

**Involuntary Resettlement
Operational Policy
and Background Paper**

**Washington, D.C.
October 1998 - No. IND - 103**

This Operational Policy (OP-710) was approved by the Board of Executive Directors of the Inter-American Development Bank on July 22, 1998. Prior to its consideration by the Policy Committee of the Board starting in July of 1996, draft versions of this document were discussed with nongovernmental organizations on the occasion of the Sixth IDB-NGO Consultative Meeting on the Environment held on November 27-30, 1995, in Curitiba, Brazil, several subsequent meetings at Bank Headquarters, and via the Internet.

This policy and background document were prepared by a working group comprising A. Deruyttere (SDS/IND), team leader, J. Renshaw, E. Rojas, R. Daughters, J. Branski, M.C. Perazza, A. Solórzano, and N. Burroughs, with contributions from M. Da Cunha and C. Albertos. Additional comments were received from W. Arensberg, M. Bertrand, H. Green, M. Jeria, D. V. Martin, D. Rogers, A. Spilimbergo, J. Tejada, R. Tuazon, A. Uribe, P. Zoll, colleagues from other international institutions, and others. The document received editorial support from J. Nuñez del Arco, L. H. Thomas, M. E. Kyburz, and L. Uribe.

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Operational Policy OP-710

I. DEFINITION AND SCOPE

This policy covers any involuntary physical displacement of people caused by a Bank project. It applies to all Bank funded operations, in the public or private sector, whether Bank financing is directly channeled (as in investment loans) or administered by intermediaries (as in multiple works, time-slice or multisector credit programs). It excludes colonization schemes, as well as the settlement of refugees or victims of natural disasters.

II. OBJECTIVE

The 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.

III. PRINCIPLES

In order to achieve the overall objectives of this policy, operations which may require resettlement will be evaluated and prepared according to two fundamental principles.

1. Every effort will be made to avoid or minimize the need for involuntary resettlement. A thorough analysis of project alternatives must be carried out in order to identify solutions that are economically and technically feasible while eliminating or minimizing the need for involuntary resettlement. In examining the trade-offs between alternatives, it is important to have a reasonable estimate of the numbers of people likely to be affected, and an estimate of the costs of resettlement. Particular attention must be given to socio-cultural considerations, such as the cultural or religious significance of the land, the vulnerability of the affected population, or the availability of in-kind replacement for assets, especially when they have important intangible implications. When a large number of people or a significant portion of the affected community would be subject to relocation and/or impacts affect assets and values that are difficult to quantify and to compensate, after all other options have been explored, the alternative of not going ahead with the project should be given serious consideration.

2. When displacement is unavoidable, a resettlement plan must be prepared to ensure that the affected people receive fair and adequate compensation and rehabilitation. Compensation and rehabilitation are deemed fair and adequate when they can ensure that, within the shortest possible period of time, the resettled and host populations will:

- C achieve a minimum standard of living and access to land, natural resources, and services (such as potable water, sanitation, community infrastructure, land titling) at least equivalent to pre-resettlement levels;
- C recover all losses caused by transitional hardships;
- C experience as little disruption as possible to their social networks, opportunities for employment or production, and access to natural resources and public facilities; and
- C have access to opportunities for social and economic development.

IV. SPECIAL CONSIDERATIONS

There are certain contextual characteristics that will affect preparation of the resettlement components of a Bank operation, as follows:

1. Dimension. When the number of people to be resettled is very small (a determination that depends on the particular frame of reference and the level of disruption to the community), the affected group is not vulnerable and enjoys clear title to the assets affected, or the institutional setting and the marketplace offer reasonable opportunities for the replacement of assets or income, and intangible factors are not significant, a resettlement plan as such may not need to be prepared. In such cases, it may be possible to address relocation prior to project advancement through mutually agreed contractual covenants.

2. Relocation as a Project Objective. When the primary objective of an operation is to move people from areas that are unfit for human habitation or, as in urban upgrading projects, to provide basic infrastructure or resolve problems of land tenure, the guiding principle will be to minimize disruption to the affected population. The views of the affected population will be taken into account in the design and execution of the resettlement plan, and where feasible, voluntary procedures will be established to determine which households will be relocated. The plan will also ensure that those who are displaced will have access to equivalent or better employment opportunities and urban services.

3. Impoverishment Risk Analysis. When the baseline information indicates that a significant number of the persons to be resettled belong to marginal or low-income groups, special consideration will be given to the risks of impoverishment to which they may be exposed as a result of resettlement. Impoverishment can occur through any of the following six means:

- C loss of housing, land, access to common property or other rights to real property due to lack of clear title, economic pressure or other factors;
- C loss of employment;
- C loss of access to means of production;
- C food insecurity, increased morbidity and mortality;
- C disarticulation of social networks; and
- C loss of access to education.

A detailed analysis will be carried out at the earliest opportunity, covering gender, ethnicity, income and other socioeconomic factors, in order to determine the risks and design preventive measures to minimize them. In this context, cash compensation will only be offered as an option if the social and economic conditions of the affected population, the institutional setting and housing market, or the complementary services included in the resettlement plan, are such as to ensure that it can be invested in a manner that will restore the affected population's standard of living.

4. Indigenous Communities. Those indigenous and other low-income ethnic minority communities whose identity is based on the territory they have traditionally occupied are particularly vulnerable to the disruptive and impoverishing effects of resettlement. They often lack formal property rights to the areas on which they depend for their subsistence, and find themselves at a disadvantage in pressing their claims for compensation and rehabilitation. The Bank will, therefore, only support operations that involve the displacement of indigenous communities or other low-income ethnic minority communities in rural areas, if the Bank can ascertain that:

- C the resettlement component will result in direct benefits to the affected community relative to their prior situation;
- C customary rights will be fully recognized and fairly compensated;
- C compensation options will include land-based resettlement; and
- C the people affected have given their informed consent to the resettlement and compensation measures.

5. Global and Sector Loans. In certain types of Bank operations, where the universe of physical infrastructure investments is not specifically identified prior to project approval, it is not possible to include the preparation of the resettlement plan (s) in the preparation of the project itself. Nevertheless, it is necessary to include in these operations, provisions designed to ensure that any resettlement eventually required is carried out in accordance with Bank policies and guidelines, as follows:

i. Global Loans. When a global operation (such as global credit, multiple works, time-slice, social investment funds, municipal development) provides funding through intermediary agencies for subprojects that are not identified *ex-ante*, it is not possible to prepare resettlement plans ahead of time. Likely resettlement impacts will be identified through the analysis of a sample of projects and through generic considerations regarding the types of projects expected to be financed, and will be addressed in accordance with the involuntary resettlement guidelines. When resettlement is identified as a potential impact, an analysis of the local legal and institutional framework will be carried out so that appropriate execution mechanisms can be identified and developed. The operational regulations will include procedures to identify any projects that might entail resettlement, and to apply requirements that comply with the Bank's policy and guidelines with respect to involuntary resettlement.

ii. Sector Loans. Some sector loans are designed to promote growth and investment in sectors that require building infrastructure that is likely to cause involuntary resettlement (such as transportation, electricity generation, water and sewage, among others). In those cases identified above where sector loans include initiatives to strengthen institutional capacity and reform the regulatory framework, adequate provisions for sound resettlement practices will be promoted.

6. Temporary Resettlement. When a project requires the temporary relocation of people, the resettlement activities will be subject to considerations and criteria that are consistent with this policy while taking into account the temporary nature of the displacement. The objective continues to be to minimize disruption to the affected population. Special consideration will be given to avoiding irreversible negative impacts (such as permanent loss of employment), providing satisfactory temporary services, and, where appropriate, compensating for transitional hardships.

V. CRITERIA FOR DESIGN AND APPRAISAL OF THE RESETTLEMENT PLAN

Once a conclusion has been reached that: (i) a project alternative that includes a resettlement component is the most desirable means to achieve project objectives; and (ii) a full resettlement plan is required, the following criteria will apply:

1. Baseline Information. Accurate baseline information must be compiled as early as possible. It will include information on the number of people to be resettled, and on their socioeconomic and cultural characteristics, including disaggregation by gender. In addition, the data will provide an important basis for the definition of eligibility criteria, and compensation and rehabilitation requirements.

2. Community Participation. The resettlement plan will include the results of consultations carried out in a timely and socio-culturally appropriate manner with a representative cross-section of the displaced and host communities. Consultations will take place during the design phase and will continue throughout the execution and monitoring of the plan, directly or through representative institutions and community organizations. Care will be taken to identify the most vulnerable subgroups and to ensure that their interests are adequately represented in this process.

3. Compensation and Rehabilitation Package. Compensation and rehabilitation options must provide a fair replacement value for assets lost, and the necessary means to restore subsistence and income, to reconstruct the social networks that support production, services and mutual assistance, and to compensate for transitional hardships (such as crop losses, moving costs, interruption or loss of employment, lost income, among others). These measures must be taken in a timely manner to ensure that transitional hardships are not unnecessarily prolonged and do not result in irreparable harm. The options that are offered should be appropriate for the people affected, and should reflect their capabilities and realistic aspirations. The compensation and rehabilitation package must take adequate account of intangible assets, especially nonmonetary social and cultural assets and, particularly in the case of rural populations, of customary rights to land and natural resources. Housing and service options, when included, will be appropriate for the social and cultural context and will, at the very least, meet minimum standards of shelter and access to basic services, regardless of conditions prior to resettlement. The design of compensation packages, as well as the community consultation and decision making mechanisms included in the resettlement program, will take into account the characteristics of the resettled population as identified in the disaggregated baseline data with respect to gender, ethnicity, age, and any other factors pointing to special needs and/or vulnerability.

