

THE INFRASTRUCTURE FINANCE GAP

Development-Induced Displacement and the Limits of Project-Based Safeguards

Samuel Cheung | Senior Adviser, UNHCR

ABOUT THIS SERIES

Governing Displacement is a policy brief series examining displacement governance at the intersection of institutional design and development finance, with Southeast Asia as the primary analytical ground. It draws on the author's forthcoming chapter in Khemanitthathai, Banerjee, and Middleton (eds.), *Displacement in Southeast Asia under Neo-geopolitics* (Palgrave Macmillan, forthcoming). The frameworks developed — the displacement continuum as governance diagnostic, sustainable inclusion as governance response — are applicable across middle-income displacement contexts where legal reform is constrained and fiscal integration remains the operative challenge.

Development-Induced Displacement: An Orphan Issue

Across Southeast Asia, large-scale infrastructure development continues to displace communities—part of a global pattern in which tens of millions of people are displaced each year by development projects, with impacts most acutely felt in Asia, where rapid infrastructure expansion is concentrated. Unlike displacement caused by conflict or disasters, development-induced displacement is planned, authorized, and financed by states and their development partners. Yet while accountability is clear, institutional responses have not kept pace with obligations.

Development-induced displacement is an orphan issue in global governance. It falls between the mandates of humanitarian agencies, development institutions, and human rights mechanisms without a coherent institutional home. Humanitarian actors treat it as a development concern. Development institutions treat it as a project-level risk to be managed through environmental and social safeguards. Human rights mechanisms treat it as a state obligation. The normative framework is evident through the prohibition of displacement in large-scale development projects not justified by compelling and overriding public interests, set out in Guiding Principle 6(c) on Internal

Displacement (UN, 1998) and related human rights standards. Yet no actor holds programmatic responsibility for affected populations beyond the project cycle. The result is a population governed at the moment of displacement but institutionally orphaned thereafter—often for the duration of their displacement, which extends well beyond any project timeline.

Wider Importance for Governing Displacement

Addressing the orphan condition of development-induced displacement has implications beyond development displacement itself. The displacement continuum, introduced in [Brief 1](#) as a governance diagnostic, shows that the categorical, temporal, and territorial fault lines producing these outcomes are not specific to development projects; they shape outcomes across conflict, climate, refugee, and internal displacement contexts. These are design failures of systems unable to absorb displaced populations over time.

Across distinct legal regimes, the same structural pattern recurs. Project-affected status dissolves at project completion; refugee status rarely translates into inclusion in national systems; disaster response mechanisms expire while displacement persists. The problem is not the absence of norms, but the inability of governance

systems to carry people across institutional boundaries over time and space.

Development-induced displacement illustrates this problem in its clearest form because the fault lines are produced directly through financing and project design decisions. Infrastructure development generates displacement through planned, state-led processes, yet governance remains concentrated at the point of project impact, with limited responsibility for long-term absorption into national systems.

This gap points to the need for an operational entry point. If populations displaced through state-led infrastructure cannot be integrated into national systems, then no displaced population can. Conversely, building the conditions for their absorption—through social protection, civil registration, and fiscal arrangements that follow people across administrative boundaries—addresses constraints common to all displacement contexts.

Infrastructure Finance as the IFI Entry Point

Multilateral development banks commit roughly \$100 billion annually to infrastructure financing in low- and middle-income countries. This is the primary channel through which development-induced displacement is produced—and the most direct point at which its governance can be engaged.

The entry point for reform lies in the IFI-sovereign engagement within which this financing is embedded. Infrastructure finance provides the most politically viable access into that engagement. Framed around project delivery, infrastructure quality, and fiscal performance rather than protection or asylum, it enables engagement in contexts where displacement cannot be addressed directly as a policy priority. Because this channel is already active, technocratic in register, and institutionally established, it offers a practical

pathway for embedding governance design conditions.

