

# **Involuntary Resettlement in IDB Projects**

## **Principles and Guidelines**

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## PREFACE

The Bank's policy on Involuntary Resettlement, OP-710, was approved by the Board of Directors in July 1998, and it is available as a publication. Approval of the policy represents a major step in the development of the Bank's approach, which has evolved over the years since 1984 when the Project Analysis and Operations Departments first agreed on socio-cultural checklists for dealing with a variety of socio-cultural issues, including resettlement, during project preparation and analysis. In order to ensure a more systematic control of resettlement issues, in 1990 the Environmental Management Committee (CMA) included this issue among its specific areas of concern. The importance of the quality control of resettlement issues is reflected in two documents: *Procedures for Classifying and Evaluating Environmental Impacts of Bank Operations* and *Strategies and Procedures on Socio-cultural Issues as Related to the Environment*. Among other issues, these documents address the need for sound Bank practices to deal with resettlement issues. Since these documents were approved, the Bank, like other international organizations, has found it necessary to develop more specific guidelines on this complex issue, rather than to use ad hoc approaches for projects that involve resettlement. The first draft of the Resettlement Principles and Guidelines was completed in 1993. The Eighth Replenishment document approved in 1994 reinforced the need for the early preparation of sound resettlement plans and mandated the Bank to keep updating its procedures and guidelines in this area.

This document presents the principles and strategies to be followed in the case of Bank-financed development projects that result in involuntary relocation and includes specific guidelines on the preparation of resettlement plans. The purpose of the principles and guidelines is to further the reconceptualization of involuntary resettlement from mitigation to viewing it as an opportunity for development. The guidelines are meant to assist the Bank and borrowers in mitigating the negative impacts of compulsory relocation on individuals and communities, and in assisting the affected populations to establish a sustainable society and economy. Apart from the universally accepted principles outlined in Chapter I, the guidelines are indicative, and should be adjusted to the specific circumstances and requirements of each project.

This document is intended for the executing agencies in the borrower countries and for the Bank staff involved in identifying, preparing and analyzing projects that result in resettlement. It should also be useful for training courses within the Bank and in member countries where it is necessary to become familiar with the internationally-accepted principles for dealing with involuntary resettlement in the context of development lending, and with Bank procedures on this subject.

The main document is organized into four chapters: 1) Principles and Objectives, 2) Baseline Studies, 3) The Resettlement Plan, and 4) The Project Cycle. The annexes include illustrative cases of resettlement in Bank-financed operations, and methodological notes. The draft has taken into account the comments and suggestions received from the Board, Bank Staff, borrowing agency staff and NGOs. Further comments would be welcome and can be sent to the Indigenous Peoples and Community Development Unit (SDS/IND).

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## ABBREVIATIONS

CBO	Community Based Organization
CMA	Environmental Committee of the Inter-American Development Bank
EIA	Environmental Impact Assessment
ESIR	Environmental and Social Impact Report
FAO	Food and Agriculture Organization of the United Nations
IBRD	International Bank for Reconstruction and Development (World Bank)
IDB	Inter-American Development Bank
IHS	Institute for Housing and Urban Development Studies
IND	Indigenous Peoples and Community Development Unit
NGO	Nongovernmental Organization
OECD	Organization for Economic Cooperation and Development
OP	Operational Policy (of the IDB)
RSA	Rapid Social Assessment
SDS	Social Programs and Sustainable Development Department
TORs	Terms of Reference
UNCHS	United Nations Centre for Human Settlements (Habitat)

## GLOSSARY

Affected Population	People who are directly affected by project related activities through the loss of employment, housing, land or other assets.
Compensation	Money or payment in kind to which the affected people are entitled, as decreed by government regulations or laws.
Expropriation	The action of a government in taking or modifying the property rights of an individual in the exercise of its sovereignty.
Host Population	The community residing in or near the areas to which resettlers are to be moved.
Indemnification	The action of providing compensation for incurred hurt, loss or damage.
Mitigation	Compensation for losses incurred by affected communities as a result of a Bank-financed project.
Project Area	Areas in and adjacent to the construction areas and other areas to be modified by the project (e.g., impoundment of reservoirs, irrigation command areas, rights of way for urban infrastructure projects).
Project Impacts	The direct and indirect physical and socioeconomic impacts caused by the project within the project area.
Rehabilitation	Reestablishment of livelihoods, living conditions and social systems.
Relocation	Moving of people, assets, and public infrastructure.
Resettlement	The entire process of relocation and rehabilitation caused by project related activities.
Resettlement Impacts	The direct physical and socioeconomic impacts of resettlement activities in the project and host areas.
Vulnerable Groups	Distinct groups of people that may suffer disproportionately from project-related activities.

# I. PRINCIPLES AND OBJECTIVES

## Introduction

Involuntary resettlement can have a dramatic impact on the lives of people living in the area of influence of large-scale development projects. It represents a sudden break in social continuity and can result in impoverishment of the people who are relocated. The changes it provokes are unequalled in normal development processes: it dismantles settlement patterns and modes of production, disrupts social networks and diminishes people's sense of control over their lives. It can threaten their cultural identity and can create profound health problems. The difficulties inherent in displacing social groups are compounded by those of relocating them at new sites and reestablishing sustainable social and economic systems.

Where resettlement is badly planned or inadequately implemented it always represents a significant additional cost to the main project and can have long term consequences for the affected population and the surrounding region. It can provoke local resistance and political tension, and can cause significant delays in the execution of the project, leading to cost overruns, reduced project benefits and, in extreme cases, even to suspension of the project. These additional costs almost invariably outweigh the investments that would have been needed to plan and execute an acceptable resettlement program.

## Objectives and Principles

The overall objective of resettlement should be to improve the living standards, physical security, productive capacity and income levels of all the people affected or, at the very least, to restore them to former levels within a reasonable period

of time. The principles that should guide any resettlement program are:

### *Avoid or Minimize Population Displacement*

Resettlement should be avoided wherever possible. Other options should be examined before the key decisions are taken and alternative sites that involve less or no resettlement must be considered. The alternative of not carrying out the project should be seriously examined, and due weight must be given to the measures needed to mitigate and compensate for the resettlement. Where relocation is unavoidable, the project should seek to minimize the number of people affected. The number of people affected might, for example, be reduced by lowering the height of a dam or redesigning a drainage system to avoid the most densely populated areas.

### *Ensure Community Participation*

Community participation is essential for a successful resettlement plan. Participation can facilitate the provision of information and helps ensure that the resettlement plan reflects the needs and aspirations of those affected. It promotes greater transparency and encourages the community to take a more active role in economic development and in the operation and maintenance of local infrastructure. Effective consultation is also essential to avoid the creation of undue expectations and speculation. Executing agencies should keep the affected communities and other interested parties fully informed about project plans, policies, compensation options and legal entitlements, and should ensure that the views of women and any minority groups are adequately represented. Where possible use should be made



of existing social institutions. The affected population can be consulted and informed through formal and informal leaders, community based organizations (CBOs), representatives of particular sectors and nongovernmental organizations (NGOs).

### ***Regard Resettlement as an Opportunity for Sustainable Development***

At a minimum, resettlement should provide full compensation for the loss of assets and income. In order to achieve sustainable development, resettlement measures should include economic development, infrastructure and services, and should not be simply limited to mitigatory measures. Cash compensation is usually not a viable solution for the problems caused by resettlement, and, where possible, the affected population should be offered a direct share in the benefits of the main project. In irrigation projects, for instance, displaced households could be given the option of receiving irrigated land as part of their compensation. In other cases displaced people can be given priority for employment in the project. In urban upgrading and infrastructure projects all the households in the project's immediate area of influence should be allowed to benefit from improved water supply, sanitation, access roads and public transport, regardless of their situation prior to displacement.

### ***Define Criteria for Compensation***

Legal definitions are needed to determine rights to replacement land, housing, cash compensation, economic rehabilitation and other benefits. The definitions should cover basic concepts such as what constitutes the "household" as well as the dates on which the losses are assessed. Procedures should be established as early as possible to discourage speculation and avoid the arrival of people seeking to take advantage of the compensation measures, including the establishment of a cutoff date for compensation eligibility.

### ***Provide Compensation at Replacement Cost***

Displaced people must not be made to subsidize the main project through unfair compensation, and should receive full replacement value for their assets. Cash compensation alone is usually not the most appropriate solution. If cash compensation must be used, support should be provided to ensure that it is used for the replacement of assets, and both men and women should be involved in the discussions. It is preferable to offer a range of choices, that take into account the particular social and economic characteristics of the population. These could include the exchange of land for land, economic development programs, housing and cash compensation or a combination of these options. Displaced households may also need help to transport their possessions, equipment and livestock, as well as temporary accommodation and support at the new site.

### ***Compensate the Loss of Customary Rights***

The absence of legal titles to land and other resources should not be a bar to compensation, even though in many countries the existing legal provisions for expropriation and indemnification only apply to those people who have full property rights to land and housing. Resettlement plans should complement existing legal provisions, and should specifically address the needs of those people who have no legal protection. Various groups, such as indigenous peoples and small holders, have informal customary rights to land, forests, fishing grounds and other natural resources. Where access to these resources is lost or diminished the affected groups should be provided with adequate land or other alternatives to make good their losses. Similarly, in those urban areas where the inhabitants lack legal titles to their plots, the rights of established households should be recognized. They should be offered acceptable alternative housing, with basic service provision, and should be given the opportunity to eventually acquire full legal title to the property. This should be done equitably, as far as possible without

creating undue privileges for those households that are situated in the immediate right of way of the project works.

### ***Provide Economic Opportunities for the Displaced Population***

The main cause of hardship, even in urban resettlements, is loss of economic opportunities. Sustainable economic development programs should be appropriate for the different groups and communities that are affected, reflecting their skills, aspirations and the availability of labor. In rural areas resettlement must take the agricultural cycle into account, and sufficient resources must be provided to ensure that farming households can prepare the land and maintain their livestock until a sustainable level of production is achieved. The resettlement plan must also address the needs of non-farming households, including rural laborers and artisans. Appropriate activities may include training, organizational support, provision of equipment and/or micro enterprise or rotating credit funds. In urban areas resettlement plans should ensure that displaced people are provided with opportunities for employment; this is particularly important where informal sector workers are moved from the city center to suburban locations.

### ***Provide an Acceptable Level of Housing and Services***

The resettlement plan should provide an opportunity to improve the quality of housing and service provision. Housing options could include the construction of complete units, provision of basic units, or sites and services. Alternatively, families could be assisted in acquiring replacement housing, using their compensation as full payment or down payment, if the housing is of significantly better quality. The alternatives should be discussed with the displaced families and should be socially, culturally and financially acceptable. Consideration should be given to household size and composition, climate and concerns about privacy. In

rural areas it is often wiser to base designs on traditional structures, possibly with the incorporation of new materials and technology to improve standards of hygiene, insulation, drainage and vector control. Service provision should address the need for access roads, water supply, drainage and sanitation, as well as electricity, street lighting, schools and health centers. Suitable arrangements must be made for the operation and maintenance of service infrastructure. This can be the responsibility of the community, the municipality or water and power companies, and may require training programs and the establishment of mechanisms for cost recovery.

### ***Address Security Issues***

Badly planned resettlement leads to poverty and insecurity, and can provide a breeding ground for organized crime, drug trafficking and terrorism. There are no simple solutions to these problems, but they can be addressed through community consultation and participation, security of tenure, opportunities for employment, the provision of education and leisure facilities, and the careful design of resettlement sites.

### ***Consider Host Populations in Resettlement Plans***

The host communities that receive displaced people should also be involved in the planning and execution of the resettlement program and should be offered assistance to overcome any adverse consequences that may be expected. Infrastructure and basic services, such as drinking water supply, schools or the provision of primary health care, should be provided for both the resettled and the host population to enhance the integration of the two groups and reduce the risk of conflicts.

### ***Obtain Accurate Information***

It is essential to have accurate information on the

number of people that will be affected. Surveys should be carried out as soon as possible, and should elicit information on the social, economic and ethnic composition of the population. The project should draw on expertise from the social sciences to identify key issues and determine whether there are any particularly vulnerable groups in the affected population: in rural areas these may include indigenous peoples, landless laborers and households headed by women. In urban areas it is necessary to pay particular attention to the needs of women, youth and the elderly. Special efforts are needed to ensure that the most vulnerable groups are properly consulted and adequately compensated by the activities proposed in the resettlement plan. In order to ensure an adequate understanding and identify the different groups of interest, a stakeholder analysis needs to be carried out as part of the baseline studies.

### ***Include Resettlement Costs in Overall Project Costs***

The planning and execution of resettlement is an integral part of the project that causes the resettlement. The full costs of resettlement and compensation should be taken into account in considering all project alternatives and calculating the project's rate of return. Involuntary resettlement should also be treated as an integral part of project design from the earliest stages of project preparation. Cost estimates for the resettlement plan should be budgeted and scheduled in coordination with the physical works of the main investment project. The inclusion of resettlement costs in total project costs helps ensure that resettlement is executed in coordination with construction activities.

### ***Consider the Appropriate Institutional Framework***

The choice of an institutional framework should be considered early in the project cycle. No single institutional arrangement has been shown to be the

most successful in executing resettlement activities. Assigning operational responsibility for resettlement in the agency that executes the engineering and civil works does not automatically ensure good coordination between construction and resettlement. It is often better to establish a distinct unit within the overall project framework, which should have sufficient authority, an adequate budget and the necessary staff for implementing the resettlement plan. The linkages between the resettlement unit and the larger project should be clear, as should the linkages with the local administrative units that will be involved. Local government agencies should be involved in resettlement as they can mobilize expertise, are familiar with the affected communities and will ultimately be responsible for them.

### ***Establish Independent Monitoring and Arbitration Procedures***

Compensation procedures should be independently monitored to ensure that assets are fairly valued and that compensation is paid to those, and only those, whose property is affected. It is important that accurate records are kept of all payments. Independent procedures should be established to resolve grievances over compensation and other benefits. The arbitration process should be open to all affected persons, without cost, and the results should be legally binding. In some cases it may be appropriate to convene an independent panel of experts to advise on technical issues relating to the resettlement.

## **Theoretical Framework**

The socioeconomic and cultural impacts of resettlement have been extensively documented in publications and technical reports for government and international agencies (Cernea and Guggenheim, 1993; and Guggenheim, 1994). The bulk of research has been done in Africa and Asia, but the literature on Latin America is grow-

ing. The focus of research has been on hydroelectric projects, primarily because this is where involuntary resettlement has been most visible. Recently, however, urban projects have come under scrutiny as they have been increasingly responsible for large-scale resettlement (Cernea, 1993).

The early research on involuntary resettlement documented the largely negative consequences of resettlement on the affected population. The research demonstrated that by and large borrower countries and multilateral institutions had failed to give adequate consideration to resettlement planning early in the project cycle. The results were costly, both from an economic standpoint and from a social perspective. Economically, poorly planned resettlement projects generally failed to restore, let alone, improve the economic conditions of the displaced population, thereby inducing impoverishment. Socially, the affected population, in case after case, as documented by social scientists, were traumatized by displacement, their patterns of social relationships and support disrupted, and their mechanisms for self-sufficiency eroded.

Specific factors that caused problems included lack of planning early in the project cycle, the use of inadequate compensation (providing cash for assets without considering whether it would be sufficient to replace those assets, or whether the recipients would be in a condition to use this compensation for the intended purpose), insufficient financing of the resettlement component, and the lack of participation of the affected people in the design and implementation of the resettlement project (Agarwal, 1982; Barabas and Bartolome, 1992; Brokensha and Scudder, 1968; Butcher, 1971; Chambers, 1969, 1970, and 1973; Colson, 1971; Fahim, 1983; Goldsmith and Hildyard, 1984; and IDB, 1985).

This research was used by multilateral institutions in the mid-1980s to reformulate policies and improve planning for resettlement, due in part to the realization that the social and economic costs

of poorly planned and executed resettlement significantly affected the rate of return of development projects. Currently, the focus of research is on the sound implementation of resettlement policies (Cernea and Guggenheim, 1993; Habitat, 1991).

The theoretical framework used to understand involuntary resettlement is still being developed. However, there is wide consensus on several issues. First, there is consensus that development-induced resettlement falls under the broad category of displacement caused by a variety of sources, including natural disasters (earthquakes, floods, storms), and socially-induced disasters (wars, famine, land appropriation, labor migration). Certain processes are common to all displacement, including the disruption of existing patterns of social organization, patterns of subsistence and economic activities, and political change. Also common to all displacement is the long time frame over which impacts occur and must be assessed (Downing, in press). Development-induced displacement is unique, however, because it is planned and deliberate. As such, more than any other kind of involuntary resettlement, it offers the opportunity to mitigate negative consequences and turn resettlement into an opportunity for development.

A second point of consensus is that poorly planned and executed resettlement programs are always an additional cost to the overall project and have long-term consequences that can lead to further impoverishment and regional decline. Every single resettlement project that has been inadequately planned, as documented in the literature, has had poor social and economic outcomes. This is especially true when the number of affected people has been significantly underestimated.

A final point of consensus is that involuntary resettlement must be understood as a process that has to be planned for and analyzed over time. The process of involuntary resettlement often begins

long before the actual construction of the development project, and can start as soon as people in the affected area are made aware that they may be subject to resettlement. The process often continues long after completion of the project as it may take a long time for people to reestablish themselves in their new sites.

### **Policy OP-710**

The Bank's current policy, OP-710, approved in July 1998, provides a comprehensive statement of the principles and objectives outlined above. The stated objective of the policy is "to minimize the disruption of the livelihood of people living in the project's area of influence, by avoiding or minimizing the need for physical displacement, ensuring that when people must be displaced they are treated equitably and, where feasible, can share in the benefits of the project that requires their resettlement." The policy goes on to outline two fundamental principles that should guide any operations that may require resettlement. They are:

- Every effort should be made to avoid or minimize the need for involuntary resettlement, and
- When displacement is unavoidable, a resettlement plan must be prepared to ensure that the affected people receive fair and adequate compensation and rehabilitation.

OP-710 and the Background Paper on Involuntary Resettlement that was approved by the Board are available as publications.

### ***The Eighth Replenishment***

The mandate resulting from the eighth general increase in the Bank's resources negotiated in 1994 recognizes the consolidation of political and economic stability in Latin America and the Carib-

bean and emphasizes that while there has been steady progress in economic development and fiscal reform, progress in social development has lagged behind. Despite the fact that the IDB pioneered the multilateral financing of social projects, many of the gains made in the social arena were eroded in the 1980s by economic and political crises. The new mandate therefore emphasizes poverty reduction and equity issues, and represents a shift in focus from crisis management to long-term planning, from government control to private sector and community initiative, and from investment in capital goods to investment in human capital.

The negotiations for the Eighth Replenishment reflected this new paradigm and established three priority areas for Bank action:

- poverty reduction and social equity,
- modernization and integration, and
- the environment.

The Eighth Replenishment Document mandates the Bank to adapt its operations to the goal of sustainable development by focussing a greater proportion of lending on social sectors, by ensuring sustainable management of natural resources and by consolidating the reform of the public sector to promote modernization. With regard to involuntary resettlement, paragraph 2.44 (g), the Report states that:

*"The Bank will continue to apply the strategies and procedures devised for projects that require communities to be relocated. This will include consulting with the affected population..., incorporating resettlement plans in environmental impact assessments, and drawing up detailed resettlement plans... When a project has a resettlement component, the resettlement plan will be prepared at the earliest stages of project design and available at the time the project is presented to the Board. This resettlement plan is provided in environmental summaries and environmental impact assessments. The Bank also will keep*

*a list of ongoing projects that call for resettlement of communities, and will continue to update its procedures and guidelines in this area” (AB-1704, par. 2.44[g]).*

The Eighth Replenishment Document calls attention to the Bank’s Policy on Information Disclosure. This policy is based on the assumption that project effectiveness will be strengthened by public access to information and by consultation with the populations affected. Public availability of project documents is intended to facilitate the participation of beneficiaries in the planning and implementation of social and environmental projects.

In accordance with these priorities, the 1994 reorganization mandated SDS to improve the effectiveness and quality of Bank programs by focusing on policy and strategy issues as well as specialized operational support and to address the wider impact of development projects. Within this context the Indigenous Peoples and Community Development Unit (SDS/IND) was established to provide policy support and technical expertise in relation to resettlement activities, the needs of indigenous people and the socio-cultural soundness of Bank operations. The unit provides technical advice to the CMA and can support project teams by reviewing resettlement studies and plans, and advising on project design.