4. Legal and Institutional Framework. The resettlement plan must identify the legal and institutional context within which the compensation and rehabilitation measures have to be implemented. The first step in designing the compensation and rehabilitation package is to determine the entitlements of affected persons under applicable laws and regulations, to identify any services or social benefits to which they might have access, and to ensure that sufficient resources are available. The next step is to assess what additional measures are needed, if any, to restore the livelihoods of the affected population to the pre-resettlement standard, and to design mechanisms capable of delivering the goods or services that are needed, including effective and expeditious procedures for the resolution of disputes. This allows the compensation and rehabilitation package to work within the constraints of local laws and institutions, complementing them only as required, with project specific measures. This may lead to the identification of gaps in the local institutional and regulatory frameworks that need not be incorporated into the resettlement plan, but which can eventually be addressed through institutional strengthening or other components if the borrower and the Bank so agree.

5. Environment. Resettlement plans must take environmental considerations into account in order to prevent or mitigate any impacts that result from the development of infrastructure, densification of the host area, or pressure on natural resources and ecologically sensitive areas. An environmental impact assessment, including carrying capacity and induced socioeconomic impacts on the host community, will be carried out for each proposed relocation site, wherever the magnitude of the resettlement component or the nature of the affected areas so requires, and the environmental management plan will be included in the resettlement plan.

6. Timeliness. A preliminary resettlement plan must be prepared as part of the Environmental and Social Impact Assessment (EIA). It must undergo a process of meaningful consultation with the affected population, and must be available as part of the EIA, prior to the analysis mission. It must include sufficient information to be evaluated along with other project components. At a minimum, it must include:

- C evidence that appropriate measures have been taken to prevent new settlements in the area subject to resettlement;
- C a tentative cut-off date for compensation eligibility;
- C an estimate of the number of people to be resettled based on sufficiently reliable data;
- C a definition of the various options to be made available under the compensation and rehabilitation package;
- C an estimate of the number of people that will be eligible for each option;
- C a preliminary budget and schedule of execution;
- C a diagnosis of the viability of the regulatory and institutional framework, identifying issues to be resolved; and
- C evidence of consultation with the affected populations. The plan will be summarized in the Environmental and Social Impact Report (ESIR).

A final resettlement plan will be presented for approval to Bank Management, as a supplement to the ESIR, prior to distribution of the operation documents for consideration by the Board of Executive Directors. The final plan must contain:

- C the definition of the final package of compensation and rehabilitation options;
- C the eligibility criteria for each option;
- C a reasonably accurate estimate of the number of people that will receive each option or combination;
- C institutional arrangements and/or an execution mechanism that provides for the implementation of applicable local laws and regulations dealing with expropriation, rights to property, and the management of resettlement activities in a timely manner, assigns clear responsibilities for the execution of all elements of the resettlement plan, and provides for proper coordination with other project components;
- C the final budget funded within the overall project budget;
- C a calendar for execution of activities required to provide the goods and services that comprise the compensation and rehabilitation package, linked to landmarks of the overall project so that relocation sites (or other services) are made available in a timely manner;
- C provisions for consultation and involvement of local entities (public or private) that can contribute to execution and assume responsibility for the operation and maintenance of programs and infrastructure;
- C provisions for monitoring and evaluation, including funding, from the beginning of the execution period through the target date for achievement of full rehabilitation of the resettled communities;
- C provision for participatory supervisory arrangements, which combined with monitoring, can be used as a warning system to identify and correct problems during execution; and
- C a mechanism for the settlement of disputes regarding land, compensation and any other aspects of the plan.

7. Monitoring and Evaluation. The resettlement component of an operation must be fully and specifically covered in the reports on the progress of the overall project, and included in the logical framework of the operation. The monitoring activities will focus on compliance with the resettlement plan in terms of the social and economic conditions achieved or maintained in the resettled and host communities. The plan and the loan agreement will specify the monitoring and evaluation requirements and their timing. Whenever possible, qualitative and quantitative indicators will be included as benchmarks to evaluate those conditions at critical time intervals related to the progress of overall project execution. The final evaluation will be scheduled at a target date estimated for completion of the plan, defined as the date on which it is expected that the living standards the plan was designed to provide are achieved. In the case of global loans, the operational regulations will require Bank approval of the resettlement plan before a commitment is made to finance any subproject requiring resettlement. In all cases, independent supervision and multidisciplinary evaluation will be provided

to the extent required by the complexity of the respective resettlement plan.

VI. COORDINATION WITH OTHER BANK POLICIES AND GUIDELINES

The application of this policy will be facilitated by comprehensive operational guidelines on involuntary resettlement to be issued by Management. It will also be applied in a manner that is consistent with all relevant Bank policies and guidelines. Some references include the Policies on Project Preparation, Evaluation and Approval (OP-302), Urban Development and Housing (OP-751), Disclosure of Information (OP-102), Women in Development (OP-761), and Environment (OP-703), among others.

Background Paper

I. Introduction

This background paper addresses key issues relating to the conceptualization, design, preparation, execution, monitoring, and evaluation of the resettlement component in Bank-financed projects, drawing on the Bank's experience with involuntary resettlement as well as lessons learned by other development agencies. In addition to providing background information on the proposed Policy on Involuntary Resettlement, it addresses the issues raised by the Board of Directors during the discussion of the Policy Profile (GN-1936, July 2, 1996). The proposed policy is in accordance with the Eighth Replenishment's general mandate on poverty reduction and social equity, and its specific mandate on involuntary resettlement, and it is designed to help in systematizing and strengthening Bank practice in this important area.

The resettlement of a significant number of people to a different location can cause "profound economic and cultural disruption to the individuals affected as well as to the social fabric of local communities" (Cernea, 1988). This can expose them to the risk of temporary or permanent impoverishment, especially when those affected are already poor or vulnerable. These risks and losses occur even when resettlement is an objective of a project, as in urban development or upgrading projects. Moreover, these impacts are not only limited to those who are physically moved and resettled, but may also affect the host population and have a ripple effect in a broader area as a result of the loss or disruption of economic opportunities, services, and infrastructure.

The Bank's projects may directly or indirectly affect or influence patterns of urban and rural occupation and settlement that occur voluntarily. They may even support local efforts that are related to colonization schemes or to providing services for refugees or victims of natural disasters on an emergency basis. Nevertheless, the present policy is designed to cover only those cases where a Bank operation creates or contributes to conditions that disrupt the livelihood of a group of people to such an extent that their only option is to relocate (see Table A of the Annex for a typology of both voluntary and involuntary resettlement that may occur in Bank-financed projects)¹.

The management of involuntary resettlement is complex and requires consideration not only of the number of people affected, but also of the severity of the consequences. If these issues are not adequately handled they can substantially affect the economic and social results of a development project². In order to ensure that these issues are adequately addressed, clear policy principles must be established that should be complemented by more detailed operational guidelines that describe the measures to be taken at each stage of the project cycle.

It is envisaged that a policy statement from the Board of Directors will:

- C define the Bank's objectives in respect of involuntary resettlement;
- C define the scope and criteria for Bank action in those projects that cause resettlement;

¹Voluntary urban and rural settlement programs are addressed in the context of the Bank's rural and urban development policies and strategies.

²World Bank (1990); see also IDB (1985, 1988, and 1991).

- C provide a framework for systematic monitoring and evaluation of involuntary resettlement resulting from Bank projects; and
- C support dialogue between Management and borrowers on the activities and investments that must be incorporated into projects that cause involuntary resettlement.

The policy therefore sets out the principles that should govern the Bank's approach to resettlement in order to mitigate, when it is not possible to

prevent, the economic and social hardships created by projects aimed at achieving development objectives for the benefit of the wider community, but adversely affecting certain people's economic activities and way of life.

The operational implications for the design and implementation of resettlement plans are addressed in the draft operational guidelines, which will be finalized to complement the policy as approved by the Board of Executive Directors.

II. The Bank's Policy Framework

The Bank has taken several operational and technical measures to address resettlement issues in its operations. Its first effort to systematically address resettlement issues in an operational context was made in 1984 with the approval and use of check lists, by sector, of the social and cultural factors that had to be considered in the preparation, analysis, and execution of Bank financed projects in order to maximize the projects' positive effects and prevent or mitigate any adverse impacts. The check list for the hydropower sector gave extensive consideration to involuntary resettlement.

This was followed, in June 1990, by the adoption by the Bank's Environment Committee of the "Strategies and Procedures on Socio-cultural Issues as Related to the Environment," which provided a framework for the review of the resettlement aspects of Bank operations and for the implementation of several basic principles, which included:

- C considering alternatives prior to proceeding with any operation involving resettlement;
- C making the relocation component part of overall project design, execution schedule and budget, and basing it on quality baseline studies of the economic and socio-cultural characteristics, and on the needs and aspirations of the affected population;
- C defining institutional responsibilities with care and ensuring the necessary institutional viability and expertise;
- C emphasizing the importance of community consultation and participation;
- C providing a comprehensive compensation and rehabilitation package aimed at restoring or improving the socioeconomic well-being of the new communities; and
- C recognizing and protecting the special rights and needs of indigenous communities.

These principles were reaffirmed in the Bank's Eighth Replenishment (AB-1704, para. 2.44[g]), approved in 1994, which 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."

