person would not suit the time-consuming and labor-intensive demands of resettlement work.

It is also recommended that a sub-unit for training be created inside the Central Resettlement Unit in Ankara, with responsibility to organize the training programs and experience-exchange programs for all staff working at the three structural levels mentioned above. One or two trainers with experience in international resettlement should be employed in this unit, at least for a period of 1.5-2 years, until the DSI/PIU Management is satisfied that the training process has embraced the entire staff involved in resettlement.

11.2 Participation of Ilisu Consortium in Resettlement

Last but not least, the place and functions of the Ilisu Consortium in the institutional arrangements for planning and executing resettlement must be defined anew.

The Ilisu Consortium (IC) has taken a direct interest in the DSI work over the previous several years for preparing the non-technical components of the Ilisu Project. The Consortium has resolved to become involved in these activities, being well aware of how indispensable a good preparation of the resettlement, environment, and cultural heritage components of the project is for the approval of the project by Turkey’s Government, as well for its financing by international banks, and for risk guarantees by the Export Credit Agencies. As the IC has stated in every milestone meeting, the Austrian, French, German, and Swiss corporations undertaking the building of the dam are well aware also of the views expressed by civil societies groups in their own countries regarding Ilisu, and are determined to do their utmost to mitigate adverse impacts, and contribute to Ilisu’s success not only on technical grounds, but also on environmental and social grounds.

More specifically, the involvement of the Ilisu Consortium in project preparation on the environmental and social side has also been concretized in the Consortium’s undertaking to commission and directly manage the production of the Resettlement Action Plan (RAP) and the Resettlement Implementation Plan (RIP). The Consortium has employed ENCON (Environmental Consultants) to produce planning documents, consistent with international standards and has supervised ENCON’s work. Similarly the Consortium has participated, together with its ENCON consultants, in the definition of the 153 ToRs agreed by DSI and the ECAs. In sum, the Consortium was involved and instrumental in preparing the documentation for ECAs, which would not have been available otherwise.

However, the role of the Consortium in the implementation of the ToRs, has been little defined so far. Obviously, the capacities of the Consortium companies are not to be limited only to the preparations necessary to reach the agreements for guaranteeing the financing. It appears that the complex tasks ahead for implementing the social resettlement component also require the participation of the Consortium in implementation as well.

For successfully carrying out its specific and huge technical tasks, the Consortium has a high vested interest in the good and timely implementation of the social components, primarily in the resettlement process. Without sound and sustainable resettlement in line with the ToR provisions, the completion of dam construction and reservoir impoundment may be delayed. More immediately, in about 2 years after construction starts, the cofferdam impoundment and resulting flooding would be dependant on the satisfactory completion of Phase 2 resettlement, which will involve a much larger group than the villages of Phase 1. The same is true for Phase 3 construction, impoundment and flooding.

Therefore, the CoE recommends that the Ilisu Consortium considers and recognizes the necessity for its participation in the implementation of the resettlement ToRs, consistent with its previous participation in their preparation. This participation could benefit from the comparative advantages and of the Consortium and its high technical capabilities for addressing some of the infrastructural activities involved in resettlement, as well as for enlarging the economic opportunities required to restore and improve the incomes of the population displaced by the Ilisu dam and reservoir. The spectrum of these necessary activities is broad, not limited to job provisions in civil works, and the potential for the Consortium's contribution is very important.