## II. BASELINE STUDIES

### Introduction

Relocation and rehabilitation has to be planned in detail and must be based on accurate information and careful consideration of the likely impacts of displacement. Detailed baseline studies are essential to achieve these ends and should:

- C identify the potential risks facing the affected population;
- C quantify the numbers of people affected by the project as accurately as possible; and
- C identify the different groups, sectors and populations involved, and analyze the particular ways they are likely to be affected (stakeholder analysis).

The preparation of the baseline studies may require expertise from various disciplines, particularly from the social sciences. As far as possible the studies should be carried out in close consultation with the affected populations. Local organizations, government agencies and NGOs may also be able to offer valuable expertise and local insight.

### Risk Analysis

The most serious risk that confronts populations that are displaced by development projects is that of impoverishment (Cernea, 1996). Impoverishment can be caused by a number of factors, that include:

- C *Loss of land*, which for small farmers usually implies the loss of their subsistence base as well as lost income. Even the partial loss of a

small land holding can push a smallholder household into poverty.

- C *Loss of employment opportunities* may affect groups other than those that lose land or housing. Rural laborers, artisans or small shopkeepers living outside the immediately affected area may lose their livelihoods. In urban rehousing projects some groups will lose access to their sources of income if they are moved too far from the city centers where they were employed or engaged in informal activities.
- C *Loss of access to common resources*, such as pasture land, forests and fisheries, may seriously affect the subsistence base and/ or income of certain groups, particularly indigenous peoples and traditional small farmers. Large public or private land holdings may also be used by indigenous peoples or small farmers for hunting, fishing or gathering forest products.
- C *Marginalization*, or downward mobility, occurs when households are unable to fully restore their economic capacity. This can result from partial loss of holdings, lost access to clients and markets or from inadequate compensation.
- C *Food insecurity*, is related to all the above factors, but can be aggravated by poor timing of resettlement, leading to loss of crops and livestock. Inadequate compensation for the loss of subsistence and fodder crops can lead to increased dependence on wage labor, which in turn results in lower levels of agricultural production.

Other risks that have to be considered include:

- C *Homelessness*, comprises loss of shelter and household possessions. The loss of housing may only be temporary. However, if compensation is based only on an assessment of the value of the house itself, the displacement of people from squatter settlements may force the poorest households on to the streets.
- C *Increased morbidity and mortality* is directly related to impoverishment, loss of food security and shelter and to psychological stress and trauma. Other major health issues include vector and water borne diseases, such as malaria, dengue and schistosomiasis, typically associated with dam and irrigation projects. These diseases may also become a problem if piped water supply is provided without adequate drainage.
- C *Disruption of social networks* occurs when kinship groups and close knit communities are broken apart by displacement. The ties with kin and neighbors may be severed, leading to the loss of social support networks, while the young may be tempted to move away, to the cities or to areas of new colonization.
- C *Loss of cultural heritage*, includes the loss of culturally important sites, such as churches, cemeteries and important natural features. This can lead to the devaluation of ethnic identity, the disruption of cultural ties between groups and families, and the loss of traditional authority structures and social cohesion.
- C *Interruption or loss of education*, displacement may interrupt children's schooling and may even cause some children to drop out of school altogether. The educational needs of the population must be taken into account. Where possible relocation should be timed to coincide with the end of the school year.

Although the analysis of potential risks will usually

focus on the populations that have to be physically displaced, other groups may also be affected. They include people who are left behind, such as landless laborers or small entrepreneurs, who may lose their employment or source of livelihood. The host populations living at the new site can also be considered as "project affected persons" if their assets or livelihood are likely to be significantly affected by the resettlement program.

### ***Baseline Studies, Census and Surveys***

Various studies and surveys may be necessary, particularly if a large number of people are likely to be displaced. The requirements and methodology vary from project to project, but in general it is useful to distinguish the studies that are needed to facilitate planning of the resettlement program from the surveys that will be used to assess rights to compensation and other benefits. The former should be broad ranging and, where possible, participatory, and should provide the information necessary to assess and quantify the risks associated with displacement. The latter have a more limited focus, but must be rigorous, complete and verifiable.

An initial scoping study, or "rapid assessment" is needed early in the project cycle to assess the numbers and kinds of people likely to be affected by the project. The information should be as accurate as possible, and should provide a sound basis for the analysis of alternative scenarios. The study will require close coordination with the team responsible for the evaluation and selection of alternative project designs. The study should, for example, provide an accurate estimate of the numbers of people that would be affected by particular dam sites or levels, or the number of people that would be affected by alternative routes for a road or for water or sewerage systems. The initial studies may have to cover populations that are not affected by the project that is finally



identified. The initial study should provide information on the following:

- C numbers of people/households affected by different project alternatives;
- C household size and composition;
- C vulnerable groups, such as indigenous people, sharecroppers and tenant farmers;
- C subsistence resources and productive activities;
- C employment, sources and levels of income;
- C attitudes, values and aspirations;
- C legal status of tenure or occupancy rights;
- C housing, type and materials;
- C infrastructure and services (water supply, drainage, access roads, schools, etc.);
- C health indicators and potential risks;
- C community organization and social networks; and
- C presence of local government, line agencies and NGOs.

The scoping study may be able to use secondary sources, such as census or agricultural census data, if the affected area is clearly circumscribed, as for example in the case of a dam project. In the case of linear projects, such as roads, drainage or transmission lines, it will usually be necessary to carry out a field survey of the area likely to be affected by the project.

There are some situations in which it may be advisable to avoid or postpone the field survey. This would be the case in those squatter settlements where there is a significant risk that the prospect of compensation or other benefits is likely to attract people to the site. In these cases aerial photography can be used to determine the number of dwellings, and the information can be supplemented by observation, information from secondary sources and interviews with selected households or key informants such as social workers, teachers or health workers.

A more detailed study is required for the detailed design of the resettlement plan. This study should

update the information from the initial survey and should include accurate data on the affected population, covering demography, household composition and social organization, landholding, socioeconomic situation and the health profile of the population. This will be used to develop a detailed analysis of the risks affecting each sector of the population, to determine priorities and to propose a detailed resettlement and rehabilitation plan. The study can also serve as a baseline for the monitoring and evaluation of resettlement program.

### ***Baseline Studies***

It is important to collect accurate data on income levels, in order gauge the disposable income of the affected population and their capacity to pay for improved levels of housing and/or for services, such as potable water or electricity, which were previously unavailable or, as is often the case in urban squatter settlements, were utilized without payment. Although basic housing and services, including potable water, sanitation and street drainage should be provided regardless of conditions prior to resettlement, the resettlement program should not offer a level of housing and services that is incompatible with the population's ability to cover the costs of maintenance and repair. As well as adding to the costs of the program, too high a level of housing and services, may create anxiety among those beneficiaries who find themselves unable to pay the service charges or instalments for housing; it can lead to households selling their houses or rights to housing, and may encourage people who are not eligible to demand compensation.

Income levels are notoriously difficult to calculate, particularly among the informal urban sector and rural smallholders. A participatory approach can help, particularly if the affected population have a clear understanding of the reasons behind the study, although those responsible for the survey should try to ascertain if the respondents are either under- or overestimating their assessment of

income levels.

The survey should be sensitive to two major issues. The first is to consider the level of the household's **disposable** income, that is the amount available once essential expenditure, on food, clothing, children's schooling and other essentials have been covered. The incomes of men and women should be taken into account, but the analysis should not assume that either men or women have control over each other's income. In some places, for instance in the cities of NE Brazil, women are largely responsible for the payment of service charges or housing instalments, a tendency that is accentuated when the house titles for people living in common-law unions are issued in the woman's name, and they may not always be able to rely on the support of their partners. The second issue is seasonal or annual variation in income levels. Agricultural laborers, or smallholders who rely on wage labor for most of their cash income, may only have disposable income during certain periods of the year, such as the cane harvest. Similar cycles can be found in the informal economy of some urban areas, especially where the predominant economic activity, such as tourism, is concentrated in certain months of the year.

The study should collect the information needed to select appropriate resettlement sites, and should provide suggestions for appropriate housing designs. A participatory approach to data collection allows the affected population to become involved in their own resettlement from the start of the project. The studies offer the first substantive opportunity to work with the affected population and should be seen as the initiation of a development process for the affected people. It is important to ensure that all groups and subgroups are interviewed, that consultation can be verified, and that the information from the consultations is integrated into the resettlement plan. Special care needs to be taken to avoid generating expectations, in case the project may not be carried out or its design substantially altered. At

this stage it may be necessary to design a strategy for social control to enable the community to discourage opportunistic behavior and new settlement in the project area.

The baseline study is probably the most critical task to be done in planning the resettlement because it sets the stage for all future considerations and decisions. It should provide the most up-to-date information possible and requires a combination of techniques, including the use of existing statistics, collection of new quantitative data and the collection of qualitative data drawn from community consultations and in-depth case studies. A summary outline is shown opposite and a more detailed methodology is presented in Annex II.

### **Census and Cadastral Survey**

The baseline study usually includes a full census of the population affected. This census may become the cutoff point for determining eligibility for resettlement benefits, and may even be combined with the registration of the assets that will be affected. If the move is not expected to take place until several years after project approval, or if it will occur in distinct phases, it may be more appropriate to delay the formal census until a time closer to the moment that the resettlement actually occurs.

Regardless of when it takes place, the full census must be rigorous and verifiable, and the affected population must be officially notified that it will be used to determine their right to the project benefits and/or compensation. It is important that key definitions, such as what constitutes a household, which groups or individuals are entitled to which benefits and the cutoff dates, are fully understood and are legally binding.

The census should be verifiable, as it may be necessary to prevent people moving into the area to take unfair advantage of resettlement benefits.

This is a common risk in urban squatter settlements, but can also occur when rural populations are affected. One approach would be to have an independent outside agency confirm the accuracy of the census, using sampling techniques. Other methods include marking the house, providing written documentation that the household has been enumerated and/or taking a photographic record of the members of the household at the time they are enumerated.

If the affected population has been involved in the resettlement planning from an early stage, it may be feasible to assist them in organizing themselves to protect the affected area from further intrusion by squatters. Alternatively it may be appropriate to engage members of the community as security staff, having them work under the supervision of outsiders to prevent abuses of authority.

If compensation is based on an assessment of the market value of each plot of land and/or each housing unit, a cadastral survey will be required. Where the affected population do not have land titles, as in many rural areas and virtually all marginal urban settlements, the cadastre will have to provide the occupants of the land or house plots with evidence of their rights to compensation. It may be possible to combine the cadastral survey with the census and to agree on the date of the combined census/survey as the cutoff date for compensation, but usually the cadastral survey is conducted at a later date.

### **Social Analysis**

The baseline studies should go beyond the enumeration of the population and should provide an analysis of the different groups and agencies, nowadays often referred to as “stakeholders,” that are affected and/or have a legitimate interest in the project and the interrelationships among them. It is important to understand the concerns of the different groups, and to ensure that the views and aspirations of each group are adequately

represented in the process of consultation.

### ***Urban and Rural Populations***

There are important differences between the priorities, aspirations and social organization of rural and urban populations. Although involuntary resettlement is typically associated with the construction of large infrastructure projects, such as dams and highways, nowadays much of the resettlement in Bank financed projects is caused by urban development projects.

Urban and rural populations differ in terms of their need and attachment to land. Rural populations are often long-time residents of the region and may have a special attachment to the land because of their involvement, over many generations, in agriculture or the management of natural resources. In addition there is often a strong relationship between location, kinship networks and socio-cultural values. Relocation, especially if it involves moving a great distance, having to shift from agricultural production to another form of economic activity, or loss of access to natural resources will be traumatic and inevitably the mitigation options will be more difficult to formulate.

Marginal urban populations, on the other hand, are often relatively recent migrants to the city, and their attachment is not necessarily to a particular place or area. More important is their ease of access to sites of employment, to services and to particular social support networks. Urban relocatees may therefore be more willing to move, provided they can participate in the decision-making about site selection and provided their social networks and their access to income generating activities remain intact.

Urban populations are generally more willing to change occupations and accept new initiatives as part of the rehabilitation measures. This is especially true for the urban poor who have high

rates of unemployment or underemployment and who tend to participate in the informal sectors of the economy. For the urban poor, resettlement can offer an opportunity to improve job skills, gain access to education or formalize their entrepreneurial activities.

The resettlement associated with urban infrastructural projects often provides greater opportunities to benefit the affected population. Infrastructure projects in rural areas do not often have the development of the immediately affected region as their primary aim, and it is difficult to take advantage of the primary project when designing the resettlement plan. In the case of urban infrastructure projects, however, the benefits accrue to the city itself or to its immediate vicinity, for example through improved access roads, sanitation or drainage. This facilitates the planning of resettlement in a broader development context where the affected population can be rehabilitated as part of the process of urban improvement.

Finally, rural and urban populations differ with respect to the options that can be offered for compensation, mitigation or rehabilitation. Rural populations will by and large require land-based solutions. Urban populations, however, have more flexibility and will be able to choose from a variety of options that can include skill development or job training, occupational opportunities and different types of housing programs. Here, it should be emphasized that consultation and community participation are key elements in achieving an effective, flexible and successful resettlement plan.

### ***Special Needs of Vulnerable Groups***

It is important to identify any groups or sectors that are particularly at risk. Resettlement is difficult for everyone affected, but it is particularly traumatic for those who are relatively powerless, or more deeply attached to home place or region of origin. Indeed, there is often a risk that the most powerful people or sectors within the

affected population can set the terms or monopolize the benefits provided. Three of the most vulnerable groups are women, the elderly and indigenous people.

### ***Women***

Women tend to be vulnerable because their concerns are often neglected in resettlement planning. Baseline surveys may target the male head of household and neglect to interview women, even though the proportion of households headed by women can be high, particularly among the poor. Women's productive activities and income are often considered supplemental and are not adequately accounted for in compensation schemes. This is particularly true of the common resources used by women, such as the forests or grazing land. In addition land titling procedures may show an inherent bias against women, or households headed by women. Women do not generally participate in the local political organizations, and so their voice is not heard when these are consulted.

Neglecting the concerns of women can affect the ultimate success of a resettlement program and represents a lost opportunity to stimulate development and self-sufficiency among the resettled population. A decade or more of studies of the role of women in development projects has demonstrated that women are effective at organizing themselves to take advantage of resources, run small productive projects and initiate social programs. Women's ability to organize stems in part from the cooperative social relations women establish to accomplish household tasks and manage the care of children. Organizing women around issues of child care, health, education and so on, can be an effective way to begin the task of organizing the affected population if there are few existing organizations. Research has also demonstrated that when women organize, they are likely to involve their whole family in the project, providing an effective vehicle for addressing broader rehabilitation

concerns.

### ***The Elderly***

Elderly people in all societies can be vulnerable in times of rapid change, such as during resettlement, because they can not quickly adjust to changes in their life styles, a new environment or new patterns of employment. They may also be at a disadvantage in resettlement schemes that rely on self-help construction of housing. Generational conflict can surface during resettlement as young people and their elders perceive different needs or desire different outcomes. Consultative procedures with the community should allow time for these differences to be resolved so that resettlement is more successful and the elderly are not neglected.

### ***Indigenous Peoples***

Indigenous people present a special case for resettlement planning because of their deep attachment to land and place. To date there are almost no accounts of successful resettlement involving indigenous people (one exception may

be the Agua Milpa Hydroelectric Project in Mexico, see Guggenheim 1993: 201-228). Indigenous people's social organization, cultural values and their spiritual attachment to the land reflect centuries of practice, adaptation to changing environments and survival strategies in the post-conquest period. In the case of indigenous people, the first principle of avoiding or absolutely minimizing resettlement should be strictly adhered to.

This applies equally to projects that aim to protect the environment, such as the creation of national parks or wildlife reserves. There are now several cases of successful management of reserves by the indigenous people who live in them. Panama, for example, has managed to protect the Darien tropical forest region of its Eastern Sector without negatively affecting the Embera communities who live there. In the Bayano region of Panama, the Kuna have been trained as forest management experts and forest guards and live in the forest protection zone around the Bayano reservoir, created with the construction of a hydroelectric complex (Wali, 1989).

## **INDICATIVE OUTLINE FOR A BASELINE STUDY**

The main categories of data needed for a baseline study are described below. The list is indicative, and not all the information would be needed for every project.

### **Geographic Area to be Affected (Departure Area)**

- C Geographic location of the proposed project area, houses to be relocated, with maps. If possible the information should be entered into a Geographic Information System software (GIS). The GIS facilitates storage of data, mapping and simulation of possible resettlement scenarios.
- C Distance of affected housing from employment sites and basic services such as schools, health centers, markets and community centers. This data is useful for analyzing the spatial network that engages the affected population.
- C Land use. Agricultural land, grazing, land used for mining and other commercial uses. Common lands, rivers and lakes, where appropriate with an inventory of the flora and fauna of economic and dietary importance. Urban areas. Housing, commercial and industrial use. Vacant lots for gardening or informal commercial activities.
- C Formal and customary rights to land. Identification, demarcation and title registry of area. Documentation of patterns of land tenure and customary land rights and resource use outside the formal legal system. Historic occupation patterns, length of occupation and/or residence.

### **Demographic Characteristics**

- C Number of households/families and people affected. It is important to define the household/family, and to establish the criteria to judge entitlements to compensation, land and/or house plots, and to ensure that the affected households are fully informed. Household composition is variable, reflecting the form of social organization. Where possible the definitions should be agreed with the affected population.
- C Demographic profile by sex and age categories. Population growth rates and projections for the next 5, 10 and 15 years. Provision should be made for population growth, especially where land-for-land solutions are proposed.

### **Socioeconomic Information**

The socioeconomic information is needed to identify the different groups and sectors that will have to be consulted, especially those vulnerable groups that are less able to defend their interests and that run the greatest risk of impoverishment. It provides detailed information on the extent of losses, required to develop appropriate mitigatory measures, as well as insight into the organization and structure of the communities or groups that will have to be resettled:

- C Ethnic, linguistic and socioeconomic diversity. The basis of the social organization should be delineated, especially the factors that influence the way people are grouped and classified—including socioeconomic hierarchy, kinship groups, groups organized on the basis of their geographical origin, religion, or socioeconomic aspirations.
- C Land ownership, tenancy or other systems of tenure. Ownership of housing, industrial and commercial space, tenancy and other arrangements.
- C Subsistence activities, income and employment profiles of the main social, ethnic and economic groups (e.g. farmers, laborers, artisans, merchants, small and micro-entrepreneurs, service workers, domestic workers), disposable income of household members.
- C Levels of attained education, literacy and school attendance.
- C Access to basic services (water, drainage, sewerage, access roads, electricity, transportation). Should include any informal means through which people obtain services, such as illegal wiring to electric utilities.

### **Regional and Local Organizations**

- C Formal and informal community organizations and mechanisms of community participation. Local government, producer's, trade or trade union organizations; religious organizations, etc. Types and manner of conflict within the affected population and lines of factionalism.
- C Presence and coverage of government line agencies and other official programs.
- C Presence, activities and coverage of non-government organizations.

### **Attitudes and Expectations of the Affected Population**

- C Expectations regarding resettlement sites, housing solutions and new economic opportunities.
- C Social and cultural obstacles to successful execution of resettlement (culturally important sites, attachment to the area).
- C Perception of time and the temporal requirements to actually accomplish the move, such as the demands of the agricultural cycle.

### **Inventory of Land and Housing**

- C Inventory of land and personal property affected by the project: physical characteristics of land, infrastructure, houses and other property, estimated size, age and type of construction, structural characteristics, condition of maintenance, estimates of replacement value.
- C Inventory of public or common areas, infrastructure and other productive or social resources to be lost: schools, health posts, churches, common grazing land, access to forests, fisheries.



### III. THE RESETTLEMENT PLAN

A detailed resettlement plan should be prepared for any project involving the resettlement of more than twenty households. The resettlement plan should be given the same importance as any other project component and should be as complete as possible. It should be submitted as a formal document to the relevant national, local and/or municipal agencies and to the Bank, and should include an executive summary detailing the size of the affected populations, the proposed resettlement measures and activities, key definitions and the outstanding issues. Where large numbers of people are to be relocated, the resettlement plan should be accompanied by its own environmental impact assessment (EIA); this could be carried out as part of the wider project EIA, but has to address the impact of the plan on the resettlement areas and host populations.

The resettlement plan should address three distinct areas:

- C resettlement arrangements, including transport to the new site and temporary accommodation;
- C housing and service provision; and
- C economic rehabilitation.