Other displacement contexts face tighter political constraints. IFI financing typically requires states to identify displacement as a development priority—a condition that governments managing displaced populations through migration control or legal ambiguity often cannot meet. Climate and disaster displacement has therefore become the primary frame through which IFI financing flows, precisely because it avoids formalizing protection-seeking populations. Yet this political availability is narrow: it reaches climate-affected populations but excludes conflict-displaced populations who depend on the same underlying systems.

Infrastructure finance occupies a distinct position within this landscape by creating a structured interface between project obligations and national systems. Anchored in durable relationships between IFIs and sovereign governments, it provides a practical entry vector for governance reform. The same instruments that govern project impacts can be used to build the conditions required for long-term absorption—through social protection inclusion, civil registration, and intergovernmental fiscal arrangements. The channel is established; the issue lies in how it is operationalized.

From Project Compliance to Governance Design

The dominant institutional response to development-induced displacement has been environmental and social safeguard frameworks. These have strengthened standards on compensation, consultation, and resettlement planning. However, safeguards are designed to mitigate discrete project impacts rather than to govern displacement as an ongoing condition. IFC Performance Standard 5 exemplifies this limitation: a project-level instrument that is often insufficient to ensure sustained outcomes

where long-term rights realization depends on national systems capacity (van der Ploeg and Vanclay, 2017). Foundational models in the field—such as Cernea’s Impoverishment Risks and Reconstruction framework and Scudder’s stage theory—provide robust diagnostics for project-level resettlement but were not designed for national systems integration.

The Mekong basin cases illustrate these limits. Xayaburi Dam demonstrates the temporal gap: project-bound compensation closed while downstream livelihood disruption persisted. Similar patterns are observed across other Mekong projects and cascade developments, where impacts extend across jurisdictions and accumulate over time, often beyond the scope of any single safeguard framework. These patterns indicate that limitations arise not only from implementation gaps, but from structural features of project-based financing. Safeguards are bounded by projects, timelines, and defined populations, while displacement is longitudinal, cross-jurisdictional, and cumulative. As a result, downstream and long-term impacts routinely fall outside their scope.

The issue is therefore not safeguard failure, but the absence of institutional linkage to systems capable of sustaining outcomes after project closure. Safeguards govern the project phase; displacement persists beyond it. Without mechanisms that connect project obligations to national systems—social protection, civil registration, and fiscal transfers—harm mitigation cannot translate into durable protection. Reform must therefore focus on anchoring project finance within broader system capacity.

The Reform Agenda

The reform agenda is not to move beyond project finance, but to anchor it in governance systems capable of sustaining outcomes beyond the project cycle. This requires connecting project-level obligations to system-level capacity, so that displacement triggered by infrastructure

investment is aligned with the national systems that must ultimately absorb affected populations.

At the project-level, this implies a shift from compliance-based to system-linked safeguards. Project appraisal should assess not only whether resettlement plans meet established standards, but whether displaced populations have viable pathways into national systems—social protection, civil registration, and locally administered services—supported by appropriate fiscal transfers. Compliance would therefore extend beyond compensation to demonstrated integration into national systems.

This also requires extending the temporal and territorial scope of project governance. Where impacts persist beyond project closure, financing arrangements may incorporate post-closure obligations tied to livelihood restoration and service continuity. Where displacement crosses administrative boundaries or accumulates across projects, programmatic or corridor-level approaches are needed to address effects that fall outside single-project frameworks.

These reforms must be complemented by system-level engagement. Embedding governance design across IFI country programming—through instruments such as the ADB’s Environmental and Social Framework, the World Bank’s Program-for-Results modality, Systematic Country Diagnostics, and Country Partnership Frameworks—can build the absorption capacity on which project outcomes depend. Project financing should serve as a trigger for this engagement.

This is increasingly important in a diversified financing landscape, where a growing share of infrastructure investment occurs outside multilateral safeguard regimes. Strengthening safeguards within multilateral financing alone is therefore insufficient. Governance must be built at the level of systems that persist across financing sources.