Since 1991, draft guidelines on involuntary resettlement, that draw upon the Bank's 1990 "Strategies and Procedures on Socio-Cultural Issues as related to the Environment," as well as the standards and best practices of the World Bank and other international organizations, have served as a resource for staff and borrowers and as a reference for the Environment Committee in its

quality enhancement role³. These guidelines have since been updated by the Indigenous Peoples and Community Development Unit (SDS/IND) to reflect current research and practice on resettlement issues. Approval of the proposed policy would provide an objective and transparent statement of minimum acceptable standards, and would allow the guidelines to be finalized and issued by the Committee on Environmental and Social Impact (CESI).

³As of January 1, 1997, the Environment Committee (CMA) has been replaced by the Committee on Environmental and Social Impact (CESI) to reflect the broader scope and revised procedures of this interdepartmental body.

III. The Experience of Multilateral Development Banks

A. THE IDB

Since 1970, at least 120 Bank projects have involved or are expected to involve involuntary resettlement. Of these, 54 projects have been completed, 56 are in execution, and 10 are in the pipeline⁴. A review of the recently established database of Bank projects involving involuntary resettlement reveals that although there is not much detailed information available in the Bank regarding the design, implementation and outcomes of the resettlement components, some significant conclusions can be drawn regarding prevalence, magnitude, and sectoral distribution of resettlement and the existence of resettlement plans.

Information on the **number of people** affected is available for 75 of these projects, involving a total of over 650,000 people, of whom some 480,000 are affected by the projects presently in execution. However, considering that there is no information available for the remaining 45 projects, the total number of people affected may be much higher (Table 1).

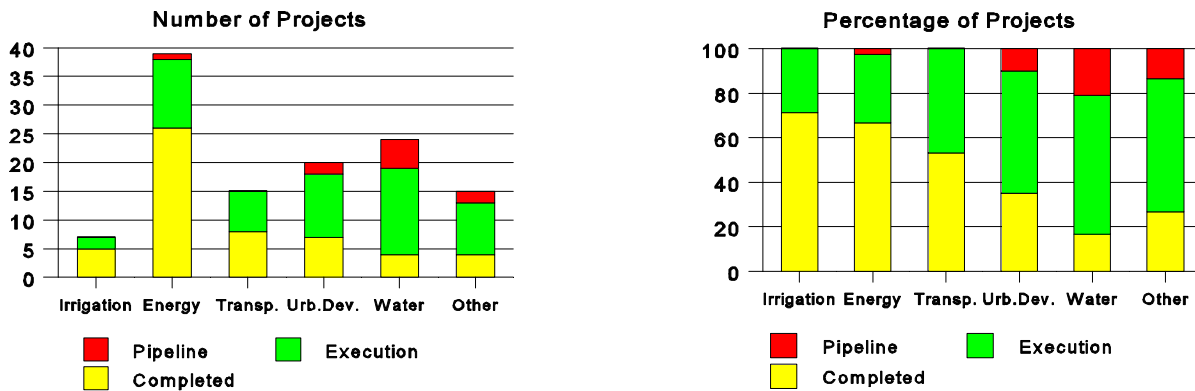
Table 1. Number of People Affected

Project Status	Number of Projects	Number of People Affected	Projects with Information		Projects with no Information Available	
			Number	Percentage	Number	Percentage
Completed projects	54	145,004	26	48%	28	52%
Projects in execution	56	483,105	45	80%	11	20%
Projects in the pipeline	10	25,189	4	40%	6	60%
Total	120	653,298	75	62%	45	38%

⁴As of December 1997.

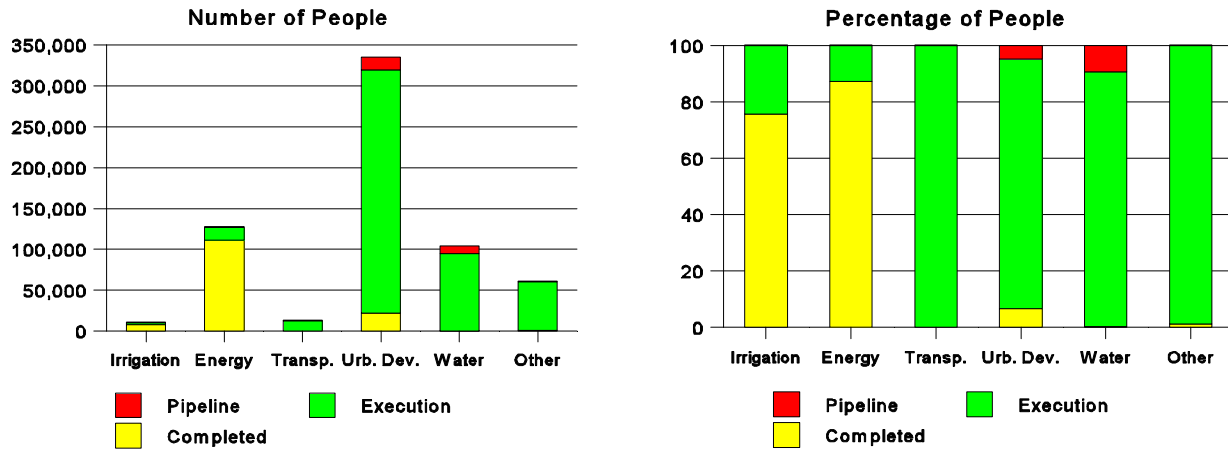
A review of the Bank’s projects involving involuntary resettlement shows that resettlement occurs in different **sectors and types of operations**. The sectors in which there has been most resettlement are energy, especially hydroelectric schemes; urban development, particularly sites and services projects for urban marginal communities; transportation, including the construction of major highways and multiple works road programs; water and sanitation; and irrigation. Involuntary resettlement has also occurred in a small number of projects in other sectors, including tourism, industry, environmental programs and social investment funds. One of the most significant trends is the progressive increase in the percentage of urban infrastructure projects, including water supply and sanitation and urban development (Figure 1). Only 8% of completed projects involving resettlement were in the water supply and sewerage sector, compared with 27% of the projects in execution and 50% of the projects in the pipeline.

Figure 1
Projects with Resettlement Component,
by Sector and Project Status



This tendency is even more pronounced in terms of the number of people affected by urban development projects. This sector accounts for 15% of the people affected by completed projects, as compared with 62% of the people affected by projects in execution. Conversely, there has been a decrease in the number of energy and irrigation projects and in the number of people affected by projects in these sectors (Figure 2).

Figure 2
Resettlement Affected People,
by Sector and Project Status

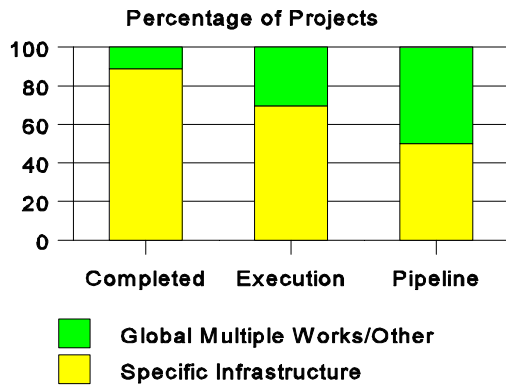


These trends are reflected in the increased importance of resettlement projects in urban areas. In the completed projects, 14% of the people affected were from urban areas, rising to 81% in the projects in execution, and to 100% in the projects in the pipeline. In the completed projects, 34% of the people affected were from exclusively rural areas. This compares with 1% in the projects in execution, and none of the projects in the pipeline. The rest of the population was from mixed urban and rural areas, or the documentation was insufficient (Table B, Annex)⁵.

In the past, virtually all involuntary resettlement occurred in specific infrastructure projects in which resettlement components could be planned in advance. In contrast, nowadays, many Bank-financed projects that involve involuntary resettlement are global multiple works or time-slice operations in which resettlement components cannot always be prepared in the early stages of the project (Figure 3).

⁵Four urban development projects in Chile that affected a large number of people and had significant social impacts have not been included in the analysis because of doubt as to whether they can be classified as involuntary. In all of these, resettlement was the result of upgrading living conditions in marginal settlements where there were potential risks of flooding or landslides.

Figure 3
Projects with Resettlement Component,
by Loan Type and Project Status



The **socioeconomic profile** of the people affected by Bank projects is not well documented. For 39% of the completed projects and 57% of the projects in execution there is no information available on the employment profile of the displaced; 87% of the completed projects and 80% of the projects in execution lack information on the socio-cultural characteristics of the people affected. The information available shows that the people affected by resettlement projects are generally from low-income groups and are employed in subsistence agriculture, fishing, mining, industry, commerce, and service activities. Most of the people affected by completed projects were small farmers or landless laborers, while the majority of the people affected by projects presently in execution live in marginal urban settings, characterized by high unemployment rates and a marked dependence on the informal sector.

The **countrywide distribution** of involuntary resettlement projects has also changed over time. At present, 50% of the resettlement projects in the pipeline are in group A countries, as against 55% of the projects in execution, and 31% for the completed projects (Table C, Annex). In terms of population, 85% of the people affected by projects in execution are from group A countries, as against 69% of the people that were affected by projects already completed (Table D, Annex).

A review of the 54 completed projects shows that resettlement was the subject of contractual conditions in almost half of the cases. Twenty five completed projects had documented evidence of a **resettlement plan**; 14 projects had no resettlement plan, and in the remaining 15 cases it was unclear whether a resettlement plan was ever prepared (Figure 4). Thirteen of the 25 documented projects with a resettlement plan did not have sufficient information available to permit an assessment of the quality of the resettlement plan, 5 were considered acceptable by the Bank, and the remaining 7 were considered to be inadequate as defined by the proposed policy. The deficiencies documented included a weak conceptual basis, poor coordination with the project causing the displacement, lack of consultation with and participation of the people affected, poor baseline information, leading to an underestimate of the people affected and an inadequate budget for resettlement, little attention to rehabilitation measures, and an inappropriate legal or institutional framework. In only 2 of the 25 completed projects with a resettlement plan is there evidence that the affected community was consulted and participated in the design.

