1 Part One: The Business Case for Addressing Project-induced In-migration

- What are the main business-related impacts of project-induced in-migration?
- What are the trade-offs between proactive and reactive management of impacts associated with project-induced in-migration?

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INTRODUCTION

Rapid and sustained growth of an in-migrant population can cause significant environmental, economic, and social impacts in the project area of influence. Individually and collectively, in-migrants' presence and their activities can directly or indirectly affect the local environment, the 'host' communities, and project operations. Over time, in-migrants may cause a fundamental change in the project area of influence and thereby change the project context.

Effects of in-migration on the project operating environment

The major drivers for increased project costs and risks (both operational and reputational) include:

- The creation of new migrant stakeholder groups;
- Unmet promises of local participation, benefit, and development; and
- Deterioration in the social context in which the project is operating.

NEW MIGRANT STAKEHOLDER GROUPS

Migrant groups will vary according to origin, language, cultural group, ethnic or tribal group (including migrant indigenous people), religious affiliation, or profession, among others. These groups[1] may include:

- **Laborers and their families:** The spontaneous migration and settlement of laborers and their families introduce a wide range of concerns into the project area of operations, related to the adequacy of public infrastructure, services, utilities, housing, and sustainable resource management.
- **Usurers:** Aggressive money lenders and traders acquire leverage in communities by encouraging community members to borrow money under conditions not familiar to them. Such long-term indebtedness can cause significant negative implications. Their increasing economic power is often associated with co-opting local political leaders and elites.
- **Entrepreneurs:** Migrant entrepreneurs arrive to capture business opportunities associated with the project as well as increased demand for goods and services associated with the local population's higher levels of disposable income.
- **Artisanal and small-scale miners:** Migrant small-scale miners may work and reside within a mining lease, and their activities are often centered upon the mine operations. These activities can pose significant threats to project operations, particularly related to health, safety, and security.
- **Commercial sex workers:** Establishment and expansion of a local commercial sex industry raises the incidence of sexually transmitted infections (STIs) and introduces the need for health programming interventions for this group.

1 Page 17 provides a complete typology of in-migrants

Migrants have the potential to become powerful new stakeholder groups. Where such groups are sufficiently large or achieve both public and political support at the local, regional, national, or international level, they may oblige the project to recognize, engage, and consult with them and to develop specific programs associated with their activities. Moreover, with the formation of new stakeholder groups, competition for project benefits may become fierce – causing tension and perhaps violence among the new migrant stakeholder groups and between in-migrants and the local community.

PROMISES OF LOCAL PARTICIPATION, BENEFIT AND DEVELOPMENT

Early project documents, such as the ESIA, outline the potential benefit stream that local people in the project area might expect during the life of the project. The project benefit stream generally includes measures to mitigate project impacts, compensation, promises of participation in the project through wage labor, and project-supported community development programs.

These promises often raise locals' expectations of the potential for the project to transform lives and livelihoods, particularly in remote, and neglected regions that aspire to join the mainstream economy. Project-induced in-migration can threaten the delivery and success of the project's "promises" of local participation, benefit, and development by increasing competition for these "promises."

Project Compensation and Royalty Payments

Large and regular injections of cash into the local economy – and the mechanism for their distribution – may create competition and local conflict between potential beneficiary groups competing to be recognized as affected, and therefore entitled, stakeholders. Negative social forces may also arise within recognized groups of affected stakeholders, with "leaders" competing to lead and be recognized as the representative voice of the affected group.

EXAMPLE: MIGRANT GROUPS COMPETING FOR PROJECT COMPENSATION BENEFITS

PT Freeport Indonesia's Grasberg gold and copper mine in Papua, Indonesia was constructed between 1967 and 1972 and has been operational since that time. The original mine concession included the customary lands of two indigenous tribal groups, the Amungme and the Kamoro. Over time, as both the mine and the region have developed, employment opportunities and better living conditions have attracted highlanders from other indigenous tribes (including the Dani, Ekari, Moni, Nduga, and Damal) to the mine area. As their numbers increased, the migrant highland tribes became established as numerically strong, politically powerful stakeholder groups, pressing their claims to be recognized as indigenous groups entitled to compensation by Freeport.

