

**ASIAN DEVELOPMENT BANK**

**INVOLUNTARY RESETTLEMENT**

**August 1995**

## ABBREVIATIONS

DMC	Developing Member Country
EIA	Environmental Impact Assessment
ISA	Initial Social Assessment
LAO PDR	Lao People's Democratic Republic
NGO	Nongovernment Organization
OD	Operational Directive (of the World Bank)
OECD	Organisation for Economic Cooperation and Development
OESD	Office of Environment and Social Development
PPTA	Project Preparation Technical Assistance
PRC	People's Republic of China
RRP	Report and Recommendation of the President

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## I. INTRODUCTION

1. That people should be at the center of development is increasingly recognized. However, there may be instances where a development intervention such as a road or a power generation project should proceed for the greater benefit of society, in spite of its potential adverse effects on some people. In such cases, the people who may be adversely affected by the development intervention should be consulted; compensated for their losses; and assisted to rebuild their homes and communities, reestablish their enterprises, and develop their potentials as productive members of society at a level generally at least equivalent to that which was likely to have prevailed in the absence of the development intervention. Attention to such matters is especially important when the people who may be adversely affected are poor and vulnerable, do not have the capacity to absorb such adverse impacts, and cannot remain productive without significant help.

2. This paper deals with proposed approaches to address involuntary resettlement, compensation, and rehabilitation of people displaced by development projects, particularly those to be supported by the Bank. It draws upon the experiences of (i) the Bank and its developing member countries (DMCs); and (ii) other agencies, including the World Bank. In particular, the World Bank's approaches and operational directive on involuntary resettlement are generously drawn upon because of (i) the similarities between Bank and World Bank operations in Asia; and (ii) the World Bank's much longer experience, dating back to at least 1980, with adopting and implementing involuntary resettlement policies that are particularly relevant to Asia.<sup>1</sup>

3. The following sections provide information on the types of projects involving displacement of people, the magnitude and impacts of such displacement, the differences between voluntary migration and involuntary resettlement, and the linkage between involuntary resettlement and environment. Chapter II reviews involuntary resettlement experiences. Chapter III provides the rationale for the Bank's proposed policy on involuntary resettlement. Chapter IV spells out the suggested implementation procedures to be adopted by the Bank in this area. Brief conclusions are provided in Chapter V.

4. Involuntary resettlement is a sensitive area involving competing economic, social, and political interests that may be difficult to balance in the best of circumstances. Because the Bank has limited knowledge of resettlement, lessons drawn from the experiences of DMCs and other agencies need be considered when addressing the issues. Any proposed policy and planning principles should be introduced and implemented with sensitivity to the particular political, legal, economic, social, and cultural contexts of a DMC. Such policies and principles should be revised and refined based on lessons learned.

### A. Projects Involving Displacement of People

5. Any development project that introduces significant changes in the patterns of use of land, water, or other natural resources may entail some adverse impacts on people who are

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<sup>1</sup> Of the World Bank's ongoing projects that involve involuntary resettlement, 64 percent are in Asia (40 percent in East Asia and 24 percent in South Asia). Another 20 percent is in Africa.

currently using such resources and associated economic, social, cultural, and religious facilities. A large variety of projects involve acquisition or redirection of use of lands that are owned or utilized by individuals and communities. Examples of such projects are (i) construction of dams for irrigation and hydroelectric power generation; (ii) construction of highways, railways, and irrigation canal networks; (iii) construction of transmission lines and other facilities requiring rights-of-way; (iv) construction of airports; (v) construction, rehabilitation, or expansion of ports and towns; (vi) construction or improvement of urban infrastructure such as sewerage, subways, intracity roads, and more generally urban systematization; (vii) establishment of coal-fired thermal power generation plants and other polluting industrial plants; (viii) inception of mining operations, and particularly strip-mining; (ix) establishment of protected nature parks, biodiversity and conservation areas, grazing areas and transhumance<sup>1</sup> routes; and (x) forestry development, including reforestation, industrial tree plantations, clearing/harvesting of forests, and closure of forest areas.

6. Many of these projects may be of crucial importance for local, regional, and national development. However, they may also give rise to conflicts between long-term national development goals and interests of communities and individuals who are immediately and adversely affected. It is important to weigh the benefits against the costs of adverse impacts by examining development options that entail either no resettlement or minimal social and economic dislocation, and to find the means to reconcile the conflicting interests. Where resettlement is unavoidable, concrete measures must be taken to (i) protect the lives and welfare of those displaced by the projects; (ii) reduce and redress the loss of economic potential incurred by the affected people, and the local and regional economies; and (iii) assist in developing the economic, social, and cultural potential of the people and the communities so affected.