It should promote the active involvement of all sectors of the affected population and should be sufficiently flexible to adjust to changing circumstances and aspirations. At the same time certain criteria and definitions have to be agreed and accepted before the resettlement process can begin. These include the criteria for compensation, rights to the other benefits and services provided by the program, and institutional and procedural issues, including independent arbitration to resolve disputes over compensation. In summary, the plan has to strike a balance between a flexible approach to resettlement and the requirement for clear criteria and procedures.

It should include a detailed budget and time frame against which the achievements and costs of the program can be measured.

#### **Consultation and Community Participation**

Where possible, the affected population should be involved in the design of the resettlement plan. Community participation helps ensure that compensation measures, relocation sites, economic rehabilitation projects and service provision reflect the needs and expectations of the people affected. It can also facilitate greater transparency and fair play in compensation procedures, and encourage greater community involvement in the operation and maintenance of service infrastructure and in the execution of economic development programs.

In practice, it is not always easy to achieve the active participation of all sectors of the affected population. There are situations where some groups may use political pressure or media exposure to press for unrealistic levels of compensation or benefits. In other cases, particularly in urban squatter settlements, there is a risk that more people will be attracted into the affected area in the hope of receiving compensation. A further difficulty is that the elite groups among the affected population are usually those who find it easiest to make their voices heard, while the poorest, most vulnerable groups lack the political contacts and experience to be able to defend their rights and aspirations.

The community participation strategy should be based on a careful analysis of the baseline studies. It should reflect the geographical distribution of the affected population, by neighborhood, village or municipality, as well as social, ethnic and gender

issues, and should identify ways to ensure that the views of all the groups and sectors are adequately represented. Geographical considerations would include the official boundaries of municipalities and departments, but may also have to take locally recognized distinctions into account, for instance, between urban neighborhoods or *favelas*. One of the principal aims of the social and economic analysis is to identify the different social, economic and ethnic groups in the affected population, particularly those that are most vulnerable. In rural areas these may include indigenous peoples, small farmers, landless laborers and households headed by women; in urban areas special attention should be given to women, youth and the elderly.

The baseline studies should have identified any organizations or associations that represent the affected population or particular groups within the affected population. It is important to make a realistic assessment of the legitimacy of these organizations and to consider whether they represent all the affected population or only particular sectors. Although it is generally preferable to work with community-based or grassroots organizations, there will be situations where it will be necessary to rely on outside NGOs to ensure that the opinions of the most vulnerable or marginal groups are fully taken into account.

There may be competition, or even open conflict, between different community organizations and NGOs. In these situations the implementing agency should avoid favoring any particular organization and should try to facilitate a dialogue between the different organizations that claim to represent the affected population.

It may be useful to establish an advisory panel, comprising elected or recognized leaders from the affected communities, representatives from local government and/or local line agencies (health, education etc.) and possibly independent experts from NGOs and other institutions. Such a panel would offer the opportunity to combine local views

with informed expert opinion.

The resettlement plan should include an explicit public information strategy. This would include the use of mass media, particularly radio and television, to advise the dates and times of public meetings, availability of documents, compensation measures and selection criteria. The plan should include a program and timetable for the first round of public consultations, including any meetings planned for particular groups, such as indigenous peoples or the women of particular villages or neighborhoods.

### Definitions

The resettlement plan should include clear definitions of the following:

- C project affected persons (the people who will be entitled to compensation or benefits);
- C the family or household;
- C the cutoff dates for eligibility for compensation; and
- C the assets to be compensated at replacement cost.

The definitions should be discussed and, as far as is reasonably possible, should be mutually agreed between the planning/executing agency and the affected population. Although they should respect existing legal definitions and procedures, they should take local customs and practice into account. It is particularly important that local definitions of land tenure, rights to common resources and inheritance practices are recognized. Public discussion of definitions may help to identify potential problem areas, e.g. lack of legal land titles, disputes over inheritance rights. The definition of the unit for compensation (family or household) should also provide for situations such as older children establishing their own households, etc.

The definition of project affected persons should

discriminate the different categories of people that are affected. They include those who lose land and/or housing, those whose livelihoods are directly or indirectly affected, those who lose access to common resources, and those whose access to services is affected as a result of the loss of schools, health centers, road access and so on.

The resettlement plan should ensure that appropriate measures are devised to mitigate the impact of the project on the populations that are indirectly affected (i.e. that do not lose land and/or houses), particularly any marginal or vulnerable groups, such as landless laborers, tenants and women employed as domestic servants by affected households. Those people who may be temporarily affected, for instance by noise and dust during construction, should also be considered in a special category, as should the host population already living at the proposed resettlement site.

One of the most critical definitions is deciding what constitutes a single family or household. Often there is a delay of some months or years between the census that is used to assess compensation rights and the move to the new site. During this time young men and women acquire adult status, marry, have children and establish independent households. In other cases, particularly where levels of compensation are relatively generous, adult relatives and others may move in with the affected households and claim that they have a right to compensation as independent households in their own right. There is no single correct definition of the family or household: what is required is a legally acceptable definition, that is agreed and clearly understood by the affected population. The definition should not deny compensation to any of the pre-existing households found in the community, such as single person households, households headed by women or newly independent households (which may be defined in terms of cohabitation rather than civil registry marriage), but should try to avoid abuses,

such as regarding all youths over a certain age, or all young men who have completed or are performing military service, as independent households.

A further point that has to be explicitly addressed is how to compensate couples living in common-law marriages. If titles to land, housing or other benefits are put in the name of the "head of the household" it could lead to the other partner losing all rights if the couple break up. Moreover, if the "head of the household" is male, and has not legally "recognized" his children, they may be unable to inherit the property on his death. There is no single ideal solution to this question. The resettlement plan should start from an analysis of the relevant legislation, and if this is insufficient to ensure the rights of common-law partners and their children, should devise an appropriate strategy. Some projects, such as the Baixada Viva, a district of Greater Rio de Janeiro where a high proportion of households are headed by women, have issued all housing titles in the woman's name; others have provided that where a couple break up the rights to housing will be given to whichever partner is responsible for care of the children. In other cases, rights are vested in whichever partner has been paying the housing instalments.

The cutoff date is another issue that defines eligibility for the benefits of the resettlement plan. The cutoff date is the date after which no new entrants will be considered for compensation. The cutoff date will usually coincide with the census taken to identify the persons and households who will be eligible for compensation. It is conceivable, however, that a cutoff date could be chosen after the census, provided that a fair and appropriate arrangement is made to allow the inclusion of those who become eligible after the census has been carried out. It is essential that the affected population is fully aware of the cutoff date and the importance of the census. It is preferable to keep the length of time between the cutoff date and the actual move as short as possible, although

adequate time must be allowed to assess the value of assets, pay compensation, resolve outstanding disputes and prepare the resettlement site. Where large numbers of people are to be resettled it is also advisable to establish procedures for the inheritance of compensation rights in those cases where the head of the household dies before compensation is paid and/or relocation takes place.

As far as possible standardized measures should be used to assess the value of affected assets, particularly land and housing. These should be well publicized so as to make the compensation procedure as transparent as possible. Compensation should be based on a realistic assessment of cost replacement value. Undervaluation can result in impoverishment of the affected households, excessive overvaluation can also create major problems, attracting people to the affected area in the hope of receiving compensation, or speculation to artificially increase the value of the land or houses to be compensated. Where large numbers of people are affected, regular independent monitoring should be used to provide an accurate and updated assessment of the cost replacement values of land and housing. The impact of inflation should be taken into account, as should the price rises that result from the increased demand and the availability of compensation money. Independent monitoring is also advisable in those cases where the compensation package includes a land-for-land option.

Where the existing legal provisions of the country, state or municipality fail to ensure that affected households are adequately compensated, additional resources should be made available through the economic rehabilitation or housing programs to ensure that the overall objective of the resettlement plan, of improving or at least restoring the former standard of living is fully achieved.

## Entitlements

The rights of the affected population must be addressed in the resettlement plan. The first right that must be considered is the right to information about project plans, policies, compensation procedures and legal entitlements. The information should be made available in a form accessible to all the affected population, if necessary in local languages, using radio or TV to reach those people who have little or no formal education. In some cases community organizations and NGOs can help with dissemination of information; care should be taken, however, to ensure that their interpretation is evenhanded.

The benefits offered by the resettlement program should be clearly established. They may have to cover:

- C financial compensation;
- C the right to participate in the economic rehabilitation program;
- C housing, house sites and service provision; and
- C transport, temporary accommodation and other short term provisions required to the move from one site to another.

In rural areas, the economic rehabilitation program may include an option of land-for-land, as well as the right to participate in training programs and/or access to equipment, inputs and credit. Where these entitlements are related to loss of land, housing, employment or income generation, it is essential that the criteria for entitlement are defined as clearly as possible.

In any large resettlement program disputes are likely to arise over entitlements. The fairest way of resolving disputes is through an independent arbitration procedure involving institutions or individuals whom both sides regard as neutral. The dispute settlement procedure should be accessible. This may require the use of local language(s), or the services of independent advisers. Recourse to the dispute settlement procedures

should not involve the parties affected by the project in any additional costs, and the cost of the dispute settlement procedure should be included in the resettlement budget. If possible the decisions of the arbitrators should be legally binding.

### **Compensation Procedures**

The compensation procedures should be clearly described in the resettlement plan. The plan should describe the legal basis and the procedures for the expropriation and compensation for land and property. An acceptable and realistic timetable should be established for the registration, assessment, compensation and expropriation of the affected property.

The criteria for assessing the value of land, housing and other property should be as standardized and transparent as possible, but should reflect any significant differences between the areas of land, housing or other property to be expropriated. Land-for-land compensation is particularly difficult to assess, especially where there are significant differences in the size and quality of holdings. The dispute settlement procedure should be sufficiently agile to resolve arguments over valuation quickly, but time should be allowed to resolve these issues before expropriation takes place; failure to do so provides affected households with the opportunity to press for unfair levels of compensation and is likely to affect the progress of project works.

Where the affected population do not have land titles, as in many rural areas and virtually all marginal urban settlements, a cadastre will have to be carried out to provide the occupants of the land or house plots with evidence of their rights to compensation. It may be appropriate to combine the cadastral survey with a census, and to agree on the date of the combined census/survey as the cutoff date for compensation. Once the documentation is available and compensation is

assessed, payment should be made promptly. The payment procedure should be simple and should not require that the affected households pay additional costs, such as transport to urban centers or payments to lawyers and public notaries. It is advisable not to allow a long period between the payment of compensation and expropriation of the property as this can lead to further disputes over the value of the property to be affected.

Compensation payments should be independently monitored to ensure that assets are fairly valued and that compensation is paid to those, and only those, whose property is affected. It is important that accurate records are kept of all payments. Cash compensation should be only one element of the compensation package. It may be advisable to provide affected households with counseling to ensure that compensation is used wisely; in these cases it is essential to involve both women and men in these discussions.

### **Relocation**

The selection of resettlement sites is a major issue that has to be addressed during preparation of the resettlement plan. The criteria for site selection should be explicit and should be discussed in detail with the affected families. In some cases it may be appropriate to offer each household a range of resettlement options; in others it may be more important to ensure that a whole community or village is resettled together. These are complex issues that require a detailed understanding of the dynamics of the affected communities and a fluid and unhurried process of consultation involving all the different households and groups in the affected population.

The selection of sites is particularly complex where the affected families are to be compensated with land-for-land. Agricultural or pasture land should be of equal or better quality, and should be judged in terms of soils, slope, water

and potential for irrigation, as well as access to common forest or riverain resources. Secondary issues include access roads, storage facilities, education and health services; in a large resettlement program these should be included in the resettlement plan.

The procedure for the allocation of plots should be agreed with the affected families and should be sufficiently transparent to avoid quarrels. Random selection procedures, such as drawing lots, may be acceptable; in other cases it may be more appropriate to maintain the unity of extended families, locating closely related households next to one another. The land titling and demarcation procedures must be described in the resettlement plan. They should follow existing legal norms, and titles should be legally valid and culturally acceptable.<sup>1</sup> Adequate time and funds must be provided for titling and demarcation.

The plan should describe the timetable, planning procedures, transport, storage and any temporary dwelling arrangements for the move. This is a critical moment that must be handled sensitively, and is usually better programmed over a fairly lengthy period of time. When rural communities are relocated the move will involve domestic animals as well as people; cattle trucks may be needed and adequate arrangements must be made to ensure that animals can be watered, fed and housed at the temporary relocation site.

Serious consideration must be given to the environmental and social impacts on the relocation area and host population. Affected families should not be relocated in protected areas, proposed protected areas or on land reserved for or

occupied by indigenous peoples. Where the resettlement involves a significant population a separate and independent EIA, covering social and environmental issues, should be carried out for the area affected by the proposed resettlement plan. Urban resettlement programs often involve relocation from centrally located sites, which may be unsuitable for habitation due to risk of flooding, landslide or proximity to highways, to more distant suburban sites. This affects access to employment opportunities, particularly for those who depend on the informal sector. Most households in marginal urban settlements welcome the opportunity for basic services and improved housing, but fear that relocation may result in loss of income and/or high transport costs. The situation should be analyzed and discussed with the affected population. In some cases it may be sufficient to ensure transport to the urban center; in others it may be more appropriate to include training and business development, or perhaps priority access to employment in the formal sector, as a key element of the resettlement plan.

## **Housing and Services**

Service provision should address the need for access roads, water supply, drainage, sanitation, electricity, street lighting, schools and health centers. Options for housing may include the construction of complete units, provision of basic housing units or support for auto-construction on sites provided with service facilities. The alternatives should be discussed with the affected families and care should be taken to ensure that the proposed housing and service solutions are socially and culturally acceptable. Consideration should be given to household size and composition, climate and concerns about privacy. In rural areas the design should take into account the need for storage space, shade and the requirements of domestic animals. Where the affected families are to have a significant involvement in building houses and infrastructure their other commitments must be fully taken into account. The timetable

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<sup>1</sup> In some LAC countries there is no legally valid communal title for indigenous peoples' lands, which may be held as State Reserves or in trust by government and/or private agencies. The resettlement plan should evaluate the options available in consultation with the affected communities. The plan should also ensure that women, particular women heads of households, are given equal rights to land titles.

for construction should be realistic: in urban areas even those employed in the informal sector require time to earn their living, and in rural areas housing construction has to be concentrated in the slack periods of the agricultural cycle.

Auto-construction programs should take account of the difficulties facing single women and the elderly. In traditional rural and even in some urban communities, this problem can be overcome by organizing the community into workgroups, usually based on family ties, which work first on one house, then another. This system tends to provide a better mix of skills, the more able carrying out the most skilled tasks, others providing labor, with the elderly engaging in the lightest tasks, cooking meals for the workers or caring for children. In urban areas, where communities are typically less integrated, this approach is more difficult, although in some cases, where there is a solid community organization, with sufficient authority to manage a complex and time consuming project, it may be possible to Adequate arrangements must be made for the operation and maintenance of service infrastructure. This may be the responsibility of the community, the municipality or water and power companies. Where the community is responsible for water supply, upkeep of access roads or the provision of street lighting, it will be necessary to provide training in maintenance and to establish procedures for the recovery of running costs. Wherever a water supply is provided, through domestic connections or standposts, it is essential to ensure that adequate drainage is constructed. In nucleated rural communities and urban areas arrangements should be made for solid waste disposal to avoid street drains and sewerage systems becoming blocked with garbage.

House plots should have legally valid titles, which can eventually be transferred through sale or inheritance. In some cases, especially if resettled families are expected to pay part of the cost of the land, housing or infrastructure, it may be appropriate

to establish a similar system.

Housing and services projects should be seen as an opportunity to improve housing and service provision. Conventional urbanization designs are often inappropriate. In rural areas it is generally wiser to base designs on traditional structures, but to employ appropriate new materials and technology to improve standards of insulation, hygiene, drainage and vector control. It is important to ensure that the house can be easily maintained: glass windows, for example, are inappropriate if the households are unable to replace broken window panes. Sanitation should be an integral part of the housing project. Care should be taken to ensure that latrines or septic tanks are properly located and that sewerage and street drainage facilities have adequate capacity and can be easily maintained.

to provide fully transferable titles only after a certain period of time has elapsed. This can reduce speculation and reduces the risk that poorer families may sell their houses in emergencies or to pay off debts.

The households that have been resettled should not be asked to pay charges for service provision and, where relevant, housing instalments, that are beyond their means. Basic services, such as drinking water, sanitation and drainage, should be provided regardless of the situation prior to resettlement, but the level of service should be appropriate for the area. It is preferable to provide drinking water from a yard tap and well-built latrines, which require payment of only the minimum service charge, rather than to construct modern kitchens and bathrooms for populations that are unable to pay the service or maintenance charges. The resettled households may also find that they have to pay municipal taxes and electricity bills for the first time, further increasing the pressure on their disposable income.

Similarly, where people who were previously squatters acquire title through mortgage arrangements, the level of housing should be such that the instalments are within their capacity to pay. This may imply smaller and/or more cheaply constructed housing, which might not satisfy the expectations of the middle classes, but such housing usually represents a dramatic improvement in standards for people who were previously living in squatter settlements. Failure to adjust instalments to realistic levels can only lead to two outcomes: either the affected population refuses to pay, often forcing the program to condone the debt, or individual households sell their rights to their new houses and move to cheaper housing or back into squatter settlements.

The resettlement plan should ensure that schools and health facilities are not overstretched in the resettlement area. If a large number of people have to be moved, education and health facilities should be included in a comprehensive program covering staff, materials and new buildings. These facilities should also be made available to the host population in the resettlement area.

### **Economic Development**

The resettlement program should provide an opportunity for development. As such it is preferable to avoid simple cash compensation, and to offer options that combine land-for-land and/or housing and services projects with training or extension, and perhaps an element of cash compensation or credit. The packages should be appropriate for the different groups or communities affected by the project, reflecting the skills, aspirations and the availability of labor. Where possible, a range of options should be offered.

In rural areas economic development is usually the

most critical issue. The rehabilitation of farming communities requires more than the replacement of lost land, and should include the resources and equipment needed for land preparation, agricultural inputs, transport, marketing infrastructure and agricultural extension. Many smallholders cultivate for subsistence as well as for the market and, as the agricultural cycle is likely to be interrupted by resettlement, adequate resources have to be made available to support the household until subsistence crops come into production. Provision should also be made to cover the needs of the household's livestock and poultry until feed crops come into production.

The plan must also address the needs of nonfarming families, including rural laborers and artisans, whose traditional ties with the farming sector will be affected by resettlement. The poorest sectors of the rural population are usually the nonfarming families and smallholders who depend on wage labor for their cash income; often a significant proportion of such households are headed by women. The economic rehabilitation component of the plan should provide the poorest rural households with development opportunities that allow them to escape from the condition of extreme poverty, regardless of their situation prior to resettlement. Appropriate activities could include training, development of basic organizational skills, provision of inputs and infrastructure and possibly the establishment of microenterprise or rotating credit funds. The housing and infrastructure components of the resettlement program may provide opportunities for on-the-job training in construction skills and related trades, such as carpentry and plumbing.

In urban resettlement programs the economic implications of resettlement must be adequately addressed. New economic opportunities have to be provided for those groups or sectors that lose their employment or source of income as a result of displacement. It is particularly important to consider the impact of displacement on women and youth. The populations that are moved from



centrally located squatter settlements to improved suburban sites often find themselves economically disadvantaged as they lose access to opportunities in the domestic or informal sector. Even where employment is available, for example in industrial sites, young people and women may find themselves excluded. In those cases where the affected urban populations live in conditions of extreme poverty, an economic rehabilitation program is preferable to payment of cash compensation and can reduce the overall costs of the resettlement program. In the urban context an economic rehabilitation program is likely to focus on small and microenterprise development, and could include elements of technical and administrative training and credit.

### ***Cultural and Psychological Issues***

Significant cultural and psychological issues are most likely to arise when indigenous peoples or traditional rural societies have to be resettled. The baseline survey should identify any significant cultural and/or psychological issues and the resettlement plan should try to develop appropriate mitigation measures worked out in close consultation with the affected communities. As far as possible the project should avoid the destruction of cultural, religious and archaeological sites, such as churches, monuments and cemeteries. Where cultural patrimony is affected, the resettlement plan should plan and budget for the reconstruction and rehabilitation of structures such as churches and cemeteries.

Psychological issues, particularly the sense of loss that many people experience when they have to move from the places they have lived in all their lives, are even more difficult to address. In some cases counseling may be useful; in others the key issue may be maintaining the sense of community through sensitive planning, especially by allowing extended families and neighborhoods to be relocated together.