Of the 56 projects in execution, 38 developed (or were required to develop) a resettlement plan while in 11 projects a resettlement plan was not prepared, either because it was not a contractual condition, or because

resettlement activities were limited to the payment of compensation. In the remaining 7 projects, it is unclear whether a resettlement plan was ever prepared (Figure 5). This indicates that in recent years there has been an important trend towards the improvement in the preparation of resettlement components, as evidenced by the number of required resettlement plans. However, for a significant number of projects there is insufficient information as to whether or not a resettlement plan was required.

Figure 4
Resettlement Plan in Completed Projects

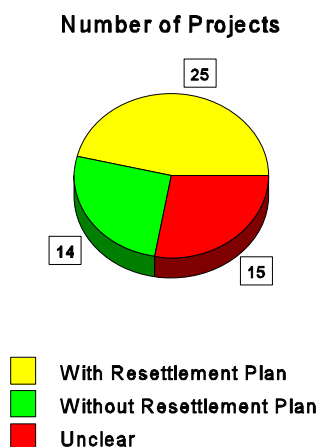
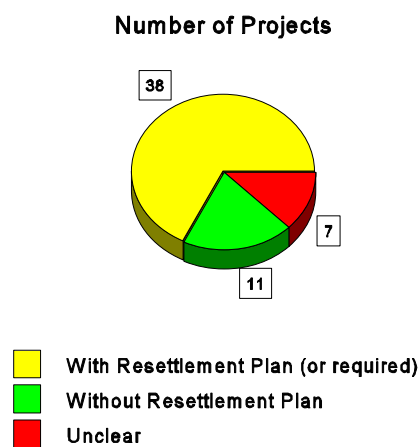


Figure 5
Resettlement Plan in Projects in Execution



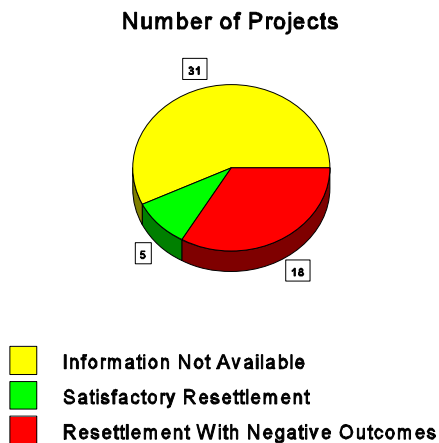
There is no information available on the level of **participation** of the affected community in 26% of the completed projects and 25% of the projects in execution. The available documentation shows diverse degrees of participation, ranging from dissemination of information to consultations and negotiations on the conditions for resettlement. Some examples taken from both completed projects and projects in execution indicate that:

- C the affected people were informed through special meetings or the resettlement plan was circulated among the affected population;
- C adequate mechanisms such as committees were created or reinforced to provide a space for permanent dialogue;
- C consultations were held with community leaders but there is no information about either the quality of the consultations or the outcomes;
- C participation was limited to a choice between two given options;
- C the community chose their resettlement site and approved designs for community buildings and housing units; and
- C opinions of the affected people were taken into account and the final formulation of resettlement solutions was adjusted in accordance with the results of the consultations.

In spite of incomplete information, it can be inferred that there has been a progressive improvement in the participation of the affected community. While community participation in decision making was present in 30% of the completed projects, it is now present in 68% of the projects in execution (Table E, Annex).

The **implementation** of resettlement was documented in 42 of the completed projects. In 14 cases resettlement was reported to have been satisfactory, while in 28 projects there were problems. The problems most frequently identified were cost overruns, delays in project execution or in the resettlement component, and an increase in social conflict (Table F, Annex).

Figure 6
Impact of Resettlement in
Completed Projects



There was no information available on the **impact** of resettlement on the affected population in 31 of the completed projects. In only 5 of the 23 completed projects where the impact of resettlement was documented was the outcome described as satisfactory, with the living conditions of the displaced being restored or improved. In the remaining 18 projects, the impact on the affected population has been reported as negative, with long term outcomes that included downward social mobility and the collapse of the communities' socioeconomic networks (Figure 6) (Table G, Annex).

In conclusion, the review of the database of Bank projects involving involuntary resettlement reveals that the majority of the people affected are generally from low-income groups and that most of the projects involving involuntary resettlement are in group A countries. In addition, the analysis shows:

- C a significant growth in the number of urban infrastructure and upgrading projects in the Bank's portfolio, thus increasing the proportion of urban versus rural resettlement;
- C a gradual shift in the types of loans from specific to global multiple works, sector loans, and time-slice operations;
- C a scarcity of information on involuntary resettlement components in Bank projects; and
- C a progressive improvement in both the preparation of resettlement and the level of participation of the affected community, although for projects in execution there is still a significant number of projects involving involuntary resettlement for which no resettlement plan was required.

These findings highlight the need for improvements in the planning and implementation of resettlement components and underscore the importance of developing a more systematic approach to the documentation of monitoring and evaluation of resettlement activities.

This is supported by studies carried out in 1985 by the former Operations Evaluation Office (OEO), which evaluated the experience of six projects involving resettlement that were financed by the Bank⁶. The conclusions of the summary review pointed to:

- C the need to avoid social conflicts, delays and cost overruns that can occur when resettlement components are not adequately prepared or implemented;
- C the need to prepare detailed resettlement plans based on in-depth diagnostic studies;
- C the inappropriateness of cash payments as the sole means of compensation;
- C the need to include resettlement costs in overall project financing; and
- C the importance of providing economic rehabilitation measures.

This supports the need for a resettlement policy that takes into consideration the lessons learned, and provides for the systematic application of basic principles that are consistent with the policies currently in effect at other international organizations.

B. OTHER INSTITUTIONS

The World Bank, as well as the Organization for Economic Cooperation and Development, the Asian Development Bank, the United Nations Centre for Human Settlements (HABITAT), and the United Nations Food and Agriculture Organization have all adopted resettlement policies based on a review of past experiences. A study of involuntary resettlement in World Bank operations has identified problems similar to those encountered by the IDB (Cernea, 1988). The study found that resettlement components failed to restore, let alone improve, the social and economic well-being of the displaced population, primarily because of the failure to treat the resettlement component as an integral part of the overall project. As a result, there was a poor design of the resettlement component, a failure to understand the political, cultural and economic complexities of resettlement, and inadequate provision of financial and institutional resources. The World Bank study concluded that:

- C detailed planning and preparation should be carried out by the borrower prior to appraisal of the main project;
- C socially and economically viable options were needed to restore the productive capacity of displaced populations through project-financed land and employment strategies; and
- C the implementation of resettlement operations should be supervised regularly, professionally and firmly in order to help executing agencies comply with the World Bank's policies and the loan agreement covenants.

⁶ GN-1551 Inter-American Development Bank. *Summary of Evaluations of Hydroelectric Projects*. December 1985. This summary document is based on 6 case studies: PPR-09/82; PPR-15/87; OER-40/84; PPR-18/84; OER-41/84; and OER-42/84. Another case study was carried out by the Operation and Evaluation Office in June 1988: OEO-56/88, Inter-American Development Bank. *Ex-Post Evaluation of Buenaventura Integrated Urban Development Project: Housing and Relocation Sub-Project*.

IV. Key Issues

The following issues need to be addressed in a formal policy statement on resettlement:

- C the need to fully explore all alternatives in order to minimize or avert the need for resettlement;
- C a clear statement of the scope of application of the Bank's requirements;
- C measures to prevent the impoverishment of the affected population;
- C steps to ensure that the people affected by a project are involved in preparing a resettlement plan that responds to their needs and capabilities;
- C the need to address specific issues related to indigenous communities and women ⁷; and
- C the need to design compensation and rehabilitation packages that are consistent with local laws, that restore living standards without distorting local markets, and that avoid negative impacts on the environment.

In addition, the policy will address some of the operational procedures and institutional arrangements necessary to implement a sound resettlement plan.

A. AVOIDING RESETTLEMENT OR MINIMIZING ITS MAGNITUDE

The literature on resettlement as well as the Bank's own experience show that resettlement is a complex, costly and risky activity, that often fails to restore, let alone improve, the socioeconomic conditions of the displaced population (Suarez et al, 1984). Moreover, it is often difficult to measure the full social and economic costs of resettlement in economic terms. Therefore, wherever possible, resettlement should be avoided or reduced to a minimum. This requires that serious consideration be given to all alternative sites or designs that would avoid resettlement or that would minimize the number of persons affected. After all other options have been explored, another alternative that should be evaluated is that of not pursuing the project at all.

It is a fundamental principle that the displaced population should not be made to subsidize a project, especially as experience shows that it is often the poorest and most vulnerable sectors of the population that are affected (Mahatrapa, 1991). This can be seen in the case of hydropower projects, which tend to be located in remote areas though they generate electricity for the benefit of consumers living in large urban centers. The situation is more complex in urban development and transportation projects, where the affected population may also receive some direct benefits of the project. In both situations, however, the calculation of the net benefits of the project should internalize the cost of the compensation and rehabilitation measures, as well as the value of any intangible or unmitigated losses. The net benefits to the resettled population should also be included in the benefit stream of the overall project. This requires enough information to make reasonable estimates in these areas, that in turn demands a high level of planning and preparation. This can be supported through technical assistance instruments, including the Project Preparation Facility.