## **B. Magnitude and Impacts of Population Displacement**

7. Ongoing World Bank projects in Asia are estimated to displace over 1.5 million people. Reliable estimates of the number of people displaced by ongoing Bank-financed projects are not readily available. However, some examples of the magnitude of population displacement in Bank-assisted projects are (i) the completed Batang Ai Hydropower Project in Malaysia displaced 3,600 Iban people in Sarawak;<sup>2</sup> (ii) the ongoing Second Manila Port Project involves the displacement of 8,500 squatter families;<sup>3</sup> (iii) the private-sector Hopewell Power (Philippines) Corporation Project in the Philippines displaced some 223 families;<sup>4</sup> (iv) the Jamuna Multipurpose Bridge Project in Bangladesh is expected to require the relocation of up to 65,000 people;<sup>5</sup> and (v) the Jing-Jiu Railway Project in the People's Republic of China involves the

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<sup>1</sup> Seasonal moving of livestock to another region.

<sup>2</sup> Loan No. 521-MAL for US\$ 40.4 million, approved on 17 September 1981.

<sup>3</sup> Loan No. 875-PHI for US\$43.5 million, approved on 15 December 1987.

<sup>4</sup> INV No. 7089/1230-PHI for US\$50.0 million, approved on 18 May 1993.

<sup>5</sup> Loan No. 1298-BAN(SF) for US\$200 million, approved on 8 March 1994.

displacement of about 210,000 people.<sup>1</sup> However, numbers alone may not present a full picture of the intensity of impact on the local people.

8. Many development projects that require involuntary displacement of people generally have adverse economic, social, and environmental impacts on the displaced people. Homes are abandoned, production systems are dismantled, and productive assets and income sources are lost. Displaced people may be relocated to environments where their skills may be less applicable, the competition for resources may be greater, and host populations may be hostile or culturally incompatible. Well-established community structures, social networks, and kinship ties may be broken or weakened. Cultural identity, traditional authority, and the potential for mutual help may be diminished. For survival, displaced people may be forced to over-exploit ecologically fragile areas, exacerbating environmental degradation. The adverse impacts on host populations may also be significant. The absence of appropriate development measures for compensation, resettlement, and rehabilitation of the displaced people may (i) cause severe long-term hardship, impoverishment, and even decimation of the affected communities; (ii) adversely affect the host populations; and (iii) lead to severe environmental damage.

### **C. Voluntary Migration vs. Involuntary Resettlement**

9. Voluntary movement of people such as rural-urban migration and transmigration programs organized by governments often stimulates economic growth. The people involved in such movements are likely to be (i) self-selected, young or middle-aged men that are single or (ii) households headed by such men. They are dynamic, and show initiative, and willingness to take risks and pursue new opportunities and challenges. Government-organized successful transmigration programs are often planned with significant attention not only to new home sites, but also to new livelihood opportunities, social services, community organizations and even cultural and religious needs. The planning of such programs is generally elaborate, involving surveys of natural resources including agro-climatic conditions in resettlement areas, and identification of suitable cropping patterns and other viable livelihood opportunities. Migrants are assisted to transfer to the new locations, given food and shelter to tide over the transition period, trained and advised on how to establish themselves, and provided support services such as access to credit, markets, and extension services. Often a number of government technical agencies are drawn in to provide the necessary support and services in the transmigration areas.

10. On the other hand, involuntary resettlement involves people of all ages and gender, some of whom may be evicted against their desires. Many of these people may be risk-averse and may lack the dynamism, initiative, and wherewithal to move and reestablish in a new location and undertake new avocations. Women and households headed by them are likely to suffer more than men because the compensation is often paid to the men, households headed by women usually have fragile economic status, and women have limited access to many support services. Without significant help, people who are involuntarily resettled may become impoverished. If involuntary resettlement is unavoidable, it should be well planned and executed so that economic growth is enhanced and poverty reduced, especially for such vulnerable people.

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<sup>1</sup> Loan No. 1305-PRC for US\$200 million, approved on 14 July 1994.

## D. Involuntary Resettlement and the Environment

11. Often, involuntary resettlement is addressed by governments, aid agencies, consultants, and the public under the general category of "environmental problems." This is probably because environmentalists have traditionally been at the forefront in identifying and publicizing the adverse effects of development interventions on environment and people. Therefore, the proper understanding of involuntary resettlement — with its social, cultural, psychological, economic, and environmental ramifications has strategic consequences, because it may lead to a different choice of project options including resettlement actions. Also, the social acceptance of a project by affected people may be critical for a project to proceed without costly delays and adjustments.