### ***Legal and Institutional Framework***

The resettlement plan should take the relevant national, regional or municipal legislation into account. If specific amendments are needed in order to implement an acceptable plan these should be made explicit and drafts of the legislation may have to be prepared with financial support from the Bank.

The plan should identify the institutional responsibilities and should address the following issues:

- C the choice of agency to implement the resettlement plan, and its familiarity with local conditions;
- C the agency's staff requirements;
- C other requirements for institutional strengthening;
- C administration and financing of the resettlement plan; and
- C the mechanisms and procedures for coordination between the agency responsible for resettlement and the main project implementation agency.

The plan should identify the agencies responsible for:

- C valuation of assets;
- C expropriation and indemnification;
- C property registration and land titling;
- C design and approval of the resettlement plan;
- C dispute settlement;
- C relocation and temporary provisions;
- C measures to prevent reoccupation;
- C housing finance;
- C housing construction;
- C preparation of the resettlement site and provision of service infrastructure;
- C operation, maintenance and recovery of the costs of service infrastructure;
- C provision of social services;
- C training and employment assistance;
- C agricultural or enterprise development;
- C independent advisory panel; and

## C monitoring and evaluation.

The plan should outline the mechanisms for coordination between the agency responsible for the resettlement plan, the agency responsible for the main project, the other agencies involved in the activities listed above, and the community organizations and NGOs that represent the affected population. Some activities may be contracted to the private sector or NGOs. These could include consultancy studies, construction and training. In these cases tendering procedures and draft contracts should be drawn up and, where feasible, the affected population should be involved in the tendering, contracting and supervision of the different components of the resettlement plan.

Where components of the plan are to be carried out by national or local government agencies, the administrative and financial responsibilities must be clearly established. Large resettlement projects may represent a significant additional burden on agencies that are already overstretched. In principle, the additional costs of infrastructure, staff, vehicles or equipment should be carried by the agency responsible for displacement. The investment costs must be explicit, as should any long term costs related to operation and maintenance. Where direct payment is inappropriate, other measures, such as royalties or local taxes on the output of the main project, may offer an acceptable means of covering recurrent expenditures.

### **Timetable**

The plan should include a detailed timetable, covering all the components of the resettlement program. The timetable must be consistent with the schedule of the main works, and must interrelate the different components of the plan: valuation, compensation, expropriation, relocation, temporary arrangements, sites and services provision, housing and economic rehabilitation. The timetable should be discussed with the

affected population and should be widely publicized.

The timetable should take account of social and economic calendars. If possible relocation should be timed to avoid interruption of the school year. In rural areas resettlement should be planned in the context of the agricultural cycle. Farming households could be relocated in advance of the works to allow them to prepare land at the beginning of the agricultural cycle and to harvest whatever crops remain on their original holding. Where there are no great distances involved, the resettlement could be staggered over one or more years, with families moving between the old and new sites. In such cases a part of the compensation payment could be withheld to ensure that they do eventually abandon the original site.

### **Budget**

The resettlement plan should include a detailed budget, broken down by component and sub-component, agency, and year of execution. The non-recurrent costs of the resettlement plan can be included in the loan component of the project, the one exception being the funds needed for land acquisition. It is usually preferable to include the other costs of resettlement in the loan as this ensures that sufficient funds will be available. A formal agreement should be drawn up with the municipal finance department or Finance Ministry to ensure that sufficient funds will be made available for land acquisition and other counterpart expenditure.

### **Monitoring and Evaluation**

The arrangements for reporting, monitoring and evaluation should be included in the resettlement plan. It is also advisable to include a Logical Framework: this helps to clarify ideas about goals and objectives, as well as to identify indicators of the program's impact and execution. The

implementing agency should be responsible for reporting the progress of the plan, typically in quarterly and more detailed annual reports.

The monitoring of larger resettlement projects should be the responsibility of an independent agency. The monitoring procedure should be designed to involve the affected population and should be transparent, with reports made available to the public. Monitoring should cover the impact of the resettlement plan as well as its physical progress, and should provide an opportunity to reflect on the adequacy of each component. Where necessary, the monitoring process should allow for the introduction of new approaches or sub-components to achieve the overall goals of the program. In large resettlement programs it will also be necessary to conduct independent monitoring and auditing of the compensation procedures.

An independent ex-post evaluation should be carried out for the borrower and for the Bank, and this should be included in the budget of the resettlement plan. The evaluation should consider the overall impact of the resettlement program, the degree to which project targets were achieved and the adequacy of the resettlement plan. The evaluation will be used to update the Bank's database on resettlement projects. A summary of the evaluation should also be included in the Project Completion Report of the main project.

### ***Financial and Economic Analysis of the Resettlement Plan***

The financial analysis of resettlement remains one of the most difficult elements in determining project feasibility. Documentation of past projects demonstrates that resettlement costs are often underestimated due to the tendency to ignore the full social impact of resettlement. The analysis of the cost of re-establishing the income and livelihood of affected people is particularly

difficult, as is the analysis of the cost of time delays in the implementation of rehabilitation programs (Cernea, 1995). There is a tendency to underestimate the number of affected people in the initial feasibility studies (see case studies in Annex I), and this often leads to an underestimation of the resettlement costs. This has often lead to cost overruns, a scarcity of resources to complete the components of the resettlement plan and further impoverishment of the affected population.

The 1993 Relocation and Resettlement Manual from the Institute for Housing and Urban Development Studies (IHS) points out that a financial analysis alone is generally inadequate to account for the full scope of resettlement costs. Instead, a more complete economic evaluation is necessary. A financial analysis accounts narrowly for the costs and benefits of a project, relying solely on direct costs, such as compensation payments. An economic evaluation, on the other hand, is broader in scope and takes into account social costs such as disruptions in occupational patterns and loss of employment. It also allows for a wider determination of benefits, including the potential benefits from improved living conditions and new economic opportunities in those cases where resettlement is viewed as an opportunity for development.

An economic evaluation of resettlement costs should consider the following elements:

- C *Compensation Costs.* The cost of expropriating or otherwise acquiring land, houses, and other assets; compensation payments for lost incomes, as well as the cost of censuses, surveys and valuation studies.
- C *Relocation Costs.* Cost of land acquisition, housing and infrastructure, the relevant studies, transportation costs, costs of transitional measures, environmental protection, mitigation components for host populations and the cost of easing the social and psycho-

logical trauma of the displaced.

- C *Rehabilitation Costs.* Costs of activities to support income restoration and improve living conditions, including local development projects, community organization, service provision, training, loans or revolving credit and the creation of new jobs.
- C *Administrative Costs.* Costs of staff, offices, technical assistance, community participation activities, public information and communication, and supervision costs.
- C *Cost of Lost Public Assets.* Replacement costs for roads, bridges, public buildings and any other regional infrastructure that has to be rebuilt because of the project (Cernea, 1988).

Because each project is unique, it is important to maintain flexibility and to customize the economic evaluation of the resettlement costs for each project. It is also important to calculate, to the degree possible, the “uncertainty” costs of a

project because social factors are so variable and subject to rapid change.

The World Bank’s *Review of Resettlement and Development* (1994) shows that poorly planned resettlement often leads to diminished economic returns on a project, because it produces project delays. Successful resettlement, however, can increase project benefits. It is rare for the resettlement component of a project, even when accurately calculated, to affect the overall viability of a project, as resettlement usually represents a small proportion of total costs. A World Bank review of projects discovered that in those projects with a ratio of investment for resettlement to total project costs of 3.5 percent or higher there were relatively few resettlement difficulties but in almost all projects where the investment level ratio was lower than two percent there were serious difficulties in implementation (World Bank, 1996: 148-9). The financial and cost-benefit analysis of involuntary resettlement requires more research by economists and social scientists (Cernea, 1995). Unless the costs of resettlement are assessed realistically, resettlement runs the risk of being a negative factor in the project’s rate of return.

## **INDICATIVE OUTLINE FOR A MODEL RESETTLEMENT PLAN**

1. Objectives of the Plan
2. Results of the Baseline Resettlement Study
3. Entitlements for Project-Affected Persons
  - a. Definition of rights of affected people in regard to access to information concerning project plans, relocation plans, compensation policies and standards, and legal rights and procedures.
  - b. Definition of the population affected by the project and entitled to compensation (this would include those who lose land, access to natural resources etc., as well as those who will lose house sites). The eligibility criteria should be specific, clearly defined and should state the bases for deciding eligibility, such as length of tenancy or physical location in the affected site. The cutoff dates for assessment of losses and definition of qualifying households should be defined. The selection criteria should be clearly delineated.
  - c. Description of compensation to be awarded and compensation standards for loss of land, housing, property, employment and access to basic services.
  - d. Description of rehabilitation criteria for restoration of incomes and standard of living.
  - e. Description of rights and procedures for settling disputes over compensation and resettlement decisions.
4. Compensation Procedures
  - a. Description of procedures for awarding compensation, and the time frame within which compensation will be made.
  - b. Expropriation/Indemnification:
    - i. Description of expropriation and indemnification procedures.
    - ii. Description of grievance procedure regarding assessed compensation.
  - c. Relocation site and housing solutions:
    - i. Criteria for resettlement site selection including geographic location, distance from affected areas, employment, schools, health centers, public transportation.
    - ii. Survey of host population at/ around resettlement site and their resource use patterns that

- iii. Environmental, social and health constraints in the receiving area.
  - iv. Definition and designs of housing solutions (sites and services, minimal housing unit for incremental construction, completed units, etc.).
  - v. Construction procedures (if units are to be constructed by government agencies or contractors, identify opportunities for employment of affected people. In the case of sites and services or incremental construction, identify sources of technical and financial assistance with construction such as a materials bank, manual of minimal standards, etc.).
  - vi. For rural resettlement, definition of agricultural and/or pasture land solutions, soil quality, slope, access to water, initial land preparation and plantings, best-use strategy and package of initial agricultural inputs.
  - vii. Identification of financing mechanisms (initial subsidy, determination of private costs and ability to pay, mechanisms of cost recovery and their respective financial conditions).
  - viii. Mechanisms and procedures for transfer of title.
  - ix. Provisions for community infrastructure and basic services. (Electricity, water, sewer, streets, schools, health centers, parks and recreation areas, public transportation, community centers, pre-school nurseries).
- d. Economic and Social Rehabilitation:
- i. Description of economic rehabilitation strategies, such as agricultural credit and extension, job training and/or microenterprise loans).
  - ii. Description of community organization strategies, where possible using existing social institutions in order to achieve autonomy as quickly as possible.
  - iii. Description of strategies to assist with social and psychological trauma.
- e. Physical relocation and transfer:
- i. Moving schedule, strategy and transfer assistance.
  - ii. Short-term transition stage measures (maintenance arrangements, community organization, health care, food supplements, assistance for autoconstruction and other compensation).
  - iii. Contingency plans in case of disaster or social unrest.
5. Legal and institutional framework
- a. Relevant legislation in regard to expropriation and resettlement.
  - b. Designation of institution with primary responsibility for resettlement:
    - i. Staffing.
    - ii. Needs for institutional strengthening.

- c. Definition of institutional responsibility for:
    - i. Valuation of physical assets.
    - ii. Expropriation and indemnification.
    - iii. Property registration and land titling.
    - iv. Baseline studies.
    - v. Design of resettlement plan.
    - vi. Dispute settlement.
    - vii. Housing construction.
    - viii. Housing financing.
    - ix. Site preparation and infrastructure construction.
    - x. Operation and maintenance of service infrastructure.
    - xi. Social services.
    - xii. Employment assistance and retraining.
    - xiii. Relocation and transition.
    - xiv. Monitoring and evaluation.
    - xv. Prevention of reoccupation.
  
  - d. Mechanisms for interinstitutional coordination:
    - i. Description of coordinating mechanisms.
    - ii. Legal requirements for interinstitutional coordination (contracts, agreements, etc.).
  
  - e. Participation of nongovernmental and community-based organizations:
    - i. Existing organizations that could participate in designing, executing and monitoring resettlement.
    - ii. Institutional strengthening of existing community organizations and NGOs.
  
  - f. Measures for avoidance of land speculation.
6. Information dissemination and community participation strategies
- a. Social communication and public information strategies. Explanation of resettlement policy, timetables, legal grievance procedures, schedule of transfer, transport mechanisms and access to interim assistance:
    - i. Media announcements.
    - ii. Public meetings.
    - iii. Schedule of public information activities.

- b. Community participation in design and supervision of resettlement plans. This should include clearly defined parameters for the role of:
  - i. Community organizations.
  - ii. NGOs.
  - iii. Advisory Groups and Expert Panels.
  - iv. Special provisions for participation of vulnerable groups and minorities.
  - v. Mutual-help strategies.
  - vi. Operation and maintenance of service infrastructure.
- c. Community participation in project execution:
  - i. Self-help strategies.

7. Timetable

- a. Integration with construction schedules.
- b. Consistency with socioeconomic imperatives (e.g. agricultural cycles, school year, etc.).

8. Budget

- a. The budget should include not only land acquisition and housing costs, but also complete staffing needs for implementation of the plan, equipment allocations, financing of public consultation mechanisms and the costs of development and implementation of the rehabilitation programs.

9. Monitoring and Evaluation

- a. Project execution indicators.
- b. Project impact indicators.
- c. Independent monitoring of compensation procedures.
- d. Methodology for data collection:
  - i. Strategy.
  - ii. Responsible agency.
- e. Timing and frequency of reporting.

10. Methodological Notes

- a. Description of the methods and techniques utilized or to be utilized during the diagnostic studies and the preparation, execution, monitoring and evaluation of the resettlement plan.





## IV. THE PROJECT CYCLE

This chapter is intended to clarify the Bank's procedures and requirements for project preparation, approval, implementation and quality control in the case of projects that involve or may involve involuntary resettlement. The focus of the chapter is on the process of decision making: whether resettlement is necessary, how impacts can be minimized, avoided or mitigated, how project benefits can be extended to the affected population, how to prepare the resettlement plan, and how to manage and monitor the resettlement process.

Before examining the project cycle in detail, it is useful to review the different types of Bank operations that can cause involuntary resettlement, considering global loans as well as standard investment loans for infrastructure.

### Types of Bank Operations

Bank policy OP-710 applies to all Bank operations that may require involuntary resettlement, including global "multiple works" and "time slice" operations where the universe of sub-projects is not fully analysed or defined at the time the operation is presented to the Board of Directors for their approval. The policy would also apply to any "sector loans" that might result in involuntary resettlement. Policy OP-710 covers private sector operations as well as loans to government.

In some **multiple works** operations a full list of sub-projects will have been defined at the time the operation is approved. These sub-projects will have been subject to a scoping analysis, intended to identify potential social and environmental impacts, including the possibility of involuntary resettlement. Of these projects, a sample,

typically in the order of 25-30 percent of the total, will also have been subject to a more detailed analysis, covering the full range of social and environmental impacts. This sample should be subjected to exactly the same degree of scrutiny as other investment loans before the operation is presented for approval. Terms of reference should also have been prepared for the preparation of final designs, for the analysis of social and environmental impacts and, where necessary, for the preparation of the preliminary and final resettlement plans.

In **time slice** and some other multiple works operations, the full range of individual sub-projects will not have been identified at the time the operation is approved. Indeed, these operations often finance the identification, preparation and analysis of the individual sub-projects, as well as institutional strengthening for the agency responsible for executing the project. In the operations that are most likely to cause involuntary resettlement, typically in transport, water and sanitation or urban upgrading/municipal development, the Country Office has to approve the individual sub-projects. The procedures for the analysis of individual sub-projects should ensure that the possibility of involuntary resettlement is identified as early as possible in the project cycle, and that the same attention is given to the preparation of the resettlement plans as in any other investment project.

Where individual sub-projects financed through multiple works or time slice operations lead to involuntary resettlement, it is strongly recommended that:

- C the preparation of a preliminary resettlement plan, acceptable to the Bank and in accordance with OP-710, is required as a pre-

condition for tendering the works in question.

- C that the final resettlement plan is accepted by the Bank prior to the approval of the construction contract for the works.

Those operations that provide finance for a large number of small sub-projects, which are not subject to the Bank's approval on a project by project basis—examples would include the social investment funds, and possibly some municipal investment or small enterprise funds—should cover the possibility of involuntary resettlement in their respective operation manuals. One possibility would be to regard any sub-project that requires involuntary resettlement as ineligible for project financing; another alternative would be to refer any sub-project likely to cause involuntary resettlement to the relevant sectoral specialist in the Bank's Country Office.

**Sector loans** usually provide support to cover the balance of payments, tied to particular legislative or institutional reforms. Although these loans do not directly cause involuntary resettlement, some of the reforms that they require could conceivably lead to displacement. Areas that need to be flagged include banking reforms, particularly the privatisation or liquidation of state development banks, whose assets may include the land titles of smallholders which were originally pledged as collateral for agricultural credit. The privatisation of state industries can also lead to displacement, particularly if the industry is the only employer in the area (as in some mining areas in the high Andes) or if the industry owns the housing provided to workers, a feature typical of mining, heavy industry and some agro-industries. Finally, it is conceivable that reform and/or effective implementation of legislation on forestry or protected areas could lead to the displacement of people living in areas designated as national parks or forest reserves. In all these cases it is important: i) to quantify the potential impacts of the reforms as accurately as possible during

analysis of the operation, ii) to carry out a comprehensive social risk analysis, to determine whether the operation could lead to the impoverishment of particular groups, and iii) to include the potential cost of resettlement and economic rehabilitation in the analysis of existing liabilities.

In all global operations that are likely to result in involuntary resettlement the design of the operation should emphasize process, and if possible should support the development of an effective legal and institutional framework for managing resettlement. Indeed, the operation will provide much more social "value-added" if it leads to improvements in legislation and/or the strengthening of the country's institutional capacity to deal with resettlement issues. In general, there are three outstanding issues that will need to be addressed if a global loan is likely to cause displacement:

- Does the institution or institutions responsible for resettlement have the capacity and resources to prepare and implement an adequate resettlement plan? If not, what measures will have to be taken to ensure that the preparation and execution of resettlement plans will conform with Bank policy?
- Are there clearly defined, compensation measures and procedures that can be applied to all the sub-projects or sub-components that comprise the operation? It is useful to have uniform procedures and compensation measures, even if there may be significant differences between the legislation and institutional arrangements of the states, provinces or municipalities that will participate in the operation. At the same time, there may be countries where some modifications may be required to encompass significant variations between regions.

- Are there clearly defined, standard criteria that can be used to define eligibility for compensation? This clearly facilitates resettlement planning and execution, although again there may be differences in local, state or provincial legislation, as well as significant differences between the populations that are affected.

### **Private Sector Operations**

The same policy and principles apply to private sector operations as to operations in the public sector. Most resettlement in the private sector has been caused by hydropower projects and road concessions; gas and water projects may also eventually be responsible for some minor resettlement. Typically, in private sector operations the Bank provides initial finance for a project or investment plan, and plays a leading role in organizing other, private sector investors to provide the capital for subsequent phases of the project. As in other multiple phase or multiple works projects of this type, the Bank's policy applies to the totality of the project, regardless of whether the particular sub-project that causes displacement is or is not financed by the initial IDB loan. Although it is more difficult to ensure compliance with operations of this kind, they do provide the opportunity to apply the Bank's standards to a wider range of projects.

One issue that tends to arise in private sector operations is that the private sector borrower may not be the agency directly responsible for resettlement. In some projects the responsibilities for the resettlement program are clearly defined in the concession documents— this is typically the case with dams, where resettlement is invariably perceived as a major issue. In others, most cases so far have been road concessions, the

responsibilities are not clearly spelled out, and can lead to legal and institutional ambiguities, with the associated risk of political pressure, delays and cost overruns. It is particularly important that these issues are addressed as early as possible in the project cycle. As far as possible, the costs of compensation and rehabilitation should be fully internalized and included in the economic and financial analysis of the project. At the very minimum, the Bank must be able to ensure that the agency that will implement the resettlement plan has the authority and capacity, including the human and financial resources to carry out the resettlement plan according to schedule.

It may be necessary to address the issues of compensation and rehabilitation through additional agreements drawn up between the project sponsors and the institution, usually a state or municipal agency, that is responsible for implementing the resettlement plan. Alternatively, it may be necessary to amend the original concession document. In either case, the agreement or the amended concession document should serve as a reference for that section of the loan agreement that requires compliance with the Bank's policy on involuntary resettlement.

### **Steps in the Project Cycle**

The key steps in the preparation of diagnostic studies and resettlement plans are related to the Bank's project cycle and decision making process. As with the resettlement studies and plan, the steps presented below are indicative and can be adapted in accordance with the complexity and scale of each specific resettlement project.