The "no project" scenario must be given serious consideration, especially if the trade-off between the project

⁷The operational guidelines address in more detail the specific needs of the elderly.

benefits and the cost of resettlement exceeds an acceptable level, or if the affected population is particularly vulnerable. The vulnerability of indigenous communities, who usually have particularly close ties to their land and who lack influence over the decisions taken at a regional or national level, makes it unlikely that their resettlement would be a viable option (see E. Indigenous Communities). In the case of projects that affect traditional land-based communities, the project proponents would have to demonstrate that:

- C the project is indispensable for the sound development of the area and cannot be redesigned to avoid relocating the community;
- C there are land-for-land options that can offer similar living conditions; and
- C the members of the community are willing to consider a package of social services and support programs that would enable them to re-establish themselves in a new setting.

B. SCOPE OF THE POLICY

A Definition of “Project Affected Persons”

The scope of the policy is defined to avoid prejudging who is “entitled” to receive compensation, rehabilitation, or both, under a resettlement plan. This is done by referring to project affected persons as those who are “displaced” and to the activities of relocating and rehabilitating them as “resettlement.” The determination of eligibility for the benefits of a resettlement plan is a complex matter that has to be addressed in the context of each project, taking into account the nature of the losses suffered (homes, land, employment, access to common resources, disruption of social, commercial and cultural networks). It is essential to have fair, equitable and easily comprehensible definitions of the eligibility criteria that take these losses into account. The criteria should address the issues of cut-off dates for compensation eligibility, definition of ownership or possession rights, and a definition of the “household” and household’s rights that takes full account of potential gender issues. These issues are dealt with in more detail in the operational guidelines on involuntary resettlement.

Types of Operations

The proposed policy would apply to all Bank operations, regardless of their structure, source or type of financing. This includes private sector operations, multiple works, credit lines through lending intermediaries and, where relevant, time-slice programs and sector loans.

Private sector operations present some special challenges, because of the shorter cycle of Bank approval and the more complex relations between the private sector sponsor and the agencies directly responsible for resettlement. Such projects may require special side agreements between the Bank, the sponsor, and agencies from the public sector. The principle that a project should internalize the cost of compensation and rehabilitation of those people affected by a project is one that applies equally to projects in the private sector, and the costs associated with resettlement should be fully included in the economic and financial analysis of the project.

In the case of multiple works projects, sector loans, and certain time-slice operations, application of the policy requires agreement between the Bank and the borrower on procedures to ensure that involuntary resettlement is kept to a minimum, to identify those people who are affected, and to design appropriate mitigatory measures. In these operations, the institutional and financial responsibilities should be clarified, and sufficient funds

should be available, if possible within the loan, to ensure that resettlement issues can be addressed equitably at the local level. Since one of the wider objectives of the policy would be to help create a climate in which the fair treatment of project affected persons becomes the norm for all private and public sector projects, regardless of whether or not they are financed by the Bank, it may be appropriate in some cases to consider support for reforms to local legislation and regulations in order to improve the framework for addressing resettlement issues. In some cases the Bank may be able to use technical cooperation facilities to review and prepare draft legislation. This would also help to prevent the disruption, cost overruns and economic distortions caused by resettlement in other projects not financed by the Bank.

Voluntary Versus Involuntary Resettlement

While recognizing that all uprooted communities face similar losses and challenges, the scope of this policy is limited to the displacement and resettlement that result from planned development and that is involuntary, even though it may be ultimately desirable, as in the case of those urban development projects that move people away from areas that are dangerous or unfit for human settlement. This policy does not apply to rural colonization schemes, which are largely voluntary and tend to be undertaken by individuals or groups who are willing to confront the challenges of relocation. It also excludes the relocation of refugees and victims of natural disasters, who are displaced by sudden and often unpredictable events, which offer little opportunity for consultation and planning, rather than by deliberately planned development initiatives that allow for resettlement to be addressed in project design (see Table A of the Annex for the resettlement typology).

Urban and Rural Resettlement

The proposed policy applies to involuntary resettlement in both urban and rural areas. As indicated in the first section, within the Bank's portfolio involuntary resettlement is increasingly an urban phenomenon. Resettlement can pose specific problems in urban settings. In cities, location is an essential factor in allowing low-income populations access to employment, utilities and the urban services provided by the public sector. When it is necessary to relocate people from hazardous areas, like those subject to flooding, landslides or high levels of pollution, or from areas affected by the execution of public works, cost considerations often favor resettlement on land situated on the urban periphery. This often cuts the population off from their source of income and services, and risks further impoverishing the population affected. Avoidance of these undesirable side effects becomes a central concern of urban resettlement programs, and may lead to complex rehabilitation packages, involving the provision of serviced land, minimal housing, and the reconstruction of the social, economic and service networks.

In general, however, low-income urban populations are better able to respond to changes in their patterns of housing and employment and they may be willing to accept a wider range of alternatives, provided that these changes do not lead to further impoverishment or to a decline in their standards of housing and service provision. In areas of traditional rural settlement, on the other hand, the poor often have a limited range of skills and may be less able or willing to take advantage of new economic opportunities outside the agricultural sector. Basic needs are largely met through subsistence agriculture and the exploitation of forests, pasture lands and rivers, over which the population has some generally accepted rights of usufruct, and the economy is often based on a complex network of kinship and social ties, which may be difficult to replicate in a new setting. Customary rights to land and natural resources are a major issue in traditional rural settings and, as there is often no developed market for agricultural land, it may be necessary to provide land to replace the land that is lost, rather than offering cash as compensation. In addition, resettlement plans need to consider ways to maintain the sense of community, while widening the range of economic opportunities available to the

population.

C. AVOIDING IMPOVERISHMENT

Usually resettlement adversely affects the poorest and most vulnerable groups, such as urban squatters or smallholder farmers who lack legal title to their lands. They are the ones that should be the primary focus of resettlement programs, in as much as the limitations in the laws and regulations governing expropriation and compensation often make it difficult for them to replace their lost assets and opportunities. In addition, their lack of formal education often puts them at a disadvantage in dealing with the authorities, with the result that their claims may be ignored, leading to further impoverishment.

People who are neither poor nor vulnerable, and who enjoy formal title to their assets are less likely to be negatively affected by resettlement. Local expropriation procedures usually offer adequate compensation for their lost or impaired assets, provided suitable valuation methodologies are applied and effective appeal mechanisms are available. When compensation is adequate, these persons are likely to move before they are displaced by the project. They replace their assets, services or sources of income through the market place.

There are a number of factors that can lead to the impoverishment of the resettled population (Cernea, 1996). First and foremost is the risk of **losing access to shelter or land**. This is especially the case of squatters, who have no formal property rights, but for whom usufruct rights are fundamental. In some cases displacement may interrupt the continuity of occupation of a site that would eventually have resulted in entitlement to legal rights. Unless the people affected are provided with a place to live, and, in the case of rural areas, with either enough land for subsistence production or stable employment, it is likely that they will become destitute. Smallholders can also be pushed below subsistence level by reductions in the size or quality of their holdings, as can low-income groups that are unable to find in-kind replacement for their housing due to the escalation of land values. Common access to areas for grazing, gathering firewood and forest products or fishing, may also represent a significant element in the overall subsistence strategy.

The second risk is **loss of employment**. In rural areas small landholders, tenant farmers, sharecroppers and agricultural laborers are particularly vulnerable, as they rarely have skills that can be applied outside the agricultural sector. In urban areas, many of the poor rely on informal commercial activities, which tend to be concentrated in the city center, and they are unable to find similar opportunities if they are relocated to the urban periphery. Temporary employment schemes, such as employment by the project, without training or complementary measures, delay but do not solve, and indeed can worsen, the long-term risk of unemployment.

Another risk is **food insecurity**, leading to increased morbidity and mortality. This is due to loss of income, crops and access to other subsistence resources, and may be compounded by changes in subsistence strategy and diet, leading to a lowered capacity to resist disease, especially among children and the elderly. Also, the **health** of the displaced population may be compromised by vector and water borne diseases, particularly in dam projects, by exposure to increased dust, contamination and waste, and by diseases introduced to the area by newcomers, including sexually transmitted diseases brought by construction workers.

There is also the risk of children **losing opportunities for education**. They may be forced to leave school when they move away, or may be recruited into the labor force to supplement the family's diminished income. Since commitment to education is often low in the poorest communities, these temporary disruptions, which are already prejudicial, can easily become permanent unless some incentives are provided to ensure that the children return to school.

All of the above risks are compounded by the **disruption of social support networks and by the loss of cultural assets**. The former, as a source of services and income transfers, often functions as a system of mutual help and may provide the only safety net available to the poor. The latter, as a vital part of the community's identity, provides a framework for constructive behavior and adds meaning and purpose to community relations. Both are particularly susceptible to disarticulation. They are difficult to avoid and almost impossible to rectify, and may have an important impact on the behavior and motivation of the displaced group (Sowell, 1996). The risks of marginalization and loss of cultural identity are particularly severe in the case of indigenous people, whose unique social, cultural and educational needs make it much more difficult for them to adapt to the disruptive effects of displacement.

The above considerations also apply to the host communities. The integration of resettled and host communities can be turned into a positive factor, but only if carrying capacity is fully taken into account and the host communities are prepared to receive the newcomers. The host communities should be given incentives that allow them to perceive the resettlement as a benefit rather than an encroachment on their resources and integrity. One of the ways of achieving this is by providing all the members of the newly integrated community with equal access to the same quality of services and facilities.