It is common to see compensation-royalty sub-economies developing, where representative leaders draw political and financial strength from payment and distribution of compensation and royalties, but often fail to ensure equitable distribution to all members of the recognized group. In the most extreme cases, potential beneficiary groups may either confront and attack the project or misrepresent competing groups to pressure management to favor one group and exclude others.

The arrival of migrants serves to either exacerbate the strength of, and competition between, existing groups, or introduce new claimants. In certain cases, projects have responded to threats posed by the increasing strength and voice of newly arrived migrant groups claiming rights to compensation by recognizing the group as "affected and entitled to compensation." While this may be an understandable and pragmatic response to such threats, it can create dangerous precedents for resolving claims - ultimately increasing project costs, exacerbating local-level inter-group conflicts regarding entitlement, and posing a threat to the success of project programs.

Social Development Programs

In-migrants may compete to become beneficiaries of project social development programs, directly or indirectly threatening the success of existing and future project social and community development efforts, including resettlement and indigenous peoples development programs. Where resettlement has occurred, relatively affluent and astute in-migrants may seek to capture monetary compensation payments, or elect to settle in resettlement villages, thereby increasing pressures on infrastructure, services and livelihoods. They may also create land and property markets promoting sale of resettlement housing. In-migrants may also overwhelm indigenous peoples because the latter are less familiar with how to do business with the mainstream economy.

In addition, the arrival of in-migrants may require a stakeholder re-assessment and the strengthening of existing programs or the development of new programs. This challenge becomes most obvious where a progressive decline in the social context of the project requires increased security measures, but there may also be a need over time for new programs dealing with sub-groups of in-migrants to mitigate the public and project-level impacts associated with these groups. These unplanned additional programs will require additional commitments of project funds, resources, and staff time.

Rapid population growth and large increases in the absolute numbers of people resident within the project area can strain public infrastructure, services, and utilities. Consequently, a project may be unexpectedly requested or pressured to significantly contribute to the construction, renovation, and maintenance of new infrastructure, services, and utilities. Often, the project inadvertently assumes responsibility for ongoing management of such "public goods." Finally, a project may also be asked to provide logistical and financial support to new and existing health programs to combat diseases such as malaria, tuberculosis, and HIV/AIDS.

Employment

Many projects commit to hire local workers through the development of preferential employment policies. However, the meaning of the term "local" varies from one stakeholder group to another. For instance, at the national level, the term local describes a citizen of the country, and as such all citizens (whether they reside in the project area or have migrated to it) are deemed to be "local."

Within the project area, the term is usually interpreted to describe a person originating from and habitually resident in the area in which the project is situated. Project claims of providing local employment often do not hold up under local scrutiny. Recruitment may well be conducted locally, but it may not be a "local" who is recruited.

Projects may have a vested interest in allowing spontaneous in-migration of skilled workers, as it reduces mobilization costs. While in-migrants bring much needed technical skills to a project, they also directly compete with local people for project employment. Migrant capture of unskilled and semi-skilled employment opportunities not only deprives locals of the positions they are most likely to be able to fill, but also engenders significant resentment that can trigger discrimination and violence.

Business Opportunities

Migrants may come to a project area to capitalize on business opportunities related to the supply of goods and services to the project. They may also seek to establish businesses that aim to capture the new-found wealth and spending power of the local population. The visible capture of such benefits by migrant businessmen may cause local resentment and tension, especially where locals do not have long-term employment prospects; have both little experience of and limited, if any, opportunities to save and invest construction phase employment earnings; and face retrenchment and an abrupt decline in income after the peak of construction-phase employment.

DETERIORATION IN THE SOCIAL CONTEXT

The negative environmental, social, and economic impacts associated with in-migration often lead to deterioration in the social context in which the project's host communities reside and the project is operating. Migrants may cause an overall decline in the well-being and welfare of the resident population by threatening their way of life and the basis of existing livelihoods and placing additional pressure on what often already may be inadequate public infrastructure, services, and utilities.