### **Project Identification**

During project identification and preparation of Country or Regional Programming Papers all

potential projects should be screened for their likely impact on the population of the surrounding area. The projects that most often cause involuntary resettlement are those that require a major change in land and water use, including:

- C construction of dams for water supply, irrigation and/or power generation;
- C construction and improvement of transportation corridors such as highways, railroads and waterways;
- C construction of ports, airports and new towns;
- C urban infrastructure, including access roads, drainage and sewerage schemes; and
- C mining development, rural colonization schemes and the establishment of protected areas.

### **Profile I**

The Profile I or Initial Eligibility Review for any project that may involve resettlement should include a section on the potential impacts on the population of the project area, indicating an estimate of the number of people to be affected and the likely direct and indirect impacts. This initial estimate should be as accurate as possible in order to establish the overall feasibility of the project. If the Profile I fails to address the potential impacts on human populations it should at the very least indicate the studies that will be carried out to identify potential risks. *It is at this stage that the principle of avoiding or minimizing population displacement should be applied.*

Projects that may require resettlement should be carefully examined to determine whether the resettlement can be avoided. Bank staff and borrower agencies should review alternative

solutions to land conversion, and assess the merits of different project sites. Documentary evidence should be available to show that the “no project” scenario has also been seriously considered. Where population displacement is unavoidable, options should be identified to reduce it to a minimum. A preliminary EIA should be carried out in conjunction or as part of the prefeasibility studies, and should review the potential of alternative sites. The project should try to strike a balance between optimal engineering design and the need to minimize population displacement, for instance through a reduction in dam height or the width of highways, or the selection of alternate locations for urban infrastructure works.

### **Rapid Social Assessment**

When a project is likely to cause displacement, the borrower should carry out a social assessment, using its own staff or consultants (the approach and methodology is discussed in Annex II). The objective of the assessment is to determine the needs and priorities of the different groups that may be affected. The assessment should provide an accurate approximation of the size and complexity of the resettlement program, as well as the definition and Terms of Reference for the additional studies that will be required. The results of the study will also be used to develop the Profile II or Initial Project Report and the Terms of Reference for the EIA. The social assessment should offer an opportunity to conduct initial consultations with the affected population and should provide the following information:

- C numbers of people affected and potential project impacts;
- C major socioeconomic and/or ethnic groups affected;
- C basic socioeconomic information on affected groups (sources and levels of subsistence and income, housing and service provision); and

C potential risks associated with relocation.

### **The Environmental and Social Impact Brief (ESIB)**

The Environmental and Social Impact Brief (ESIB) that is presented to the Committee for Environmental and Social Impacts (CESI) should contain a description of the project's potential impact on the affected population based on the information from the social assessment. This information helps focus attention on the social issues that have to be considered during project preparation and helps identify the project components that require EIAs. The ESIB should link the potential social and environmental impacts and should offer a coherent summary of the risks and expected consequences of the project. Projects that involve the resettlement of a significant number of people invariably require independent EIAs, which must cover the impact of involuntary resettlement and propose mitigation plans.

### **Profile II**

The Profile II or Initial Project Report should summarize the available information on the affected population and likely impact of the project. It should outline the proposed resettlement plans and should include recommendations for the baseline studies and preparation of the resettlement plan.

The annexes of the Profile II should include documentation on consultations with the affected communities, the TORs for the EIA and baseline studies, and the TORs for preparation of the resettlement plan.

### **Environmental Impact Assessment**

Any significant negative impacts on human popul-

ations, including involuntary resettlement, should be considered in the EIA. The resettlement studies can be carried out as part of or parallel to the environmental impact studies, but the findings have to be included in the Environmental and Social Impact Report (ESIR) that will be presented to the CESI. The preparation of the EIA requires expertise in the social sciences and the specialists should be given sufficient time and financing to allow them to consider the potential social impacts in detail. The Bank can help borrowers prepare the Terms of Reference (TORs) for the EIA.

Preparation for the EIA normally entails working meetings with the borrowing agency, the anticipated executing agency and the environmental institutions that oversee EIAs. The agency with primary responsibility for resettlement should be included in the inter-institutional working meetings. The purpose of these meetings is to exchange points of view and, if necessary, to establish a working group to coordinate preparation of the TORs and the subsequent review and follow up of the recommendations of the EIA. The affected groups should be consulted to ensure the adequacy of the EIA as the project may affect their health, safety and well-being, or generate major changes in their employment and livelihoods.<sup>2</sup> The procedures and timing of the community consultations should be agreed with the appropriate agencies and should be based on a realistic assessment of the opportunities and risks involved. They should facilitate active participation but should avoid generating unrealistic expectations or stimulating speculation.

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<sup>2</sup> The Bank's EIA procedures require that "The direct beneficiaries and the general public (e.g. local environmental groups) must participate in a formal and verifiable way in the preparation of the terms of reference of the EIA." *Procedures for Classifying and Evaluating Environmental Impacts of Bank Operations*, Washington, D.C.: The Inter-American Development Bank, 1990.

## **The Baseline Study**

In planning the baseline resettlement study, the social assessment should be reviewed to determine what data is available and which major issues need to be examined. The agency or consultants responsible for the baseline study should determine the priorities for data collection and should devise a suitable methodology. The study proposal will generally include the design of surveys, community consultation procedures, a schedule for data collection, analysis and reporting, as well as the staffing and financial requirements.

It is important to emphasize that an accurate and carefully planned baseline study is crucial for a successful resettlement plan, and that adequate staff and funding have to be made available. The resettlement specialist and/or consultants on the Bank's project preparation team should review the study proposal and should provide technical support to the borrower agency and consultants responsible for the baseline study. At this stage, it is usually advisable for the resettlement specialist to visit the site and discuss the proposal with the agencies, consultants and representatives of the affected population.

## **Project Development**

Orientation may entail a number of missions. The main resettlement tasks during this phase are to supervise the planning and execution of the EIAs and baseline studies, and to examine alternative sites, compensation schemes and proposals for rehabilitation programs in order to arrive at a realistic and acceptable resettlement plan. Co-ordination with the ongoing feasibility or design studies for the main project is essential.

The baseline studies of the population to be resettled and, if necessary, of the host population, will be conducted as part of project preparation. The results of these studies and of the consultations with the affected communities will

be reviewed by the project team during orientation, and a draft resettlement plan should be prepared. The draft plan has to be finalized prior to the project analysis mission and should cover all the essential elements including, where relevant:

- C resettlement criteria,
- C compensation package,
- C economic rehabilitation program,
- C housing and services provision, and
- C the information and community consultation strategy.

The borrower is responsible for the EIA, baseline studies and preparation of the resettlement plan, and may contract them out to competent NGOs, national or international consulting firms. The borrower may need assistance to manage the studies, review the results, determine whether or not changes are needed and to ensure consultation with affected groups. It may be necessary to provide short or long-term technical assistance to the borrower for such management functions. The Bank can provide assistance to identify qualified NGOs, consultants or firms, prepare TORs and help locate sources of funds.

The EIA, the baseline study and the resettlement plan could be financed from a Project Preparation Facility or from short-term Technical Cooperation. The internal budget of various Bank Departments can be used to hire consultants for supervisory or review tasks. The Bank can also call on expertise from various bilateral donor agencies.

## **Preliminary Resettlement Plan**

The results of the baseline study should be submitted to the Bank during the orientation phase, along with a preliminary resettlement plan. A preliminary plan is required to provide adequate time for revision prior to analysis. The basic elements of the preliminary resettlement plan are:

- C the criteria for eligibility;

- C definition of the compensation and rehabilitation package; and
- C a strategy for the dissemination of information and for consultation with the affected communities, local organizations and relevant experts.

*It is essential to ensure that adequate time and funding are allowed for the studies and for preparation of the preliminary resettlement plan.*

### **Analysis**

The analysis of the resettlement plan should answer the following questions:

- C Is resettlement unavoidable? Has the “no project” option been actively considered? Have alternative sites been explored? Could design changes reduce the negative impacts?
- C Is compensation fair and legal? Are the standards adequate? Have mechanisms been established to provide fair compensation to the people affected? Will the amount of compensation allow affected families to replace their homes and production systems? Is it sufficiently simple, timely and transparent? Does an independent appeals system exist to allow affected people to dispute the amount of compensation offered? Is the project budget adequate to pay fair compensation to all affected individuals?
- C Is there a strong executing agency to implement the resettlement plan? Are adequate staff, equipment, and technical expertise available? Is there capacity to complete resettlement infrastructure on schedule? Can the local agencies implement their components of the resettlement plan? Is the budget sufficient and have agreements been drawn up regarding costs, financing, schedules and disbursements? Is there good coordination with local institutions, both governmental and non-governmental, and with the project executing agency? If the borrower is not directly responsible for implementing the resettlement plan, what agreements will ensure that the project will comply with Bank policy? How are services to be maintained? What institutions exist to undertake these tasks? Have arrangements been made to hand over responsibility for social infrastructure to local agencies or the community?
- C Is an independent Panel of Experts necessary to review resettlement activities? Does the panel have the necessary resettlement expertise? Has the role of the panel been clearly defined in relation to the executing agency and the Bank?
- C Is adequate land available at the planned resettlement sites? In rural resettlement schemes, is the land suitable for agriculture or other activities? Has speculation for land values been taken into account in budget allocations? Will there be sufficient land to provide for the needs of the second generation? Is the transportation infrastructure adequate to provide links to regional markets or places of employment? If not, are there plans to develop the infrastructure or establish a viable wage-based productive system?
- C Is the resettlement plan adequate to restore the standard of living of the affected community? Is the budget adequate for all the resettlement activities? Will income generation schemes be ready when resettlers move? Can these schemes provide the expected incomes? If an agricultural development package is to be provided, what links are there to agricultural support services? Will there be any positive or negative effects on the host population? Do income replacement schemes adequately take



into account the new expenditures associated with transport, improved housing or access to basic services? In cases where families are expected to cover some of the costs associated with improved housing and services, will they be able to afford these solutions? Can the resettlement plan restore or improve incomes in the years immediately following resettlement? What safety net is in place if income targets are not met?

- C Have the affected people been involved in developing the resettlement plans? Are the affected people aware of the project? What is their opinion? Have the agencies discussed project needs and justification, compensation, resettlement strategies and plans? How many affected people wish to move to resettlement sites or elsewhere? What are their priorities? Have agreements been signed with the affected communities, and, if appropriate, with the host communities, regarding compensation, resettlement sites and economic rehabilitation? Will the affected population participate in execution of the project?
- C Have EIAs been conducted for the development of the resettlement sites, agricultural development schemes, or other activities? Has the impact on resources in the resettlement sites been considered? Have soil conservation practices been incorporated into agricultural extension courses? Have issues of sanitation and health care been considered for urban relocatees? Have opportunities for environmental education or employment in environmentally-related occupations been identified?
- C Has special attention been paid to the impact of resettlement on women or minority groups? Have women been consulted on design of the resettlement plan? How will women participate in project execution? Will minority groups lose traditional use rights to resources? How will the loss of use rights be

compensated? Are there opportunities for women or minority groups to share in project benefits, including land titles where applicable?

### **The Environmental and Social Impact Report (ESIR)**

The results of the EIA, the baseline study and the resettlement plan should be presented in the ESIR, which will be reviewed and approved by the CESI. The ESIR should describe the process of consultation with the affected population and the provisions for community participation during project implementation. The ESIR should also indicate how the recommendations of the EIA will be dealt with, and should recommend the social and environmental conditions that will have to be included in the loan agreement.

### **The Project Report**

The resettlement plan and the pertinent elements from the baseline studies and the EIA should be incorporated into the Project Report which is reviewed by the Loan Committee prior to being sent to the Board of Directors for final approval.

The Report should provide:

- C an accurate assessment of the numbers of people affected;
- C the justification of the need for resettlement;
- C a description of the compensation measures and procedures;
- C a description of the social, economic and environmental rehabilitation programs;
- C a description of the housing and services provision;
- C consultation procedures;
- C the institutional arrangements for execution, supervision;
- C the costs and timing of the resettlement plan;

and

- C monitoring, evaluation and reporting requirements.

The economic and financial analysis of the overall project should cover the quantifiable costs and benefits of the proposed environmental and social measures.

### **Negotiation of the Loan Agreement**

At negotiation the project team should discuss the social and environmental conditions that were agreed with the CESI and the Loan Committee, and should ensure that they are included in the Loan Agreement. It is particularly important to address the institutional and financial arrangements for resettlement in the Loan Agreement. The institutional issues may include responsibilities for compensation, implementation of the resettlement and rehabilitation plan, operation and maintenance of infrastructure as well as the composition and functions of independent monitoring and dispute settlement committees.

The Loan Agreement should ensure that adequate counterpart funding is available for all the components of the resettlement program that are not covered by the loan. This includes compensation payments and/or funds for land acquisition, as well as the counterpart funds needed for housing and service provision, economic rehabilitation programs and any other components described in the resettlement plan. A detailed budget for counterpart funding, should be included, and should be broken down on an annual basis to facilitate preparation of annual budgets by the borrower agencies. Availability of the counterpart funding for resettlement should be a condition for the disbursements for the main project, and the annual reports on the project should cover the availability of funds for the

following year.

If possible, the Loan Agreement should include quantitative targets and a timetable for implementation of the different components of the resettlement plan. It may be advisable to include the achievement of certain key targets, such as the payment of compensation or the provision of housing and infrastructure, as a condition for Bank approval or disbursement for major components of the main project.

The reporting and monitoring arrangements should be incorporated in the Loan Agreement. In the case of projects involving complex resettlement programs, which include a significant economic rehabilitation component or in which large numbers of people have to be resettled, the Loan Agreement should include provision for the borrower to carry out an ex-post evaluation.

### **Supervision of the Resettlement Program**

The resettlement program should be regularly supervised by the Bank during implementation. Country Office specialists are usually responsible for supervision; they should make regular site visits and should coordinate with the agencies responsible to ensure that the resettlement program complies with the original objectives and is achieving the intended results. In particular, the supervision missions should make sure that the resettlement program is in phase with other project components and that the borrower and executing agencies have complied with the contractual conditions set out in the loan agreement. The Country Office specialists should prepare regular progress reports for the Representative and the appropriate operational divisions at Headquarters.

The Bank can contract consultant resettlement specialists to support the Country Office staff and project team. This is to be recommended where complex and/or large scale resettlement programs have to be supervised. These programs should be

reviewed annually, or more frequently at certain critical stages. Annual site visits could be scheduled to coincide with the meetings of expert panels or independent monitoring reviews, giving the borrower and the Bank the opportunity to adjust the resettlement plan in the light of existing conditions. Detailed mid-term progress reviews are also useful, and can involve specialist staff from headquarters or consultants and Country Office staff. Modifications or extensions of particular components can be authorized by the Representation. The project team at headquarters should be notified of any proposals for major changes to the resettlement program, and these have to be authorized by the respective Division Chief.

During project implementation, the Bank should require regular reports from the executing agency on the progress and impact of the resettlement program. This is particularly important in the case of multiple works or time slice projects as local agencies may be responsible for particular sub-projects. The Bank needs to have consolidated information that can provide an overview of the resettlement impacts of the operation as a whole, as well as an accurate picture of the institutional capacity of the agencies involved. Progress reports should provide accurate quantitative information on the numbers of people affected, compensated and relocated, and should document the progress of the economic rehabilitation and infrastructure components of the resettlement plan. They should also cover the financial aspects of the program and identify any problems or outstanding issues that have or are likely to affect implementation of the resettlement plan. The frequency and degree of detail needed for reporting to the Bank should be specified in the Project Report, and should reflect the scale and technical complexity of the resettlement plan.

It is important to ensure that the progress of all resettlement components are adequately covered in the annual reports on the main project prepared by Country Office staff. The reports should provide accurate information on the resettlement

component, allowing Bank staff to determine the degree to which targets are being met, and should address any outstanding issues that have arisen during project implementation.

The need for an independent panel of experts should be considered for projects that are likely to have significant resettlement impacts. The panel of experts would advise the borrower and the Bank, and should include at least one resettlement specialist or social scientist; it could also include representatives from the scientific community, NGOs and the affected population. The panel would review the progress of the resettlement program and, where necessary, would propose corrective measures.

Independent monitoring is a further option. Regular monitoring, by consultants or local NGOs, helps ensure that concerns can be quickly assessed and remedial actions taken and followed up. The monitoring should cover the valuation of assets and payment of compensation, it should document the project's impact on the affected people, and should follow the progress of the housing and economic rehabilitation components. The monitoring team should provide the relevant national and/ or municipal agencies with regular reports on the progress of the resettlement program, and where possible should include verifiable indicators that can be compared with the information collected in the baseline studies.

The Bank should, when requested, assist borrowers to finance eligible costs associated with monitoring programs, such as training, purchase of materials, vehicles and computer equipment. The Bank should also encourage, by appropriate mechanisms, such as the financing of Technical Cooperation operations, the exchange of information on the resettlement aspects of projects between the executing agency and other institutions in its member countries.

## **Project Evaluation**

The Project Completion Reports (PCR) for all projects that result in involuntary resettlement should address the issue in adequate detail. They should provide basic quantitative information on the numbers of people affected, criteria and levels of compensation, the preparation and execution of the resettlement and the outstanding issues relating to implementation of the resettlement plan. It is particularly important to ensure that this information is included in the PCRs for multiple works or time slice projects, in which accurate assessments of the numbers of people would not have been available when the Project Report was prepared.

When the Bank and the borrower agree that because of the size of the affected population or

the complexity of the resettlement activities, an independent ex-post evaluation of the project is necessary, it should be conducted several years after completion. It should evaluate resettlement activities and their impact on the standard of living of the resettlers and the host population. Given the importance of this activity, it should be designed independently of the standard borrower's ex-post evaluation and its TORs should be reviewed by the Bank. The ex-post review should be designed and explicitly funded, if necessary, as an integral part of the project. In those cases where the financing of a full ex-post evaluation of the main project is not regarded as cost effective or technically feasible, but where there are significant resettlement issues, it may be appropriate to propose a partial ex-post evaluation that would concentrate exclusively on the resettlement program.

**Table 1. Key Activities in the Project Cycle<sup>3</sup>**

Stage of Project Cycle	Resettlement Activities	Output	Issues
1. Project identification.	<p>Screen potential projects for possible resettlement.</p> <p>Initiate consultation with the affected communities.</p> <p>Carry out Rapid Social Assessment of affected population.</p> <p>Prepare TORs and plan EIA.</p> <p>Prepare TORs and plan baseline study.</p>	<p>Profile I/Initial Eligibility Review.</p> <p>RSA report.</p> <p>Environmental and Social Impact Brief (ESIB).</p> <p>Profile II/Initial Project Report.</p> <p>TORs for EIA.</p> <p>Plan of baseline study.</p>	<p>Examine alternatives to avoid or minimize resettlement, including the “no project” scenario.</p> <p>Develop channels of communication with the affected communities, through local leaders, NGOs and media.</p> <p>Estimate numbers of people affected, types of population, possible consequences. Identify key issues: natural resources, land for land, service provision, economic rehabilitation, etc.</p> <p>Ensure adequate time and funding for the EIA and baseline studies, including effective consultation.</p>
2. Project development.	<p>Orientation missions (various).</p> <p>Finalize EIA and baseline studies.</p> <p>Prepare preliminary resettlement plan.</p> <p>Prepare detailed resettlement plan.</p>	<p>Mission reports.</p> <p>EIA and baseline study.</p> <p>Preliminary resettlement plan.</p>	<p>Supervision of EIA and baseline studies.</p> <p>Identification of critical issues, definitions of eligibility, entitlements and consultation procedures.</p> <p>Discussion of draft resettlement plan with the affected communities.</p>

<sup>3</sup> Activities and sequence are indicative, not all projects require all steps and minor variations to the sequence may occur.

