

## The Truth about the Resettlement of the Apuseni Mountains

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Interview with Michael M. Cernea - Sociologist, World Bank Expert, Washington DC.

*“The Romanian government and the Motzi selling their properties should know better the consequences if this project is realized. A new poverty will take root through this rushed resettlement.” – Michael Cernea.*

Correspondent member of the Romanian Academy, with a Ph.D. in Sociology and a former researcher at the Institute of Philosophy in Bucharest, Michael M. Cernea has been living in the USA since 1974. He has been working for the World Bank and is regarded as the leading resettlement expert. The widely known World Bank policies for major infrastructure projects have recently undergone significant changes; not at least due to pressure generated by environmental NGOs, the media and civil society from project affected countries. The World Bank Group's withdrawal from the Rosia Montana project in October 2002 is a compelling example of this new behavior. Benefiting from Michael Cernea's and other expertise studies, the World Bank aims to learn from past mistakes; promoting projects that do not endanger the environment, that have the NGO green light and do not impoverish communities affected by resettlement. Due to research conducted all over the world, Michael M. Cernea has been able to provide financiers of mining or hydro-technical projects with an extraordinary working tool: a compilation of his research. As we start this interview Mr. Cernea mentions: “The Romanian government and the Motzi agreeing to sell their properties should know better the consequences if this project is realized in Romania's Apuseni Mountains. Resettlement has been undertaken in an irrational manner, based on simple “negotiation”. Government officials claim that the resettlement is not their problem – which is wrong because severe situations will result, situations that the State, not the mining company, will have to resolve. Through this rushed resettlement, and whilst claiming to reduce poverty, a new poverty will take root.

*“Affected people should receive shares from the profit, this until the project comes to its end” – Michael Cernea.*

**Ion Longin Popescu:** “Rosia Montana Gold Corporation” purchases properties in Rosia Montana using the compensation principle. The average price for a property is roughly a billion lei (about \$ 30,000). Mr. Cernea, is the compensation principle at all reasonable?

**Michael Cernea:** The drawbacks of the compensation principle are severe. Compensation is structurally incapable of regenerating the income and living means possessed before resettlement. Compensation will not be able to ensure the kind of living standards promoted by the investors even if supplementary measures are taken. Our research done on a global level and this over a time span of twenty years shows a simple fact: sufficient compensation does not exist. For instance, the billion or billions paid for properties in Rosia Montana will have little value after the inhabitants leave their homes. By definition, the compensation only offers the inhabitants a simple payment, not more than the capital held before. Most of the time people actually get much less than what was taken away from them.

**Ion Longin Popescu:** People leave their home with the money and enjoy it. They believe they got rid of poverty. Aren't they right?

**Michael Cernea:** Compensation usually is paid in cash. When the resettler tries to redo his lost fortune, the ‘cash’ payment operation transfers all risks onto him. Evidence demonstrates that the use of cash ends up with the acquisition of an amount of goods that is below the level of the amount of goods possessed before. The compensation value is rapidly “devoured” or used up by different costs: lost time, unexpected payments, commission, etc. Landowners in particular have a lot to lose because the prices for land immediately increase in the whole area. This is the reason why companies should come to consider those selling land and houses as “investors” entitled to a share of the project's profit. “Rosia Montana Gold Corporation” should not get away that easily, paying billions only; the people should receive

shares from the profit until the project comes to its end. Their properties are a kind of advance so that the project can actually start; this on their very lands. This is the only way one can talk about development in Rosia Montana. The State receives certain amounts of money from the Company, because the State is the owner of the ore, even if the Company holds the concession for the ore. But the people in Rosia Montana are the ones who own the land plus the old concessions that still are valid. It is normal that they receive, together with compensations, yearly dividends corresponding to the surface they owned. This is the only way negotiations should take place. This is the present perspective of the World Bank because since 1990 resettlement is only then conceived as a sustainable development program when at the same time it also is a socio-economic process of reconstruction.

*“Once they lose their home, the resettled people get an everlasting refugee mentality” – Michael Cernea.*

**Ion Longin Popescu:** A local from Rosia Montana receives a certain amount for selling his house and land. He proceeds with buying a property in another village, whose price he had already negotiated. The seller suddenly changes his mind asking for more than the Rosian received from the Company. Desperate, that person then suffers from a health crisis and has to go to hospital. What happens to the resettled people after they leave their homes?