Problems such as increased indebtedness, disease epidemics, increased occurrence and practice of social vices, increased domestic violence and rape, increased intra- and inter-group jealousy, rising crime and violence, ethnic tensions, a general breakdown of law and order, and the increased probability of public security force intervention can significantly affect the local population (and the project workforce).

As a result of the deteriorating social context, the project may face increased risks of disruption as the changing circumstances outside the project gate lead to social unrest, disruption of activities and work stoppages. This often leads to an increased investment in security, and increases reputational risks associated with the increased intervention of national security forces in what are considered "project matters." Reputational damage may also stem from either a lack of, or poor management of, in-migration - leading to "unintended" consequences that undermine the developmental promise of project development, and the cost of which are borne by "host" communities in the project area of influence.

At the local, regional, national, and international level, the negative environmental, social, and economic outcomes associated with project-induced in-migration may significantly affect the project and company reputation. This, in turn, will impact the project's "license to operate" in the country. Ultimately, increased costs and a damaged international reputation may affect the share value of the company.

ASSESSING COST – THE VALUE OF PROACTIVE MANAGEMENT

The previous section described in migration-induced changes and potential sources of increased operational, financial, and reputational costs. Quantification of these costs is difficult, primarily because of insufficient project-level information allowing investigation of the relationships between changes in the project context, the project response (if any), and increased direct and indirect costs.

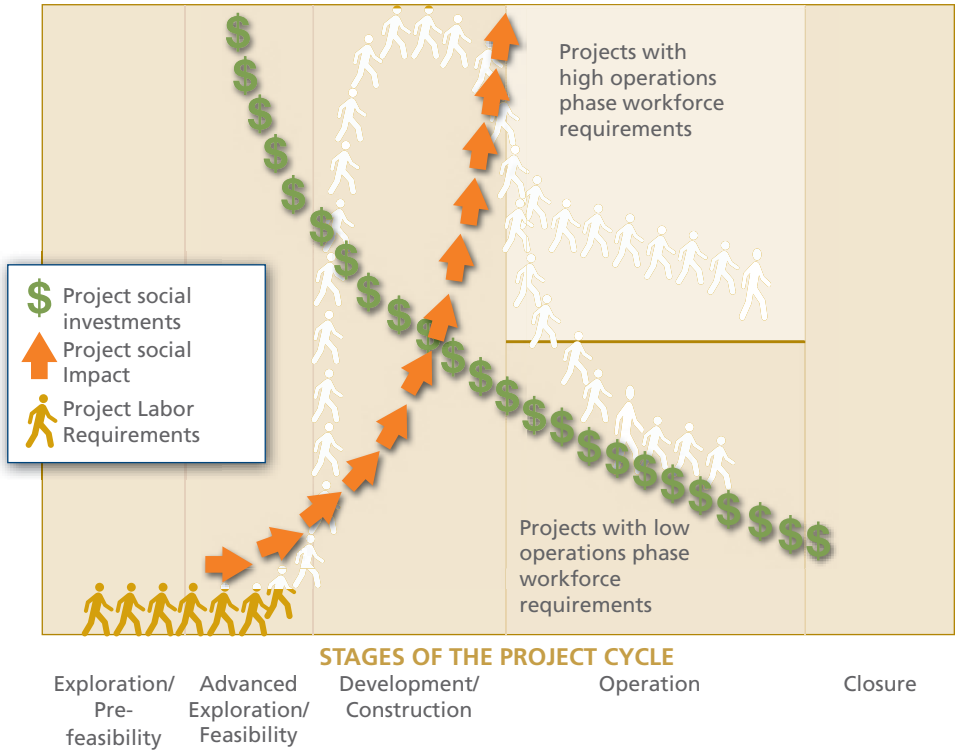
POTENTIAL FINANCIAL COSTS OF PROJECT- INDUCED IN-MIGRATION

- Increased cost of security
- Increased payments to new stakeholder groups
- Increased cost associated with community development programs
- Work stoppages/disruptions during construction and operations

Ideally, cost-benefit analyses would improve decision-making regarding management of in-migration. Such analysis would make the case to reallocate resources devoted to managing the *symptoms* of in-migration, and move them to pro-active measures aimed at preventing, minimizing, and/or managing the in-migration phenomenon itself. Many of these measures would be integrated into project design.