Stage of Project Cycle	Resettlement Activities	Output	Issues
3. Analysis.	(Pre-analysis mission).  Analysis mission.	Environmental and Social Impact Report (ESIR).  Project Report.  Final Resettlement Plan.	Review: 1. Need for resettlement/scale of resettlement. 2. Compensation system. 3. Institutional aspects. 4. Proposed resettlement sites. 5. Economic rehabilitation plan. 6. Consultative mechanisms. 7. Environmental impacts on resettlement site and host population. 8. Impact of resettlement on most vulnerable groups.
4. Negotiation and approval.	Negotiation Mission(s) Preparation of final project documents.	Loan Agreement.	Ensure agreed conditions are included in the loan agreement.
5. Project implementation.	1. Final “cut off” date, assessment of assets. 2. Compensation. 3. Sites and service provision. 4. Move, interim measures. 5. Economic rehabilitation programs and training. 6. Social support and development of local organizational capacity.  Dispute resolution procedures.  Supervision.	Project progress reports.  Reports of independent monitors and dispute resolution agencies.  Supervision reports.	Ensure conditions are complied with and activities are coordinated effectively and carried out within agreed time framework.  Ensure independent dispute settling procedures are functioning adequately.  Ensure regular reporting by executing agency and outside monitors.  Regular supervision and timely resolution of problems arising.
6. Ex-post evaluation.	Evaluation of full program, including resettlement, social and economic rehabilitation, impact of host groups and environmental impacts.	Evaluation report.	Evaluation should involve active participation of affected persons, especially vulnerable groups.  Access to documentation held by implementing agencies, Bank and other parties.

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## **ANNEXES**

- I. CASE STUDIES OF RESETTLEMENT IN BANK-FINANCED PROJECTS
- II. METHODS AND TECHNIQUES FOR THE PREPARATION OF RESETTLEMENT PLANS
- III. The World Bank Operational Manual. Operational Directive. INVOLUNTARY RESETTLEMENT

## ANNEX I

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### CASE STUDIES OF RESETTLEMENT IN BANK-FINANCED PROJECTS<sup>1</sup>

#### Case Study 1. Arenal Hydroelectric Project

Country:	Costa Rica
Project Number:	CR-0002
Loan Number:	274/OC-CR
Approval Date:	October, 1974
Last Disbursement Date:	December, 1980
Total Project Cost:	US\$91.01 million (estimated) US\$178.9 million (actual)
IDB Contribution:	US\$50.5 million (estimated) US\$50.5 million (actual)
Local Counterpart:	US\$40.5 million (estimated) US\$128.4 million (actual)
Resettlement Cost/Borrower:	US\$4.1 million (4.5% of total cost-estimate) US\$16.3 million (17.97% of total cost-actual)
Cost of Resettlement:	US\$6,540/person (actual)
Number of People Affected:	500 families (2,500 people)
Number of People Resettled:	1,208 people

#### 1. Project Description

The project consisted of a 70-meter earthen dam that retains a multi-annual regulating reservoir of approximately 1.2 km<sup>3</sup> of useful capacity. The reservoir feeds three generating units of 52.5 MW capacity each.

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<sup>1</sup> These case studies reflect Bank experience in two major areas where resettlement is a likely component of the development project. Ranging from completed projects to very recent new projects, they reflect the changes in Bank procedures and practice regarding resettlement and provide valuable insights on the problems and potential of resettlement programs.

The principal objectives of the project were to: i) increase the installed hydroelectric generating capacity to satisfy projected energy demand; ii) increase and regulate the flow of the Santa Rosa River to serve the proposed Carobici Hydroelectric Project downstream; and iii) transfer of regulated flow of water to irrigate approximately 120,000 hectares.

Project construction required the resettlement of the village of Tronadora, an agriculturally-based settlement, and the town of Arenal, a strategic trading and commercial center.

The executing agency for the resettlement component was an interinstitutional organization formed by the Energy Sector of the Instituto Costarricense de Electricidad. In 1974, when the original interinstitutional workgroup proved unsuccessful, ICE created the Office of Resettlement to undertake studies, plan, execute and evaluate the resettlement process and ensure that the affected families participated in every phase of the resettlement process.

## **2. Resettlement Strategy and Outcomes**

The two basic resettlement objectives were: i) improve the standard of living of the affected population; and ii) create an integrated project to provide for the physical, social and economic development of the new communities.

The Instituto Costarricense de Electricidad (ICE) undertook a comprehensive planning effort to ensure successful resettlement. The strategy encompassed ten distinct phases which included baseline studies and consultations with the affected population.

Two new communities were created. Nuevo Tronadora consists of 150 parcels ranging from 1.5 to 3.5 hectares, 54 urban lots, 130 houses and supporting infrastructure including a potable water network, electric service and public illumination, septic tanks, paved streets and public telephones. Public services include a communal center, rural guard post, post office and telegraph, health post and a public library.

Nuevo Arenal is composed of 149 parcels ranging from 0.5 to 8 hectares, 199 urban lots varying between 600 and 1,200, and 325 houses. The supporting infrastructure is similar to that provided to Nuevo Tronadora. Public services are also comparable and include a primary school, church and recreational plaza.

During the period before the actual relocation, the Resettlement Office established in Arenal and Tronadora “Comités pro Defensa” (CPD) to oversee the interests of the community and represent them to ICE. The Working Group collaborated with representatives of the groups in the negotiations of payments to individual land owners.

The main rehabilitation strategies were to provide agricultural parcels and support for intensive cattle raising using artificial pastures. Demonstration plots were created to encourage successful agricultural practices and to introduce coffee production. The resettlement plan called for the affected population to be established in their new communities before new economic and social plans were introduced. As ICE introduced experimental agricultural practices, it negotiated with banks to provide new resources for the resettled communities. The adoption of new practices was optional for each individual. The Office of Resettlement worked with each household during the two-year transition period and promoted the formation of communal

organizations.

The integrally planned resettlement of the communities of Tronadora and Arenal provided improved infrastructure and facilitated the needed resources (land, technical assistance, social services) for their socioeconomic development.

The project also changed the structure of land tenure and agricultural activity of the area, particularly for the inhabitants of the village of Arenal and the valley of the Arenal Lagoon. Prior to the project, land ownership was concentrated in large holdings owned by a few absentee landlords. The principal source of income was employment as hired farm workers. After the project, most of the families owned their land and derived their livelihood from small-scale farming activities.

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## Case Study 2. Sobradinho Hydroelectric Project

Country:	Brazil
Project Number:	BR-0004
Loan Number:	264/OC-BR
Approval Date:	December, 1973
Last Disbursement Date:	December, 1982
Total Project Cost:	US\$725.2 million (estimated) US\$2,048.6 million (actual)
IDB Contribution:	US\$84.8 million (estimated) US\$81.9 million (actual)
Local Counterpart:	US\$495.5 million (estimated)
IBID Contribution:	US\$73.0 million (estimated)
Parallel Financing:	US\$71.9 million (estimated)
Resettlement Cost:	US\$11.9 million (estimated) US\$62 million (actual)
Resettlement Cost Per Capita:	US\$450 per person (estimated)
Number of Households Resettled:	14,000 families (estimated)

### 1. Project Description

Sobradinho was one of 6 planned hydro projects on the San Francisco River. The project was designed to accommodate increased energy needs-and control water levels for the Pablo Alfonso Dam further downstream. It called for an installed capacity of 1,500 MW, a 3.4 km long, and 36 m high spillway and the creation of a lake measuring 4,150 km<sup>2</sup>, flooding land in 6 municipalities. This included four towns and numerous rural villages. An estimated 14,000 families were to be displaced (an estimated of 70,000 people).

The Executing Agency was CHESF (*Companhia Hidro-Eletrica do Sao Francisco*), under the direction of the Ministry of Mines and Energy. CHESF worked in close cooperation with INCRA (National Institution for Settlement and Agrarian Reform) which had responsibility for the rural population resettlement. The reservoir was inundated between 1977 and 1978. The dam was constructed as planned, however, with serious cost overruns and delays.

### 2. Resettlement Strategy and Outcomes

The resettlement plan for Sobradinho was completed in April 1975, 14 months after the loan was approved. While it contained useful descriptive and diagnostic information on geophysical and socioeconomic conditions, the document lacked an operational plan including timetables, allocation of responsibility, and community

participation mechanisms. Furthermore, an error in the survey of affected people led to erroneous estimates of the resettlement and compensation options people would choose. The estimates were based on characteristics of a single county (Casa Nova), which turned out to have a demographic and social structure which was different from the other five municipalities. The Plan projected that 10 percent of the population would find employment in construction; 10 percent would take cash compensation; 30 percent would want to resettle in the vicinity of the new lack and the remaining 50 percent would resettle at INCRA's planned colonization project at Born Jesus de Papa, some 1,000 km from Sobradinho. The surveys were poorly designed. In addition, no assessment had been made of potential impacts on economic activity, the Lapa site was inadequately analyzed and the affected population did not participate in the project design. Ultimately, 19 percent of the population accepted cash compensation and moved independently, 70 percent remained in the immediate vicinity and only 8 percent opted for INCRA's colony at Lapa.

In both the lakeshore resettlement sites and at Lapa serious problems arose leading to cost overruns, social unrest and ultimately increased hardships for the affected population. Technical assistance, basic social services, and economic assistance in the form of credit, tools, etc. were in short supply. Along the lakeshore, polarization of wealth occurred as better off farmers took advantage of land speculation and access to credit to take over land from smaller farmers. As a results, many farmers lacked the means even to maintain a subsistence level of economic production. Recommended fisheries development schemes were never implemented. A few commercial fisheries were established, but excluded local people from employment in this potentially lucrative business. The most successful resettlement area was the urban sites which have grown since dam completion and have completed basic infrastructural development.

However, urban areas are attracting unemployed squatters from around the region. As a consequence of the poor planning and related problems, the region has experienced social conflict. Considerable opposition to the resettlement arrangements was expressed by the church and other groups. In general, large numbers of people ended up leaving the planned resettlement sites.

### **3. Bibliography**

Fernandes Serra M. T. Resettlement Planning in the Brazilian Power Sector. Recent Changes in Approach; in Cernea and Guggenheim, eds. *Anthropological Approaches to Resettlement*, Westview: Colorado, 1993.

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### Case Study 3. Buenaventura Integrated Urban Development Program

Country:	Colombia
Project Number:	CO-0032
Loan Number:	520/SF-CO
Approval Date:	October, 1977
Last Disbursement Date:	June, 1986
Total Project Cost:	US\$78 million (estimated) US\$96.5 million (actual)
Resettlement Cost:*	US\$5.2 million (estimated) US\$6.4 million (actual)
Number of Households Resettled:	1,675 families (estimated) 548 families (actual)

\* This figure represents urbanization costs exclusive of housing construction, which was financed by the Colombian government through a parallel program not subject to Bank supervision. Had housing construction costs been taken into account, total cost of urbanization may have doubled.

#### 1. Project Description

The project site was the *Zona de Baja Mar*, a marginal residential area of the port city of Buenaventura. The project encompassed eight subprograms: education, urbanization, water and sanitation, streets and bus terminal, market, electrification, industrial promotion and institutional strengthening. The project's objectives were to build needed physical and social infrastructure, promote the city's long-term industrial development, and strengthen the municipality's administrative capacity.

The loan was disbursed four years beyond schedule and experienced a 20.5 percent cost overrun, due in part to the project's complexity and scope and to design inadequacies. Except for the urbanization component (housing and relocation), the project has had a positive impact on the city's physical environment and on the quality of life of its inhabitants.

The largest delays and most serious problems were experienced by the urbanization component. By December 1986, less than one-half of the planned dwellings had been built, adjudicated, and occupied.

The Instituto de Crédito Territorial (ICT) was assigned the responsibility of building houses and providing additional financing for families as needed to purchase completed housing. ICT failed to provide appropriate housing solutions and was dismissed mid-project by the Corporación Autónoma Regional del Valle del Cauca (CVC), the executing agency, which assumed responsibility for the urbanization and relocation component.

## **2. Resettlement Strategy and Outcomes**

The goal of resettlement was to clear out extensive areas of the marshy Baja Mar slums. Originally, the resettlement strategy was limited to the provision of housing and did not include economic rehabilitation measures. Errors in design and lack of community participation resulted in the unsuccessful outcome for the resettlement effort and ultimately the project may have aggravated living conditions in Baja Mar without offering a viable alternative to most of its residents.

The identification and definition of the target group was based on incorrect assumptions, misconceptions, inaccurate demographic and economic baseline data and inadequate socio-cultural studies. The total number of Baja Mar households, as presented in the baseline studies, was underestimated by a third. The baseline studies failed to accurately assess the employment structure of the Baja Mar households, to identify the paramount importance of household proximity to the sea and to assess willingness to relocate. These shortcomings led the project planners to believe that simply by virtue of their living in substandard conditions, Baja Mar residents would be eager to move to better new housing.

The majority of Baja Mar residents rejected the urbanization sites. ICT failed to note that more than 54 percent of the Baja Mar heads of household earned their living from sea-related occupations and 60 percent of these did so in artisanal or informal activities. Moving to the urbanization sites, more than 10 km inland, removed resettlers from access to their main sources of jobs and to the informal food and services economy that ensured their subsistence.

The housing solutions were designed without community input and ignored the socio-demographic characteristics of the Baja Mar households that encompass several generations and degrees of matrilineal kinship, and the characteristics of Baja Mar dwellings that include large living rooms and patios. The housing solutions constructed for the project were based on standard ICT designs aimed at the housing needs of small, mononuclear families and were too small for most Baja Mar households.

## **3. Bibliography**

Inter-American Development Bank. *Ex-Post* Evaluation (OER-56/88). Buenaventura Integrated Urban Development Program: Housing and Relocation Subprogram, Colombia. Operations Evaluation Office. Office of the Controller, Washington, D.C., Inter-American Development Bank, 1988.

\_\_\_\_\_. Buenaventura Integrated Urban Development Program, Colombia. Project Report (PR-824), Washington, D.C., Inter-American Development Bank, 1977.

## Case Study 4. Basic Infrastructure and Sanitation Program Fortaleza

Country:	Brazil
Project Number:	BR-0186
Loan Number:	892/SF-BR & 695/OC-BR
Approval Date:	September, 1992
Last Disbursement Date:	December, 1996
Total Project Cost:	US\$265.6 million:
IDB Contribution:	US\$199.2 million
Local Counterpart:	US\$66.4 million
Resettlement Cost:	US\$8.08 million (borrower contribution)
Number of Households Resettled:	2,900 families (estimated)

### 1. Project Description

The main purpose of the program is to improve the standard of living for the city of Fortaleza through sanitary sewage works, storm drainage works, and collection and proper disposal of solid waste. Related objectives are to strengthen the responsible state and or municipal institutions and agencies, to conduct an environmental education campaign and to achieve more efficient use of water resources through installation of master meters and house meters.

The areas targeted for improvement include the most heavily populated areas (representing 77 percent of the city's population) where haphazard settlement has altered natural features.

To accomplish the objectives, the works include approximately 148,000 connections to sanitary sewage system; construction of 1,025 km of sewers; 28.8 km of sewer lines; 21.5 km of intercepting sewers; ten pumping stations; an incinerator for city hospitals; and reclamation of the main dump now used to dispose of Fortaleza's garbage.

The executing agency for the project is the Department of Urban Development and Environmental Protection (SDU). The Agency conducting the resettlement component is the Companhia de Habitacao do Ceara (COHAB). This agency has a history of successful resettlement. In a previous program between 1987-1991, more than 8,000 houses were built. One measure of their success is the long waiting list for applicants.

### 2. Resettlement Plan and Outcomes

The fundamental component of the resettlement plan is a method of organizing the community into cooperative units called "mutual aid societies" who build their own houses. COHAB provides the land, upgrades it for habitation, pays for the construction materials and provides technical assistance and supervision.

A detailed resettlement plan is documented in two volumes and includes a baseline study of the affected population including census data, social data, and economic data. The method of mutual aid is also described. In the plan, it is anticipated that each family will receive 110 km<sup>2</sup> lot with basic services and located in areas with access to schools and other social services. The resettlement plan identified 66 sites, a total of 42 hectares, all within 1,200 meters of the venue of origin. These sites were identified to be within access of existing places of employment and thus relocation was not anticipated to disrupt economic activities. The vacated areas are planned to be converted to recreational zones or fenced off to avoid invasions. It was anticipated that resettlement would occur over a 21 month period.

A special aspect of the plan was its emphasis on women, who were identified in the baseline study as the main organizers of the mutual aid societies. The resettlement planners thus built upon existing patterns of social organization by allowing the women to have leadership roles as coordinators of the construction work. The societies have names that indicate the optimistic character of the intent of the relocation, such as *Unidos para Vencer*, *Nova Conquista*, *Juntos Venceremos*, *Primavera*, *Renacer* and *Boa Esperanca*.

According to the latest progress report (dated February 23, 1995), 595 families have been moved, while 449 were indemnified. The new housing units have been connected to basic utilities and potable water. The mutual aid societies function to provide quick feedback to COHAB authorities and facilitate lines of communication. The resettlement programs thus progressing at the anticipated rate and seems to be without major problems.

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\_\_\_\_\_. Proposal for Loan BR-186-SANEFOR. Loan Document. Washington, D.C., Inter-American Development Bank, 1992.

Sanitation and Urban Development Authority/Ceara Housing Authority (SDU/COHAB). Plan de Reasentamiento de SANFOR (Vol. 8 & 9 of master plan) 1989.

## Case Study 5. Digital Mapping and Urban Drainage for Rio de Janeiro

Country:	Brazil
Project Number:	BR-0183
Loan Number:	858/OC-BR
Approval Date:	January, 1995
Last Disbursement Date:	May, 2000 (estimate)
Disbursement Period:	5 years
Total Project Cost:	US\$60 million
IDB Contribution:	US\$30 million
Local Counterpart:	US\$30 million
Resettlement Cost:	US\$3 million
IDB Contribution:	US\$1.6 million
Borrower Contribution:	US\$946,000
Number of Households Resettled:	652 families
Number of People Resettled:	3,600 people

### 1. Project Description

The objective of this project is to supplement the overall projects for the basic sanitation of the Guanabara Bay sector of Rio de Janeiro. The two specific sub-projects that are proposed are a digital mapping project which would produce a digitized cadastral map of Rio de Janeiro and create an automated database, and an urban drainage program to build a series of works to prevent flooding and improve transport in one of the municipality's most densely populated areas.

The Guanabara Bay sector is an important industrial and port center for the state and for the country. It occupies a 300 square kilometer area. In 1991, it was estimated that 7.3 million people live in the basin area that feeds the Bay, and the area has experienced steady population growth. The municipality of Rio de Janeiro lies within the Bay's basin. Urban services and infrastructure in this region have deteriorated with the increased population density and the economic crisis of the 1980s. As a result, there has been high contamination of the Bay area through entrance of untreated sewage, uncollected trash, organic material emissions and oil spills from nearby refineries and petroleum terminals.

The digital mapping project should improve tax collection and land titling procedures while the urban drainage project should improve one of the Rio's major waterways.

The executing agency for the project is the *Coordenadoria de Recursos Externos* (CRE) of the *Secretaria Municipal da Fazenda* (SMF). To carry out resettlement activities, the SMF will rely on the *Empresa Municipal de Urbanizacao* (RioUrbe), which is attached to the *Secretaria Municipal de Obras e Servicos Publicos*. RioUrbe has contracted with the newly created *Secretaria de Habitacao* (SEH) to develop the

resettlement plan and execute it. SEH has agreed to hire a consulting firm to carry out the resettlement project.

## **2. Resettlement Plan**

The first draft of the preliminary resettlement plan was presented in March of 1994. This draft estimated that about 700 families would have to be resettled from 12 illegally occupied *favelas* slums (along the Faria and Timbo Rivers. A verification of this estimate was conducted by SEH and RioUrbe in May of 1994. The housing structures identified were a mix of wood and brick indicating an income range from low to middle income families. The demographic profile shows high numbers of woman and children typical of low income groups. Because this area is illegally occupied, no investment in public services such as sanitation, potable water or electricity have been made.

So far, the executing agencies have not done detailed surveys for fear of fostering speculation and raising expectations which could lead to increased migration. Estimating the value of the housing structures has been made difficult because of lack of cadastral information. The residents of this area are organized into neighborhood association that function to improve access to services and increase the well-being of the numbers.

At the insistence of the Bank, the original solution of resettlement (which would have entailed relocation to new housing 60 km away) was discarded in favor of an options menu of four alternatives. These are relocation to a new site, monetary compensation for self-relocation, sites and services on a large nearby terrain as yet lacking infrastructure, or relocation to several smaller plots now the property of the municipality.

It is anticipated that 70 percent of the people will choose the third alternative to move to the nearby large site which is slated to be developed as soon as financing can be assured. Another 5 percent of the population may take the option to relocate to existing housing sites at the 60 km distance, while about 14 percent might opt for a cash compensation. Finally, approximately 10 percent of the families may be able to move to the smaller plots recently acquired by the municipality.

In addition to the housing solutions, the municipality intends to provide a broad array of social services to assist in adjustment and transition. Resettled families would be given priority for inclusion in existing projects for employment training, skill development, education, etc. Theses rehabilitation programs fall under the rubric of the *Secretaria Municipal de Desenvolvimento Social* (SMDS).