**Michael Cernea:** Generally, resettlement only brings trouble. We have identified 8 characteristics of this disastrous process: 1. Loss of land; 2. Loss of employment; 3. Loss of home; 4. Marginalization; 5. Food insecurity; 6. Increase in diseases; 7. Loss of access to commonly owned property; 8. Community ruptures. In short, we witness a severe impoverishment process. During the past 20 years roughly 200 million people were resettled in order to make way for industrial projects. In most of the cases, the affected people suffered from what I mentioned above.

**Ion Longin Popescu:** Would you be so kind and explain those 8 points, so that the Moti from Rosia Montana get to see what is going on.

**Michael Cernea:** Land deprivation is the leading form of capital loss and poverty creation. This is so because people lose both the natural capital and the capital they created with their own hands – i.e. by working their lands. Studies undertaken in Brazil, India, Kenya, and Indonesia show that land loss has more severe consequences than home loss. Regarding employment, the chance of working one's own land or another person's land is the best circumstance. Self-sustainable family farms will disappear. Not all jobs would be immediately lost, but with a certain delay, because of the initial job offers by the Company. But this is a short-term offer. According to the experiences from China, Brazil, Turkey, Togo and Korea, the employment boom takes place when the investment starts off, and it dramatically decreases towards its ending. The loss of homes and of the cultural space, a community tends to experience strong alienation, family dramas occur, and a depressive nostalgia kicks in. Feeling a sense of injustice, people lose their self-confidence, and because of the fall from the social status they held before they feel like carrying a stigma. They get an everlasting refugee mentality. But let's get back to Rosia Montana; maybe we should not concentrate on food insecurity but on the increase in morbidity and mortality. Next to the social stress a psychic trauma commences. Expert research indicates that after resettlement, people are more affected by disease than before. The most vulnerable groups are elders and children (remember the triple number of obituaries published in 'România Libera' in the 1980s, right after Ceausescu ordered the resettlement of Mihalesti, near Bucharest, and also the 3-4 deaths in Rosia Montana, directly or indirectly related to the pressure due to the purchase of properties for the mining development – n.red.).

**Ion Longin Popescu:** Unfortunately, the property purchases in Rosia Montana not only aim at houses, but also at public or commonly owned properties such as pastures, forests, cemeteries, etc....

**Michael Cernea:** Usually, governments or companies do not compensate the loss of public or commonly owned property. Especially in the case of people with a low income, this loss leads

to a greater decrease in their living standards. Commonly owned pastures, playgrounds, water sources, cemeteries etc. just disappear. Regarding community ruptures, there are strong dramas: lifetime friends and neighbors have to part, relatives are separated, and civil associations disappear, as does a community's solidarity. Many lose control over their behavior, and the cohesion of many families is under menace. People can resist physically, but the community dies. In other words, the cost of population resettlement is beyond the financial costs. Higher costs interfere, such as the destruction of the connection between resettled persons and their home. All of this in order to face economic and social uncertainties in an alien place. People get poor because they lack power, because of dependency and vulnerability. All these disgraces do not only affect the location directly targeted by the project, but the whole geographical area. This can be observed in many locations throughout the world and I don't believe that Rosia Montana is an exception.

**Ion Longin Popescu:** It is strange that "Rosia Montana Gold Corporation", led by people who consider themselves experts (except for Frank Timis, Gabriel's founder and Gabriel Dumitrascu, one of the managers) did not study your and the World Bank expertise papers on resettlement. To the company's directors, the people and their problems do not matter at all; they can only see houses they wish to purchase at the lowest possible price.

**Michael Cernea:** It is obvious that this company uses palliatives. Compensation alone does not substitute the lack of a relocation strategy. The priority of any relocation program should be poverty prevention, and this has to be done with the participation of all "actors" involved: locals, local leaders, non-governmental organizations, the host population (if some Rosienii choose to move out into neighbouring locations). There should be negotiations both with individuals and the whole community, in order to fit in a payment system for the commonly owned properties. If the economic justification of the project is based upon costs-benefits analysis, it is then clear that the compensation has to be as low as possible and this to keep costs as low as possible. This is why the company pays the minimum compensation possible in order to externalize the largest part of its expenses; for example abandoning the resettled and leaving them on their own after they have been uprooted. The fact that so-called "development" brings large gains on long-term doesn't make resettlement less painful for these people. The lack of consulting the affected population throughout the whole area, before starting off such a project will hit back. This ever more so where State institutions are weak or corrupt. – ENDS.

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Ion Longin Popescu, September 2003.

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