Project design and budget decisions are generally made early in the project cycle, often before formal environmental and social impact assessments (ESIA) and management plans are completed. However, although the in-migration phenomenon commonly starts early within the project life cycle, when people begin to hear about the project and its real or expected benefits, the full impacts of in-migration on both the local population and the project generally appear late in the construction phase and into the operations phase, at a time when construction is nearing completion and investment in communities is actually declining (see Figure 2).

FIGURE 2. RELATIONSHIP BETWEEN PROJECT DEVELOPMENT, SOCIAL INVESTMENT AND SOCIAL IMPACTS



Though in-migration peaks during the construction and operations phase of projects, it does little good to recognize the impacts associated with high levels of in-migration when the migrants are already on the doorstep and the project operating environment has changed irreversibly for the worse.

Proactive management of in-migration begins with project design and planning, when explicit consideration of the project's potential physical and social footprint should lead to integrated projects that take into account a project's potential social and economic impacts and local and regional development consequences.

At the outset, the project should ask and answer the following questions:

- What are the opportunities to include social considerations in project design and planning?
- What trade-offs exist between project-defined optimal design and "socially optimal" design?
- How will the project benefit from proactive management of social considerations?

Project managers at each phase of project development and operations often face considerable pressure to tightly control costs. Where resources for investment in tangible aspects of social development are already deemed excessive or are already under threat, the willingness and ability to seek resources for management of longer-term intangible social issues may be limited - even more so if the proposed interventions are distant from the project site. As a consequence, during the construction and operations phases, management is often unresponsive, effectively ignoring emerging social issues until they result in operational, financial, and/or reputational costs. By this time, the social costs in terms of lost trust and support may be irretrievable. Moreover, as more financial and human resources are devoted to "putting out fires," fewer resources can be spent on maximizing project opportunities and positive developmental impacts.

Investment of resources in managing project-induced in-migration should be considered in terms of addressing primary causes of the phenomenon itself rather than mitigating its symptoms.

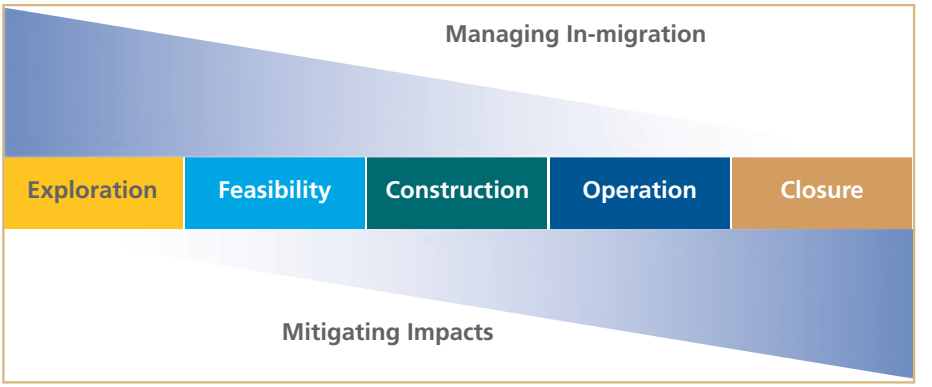
Conclusion

Project-induced in-migration may substantially change the context in which a project operates. An influx of migrants may affect the project's host communities by affecting the environment in which they live and secure their livelihoods or by introducing fundamental (and perhaps disruptive and undesirable) socio-economic change to the population. Migrants may also affect the project directly. Irrespective of whether these impacts are direct or indirect, they result in increased project costs and risks and ultimately may affect the project's 'social license to operate.'

The rationale for project investment in managing project-induced in-migration is manifold. A project may aim to minimize incremental costs or manage risk. In this scenario, investment in managing in-migration is weighed in terms of costs avoided. Alternatively, a project may seek to help manage the process of environmental and social change catalyzed by the project, to ensure that local people participate in and benefit from the project to the greatest extent possible and that the project overall has a positive developmental impact. Ultimately, the rationale for investment is likely to be some combination of these reasons.