The community consultation procedures are being conducted through public meetings involving community leaders. The municipality intends to sign a Protocol of Intent with community leaders to reflect the basic agreements and incorporate further measures for community participation.

## **3. Bibliography**

Inter-American Development Bank. Digital Mapping and Urban Drainage Project for the Municipality of Rio de Janeiro (Guanabara), Brazil. Project Report (PR-2023). Washington, D.C., Inter-American

Development Bank, 1994.

## Case Study 6. Machadinho Hydroelectric Power Project

Country:	Brazil
Project Number:	BR-0293
Estimated Total Cost:	US\$695 million
IDB Financing:	A loan: US\$75 million B loan: US\$139 million
No. of Households Resettled:	1,534 families
No. of People Resettled:	4,463 people

Machadinho is a private sector operation which offers a good example of an alternative sites analysis. The project entails the construction and operation of a 1,140 MW installed capacity hydroelectric power plant and ancillary facilities on the Rio Pelotas, located between the States of Santa Catarina and Rio Grande do Sul, in the south of Brazil. The principal facilities will comprise a concrete dam with a maximum height of 126 meters, with three Francis turbines and accompanying generating units with a nominal capacity of 380 MW each, construction coffer dam, two saddle dikes, penstocks and power tunnels, four diversion tunnels, generators and one spillway. The support facilities will include work and storage areas, roads, offices, temporary housing and security facilities.

Machadinho is a private sector project, originally proposed by Eletrosul, one of the public electric utility companies serving the south east of Brazil, which owned the concession rights and carried out the initial feasibility and environmental studies. In 1995 Eletrosul put Machadinho out to international competitive bidding to select a partner to develop the project. The winning consortium was the Grupo de Empresas Asociadas Machadinho (GEAM), comprising major consumer companies in the aluminum and cement sectors, state-owned electric power companies and an independent power producer. In January 1997 GEAM and Eletrosul signed an agreement to form the Machadinho Consortium and in July 1997 a 35 year concession was awarded by the Brazilian National Water and Electric Power Department. The estimated total cost of US\$695 million includes a social and environmental budget of US\$85 million to be fully funded by GEAM.

The final site for the dam was chosen after a detailed study of the alternative dam axle positions, which was aimed at minimizing the social and environmental impact, while maintaining the economic viability of the project. The original site, as described in the 1982 concession, would have had profound social and environmental impacts. In 1995 Eletrosul carried out an analysis of three different alternative locations in addition to the original site. The main considerations that affected the selection of a new site were the location of an indian reserve, the number of affected people and properties, and the number of families that would require resettlement.

Eletrosul finally selected a site located 8 kilometers upstream from the original project. The position of the dam was moved to an axle, located 780 meters above sea level, which would flood an area of 5,670 hectares, less than a quarter of the size of the original reservoir area, and would significantly reduce the number of families affected by the project. The following table offers a comparison between the impacts of final and the original site.



<b>Impact</b>	<b>Original Dam Axle Position</b>	<b>Final Dam Axle Position</b>
Flooded Area	23,400 hectares	5,670 hectares
Indian Reserves	1	None
Affected Properties	3,124	1,080
Affected Families	3,441	1,534
Families to be Resettled	1,158	614
Bridges to be Reconstructed	210 m	87 m
Dirt roads Submerged	530 km	97 km
Municipal Urban Areas	1	None

## ANNEX II

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### METHODS AND TECHNIQUES FOR THE PREPARATION OF RESETTLEMENT PLANS

#### A. Data Collection

As mentioned in Chapter II, a critical task in planning resettlement is the collection of socioeconomic data for the baseline studies. There is now an extensive literature available on the different approaches to data collection (Beebe, 1993). In this Annex, some suggestions are provided about the types of data to be collected, the techniques that can be used and the sequence of data collection. However, the user of the guidelines is encouraged to search out other literature for more extensive guidance. SDS/IND has compiled relevant material, which is available for consultation.

##### 1. Rapid Social Assessment

Rapid Social Assessment (RSA) includes the following activities:

- a. *Identify the affected population and potential project impacts.* This includes groups that are indirectly affected, as well as those groups affected directly.
- b. *Collect basic information on the affected population.* Data may be collected from formal sources (government, academic), or from informal sources community based organizations, local leaders). The information should cover the population's geographical location, demographic, social and economic characteristics. It may be necessary to verify existing data for its accuracy and to collect primary data.
- c. *Identify major sub-groups within the affected population.* Sub-groups can be identified on the basis of their differential access to resources, particularly where this might put them at greater risk as a result of project impacts. The sub-groups may include populations with a distinct ethnic or regional identity, such as indigenous peoples, refugees or recent migrants, as well as particular sectors of the population, such as women, the elderly or youth.
- d. *Conduct initial consultations.* Initial consultation will involve field visits and discussions with those people potentially affected by the project. It is important to try and include all the major sub-groups and sectors of the population in the initial consultations.
- e. *Assess levels of risk.* The data collection and initial consultations should make it possible to assess the risks that the proposed project poses for the affected population and specific sub-groups.



As an RSA should be carried out reasonably quickly, it is necessary to rely on available information. The RSA should distinguish the potential direct impacts, such as loss of homes, agricultural land, changes in employment, income, and access to resources from indirect impacts, such as deterioration of water quality or increased risk of infectious diseases. The RSA should include the following data:

- C geographical location,
- C settlement patterns,
- C ethnic composition,
- C religious affiliation,
- C social organization,
- C land tenure and ownership,
- C occupation and employment patterns,
- C main sources of income, and
- C income levels.

Much of this data may be available in census tracts, cadastral surveys, academic surveys, or in local archives. The distinct sub-groups may be described in terms of:

- C language/ethnic/cultural distinctions,
- C land and capital holdings,
- C income and occupation, and
- C gender and age profiles.

It may be necessary to conduct preliminary consultations with the potentially affected population in order to supplement the data collected from existing sources. These initial consultations provide an opportunity to assess the population's expectations and priorities, and to verify the secondary data on the population and its sub-groups. Initial consultations might include visits to individual members of the affected sub-groups, representatives of local organizations, local government officials and community leaders, as well as representatives of local, national and international NGOs, and social scientists who have done research in the area.

The risk assessment will help determine what additional information is needed and what mitigation and rehabilitation measures might be possible. This information will be incorporated into the Environmental Brief, and will be used to prepare terms of reference for the baseline studies and the EIA.

## **2. Baseline Studies**

The baseline studies involve more reliance on collecting up-to-date data than the RSA, and will generally combine qualitative and quantitative techniques.

First, if this has not already been done during the RSA, the existing sources of documentation should be consulted in order to identify any gaps in the existing data and to gauge the reliability of the information available. Such sources are census data, surveys, academic research that may have been done on the people to be affected, health statistics, and educational statistics. Cadastral surveys and maps should also be examined, and the reliability of this information should also be carefully evaluated. It is important to consider the date the information was collected. For rural areas, data over 10 years old should no longer be regarded

as valid, while for urban areas, a 5 year time limit should be placed on the reliability of data as the demography and social characteristics of urban areas are more variable and can be subject to rapid change.

Next, additional updated quantitative data should be collected using one or more of the following techniques:

- C conducting a customized census of the affected population;
- C *in-situ* counting of dwellings;
- C aerial photography to assess transportation networks, geographic constraints, and environmental conditions;
- C household survey of economic and occupational data; and
- C cadastral mapping.

Finally, a more qualitative approach can be used to provide enriched data that allows for in-depth analysis of potential impacts.

An innovative method for conducting this type of research is the participatory rapid appraisal method (PRA). PRA has the advantage of allowing appraisers to collect information about a new area quickly and to involve local people from the start of the project process. PRA allows a team of investigators to quickly produce qualitative information that can inform decisions relating to the design and implementation of the project and the resettlement plan.

A key element for the success of a participatory rapid appraisal is to use qualified social scientists who are familiar with the project area. They should be able to identify the key informants and participants, to involve them in the appraisal process and should be sensitive to the need to include the principal groups in the affected population.

Three basic concepts guide rapid appraisal. First, a systems approach is utilized because it allows for the broadest consideration of the variables. A system can be defined as “a set of mutually related elements” (Beebe, page 4). A systems perspective, then, considers all aspects of the local situation, but quickly defines only the most important elements.

Second, it is important to include triangulation of research techniques to ensure validation of the data. Triangulation means systematically combining different perspectives (i.e. those of social scientist, local participants and agency officials) and different research methods. Triangulation is important to validate data and to put the data in its proper context.

Finally, the data collection and analysis should be an iterative process, allowing unanticipated findings to be incorporated into the analysis.

There is a variety of research techniques that can be used for data collection. To collect data on natural resource use, for example, one can use the following two techniques.

- C *Participatory mapping of resources and important social and natural features of the area.* Here the team, accompanied by local people literally maps out resources, such as sources of water, areas used for hunting, gathering, collecting firewood, agriculture, grazing, residential areas, and so on. An advantage of this technique is that it highlights local perceptions of the environment and it

allows the team to learn about the area quickly.

- C *Transect walks.* These are physical surveys or selected areas with residents. The transects should reflect significant cross-sections of the local region.

To collect socioeconomic data one can use:

- C *Participants observation.* In this technique, the researcher participates in and observes the socio-cultural context of the household and community. This allows the researcher to validate participants' responses with actual observation of their behavior. It generally requires a larger time commitment than the interview, unless the researcher is already familiar with the affected community or communities.

- C *Informal interviews.* Open-ended questions are asked on certain topics. The researcher follows a general outline, but may modify it to accommodate respondent's added perceptions.

- C *Formal interviews.* Written questions on specific topics are posed to respondents, usually in the form of a multiple choice.

- C *Focus groups or group discussions.* This technique can range from informal interviews with small groups of people, to more formalized group discussions on specific sets of questions. Group discussions allow the researcher to check information with a larger number of people, provide opportunity for dialogue and augment the data collected in interviews.

- C *Wealth ranking.* Wealth rankings, even with small populations, help identify the poorer members of the community and allow the researcher to discover local perceptions of wealth differences. In this technique, respondents are asked to sort community members according to wealth differences and provide criteria for their selections. The rankings can be cross-checked with other data gathered from interviews and participant-observation.

- C *Use of key informants.* Key informants are people who are knowledgeable about the community, willing to share their information, and well-situated to guide the researcher. The use of key informants is critical in rapid assessment (adopted from Scrimshaw and Hurtado, 1987; and Appleby,

### **Participatory Rapid Appraisal Study**

A typical Participatory Rapid Appraisal Study of this sort would use an inter-disciplinary team whose size and composition would be determined by the size and complexity of the project and target area to be covered. The team would develop clear objectives and categories of information that need to be collected. The team would assess any existing studies of the area for clues to effective approaches to structure participation.

Work would begin with a *physical survey* of the area including mapping of physical attributes, asset mapping (which involves local assessment of resources), transect walks, areal surveys, etc.

Work could then proceed either with the (community meetings) held to explain the process, the proposed project, and the expectations of the community. Based on these initial consultations, questionnaires can be developed and methods for sampling developed. Key social groups can be identified for participation in group discussions or focus groups.

As information is collected, coding categories should be developed so that analysis can be on-going. The advantage of this process is that feedback occurs in sufficient time to guide further data collection. Thus, if initial data collection reveals unanticipated variables, interview checklists or questionnaires can be modified.

The final results can be presented in summary form at a community meeting to validate findings.

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## **B. Consultations with Affected Groups**

### **1. Consultations during the EIA Process**

The purpose of consultation is to obtain local viewpoints and perceptions of the local physical environmental conditions and possible socio-cultural changes, including resettlement, that a project may cause through its impacts on the environment or directly on groups of people. From the standpoint of EIA planning, the consultations serve to discover environmental resources or values of traditional and/or scientific importance that may be affected by a project. The Bank's environmental quality procedures require community consultation during the planning of an EIA.

Where the affected groups are the intended beneficiaries of a project activity or where they must be resettled, consultations on environmental impacts could be undertaken as part of the social and cultural investigations that are integral to the feasibility and design studies. In this context, the environmental consultations might take the form of socio-cultural surveys, for example those that are used to plan resettlement or ethnodevelopment actions, such as improved protection of indigenous groups and their lands.

#### *a. Consultations during the Planning of EIAs*

The purpose of consultation with the community in the content of planning the EIA, or scoping, is to elicit information, comments and reactions, including possible criticisms, related to potential environmental and sociocultural impacts of a project. Community consultation during scoping enables affected people to raise the issues that should be addressed in the EIA, and to discuss arrangements for further public consultation. The scoping process should reveal the cultural traditions and heritage of the affected community that determine how the community assigns values to the environment and to natural resources.

During the consultations, which are required as part of the planning process of an IEA, the information about the project must be presented clearly and objectively, in the local language. Whenever possible, visual aids should be used, such as drawings or models in the case of construction projects, or maps in the case of transportation projects. Presentation of the project should be followed by a dialogue, intended to elicit verbal or written responses about the possible impacts of a proposed project. An EIA planning consultation is not an occasion to promote or defend a project.

Translators and facilitators with cross cultural language and communication skills may be needed. As the consultations must be verifiable, they can be tape recorded as well as noted. The participants may sign an attendance sheet, or a knowledgeable person may be able to list the people who attend.

The people affected by the environmental impacts of a proposed project may include NGOs with technical knowledge of local government and communities. The special case of indigenous groups is addressed below.

Consultation can be carried out in public meetings, in small informal meetings, through special surveys or a combination of these. The locations for consultation should be accessible to all interested individuals. Several regional meetings may be needed over a period of time to cover all the affected communities. Minority groups within the community, such as ethnic or religious minorities, the elderly, young people, and women might not be adequately represented in open public meetings. Special attention should be placed on consulting with underrepresented segments of the community through informal channels, special meetings or on an individual basis.

A number of circumstances are likely to affect the planning of consultations. There may have been insufficient public information or meeting about the project, much less about its environmental effects. Without prior public information, the dissemination component of the consultation should precede the dialogue by several days. Open meetings may not be a familiar mechanism for dialogue between government agencies and the public. Where public meetings are not customary, open discussion may require considerable facilitation, or alternatives may be needed such as separate meetings with many small neighborhood groups.

*b. Consultations on EIA Results*

Affected people must be given the opportunity to react to environmental mitigation measures that are designed on their behalf, especially if they have not taken part in the design. Even if they have provided design input, for example in the course of surveys of social and cultural characteristics and community aspirations or needs, they should nevertheless be consulted about the EIA recommendations affecting them. The final design should reflect the community responses received during this consultation.

*c. Documentation of Consultation with Affected Groups*

The results of the consultations have to be documented. The documentation from the scoping consultation should be attached to the Environmental Brief and should be annexed to the Terms of Reference for the EIA. Documentation of the consultation on the resettlement plan should be included in the Analysis Mission reports and annexed to the Environmental Summary.

*d. Consultations with Indigenous Groups*

Many indigenous groups are characterized by: 1) a high degree of independence from other sectors of the national society; 2) a predominantly subsistence economy based on hunting, fishing, and shifting cultivation; 3) an itinerant lifestyle, which requires large territories; 4) simple material culture; 5) a loosely knit political organization, based on small independent villages, combined with a complex social and kinship structure; 6) specific language, culture and religious belief systems; and 7) a unique relationship to the land that is determined not only by the groups' economic adaptation to the specific environment they inhabit, but also by the social and kinship system, cosmogony, religion and ritual.<sup>1</sup>

A number of factors can affect the way consultations are conducted with indigenous communities. In most cases, the expertise of experienced anthropologists is likely to be needed to elicit information and consult with

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<sup>1</sup> See also IDB document *Strategies and Procedures on Socio-Cultural Issues Related to the Environment*, Environment Committee, 1990.



indigenous groups during the planning of the EIA. Among the factors affecting scoping are:

- C Whether or not a relationship of trust has been established between government agencies and the indigenous communities. This will affect the frankness and validity of the dialogue.
- C The linguistic barriers may require the hiring of interpreters or assistants who are fluent in the indigenous language or local dialect.

- C The community's ability to envision the changes that the project would cause can be enhanced through the use of visual aids, visits of key local leaders to similar nearby projects, and visits to the community by individuals who have been affected by similar projects.

## **2. Consultations during the Resettlement Process**

Once it has been established that resettlement is unavoidable, the consultation during resettlement should continue to follow the procedures that were established during the planning phase. At this stage, consultation should involve mechanisms that allow for participation in the design and implementation of rehabilitation programs. Usually the methods and formats for consultation that were used during the initial phases can also be used during preparation of the resettlement plan. At this stage, consultation should be aimed at resolving intra-group conflicts, building consensus for agreed upon strategies and developing mechanisms to develop group autonomy following resettlement.

Consultation is an important component of the evaluation and monitoring procedures and allows for full assessment of the benefits and obstacles in the resettlement project.

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## ANNEX III

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**The World Bank Operational Manual  
Operational Directive**

**June 1990  
OD 4.30**

### INVOLUNTARY RESETTLEMENT

#### Introduction

1. This directive describes Bank<sup>1</sup> policy and procedures on involuntary resettlement, as well as the conditions that borrowers are expected to meet in operations involving involuntary resettlement. <sup>2</sup> Planning and financing resettlement components or free-standing projects are an integral part of preparation for projects that cause involuntary displacement. Any operation that involves land acquisition or is screened as a Category A or B project for environmental assessment purposes<sup>3</sup> should be reviewed for potential resettlement requirements early in the project cycle (para. 20).

2. Development projects that displace people involuntarily<sup>4</sup> generally give rise to severe economic, social, and environmental problems: production systems are dismantled; productive assets and income sources are lost; people are relocated to environments where their productive skills may be less applicable and the completion for resources greater; community structures and social networks are weakened; kin groups are dispersed; and cultural identity, traditional authority, and the potential for mutual help are diminished. Involuntary resettlement may cause severe long-term hardship, impoverishment, and environmental damage unless appropriate measures are carefully planned and carried out.<sup>5</sup>

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<sup>1</sup> "Bank" includes IDA, and "loans" includes credits.

<sup>2</sup> See also *Involuntary Resettlement in Development Projects*, World Bank Technical Paper No.80 (Washington, D.C.: The World Bank, 1988).

<sup>3</sup> OD 4.00, Annex A, *Environmental Assessment*, para. 18.

<sup>4</sup> Such projects may include construction or establishment of (a) dams, (b) new towns or ports, (c) housing and urban infrastructure, (d) mines, (e) large industrial plants, (f) railways or highways, (g) irrigation canals, and (h) national parks or protected areas. Refugees from natural disasters, war, or civil strife are also involuntary resettlers, but they are not discussed in this directive (see OD 8.50), *Emergency Recovery Assistance*).

<sup>5</sup> OD 4.00, Annex A, *Environmental Assessment*, para. 2, and Annex A3.

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## Policy Objectives

3. The objective of the Bank's resettlement policy is to ensure that the population displaced by a project receives benefits from it. Involuntary resettlement is an integral part of project design and should be dealt with from the earliest stages of project preparation (para. 28), taking into account the following policy considerations:

- (a) Involuntary resettlement should be avoided or minimized where feasible, exploring all viable alternative project designs. For example, realignment of roads or reductions in dam height may significantly reduce resettlement needs.
- (b) Where displacement is unavoidable, resettlement plans should be developed. All involuntary resettlement should be conceived and executed as development programs, with resettlers provided sufficient investment resources and opportunities to share in project benefits. Displaced persons should be (i) compensated for their losses at full replacement cost prior to the actual move; (ii) assisted with the move and supported during the transition period in the resettlement site; and (iii) assisted in their efforts to improve their former living standards, income earning capacity, and production levels, or at least to restore them. Particular attention should be paid to the needs of the poorest groups to be resettled.
- © Community participation in planning and implementing resettlement should be encouraged. Appropriate patterns of social organization should be established, and existing social and cultural institutions of resettlers and their hosts<sup>6</sup> should be supported and used to the greatest extent possible.
- (d) Resettlers should be integrated socially and economically into host communities so that adverse impacts on host communities are minimized. The best way of achieving this integration is for resettlement to be planned in areas benefiting from the project and through consultation with the future hosts.
- (e) Land, housing, infrastructure, and other compensation should be provided to the adversely affected population, indigenous groups,<sup>7</sup> ethnic minorities, and pastoralists who may have usufruct or customary rights to the land or other resources taken for the project. The absence of legal title to land by such groups should not be a bar for compensation.

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<sup>6</sup> Host communities receiving resettlers.