The reform agenda is architectural rather than substitutive: anchoring project finance within system capacity so that protection outcomes can be sustained over time.

Conclusion

Development-induced displacement remains the orphan issue of global displacement governance: populations created through planned interventions and then left without sustained institutional support. This is not a sectoral failure but a systemic one. The same fault lines shape outcomes across all displacement

contexts, reflecting systems that do not carry people across projects, jurisdictions, and time.

IFI infrastructure finance offers the most practical entry point for reform—not because it is privileged, but because it is operational. The task is to link project finance to the systems displaced populations must access. Embedding system capacity—social protection, civil registration, and fiscal coordination—within existing IFI instruments can connect project obligations to durable outcomes, ensuring displacement is absorbed rather than orphaned.

KEY MESSAGES

Development-induced displacement is an orphan issue — falling between humanitarian, development, and human rights mandates without a coherent institutional home. Populations are governed at the point of project displacement and left without sustained institutional support thereafter, often for the duration of their displacement.

This condition is not unique. The categorical, temporal, and territorial fault lines that produce it also shape outcomes for conflict-displaced, climate-displaced, refugees, and IDPs. The same absorption architecture serves all displaced populations — or none.

IFI infrastructure finance is the most politically available entry point for reform. The IFI–sovereign engagement is already active, technocratic, and operates through instruments that shape national systems. The opportunity is not sectoral but structural: to use this channel to connect project-level obligations to system-level capacity.

Safeguard frameworks are necessary but insufficient to govern displacement as an ongoing condition. The Mekong cases — Xayaburi, Lower Sesan 2, Nam Theun 2, and the Nam Ou cascade — show that even strong safeguard performance cannot sustain outcomes without national systems capable of integrating displaced populations.

The reform agenda is governance design using existing instruments — including the ADB’s ESF implementation, the World Bank’s Program-for-Results, Systematic Country Diagnostics, and Country Partnership Frameworks. Embedding system capacity within these processes anchors project finance in durable outcomes, ensuring displacement is absorbed rather than orphaned.

Priority Actions

For international financial institutions and development banks: Embed system linkage as a core design principle in infrastructure finance. Integrate displacement governance capacity within country systems analysis, and operationalize it through project appraisal by requiring demonstrable pathways from safeguard obligations to national systems—social protection, civil registration, and fiscal

transfers. Use project financing as a trigger for system investment, aligning safeguards with Program-for-Results, policy lending, and technical assistance to build absorption capacity across financing sources.

For development actors and humanitarian donors: Reframe displacement as a governance condition rather than a delivery gap. Audit programming for system transition outcomes

and shift resources toward absorption capacity—social protection inclusion, registry interoperability, and service integration. Align interventions with IFI country processes to convert parallel assistance into system-linked support.

For governments engaged in fiscal and infrastructure reform: Anchor displacement within national systems. Link infrastructure planning to entitlement portability and fiscal transfers. Apply corridor-level planning and establish cumulative accountability across projects to sustain outcomes over time.

About the Author

Samuel Cheung is a Senior Adviser at UNHCR. He served most recently as Chief of Protection from Violence and Displacement at UNHCR headquarters and, prior to that, as Global Protection Cluster Coordinator, leading protection operations across more than thirty humanitarian crises worldwide. Before joining UNHCR, he advised Asian sovereigns on bond programs and structured finance at Allen & Overy LLP in Hong Kong. He holds a JD from Georgetown University and a BA in Public Policy from Duke University. The argument advanced in this series — that displacement governance is fundamentally a fiscal and institutional design problem — reflects that convergence. Views are the author's own.

WHAT FOLLOWS IN THIS SERIES

Brief 3 argues that social protection architecture must follow people across all displacement types, not only climate and disaster shocks. **Brief 4** develops the fiscal architecture argument — the recurrent fiscal obligation problem and its implications for sovereign credit assessment. **Brief 5** applies the displacement-as-sovereign-risk analysis to ESG frameworks and sustainable finance instruments.