In recognizing the inevitability of in-migration, a Project must decide when to address in-migration and what resources to allocate towards its management. Management of in-migration can occur pro-actively, where investment is directed towards the rationale for in-migration, managing the flow of in-migrants and their physical and social footprint within the project area; or reactively, where resources are directed towards mitigating the symptoms of in-migration (Figure 3 on the next page).

FIGURE 3. RELATIONSHIP BETWEEN THE PROJECT CYCLE AND INFLUX MANAGEMENT OPTIONS



Pro-active management requires leadership and timely decision-making to allow integration of social criteria into project design. Where management is reactive and occurs relatively late in the project cycle, when in-migrants are on the doorstep and their impacts are tangible, the majority of resources will be allocated towards mitigating the symptoms. As such, it will be increasingly difficult to achieve the objectives outlined in the paragraph above.

Like other environmental and social programs, an in-migration management strategy and/or plan may only be necessary and/or relevant for a defined period within the project life cycle. Projects with high construction phase demand for labor and goods and services may only require an in-migration strategy during the exploration, feasibility and construction phases. As the project moves into operations, in-migration management activities may be increasingly directed towards strategic contributions to the economic development of the region. However, projects with high construction and operations phase demand for labor and goods and services may require a longer-term in-migration management strategy and plan. All projects would benefit from integration of influx management considerations in their design.

CHAD CAMEROON PIPELINE PROJECT

The Chad-Cameroon Project is a US$3.5 billion development of an oil field in Chad and a 1,070 km pipeline extending through Chad and Cameroon to the Atlantic coast. At the outset of the Project the roles and responsibilities of the Government and the Project operators in managing the environmental and social impacts of the Project and its broader regional development impacts were defined in the Project Environmental Management Plan (EMP). Government assumed responsibility for managing broader regional development as well as the Project's indirect impacts including in-migration through development and implementation of a Regional Development Plan (RDP).

The Environmental Management Plan (EMP) required the Project to develop and enforce a hiring policy, one objective of which was to, limit the spontaneous influx of job-seekers In addition to job-seekers, the increase in local people's disposable income (through employment, compensation, etc) and the consequent increased demand for goods and services attracted large numbers of entrepreneurs, traders, etc to the area. While the Project fulfilled its obligations regarding its hiring policy, this policy and its implementation did not stem the flow of in-migrants, in part due to limited institutional capacity and delays experienced in the design and implementation of the RDP. Consequently, since the start of the Project significant numbers of people seeking employment and other economic opportunities entered into the Project area. This led to the development of new settlements or rapid expansion of existing settlements along the pipeline route and in the oil field development area.

The Project consortium implemented mitigation measures agreed upon in the EMP, including the hiring policy. As outlined in the EMP, further measures addressing in-migration and its impacts were deemed to be the responsibility of the governments of Chad and Cameroon. It rapidly became clear, however, that institutional capacity (particularly in the oil field area) was limited. As a consequence, pro-active management of spontaneous settlements was non-existent, although the Project implemented a number of a posteriori mitigation measures.

The most significant consequences of in-migration are related to the development of the village of Komé Atan in the Komé oil field development area in southern Chad. The settlement, located opposite the exploration and construction base in the oil field development area, was created in 1994 by a number of Project workers who came to the area from Sahr (original exploration base) towards the conclusion of the exploration phase. The village stayed in a quasi-dormant, stable situation until construction of the oil field production infrastructure and drilling began in 2001. Although this spontaneous settlement had been present for more than seven years, the Project EMP did not include direct mitigation measures related to the village. These mitigation measures were expected to be developed in the broader framework of the RDP, as finalized and made operational through a World Bank capacity building project. At the beginning of the construction phase, the village started to grow. While the population totaled about 330 people in mid-2001, by early 2002, a census by the Project's socio-economic team documented a total population of 1,780 individuals. Later surveys indicated that the population continued to grow, reaching approximately 3,000 people in 2003. The spontaneous settlement was called Komé Atan, from the French for "on attend," i.e. "we are waiting," although residents used to call the village Komé Satan, in reference to its numerous bars, prostitution, and harsh living conditions.