<sup>7</sup> See OMS 2.34, *Tribal People in Bank-Financed Projects*, to be reissued as OD 4.40, *Tribal People*.

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## Resettlement Planning

4. Where large-scale<sup>8</sup> population displacement is unavoidable, a detailed resettlement plan, timetable, and budget are required. Resettlement plans should be built around a development strategy and package aimed at improving or at least restoring the economic base for those relocated. Experience indicates that cash compensation alone is normally inadequate. Voluntary settlement may form part of a resettlement plan, provided measures to address the special circumstances of involuntary resettlers are included. Preference should be given to land-based resettlement strategies for people dislocated from agricultural settings. If suitable land is unavailable, nonland-based strategies built around opportunities for employment or self-employment may be used.

### *Plan Content*

5. The content and level of detail of resettlement plans, which will vary with circumstances, especially the magnitude of resettlement, should normally include a statement of objectives and policies, an executive summary, and provision for the following:

- (a) organizational responsibilities (para. 6);
- (b) community participation and integration with host populations (paras. 7-10);
- © socioeconomic survey (para. 11);
- (d) legal framework (para. 12);
- (e) alternative sites and selection (para. 13);
- (f) valuation of and compensation for lost assets (paras. 14-16);
- (g) land tenure, acquisition, and transfer (para. 17);
- (h) access to training, employment, and credit (para. 18);
- (i) shelter, infrastructure, and social services (para. 19);
- (j) environmental protection and management (para. 20); and

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<sup>8</sup> Where only a few people (e.g., about 100-200 individuals) are to be relocated, appropriate compensation for assets, logistical support for moving, and a relocation grant may be the only requirements. However, the principles on which compensation is to be based are the same as for larger groups.

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(k) implementation schedule, monitoring, and evaluation (paras. 21-22).

Cost estimates should be prepared for these activities, and they should be budgeted and scheduled in coordination with the physical works of the main investment project.

### *Organizational Responsibilities*

6. The responsibility for resettlement rests with the borrower. The organizational framework for managing resettlement must be developed during preparation and adequate resources provided to the responsible institutions. The organization responsible for resettlement should be strengthened when entities executing infrastructure or other sector-specific projects lack the experience and outlook needed to design and implement resettlement. One alternative is to create a special resettlement unit within the project entity; this can facilitate the involvement of other line agencies. Another alternative is to entrust resettlement to the regional or town administration that knows the population and area can mobilize local expertise, speaks the resettlers' language, and will ultimately be responsible for the integration of resettlers into the host population and area. There also may be considerable scope for involving nongovernmental organizations (NGOs) in planning, implementing and monitoring resettlement.<sup>9</sup>

### *Community Participation and Integration with Host Population*

7. Most displaced people prefer to move as part of a preexisting community, neighborhood, or kinship group. The acceptability of a resettlement plan can be increased and the disruption caused by resettlement can be cushioned by moving people in groups, reducing dispersion, sustaining existing patterns of group organization, and retaining access to cultural property<sup>10</sup> (temples, pilgrimage centers, etc.), if necessary through the relocation of the property.

8. The involvement of involuntary resettlers and hosts in planning prior to the move is critical. Initial resistance to the idea of involuntary resettlement is to be expected. To obtain cooperation, participation, and feedback, the affected hosts and resettlers need to be systematically informed and consulted during preparation of the resettlement plan about their options and rights. They should also be able to choose from a number of acceptable resettlement alternatives. These steps can be taken directly or through formal and informal leaders and representatives. Experience has shown that local NGOs can often provide valuable assistance and ensure viable community participation. Moreover, institutionalized arrangements, such as regular meetings between project officials and communities, should be provided for resettlers and hosts to communicate their concerns about the resettlement program to project staff throughout planning and

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<sup>9</sup> See OD 14.70, *Involving Nongovernmental Organizations in Bank-Supported Activities*.

<sup>10</sup> See OPN 11.03, *Management of Cultural Property in Bank-Financed Projects*, to be reissued as OD 4.50, *Cultural Property*.

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implementation.<sup>11</sup> Particular attention must be given to ensure that such vulnerable groups as indigenous people, ethnic minorities, the landless, and women are represented adequately in such arrangements.

9. The plan should address and mitigate resettlement's impact on host populations. Host communities and local governments should be informed and consulted. Any payment due the hosts for land or other assets provided to resettlers should be promptly rendered. Conflicts between hosts and resettlers may develop as increased demands are placed on land, water, forests, services, etc. or if the resettlers are provided services and housing superior to that of the hosts. Conditions and services in host communities should improve, or at least not deteriorate. Providing improved education, water, health, and production services to both groups fosters a better social climate for their integration. In the long run, the extra investment will help prevent conflicts and secure the project's aims.

10. Successful resettlement requires a timely transfer of responsibility from settlement agencies to the settlers themselves. Otherwise, a dependency relationship may arise, and agency resources may become tied up in a limited number of continually supervised schemes. Local leadership must be encouraged to assume responsibility for environmental management and infrastructure maintenance.

#### *Socioeconomic Survey*

11. Resettlement plans should be based on recent information about the scale and impact of resettlement on the displaced population. In addition to describing standard household characteristics, socioeconomic surveys should describe (a) the magnitude of displacements; (b) information on the full resource base of the affected population, including information derived from informal sector and nonfarm activities, and from common property; (c) the extent to which groups will experience total or partial loss of assets; (d) public infrastructure and social services that will be affected; (e) formal and informal institutions (such as community organizations, ritual groups, etc.) that can assist with designing and implanting the resettlement programs; and (f) attitudes on resettlement options. Socioeconomic surveys, recording the names of affected families, should be conducted as early as possible to prevent inflows of population ineligible for compensation.

#### *Legal Framework*

12. A clear understating of the legal issues involved in resettlement is needed to design a feasible resettlement plan. An analysis should be made to determine the nature of the legal framework for the resettlement envisaged, including (a) the scope of the power of eminent domain, the nature of compensation associated with it, both in terms of the valuation methodology and the timing of payment; (b) the legal and administrative procedures applicable, including the appeals process and the normal time-frame for such

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<sup>11</sup> Disputes of varying kinds may arise in the process of implementation of the agreed resettlement plan. These conflicts could take the form of appeals related to the compensation payable to affected persons, conflicts between the displaced persons and the host population, appeals to the agency charged with the implementation of the resettlement with regard to services promised, etc. It is therefore important to devise schemes for conflict resolution for all resettlement plans. Such schemes should, as far as possible, take into account existing procedures for settling disputes in the country or area concerned.

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procedures; © land titling and registration procedures; and (d) laws and regulations relating to the agencies responsible for implementing resettlement and those related to land compensation, consolidation, land use, environment, water use, and social welfare.

### *Alternatives Sites and Selection*

13. The identification of several possible relocation sites and the demarcation of selected sites is a critical step for both rural and urban resettlement. For land-based resettlement, the new site's productive potential and locational advantages should be at least equivalent to those of the old site. The Bank encourages "land for land" approaches, providing replacement land at least equivalent to the lost land. For rural settlers, irrigation, land reclamation, tree crop development, intensification of production, and other innovations often can provide adequate production potential on limited amounts of land to resettle agriculturalists, even in countries with high population densities. In selecting sites, attention must be paid to the availability of sources of off-farm income (fishing, gathering forest products, seasonal wage employment) to complement farm income. For urban resettlers, the new site should ensure comparable access to employment infrastructure, services, and production opportunities. For both rural and urban resettlement, the borrower needs to (a) develop institutional and technical arrangements for identifying and preparing relocation sites, e.g., pooling together small plots, wasteland reclamation, land leveling, and terracing; (b) draw up timetables and budgets for site preparation and transfer; © make legal arrangements for transfer titles to resettlers; and (d) consider, when necessary, a temporary freeze on land transactions within the relocation area to prevent land speculation. Though the Bank does not normally disburse against land acquisition, it can finance land improvement to accommodate resettlers.

### *Valuation of and Compensation for Lost Assets*

14. Valuation of lost assets should be made at their replacement cost. Compensation is facilitated by (a) paying special attention to the adequacy of the legal arrangements concerning land title, registration, and site occupation; (b) publicizing among people to be displaced the laws and regulations on valuation and compensation; © establishing criteria for determining the resettlement eligibility of affected households, e.g., households that have only partially lost their assets but are no longer economically viable should be entitled to full resettlement; and (d) developing mechanisms to prevent illegal encroachers and squatters, including an influx of nonresidents entering to take advantage of such benefits, from participating in the compensation arrangements, by an early record of the numbers and names of the affected populations entitled to compensation/rehabilitation.

15. Some types of loss, such as access to (a) public services; (b) customers and suppliers; and © fishing, grazing, or forest areas, cannot easily be evaluated or compensated for in monetary terms. Attempts must therefore be made to establish access to equivalent and culturally acceptable resources and earning opportunities.

16. Vulnerable groups at particular risk are indigenous people, the landless and semilandless, and households headed by females who, though displaced, may not be protected through national land compensation legislation. The resettlement plan must include land allocation or culturally acceptable

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alternative income-earning strategies to protect the livelihood of these people.

### *Land Tenure, Acquisition, and Transfer*

17. Resettlement plans should review the main land tenure and transfer systems, including common property and nontitle-based usufruct systems governed by locally recognized land allocation mechanisms. The objective is to treat customary and formal rights as equally as possible in devising compensation rules and procedures. The plan should address the issues raised by the different tenure systems found in a project area, including (a) the compensation eligibility of land-dependent populations; (b) the valuation procedures applicable to different tenure types; and (c) the grievance procedures available for disputes over land acquisition. Plans should contain provisions for conducting land surveys and regularizing land tenure in the earliest stages of project development. Planning should also anticipate the approximate time needed to acquire and transfer land.

### *Access to Training, Employment, and Credit*

18. Normally, general economic growth can not be relied upon to protect the welfare of the project-affected population. Thus, alternative employment strategies are needed for nonagricultural displaced people, or where the land that can be made available is not sufficient to accommodate all the displaced farmers. The resettlement plan should, where feasible exploit new economic activities made possible by the main investment requiring the displacement. Vocational training, employment counseling, transportation to jobs, employment in the main investment project or in resettlement activities, establishment of industries, incentives for firms to locate in the area, credit and extension for small businesses or reservoir aquaculture, and preference in public sector employment should all be considered where appropriate.

### *Shelter, Infrastructure, and Social Services*

19. To ensure the economic and social viability of the relocated communities, adequate resources should be allocated to provide shelter, infrastructure (e.g., water supply, feeder roads), and social services (e.g., schools, health care center).<sup>12</sup> Site development, engineering, and architectural designs should be prepared for shelter, infrastructure, and social services. Since community or self-built houses are often better accepted and more tailored to the resettlers' needs than contractor-built housing, provision of a building site with suitable infrastructure, model plans, building materials, technical assistance, and "construction allowances" (for income foregone while resettlers build their houses) is an option communities should be offered. Planning for shelter, infrastructure, and services should take into account population growth.

### *Environmental Protection and Management*

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<sup>12</sup> Health care services, particularly for pregnant women, infants, and the elderly, may be important during and after relocation to prevent increases in morbidity and mortality due to malnutrition, the stress of being uprooted, and the usually increased risk of water-borne diseases.

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20. The screening process for an environmental assessment (EA) normally classifies projects involving involuntary resettlement as Category A.<sup>13</sup> The EA of the main investment requiring the resettlement should thus cover the potential environmental impacts of the resettlement. The resettlement plan must be developed in coordination with the EA and define the boundaries of the relocation area, and calculate incremental population density per land unit. In agricultural projects (involving, for example, relocation to the catchment surrounding a reservoir, or to a downstream command area), if the incoming resettled population is large in relation to the host population, such environmental issues as deforestation, overgrazing, soil erosion, sanitation, and pollution are likely to become serious and plans should either include appropriate mitigating measures, including training of oustees, or else should allow for alternative sites to be selected. Urban resettlement raises other density-related issues (e.g., transportation capacity, access to potable water, sanitation systems, health facilities, etc.). Constructive environmental management, provided through the EA's mitigation plan,<sup>14</sup> may provide good opportunities and benefits to resettlers and host populations alike (e.g., project-financed compensatory afforestation not only replaces the forests submerged by reservoirs but also offers gainful employment). If the likely consequences on the environment are unacceptable, alternative and/or additional relocation sites must be found.

#### *Implementation Schedule, Monitoring, and Evaluation*

21. The timing of resettlement should be coordinated with the implementation of the main investment component of the project requiring the resettlement. All resettlement plans should include an implementation schedule for each activity covering initial baseline and preparation, actual relocation, and post-relocation economic and social activities. The plan should include a target date when the expected benefits to resettlers and hosts would be achieved.

22. Arrangements for monitoring implementation of resettlement and evaluating its impact should be developed by the borrower during project preparation and used during supervision.<sup>15</sup> Monitoring provides both a warning system for project managers and a channel for the resettlers to make known their needs and their reactions to resettlement execution. Monitoring and evaluation units should be adequately funded and staffed by specialists in resettlement. In-house monitoring by the implementing agency may need to be supplemented by independent monitors to ensure complete and objective information. Annual and midterm reviews are desirable for large-scale resettlement. The borrower should be required to continue impact evaluation for a reasonable period after all resettlement and related development activities have been completed. The borrower should also be required to inform the Bank about the findings.

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<sup>13</sup> See OD 4.00, Annex A, *Environmental Assessment*, and Annex B, *Environmental Policy for Dam and Reservoir Projects*. The environmental implications of involuntary resettlement will be further discussed under para. 6.0, "Special Issues in Environmental Assessment", in *Environmental Assessment Sourcebook*, (Washington, D.C.: The World Bank, to be issued).

<sup>14</sup> See Annex A1, para. 2, in OD 4.00, Annex A, *Environmental Assessment*.

<sup>15</sup> See OD 10.70, *Project Monitoring and Evaluation*.

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## Bank Role and Project Options

23. The Bank supports borrowers' efforts through (a) assistance in designing and assessing resettlement policy, strategies, laws, regulations, and specific plans; (b) financing technical assistance to strengthen the capacity of agencies responsible for resettlement; and © direct financing of the investment costs of resettlement. The Bank may sometimes finance resettlement even though it has not financed the main investment that made displacement and resettlement necessary (para. 26).

24. The task manager (TM) should inform the borrower of the Bank's resettlement policy. Starting early in the project cycle, the TM with the support of Bank operational, research, and legal staff should assess government policies, experiences, institutions, and the legal framework covering resettlement. In particular, the TM needs to ensure that involuntary resettlement is avoided or minimized, that laws and regulations concerning displaced people provide compensation sufficient to replace all lost assets, and that displaced persons are assisted to improve, or at least restore, their former living standards, income earning capacity, and production levels.

25. The adequacy of the resettlement plan should be reviewed by appropriate social, technical and legal experts. Resettlement specialists should visit the possible resettlement sites and review their suitability. In the case of large-scale relocation, such experts should be included in independent technical or environmental review boards.<sup>16</sup>

26. Bank financing of resettlement can be provided as follows: (a) As a component of the main investment project causing displacement and requiring resettlement. (b) If large enough, as a free-standing resettlement project with appropriate cross-conditionalities, processed and implemented in parallel with the investment project that causes the displacement. The latter approach may better focus country and Bank attention on the effective resolution of resettlement issues. © As a sector investment loan.<sup>17</sup> Where the specific resettlement needs of each subproject are not known in advance, the borrower would need to agree to resettlement policies, planning principles, institutional arrangements, and design criteria that meet Bank policy and requirements as a condition of the loan. An estimate should be provided of total population to be displaced and overall resettlement costs, as well as an evaluation of proposed resettlement sites. Subprojects in sector investment loans should be screened by the implementing agency to ensure consistency with this directive, and approved individually by the Bank. For countries with a series of operations requiring resettlement, efforts to improve the policy, institutional, and legal framework for resettlement should form part of the Bank's ongoing country and sector dialogue with the government. These efforts should be appropriately reflected in economic and sector work and in country strategy papers and briefs.

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<sup>16</sup> See OD 4.00, Annex B, *Environmental Policy for Dam and Reservoir Projects*.

<sup>17</sup> See OD 1.00, *Bank Goals and Instruments*, and OD 8.20, *Sector Investment and Maintenance Loans*, both to be issued.

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## Processing and Documentation

27. The Regional Vice President (RVP) should be kept informed of major resettlement issues, and his guidance sought where necessary. The Regional Environment Division (RED), the Legal Department (LEG), and settlement specialists in Sector Policy and Research (PRS) should be consulted or included as necessary in peer reviews on involuntary resettlement issues throughout the project cycle.

### *Identification*

28. The possibility of involuntary resettlement should be determined as early as possible and described in all project documents. The TM should (a) briefly summarize in the Initial Executive Project Summary (Initial EPS)<sup>18</sup> the magnitude, strategy, and timing of the resettlement; (b) inform borrowers of the Bank's resettlement policy; (c) review past borrower experience with similar operations; (d) invite agencies responsible for resettlement to discuss their policies, plans, and institutional, consultative, and legal arrangements for resettlement; and (e) where appropriate, ensure that technical assistance is provided early to borrowers. Such assistance should include the use of project preparation facility (PPF) resources<sup>19</sup> for planning resettlement and building institutional capacity.

### *Preparation*

29. During project preparation, the feasibility of resettlement must be established, a strategy agreed upon, the resettlement plan drafted, and budget estimates prepared.<sup>20</sup> The full costs of resettlement should be identified and included in the total cost of the main investment project, regardless of financing source. The costs of resettlement should also be treated as a charge against the economic benefits of the investment project that causes the relocation. Any net benefits to resettlers (as compared to the "without project" circumstances) should be added to the benefit stream of the main investment. While the resettlement component or free-standing project need not be economically viable on its own, it should be the least-cost approach consistent with the policies laid out above.

### *Appraisal and Negotiation*

30. Submission to the Bank of a time-bound resettlement plan and budget that conforms to Bank policy is a condition of appraisal for projects involving resettlement, except for sector investment loans as discussed

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<sup>18</sup> See Circular Op 87/03, *Procedures for Processing Investment Loans and Credits*, filed as OMS 2.00, to be reissued as OD 9.00, *Processing and Documentation for Investment Lending*.

<sup>19</sup> See OMS 2.15, *Project Preparation Facility*, to be reissued as OD 8.00, *Project Preparation Facility and Special Project Preparation Facility*.

<sup>20</sup> Detailed guidelines for preparing and appraising resettlement plans are provided in *Involuntary Resettlement in Development Projects*, World Bank Technical Paper No.80, Annex 1 (Washington, D.C.: The World Bank, 1988). Pro forma cost tables and guidelines for economic and financial analysis are provided in Annex 2.

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in para. 26. All final EPSs should confirm that this requirement has been met. The appraisal mission should ascertain (a) the extent that involuntary resettlement and human hardship will be minimized and whether borrowers can manage the process; (b) the adequacy of the plan, including the timetable and budget for resettlement and compensation; (c) the soundness of the economic and financial analysis; (d) the availability and adequacy of sites and funding for all resettlement activities; (e) the feasibility of the implementation arrangements; and (f) the extent of involvement of beneficiaries. At negotiations, the borrower and the Bank should agree on the resettlement plan. The resettlement plan and the borrower's obligation to carry it out should be reflected in the legal documents. Other necessary resettlement-related actions must be covenanted. The Staff Appraisal Report and the Memorandum and Recommendation of the President should summarize the plan and state that it meets Bank policy requirements.

### *Implementation and Supervision*

31. Resettlement components should be supervised throughout implementation.<sup>21</sup> Supervision that is sporadic or left until late in implementation invariably jeopardizes the success of resettlement. Bank supervision missions should be staffed with the requisite social, economic, and technical expertise. Annual reviews of large-scale resettlement and in-depth Bank reviews of midterm progress are highly desirable. These reviews should be planned from the outset to allow the Bank and the borrower to make necessary adjustments in project implementation. Complete recovery from resettlement can be protracted and can often make it necessary to continue Bank supervision until well after populations have been relocated, sometimes even after a project has been closed.

### *Ex Post Evaluation*

32. The project completion report<sup>22</sup> submitted to the Operations Evaluation Department should evaluate resettlement and its impact on the standards of living of the resettlers and the host population.

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<sup>21</sup> See OD 13.05, *Project Supervision*, particularly paras. 44-47.

<sup>22</sup> See the OPNSV memorandum, *Guidelines for Preparing Project Completion Reports*, June 7, 1989, and OMS 3.58, *General Guidelines for Preparing Project Completion Reports*, which are to be combined and reissued as OD 13.55, *Project Completion Reports*.

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