D. COMMUNITY PARTICIPATION

A participatory approach assures greater acceptability and a more realistic and responsive resettlement plan. The process of informing and consulting with the displaced and host communities helps to empower them, and encourages them to express their demands and priorities through institutional channels rather than in ways that may exacerbate potential conflicts. Strong community organizations facilitate the resettlement process. They also encourage the community to take responsibility for preventing encroachment by opportunists, to contribute to the construction, operation and maintenance of infrastructure, and to take an active role in monitoring the progress of resettlement activities. The Bank's Eighth Replenishment document embodies this principle by stating that "... the Bank's work can be strengthened by disclosure of information to the public which would ensure interest and participation by affected populations and local NGOs, whose contributions may help ensure that the Bank's projects are better designed" (AB-1704, para. 2.95).

In order to develop mechanisms to promote and organize the process of consultation and participation in a manner that is inclusive, transparent and effective and avoid manipulation by parties not representative of the community's interests, social analysis is needed to identify the particular interest groups or "stakeholder" organizations, especially those that represent the poorest and most vulnerable sectors of the population⁸. Local NGOs, community-based organizations (CBOs), and the government agencies responsible for resettlement activities and the operation and maintenance of services and infrastructure, should also be actively involved in the preparation and execution of the resettlement plan.

E. INDIGENOUS COMMUNITIES

⁸ See Habitat, 1991, in which it is noted that lack of success can be largely attributed to the limited opportunities that resettlers had to participate in the decision-making process.

The resettlement and rehabilitation of indigenous⁹ and other low-income ethnic minority communities living in rural areas is particularly difficult. The identity of many of these communities is closely tied to the land, which often has a significant spiritual and emotional importance, as well as providing the economic basis for the livelihood of the community. Indigenous people also tend to be more vulnerable than other sectors of society as they often lack formal rights to the areas on which they depend for their subsistence. Even when they hold legal title to the lands they use most intensively, they often depend on much larger areas for their subsistence. In addition, indigenous people generally are at a disadvantage in pressing their claims for fair compensation. Living in remote rural areas, they often do not have any formal education, and may face language barriers, cultural obstacles and racial prejudice as well as a lack of financial resources and the social and political contacts necessary to influence the decisions that are made in the national or regional capitals.

Indigenous people living in the remote lowland areas of Latin America with limited carrying capacity, who do not participate in the market economy and rely on a range of activities, including hunting, fishing, gathering and shifting cultivation that require large areas of land, are particularly vulnerable to the impacts caused by infrastructure projects that may require their resettlement. Only under exceptional circumstances, would the policy allow the Bank to support operations that require the displacement of these indigenous communities. In order for the Bank to consider exceptions, the Bank would have to ascertain that: (1) the people affected would only move a short distance; (2) community based land-for-land solutions are part of the compensation options; (3) full guarantees are in place for their rights as indigenous people to land and natural resources including land titling and demarcation; (4) the affected communities have given their informed consent to the resettlement and other mitigation measures and have extensively participated in the design of the compensation plan; and (5) the loss of cultural property (such as burial or sacred sites) and disruption of the existing patterns of socio-cultural organizations will be minimized and compensated for.

Indigenous and other ethnic minority communities which are less isolated, have stronger ties to the market economy, and comprise large sections of the rural population, as in the case of peasant communities throughout the Andean or Meso-American highlands are less at risk of losing their ethnic identity as a result of involuntary resettlement. Notwithstanding, in these cases the involuntary resettlement plan will ensure that the community will directly benefit as a result of the project (for example by means of improved access to markets or services), and compensation options are based on the informed consent of the communities and include land-for-land solutions and culturally appropriate alternatives for the loss of customary rights and cultural property.

F. GENDER ISSUES

The impact of displacement is often particularly hard on women. In marginal urban areas, which nowadays

⁹For the purpose of this policy, the term “indigenous communities” refers to “peoples in independent countries who are regarded as indigenous on account of their descent from the populations which inhabited the country, or a geographical region to which the country belongs, at the time of conquest or colonisation or the establishment of present state boundaries and who, irrespective of their legal status, retain some or all of their own social, economic, cultural and political institutions.” ILO Convention 169, article 1, par.b.

are most often the focus of projects involving involuntary resettlement, a large proportion of households are headed by women, who have to combine their role of main wage earners with that of providers of domestic labor, including care of their children. This double burden may mean that women are often invisible or under-represented in local community organizations.

The baseline studies should be disaggregated by gender, as should the analysis of the risks and economic costs associated with resettlement. It is particularly important to consider the situation of households that are headed or economically maintained by women, and to identify the assets and productive activities of the women who will be affected by resettlement. The planning of the resettlement should include procedures to ensure that women are independently consulted and are able express their preferences for the different options under consideration. Resettlement planning must, therefore, take into account the views of the women who are affected by resettlement and should reflect their priorities, which may differ considerably from those of the men.

Compensation and rehabilitation packages must ensure the equitable treatment of women producers and workers, who should be offered compensation and/or rehabilitation programs to cover the loss of their personal assets, productive activities and common property resources, and it should not be assumed that cash compensation would be distributed equally within the household. If the resettlement involves moving families a significant distance from their original location, the women's extra time costs should also be analyzed separately from those of men and, where appropriate, specific measures to address the disadvantages women face in this regard should be taken. If replacement housing is to be built using self-help or mutual-help systems, particular attention should be paid to the specific commitments and constraints of women and a realistic assessment should be made as to whether they will be able to participate in these schemes. Monitoring and evaluation should also address the differential impacts of relocation, compensation and rehabilitation on men and women.

G. REHABILITATION AND COMPENSATION

The Need for Rehabilitation

Once a conclusion is reached that resettlement is unavoidable, the next step is to design a resettlement plan that will minimize the impact on the communities affected and, where possible, will allow them to benefit from the project or the development of its area of influence. The resettlement plan could also be seen as an opportunity for social and economic development rather than as a mitigatory activity, and should be centered on fulfilling the needs of the people affected rather than on clearing a path for the main project.

As a minimum, the negative impacts of resettlement should be fully compensated for, so that, after the shortest possible transition period, the people affected can restore their lives at least to previous levels and can be integrated into the community in which they are resettled. Wherever people's livelihood is affected by resettlement, through loss of land, productive assets or access to employment in either the formal or informal sector, the borrower is responsible for ensuring that their productive base and income-earning ability are improved or at least restored to the standards they had prior to relocation. This implies compensation for lost assets and income streams, and may require the restoration of the group's ability to function as a social and economic unit. Resettlement is a process that begins before the project is formally approved and does not necessarily end with the completion of relocation activities, when community rebuilding is often just beginning. This underscores the importance of early planning and the need to monitor implementation until the post-execution target dates established for the achievement of rehabilitation objectives (Escudero, 1988).

This implies that the Bank should only finance projects that require involuntary resettlement if it can ascertain that there is agreement and some demonstrable government commitment to:

- C undertake the studies, surveys and consultations with the affected community to define the scope of the resettlement component;
- C establish the procedures and criteria necessary to ensure that equitable options are available to resolve the problems caused by displacement; and
- C commit the necessary human and financial resources for the preparation, implementation, monitoring and evaluation of the resettlement plan.

The costs of the resettlement program, apart from land acquisition, can usually be financed by the Bank. A comprehensive compensation and rehabilitation package should:

- C identify all the elements that support the livelihood of the displaced;
- C compensate for the loss of assets owned, held or otherwise utilized by affected persons;
- C restore, replace or substitute the goods, services and opportunities of the people affected by the project to a level that is at least equivalent to their original condition;
- C mitigate or compensate for transitional hardships, such as the costs of moving, loss of crops and income, and disruption of activities, including children's schooling; and
- C establish clear, equitable and objective eligibility rules, including a definition of the household and of the cut-off dates for the assessment of rights to compensation and other benefits.

In addition to meeting the minimum conditions, some successful resettlement experiences have demonstrated that resettlement can be a vehicle for improving the living conditions of marginal groups (Table G, Annex). Resettlement programs can provide pilot experiences of community development, drawing on a participatory and self-help approach to provide basic services and economic opportunities for the poor, a goal that is fully consistent with the poverty reduction mandate of the Bank's Eighth Replenishment.

A consideration that is often overlooked is that of social capital, the ties that hold a community together and enable it to function. These assets are difficult to define let alone quantify. Nevertheless, they encompass some of the fundamental and least restorable elements, especially in low-income communities, where mutual assistance networks provide goods and services through exchange and sharing of responsibilities. These networks may include informal credit and transfers of income, and often provide the only safety net available to the poor. They are part of a sense of identity or belonging, and their disruption can have serious psychological consequences, causing individual stress and leading to anti-social behavior (Cox and Jimenez, 1990). Efforts to restore the social capital will lead to refocused efforts during resettlement and in the post-relocation phase, and may address issues that include:

- C maintaining the physical integrity of the groups that are resettled;
- C supporting the development of community organizations that can replace or improve the services such as credit or child care that have been lost as a result of displacement;
- C developing new employment opportunities to make up for loss of income; and
- C organizing support to community groups and providing counseling services.

Options for Compensation

Compensation can take many forms, including in-kind replacement of housing, land, and other assets as well as cash compensation. In many cases, the equation of compensation with cash payments is problematic. Displacement may severely affect certain sectors of the population, particularly the poor, in ways that go beyond the monetary value of the property that is lost. Relocation may deprive people of their main source of income and, in some instances, may threaten their social peace and cultural identity. Involuntary resettlement often poses legal, social, political and economic problems that go beyond mere cash compensation and may raise questions as to the desirability of a project in terms of sustained and balanced development (Shihata, 1995).