CHAD CAMEROON PIPELINE PROJECT, continued

The rapid population growth in 2001 caused sanitary conditions in the village to deteriorate. Specifically, drainage was not controlled, very few latrines were available, and solid waste started to accumulate. A mid-2002 report by the independent environmental and social monitor raised sanitation and health concerns for Komé Atan inhabitants and the Project working community and also identified the fire risks posed by the uncontrolled growth and random location of dwellings and boutiques that were entirely made of thatch (sekko). The independent monitor also mentioned recommendations for the Government to prepare and implement a land use plan. Indeed, in December 2002, a major fire in the village destroyed 60 percent of the buildings. Another fire occurred in March 2003.

Although the Project placed considerable emphasis on occupational health and safety and achieved good results, the Project EMP did not include sanitation of Project-affected villages, as this was identified to be a government responsibility. However, poor sanitation of villages close to the Project camp was identified by the Project as a source of disease vectors. The risk of disease proliferation among the work force increased as workers living in Komé Atan commuted between the village and work location.

Eventually, it became clear that the Project would have to assume a greater role in supporting the Komé Atan community and mitigating the negative environmental and social impacts associated with its rapid uncontrolled growth. Komé Atan village and Komé base were part of the same human ecosystem, and the Project started a constructive dialogue with the local authorities to develop mitigation actions (although an actual mitigation plan was never officially developed). Inspection, monitoring, and control of vectors (especially fogging for mosquito and providing treated mosquito bed nets to Komé Atan residents) and improving village sanitation became critical actions with a dual objective of limiting risks to the worker community and beneficially impacting local community health. Other actions implemented by the Project included: the creation of drainage (i.e., French drains to reduce maintenance needs and clogging) to improve run-off collection; construction of a parking area for trucks and other Project-associated vehicles; drilling of water wells equipped with foot pumps; garbage collection; and lighting of some common areas.

After the fire, the local government and the Project worked together, with community consultation and agreement, to open new streets and create a buffer zone void of building along the main road. Reconstruction assistance was provided by the Project, in conjunction with the local government, to villagers who lost their dwellings. More and more new houses were built using permanent materials, and Komé Atan started to evolve from

Image 1. In-migration driven population growth in Komé Atan settlement, Chad, near the Chad-Cameroon Oil Pipeline Project led to uncontrolled growth of the settlement. The high density and random distribution of thatch (sekko) housing led to significant fire risk. A major fire occurred in December 2002, destroying 60% of the buildings, while another fire occurred in March 2003. Photograph: Esso Exploration Production Chad, Inc.

an informal (although long-standing) settlement to a new village. The local Government Service du Cadastre prepared a development plan for the village, and a commission was formed including the Chef de Canton, Sous-Préfet's representative and residents. A villagers' committee for water and sanitation was formed and some training was given to operate and maintain water points and the drainage network. A tariff for water was established to self-support maintenance of the water points. In 2004, the Prefecture became official, and Komé Atan was recognized as a village. The establishment of Komé Atan as the main commercial center around Komé base has induced permanent social and economic changes in the region, including the reduced influence of Komé, the canton capital, in the area, and the decline of local markets in nearby villages (e.g., Danmadja); while at the same time providing avenues for local commerce and convenient access to goods and services that were previously non-existent in the area.

The settlements of Komé Atan and Komé 5 Moudoudoigne (a new commercial village established quite independently from the local population in the vicinity of the oil field operations base) in the oil field area have become permanent physical footprints associated with the Project while other spontaneous settlements, developed near construction camps in Cameroon and Chad during the pipeline construction, generally disappeared when the construction camps demobilized. Of these short-lived communities, the case of Bemboyo in northern Cameroon may be the most significant. In 2001, during the construction of the permanent national road, which was opened by the Project to transport equipment and supplies through northern Cameroon across the border with Chad to Komé oil field area, the population of the village grew to approximately 5,000 people in less than 10 months. The small town became a very active marketplace with several businesses for transport, accommodation, bars, and restaurants. However, in mid-to-late 2002, following the completion of the road works and workers' retrenchment, the population sharply decreased back to a level similar to pre-construction conditions.