The experience of the World Bank and the IDB with resettlement shows that payment of cash alone is rarely an adequate strategy. The main reasons for this are: (a) cash compensation is often insufficient to replace lost assets with ones of equivalent value; and (b) the displaced often lack the opportunities or know-how to use their payments to replace lost assets and opportunities. In addition, pressure to resolve immediate needs, such as food, temporary housing, health care or the repayment of debts, often results in compensation being spent before it can be invested in housing or productive assets. This is particularly so for low-income groups and may lead to their permanent impoverishment. Consideration should, therefore, be given to helping the displaced find alternative homes, land or employment. This is especially important when they are dependent on the land for their livelihood.

Cash compensation may be adequate for higher income groups, but it should be used with caution. One of the risks is that well organized groups may use their position to demand levels of payment that are much higher than would be warranted by criteria of cost replacement, leading to disputes, delays in project implementation, and, not infrequently, the invasion of the project site by speculators who hope to benefit from compensation payments.

Legal Considerations

Most borrowing countries have laws that establish the ability of the state to expropriate property for public use, known as the power of “*eminent domain*.” These laws, however, rarely address compensation beyond monetary payments for formal property rights. Even in this context difficulties arise when the valuation provisions of local laws are outdated or fail to provide for the substitution of the lost asset for one of equal value or comparable productive capacity. Furthermore, these laws only protect owners and rarely address the rights of those occupants who do not hold title but may depend on the property for their livelihood.

Most regulatory frameworks are inadequate to deal with compensation for customary rights or loss of opportunities for employment. In most instances, narrow definitions of property rights may even present an obstacle to the recognition of assets. The majority of people affected by development projects are from the poorest sectors of the community and often have no title to the land or premises they occupy. In such cases, the resettlement plan must provide a restoration package that complements local entitlement and maintains the livelihood of the affected, although it should take account of the distinctions between the different forms of use or occupancy. Examples include recognizing constructive title for those for whom occupancy might eventually result in vested title to the property occupied, versus tenants who might be fairly compensated through the identification of similarly priced rental premises. Local laws often do not provide equitable compensation for affected persons who do not own or possess land, such as non-occupants who enjoy customary rights of access for productive or recreational uses, sharecroppers, agricultural laborers, and workers who may lose their main source of income as a result of a development project.

These considerations indicate that an analysis of the legal framework must be undertaken early in the preparation of the project. This should include clear knowledge of the legislation on expropriation, compensation and rehabilitation, as well as of the institutional framework for the implementation of the legislation and resettlement activities. The preparation of the resettlement plan and the negotiation of the loan agreement can then include measures to address any gaps that are identified. This can be achieved by using the concept of rehabilitation to provide extra-legal remedies for the losses suffered by the resettled population, without requiring major changes in local legislation, unless the borrower indicates a willingness to undertake a broader reform of the legal and institutional framework.

Environmental Impacts

Resettlement options must take into account the environmental constraints of the proposed relocation sites. In addition to being assessed in terms of suitability for habitation, every site must be evaluated in terms of its carrying capacity. Factors such as proximity to natural parks, forests, wetlands and other ecologically sensitive areas should also be considered, in order to avoid expansion of the agricultural frontier into areas that are infertile or fragile, or depletion of the natural resources. In many cases, it will be necessary to carry out an environmental impact assessment. Environmental impacts and risks should always be taken into account in considering alternative sites, and should be addressed as part of the overall project and resettlement plan. Infrastructure must meet generally accepted environmental standards, and management plans must be included for the prevention and mitigation of environmental impacts.

V. Operational Aspects

A. TIMING AND THE PROJECT CYCLE

Early assessment of the magnitude and nature of resettlement is needed to allow examination of project alternatives so that resettlement can be avoided whenever possible. The development of the resettlement plan must therefore be tied to the stages of preparation of the main project, so that the viability of the resettlement program can be appraised as part of the overall project, with the evaluation covering the cost and benefit streams of all the components. This means that the resettlement plan must be ready for appraisal at the same time as all the other components of the project.

Early surveys of the affected and potential host populations, combined with advance identification of viable alternatives for resettlement and rehabilitation, are needed to avoid delays, cost overruns or undue pressure to resettle the affected population. The definition of the eligibility criteria and the components of the plan have to be sufficiently developed to allow appraisal and preparation of the financing plan, although care must be taken to avoid speculation and migration to the project area and also to ensure the complete identification of all the people eligible for compensation. The stages of the resettlement plan should follow a sequence and timetable that is directly linked to the progress of other project components.

B. CONTROL OF THE RESETTLEMENT AREA

Avoiding the influx of new settlers to the area being vacated is a central aspect in assuring the success of resettlement programs. Managing this factor requires good planning and communication with the affected community. When the area vacated is intended to be used for the physical installations of the project, it is essential that construction proceed as soon as possible after the resettlement to avoid reoccupation. Provisions should also be made for temporary protection of the area (fences, policing, surveillance equipment). When the area is intended to remain unoccupied (as in the case of buffer zones, protected areas, or unsafe areas, for example), the borrower must ensure that it has the necessary resources to control the area for a longer period of time, or that the operation includes provisions for this purpose. More importantly, however, the resettlement program must be complemented by a plan to provide disincentives for reoccupation of the area, and to develop, offer and promote realistic alternatives for substandard housing in the vacated area. If the resettlement program is not accompanied by such a plan, it is unlikely that the areas will remain unoccupied and consequently the operation will fail to accomplish its objectives.

Once a decision to proceed with resettlement has been made and a cut-off date established, it is also essential to enlist the help of the community in controlling access to the area to be resettled with the understanding that additional occupation may lead to the dilution of the resources available for compensation. In this context, it is also important to design compensation packages that are fair, equitable, and provide opportunities for improved livelihood without creating actual or perceived windfalls that would be sufficient to attract new settlers. This community-based social control mechanism can be used throughout the period of execution of the resettlement plan as part of the monitoring effort.

C. LAND ACQUISITION

Early preparation facilitates the selection and acquisition of relocation sites or of the land and dwellings needed for in-kind replacement (World Bank, 1978). Suitable land or properties must be identified and adequate funding made available for their acquisition. As a matter of principle, the cost of acquiring land or other property should be included in the overall project budget along with all the other components of the resettlement plan. To ensure that sufficient resources are made available at the time they are needed, the costs of resettlement, with the exception of land acquisition, can be financed by the Bank unless the borrower demonstrates during appraisal that the necessary funds will be made available. This may require contractual conditions that establish the budgetary assignments, targets and timetable for the purchase of the lands that will have to be financed with local counterpart funds.

D. THE INSTITUTIONAL FRAMEWORK FOR RESETTLEMENT

The institutional framework is another critical operational issue. The borrower should ensure that institutional responsibilities are clearly identified and that the responsible institutions have sufficient staff and funds to:

- C carry out the baseline surveys;
- C assess and pay compensation;
- C identify, acquire and prepare relocation sites;
- C construct housing and infrastructure for the resettled and host communities;
- C provide assistance for the move and transition period;
- C provide health, education, employment, counseling and any other services that are part of the rehabilitation package; and
- C take responsibility for the operation and maintenance of the infrastructure that has been created.

The agencies responsible for the various elements of the resettlement plan must be well coordinated and may include government line agencies as well as NGOs and community groups that are involved in the execution of the resettlement program. In addition to clear assignment of responsibilities, this may also require the preparation of formal agreements or contracts prior to the start of execution. The agencies involved should be selected on the basis of their experience and commitment to community development programs as well as their technical expertise.

In projects to be developed by the private sector, the Bank applies the same substantive requirements with respect to involuntary resettlement as for those projects developed by government institutions. Consequently, the agreement between the private borrower and the government on their respective responsibilities with regard to resettlement, must be very clear, and must be reflected in the terms of the sale, lease or concession agreement. The determination of responsibility for the costs and execution of the resettlement component will be negotiated by the interested parties as part of the economic, financial and operational structure of the project. From the point of view of the Bank as lender, the private borrower will be responsible for:

- C demonstrating, as part of the project appraisal process, that the resettlement plan, regardless of who will be responsible for executing it, satisfies the Bank's requirements;
- C ensuring that the terms of its agreement with the government assign responsibilities and provide sufficient resources and assurances for the execution of the resettlement plan in a timely manner; and

C agreeing that unsatisfactory execution of the resettlement plan constitutes a breach of its agreements with the government and with the Bank. Arrangements with different local agencies (such as sector entities, municipalities, provincial and state authorities, for example), can be made as required and should be documented in complementary agreements, to the extent required by local laws.

In larger resettlement projects, mechanisms should be established to provide:

- C simple and transparent dispute resolution, particularly in regard to claims for compensation, to avoid lengthy judicial and/or administrative procedures;
- C expert advisory services to help the executing agencies to solve unforeseen problems as they arise; and
- C a basis for the eventual assumption by local agencies or community groups of responsibility for the long-term operation and maintenance of infrastructure and services.

The establishment of committees and consultative groups, with representatives from local authorities, NGOs, community members and local experts to discuss design options and monitor activities throughout execution has often proved effective. The organization of community groups for tasks such as the planning, design, construction, and operation of the infrastructure at the resettlement site can also provide a useful starting point for the reconstruction and development of social ties with the resettled and host communities (IDB, 1989, 1992 and 1995).

Since Bank-financed projects represent only a fraction of the projects that require resettlement in a particular country, it is important that the Bank promote the development of an institutional capacity for the design and execution of sound resettlement plans. Indeed, this is the key issue in addressing the resettlement issues that arise in multiple works, time-slice, and sector operations for sectors that involve the construction of infrastructure (such as transportation, electricity generation, water and sewage, among others), as well as in those projects that receive technical cooperation from the Bank at the stage of project preparation or feasibility studies. The Bank can support institutional development activities through technical assistance, or as specific components of sector loans, state reform programs, and the dissemination of best practices.

E. MONITORING AND EVALUATION

During execution of a resettlement plan, the interactions between the various agencies and the inherent complexity of coordinating many simultaneous tasks can lead to difficulties. The resettlement plan should include provisions for monitoring and reporting that will allow the borrower and the Bank to identify problems as they arise, and allow time for adjustments to be made. In the larger resettlement programs, provision should include independent monitoring, and should focus on the social and economic conditions of the people affected. It could also serve as a mechanism for gathering independent data to be used in the ex-post evaluation of the resettlement component. All the agencies involved should provide regular reports, that can be consolidated in the project progress reports, mid-term evaluations, and project completion reports. Resettlement must be fully covered in the reports on the progress of the overall project and should be included in the logical framework of the operation.

The resettlement plan does not end when the affected population is physically installed in its new surroundings. The period of adaptation and social rehabilitation that follows is more difficult to administer and to evaluate although it is central to the success of the resettlement plan. To assess the achievements of the resettlement program, post-execution targets should be evaluated using clearly defined qualitative and quantitative indicators. Data should continue to be gathered for an adequate period of time after project execution, and, in the case of major resettlement programs, an ex-post evaluation should be conducted so that the borrower and

the Bank can discuss the need for any further remedial measures, and learn from the experience in order to improve future operations.

F. REPORTING TO THE BANK

The Bank's regular reporting must cover every resettlement, whenever it occurs, including multiple works, time-slice and sector operations as well as specific infrastructure projects. Progress reports, mid-term reviews and project completion reports should include an assessment of the progress of the resettlement program and its impact on the socioeconomic conditions of the resettled and host populations. The evaluation work program should also include a periodic in-depth review of a sample of projects involving resettlement. Without systematic reporting, it is impossible to ascertain whether the resettlement policy and its application are effectively protecting project affected persons against impoverishment.

VI. Conclusion

Given the importance attached to involuntary resettlement in the Bank's Eighth Replenishment as it related to poverty reduction and social equity objectives, and drawing on the findings of a detailed review of Bank experience with 120 projects involving involuntary resettlement as well as the lessons from other development agencies, the need for a Bank policy is clear. Notwithstanding significant improvements made in recent years, in many projects involuntary resettlement continues to present problems, which could have been avoided with careful and timely planning and adequate preparation and monitoring.

The magnitude of involuntary resettlement in Bank projects (with close to half a million people affected) as well as the risks involved, call for a more systematic application of general principles and reporting requirements, in order to ensure that all necessary measures are taken to:

- C minimize the impacts of resettlement on the affected people,
- C restore livelihoods to previous levels as a minimum, and
- C take into consideration the special needs of particularly vulnerable population groups.

Given that circumstances related to the profile of the affected people, the legal and institutional framework and the type of operation causing the resettlement are so different, the policy presents general principles and reporting requirements, which are to be detailed in operational guidelines currently existing in draft format.

The profile of involuntary resettlement in Bank-financed projects is changing, with urban-based infrastructure works replacing rural-based energy and transportation projects as the major source of involuntary resettlement, and with global multiple works, time slice and sector loans increasing their proportion in the portfolio of Bank projects causing involuntary resettlement. The policy and background paper therefore also address issues related to the development of regulatory frameworks and institutional capacity, so that when the specific impacts of resettlement are not known beforehand, assurances exist that when resettlement occurs the measures to mitigate and address these impacts are consistent with the broad standards embodied by the proposed policy.

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Table A. Resettlement Typology

Voluntary		Involuntary			
<ul style="list-style-type: none"> - Resettlement is the result of people’s willingness to improve their lives. - Resettlement is an objective in itself and/or a condition for improving people’s lives (that is access to means of production, better housing). 		<ul style="list-style-type: none"> - Resettlement is the result of an external cause. - Characterized by: Higher risk of Impoverishment. Long time frame over which impacts occur and must be assessed. 			
Rural Colonization Schemes		Urban Upgrading Projects*	Caused by natural disasters (earthquakes, storms, hurricanes, floods)	Caused by social turmoil (wars, famine, land appropriation, labor migration)	Caused by development projects**
Spontaneous	Directed*				
<ul style="list-style-type: none"> - Lack of planing - With/ without government support or control 	<ul style="list-style-type: none"> - Planned and deliberate - Government control and/or Private Sector support - Opportunity for community participation in planning 	<ul style="list-style-type: none"> - Planned and deliberate - Government control and/or Private Sector support - Opportunity for community participation in planning - Pattern of resettlement is relatively recent - Communities have high capacity for adaptation and mobility 	<ul style="list-style-type: none"> - Emergency, no time for planning - Government control and/or Private Sector support - Lack of community participation in planning 	<ul style="list-style-type: none"> - Emergency, no time for planning - Government control and/or Private Sector support - Lack of community participation in planning 	<ul style="list-style-type: none"> - Planned and deliberate - Gov. control and/or Private Sector support - Opportunity for community participation - Offers opportunity to mitigate negative outcomes - Turns resettlement into an opportunity to improve the economic and social conditions, local law and country’s institutional framework

* Directed colonization and urban upgrading projects can also cause involuntary resettlement.

**The involuntary resettlement policy addresses this category.

**Table B. People Affected, Rural and Urban Population,
by Project Status
(1970 - 1997)**

	Completed Projects	Projects in Execution	Projects in the Pipeline	Total People Affected
Rural	48,458	4,422	0	52,880
Urban	20,146	391,290	25,189	436,625
Mixed	73,250	81,137	0	154,387
Info N/A	3,150	6,256	0	9,406
Total	145,004	483,105	25,189	653,298

**Table C. IDB Involuntary Resettlement Projects, by Country Group
(1970 - 1997)**

Project Status	Group A		Group B		Group C		Group D		Regional	
Completed Projects 54	17	31%	14	26%	10	19%	12	22%	1	2%
Projects in Execution 56	31	55%	4	7%	7	12%	13	23%	1	2%
Projects in Pipeline 10	5	50%	2	20%	0	0%	3	30%	0	0
Total 120	53	44%	20	17%	17	14%	28	23.5%	2	1.5%

**Table D. Affected People, by Country Group
(1970 - 1997)**

Project Status	Group A		Group B		Group C		Group D		Regional	
	Count	Percentage	Count	Percentage	Count	Percentage	Count	Percentage	Count	Percentage
Completed	99,531	69%	22,658	16%	4,588	3%	18,227	13%	0	0
Execution	412,883	85%	7,302	1%	4,345	1%	8,575	2%	50,000	11%
Pipeline	7,900	31%	1,789	7%	0	0	15,500	62%	0	0
Total	520,314	80%	31,749	5%	8,933	1%	42,302	6%	50,000	8%

**Table E. Community Participation in Projects with Resettlement Component
(1970 - 1997)**

	With some Level of Community Participation		Unclear		No Community Participation		No Information Available	
	Count	Percentage	Count	Percentage	Count	Percentage	Count	Percentage
Completed Projects 54	16	30%	3	6%	21	40%	14	26%
Projects in Execution 56	38	68%	1	2%	3	5%	14	25%

**Table F. Completed Projects that Reported Problems during Implementation
of the Resettlement Component*
(1970 - 1997)**

Negative Outcomes	Cost Overruns		Delays		Social Conflict	
	Count	Percentage	Count	Percentage	Count	Percentage
Completed Projects with Information 28	15	54%	14	50%	10	36%

* Percentages refer to the number of projects which reported a particular problem. Some projects reported more than one problem, thus categories are not mutually exclusive.

Table G. Some Examples from Completed Projects with Documented Resettlement Impacts

Country Group	Negative Impact	Positive Impact
Group A	<p>1. Population was dispersed and people had to re-adjust on their own. Agricultural production was not replaced and previous commercial and social activities were never restored.</p> <p>2. People were uprooted from a very delicate balance in their production system. Well-being declined precipitously after resettlement.</p>	<p>10. Residents were resettled in a more favorable socioeconomic environment which provided jobs and informal means of support. Education and health facilities were better than before.</p>
Group B	<p>3. Housing construction and relocation sites were abandoned.</p> <p>4. Compensation was not sufficient to reconstitute or improve living conditions. Resettlement negatively affected the local economies because affected people lost their farming lands.</p>	<p>11. People obtained property titles, improvement of housing conditions, a sense of urban belonging and social structure, and access to community infrastructure and services.</p>
Group C	<p>5. The houses provided were not adequate to respond to people needs. Moreover, people had problems accessing public services and relocation did not result in restoring previous living conditions.</p>	<p>12. After relocation, most people owned their own land and agricultural production was fully restored.</p>
Group D	<p>6. People affected could not pay for the new lands adjudicated to them. Moreover, the poor quality of resettlement lands, as well as the fact that the timing of the move and land distribution did not take into account the agricultural cycle, led to the loss of crops.</p> <p>7. Resettlement activities destroyed the existing socio-economic system and there were reports of serious human rights violations on the part of the country's authorities to make way for the infrastructure project.</p> <p>8. In one hydroelectric project, because of insufficient provision of resettlement assistance, several families returned to the dam area after experiencing serious adjustment problems.</p> <p>9. Income levels among the affected decreased as a result of, among other reasons, the inability to use the river to transport agricultural products.</p>	<p>Examples not found.</p>