12. Understanding the complex social nature of involuntary resettlement should help governments, external agencies, and project managers address the issues with sociological tools of analysis and resources as a process of planned change. Rather than seek mitigation measures only, those involved would focus on involuntary resettlement as a socioeconomic development process through which the resettled people would be helped to reach generally at least the same level of well-being they might have attained in the absence of the development intervention.

## II. REVIEW OF INVOLUNTARY RESETTLEMENT EXPERIENCES

### A. Experiences of Developing Member Countries (DMCs)

13. The experiences of DMCs in involuntary resettlement is mixed. Since 1980, the People's Republic of China (PRC), with perhaps the largest number of people displaced (about 30 million) by development projects, has introduced numerous laws and regulations at various levels of government and that cover virtually every aspect of resettlement. These laws and regulations seem to offer protection to people whose living standards may be decreased by a development project. A recent World Bank study has concluded that the PRC resettlement laws related to transport, industry, and urban development projects "now fully meet the requirements of the World Bank's operational directive on resettlement and of the OECD resettlement guidelines."<sup>1</sup> However, complaints about compensation and resettlement procedures persist and stem mainly from delays in payment and diversion of funds by local governments into community facilities rather than payments to individuals. Also, the regulations related to reservoir projects such as irrigation, water supply, and hydropower generation need strengthening as they permit lower compensation levels and slow restoration of pre-project standards of living of affected persons.

14. In India, the State of Maharashtra has had resettlement legislation since 1976. The 1976 law was replaced by the improved "Maharashtra Project Affected Persons Rehabilitation Act, 1986." The Act is applicable to irrigation projects and provides a framework for resettling

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<sup>1</sup> World Bank, *China: Involuntary Resettlement*, Washington, D.C., 8 June 1993.

affected people by providing replacement farmlands and homesteads in the command area of an irrigation project. The Act is based on the principle that people who benefitted from a project should bear part of the burden of those who are afflicted by it. Maharashtra State's relatively good resettlement record can be attributed to this legislation. However, the record could be improved, for example, by guaranteeing restoration of living standards of all sections of the affected population, and protecting people with customary or usufruct rights. The states of Madhya Pradesh and Karnataka have introduced legislation similar to Maharashtra's in 1989/90.

15. Resettlement in other parts of India as well as in other countries is governed by general or project-specific government directives issued from time to time. Some of the directives are innovative in recognizing that some landowners benefit from a project and recovering at least a part of the costs from such beneficiaries. For example, some road projects in Korea require the landowners to surrender a part of their holdings along the road corridor and do not compensate for the land taken because the value of the remaining land will appreciate considerably due to the road. However, many of the directives seem to offer inadequate strategies for reestablishment and restoration of income of displaced peoples. The provisions may have been influenced by government policies and practices, the demands of affected persons and nongovernment organizations (NGOs), as well as the advice provided by aid agencies assisting in projects.

16. Strong institutional commitment sometimes compensates for lack of resettlement legislation. Neither Thailand nor Malaysia have resettlement legislation, but resettlement performance in the power sector in both countries has been relatively encouraging. The policies and plans to resettle the indigenous peoples affected by the Batang Ai Hydropower Project in Malaysia (see para. 7) were carefully investigated and prepared. In Thailand, the public sector Electricity Generation Authority of Thailand has been improving its resettlement performance continuously since its formation in 1968, and its resettlement policy for each new project is based on the lessons learned from its previous experience. The Authority's resettlement strategy is based on direct negotiations with affected communities and formulation of a comprehensive compensation package.

17. A recent example from the Jamuna Multipurpose Bridge Project in Bangladesh (see para. 7) indicates that it is possible to improve the resettlement policy framework of a DMC by working closely with country institutions. Bangladesh lacked particular laws and regulations of general applicability dealing with resettlement. With intensive assistance from the World Bank, the Jamuna Multipurpose Bridge Authority formulated a comprehensive resettlement policy and plan in October 1993 to resettle the 65,000 persons affected by the project.

## **B. Experience in Bank-financed Projects**

18. Until recently, very few of the resettlement components in Bank-financed projects were carefully prepared. The completed Batang Ai Hydropower Project in Malaysia was an exception, as it was based on careful investigation, and social scientists familiar with the affected Iban peoples were involved right from the beginning. Detailed investigation of involuntary resettlement was not a routine practice in the past, and there was no formal policy on how to address resettlement issues at various stages of the project cycle. As a result, significant problems and delays were encountered during implementation of a number of projects such as



the Second Manila Port Project in the Philippines (see para. 7). Similarly, resettlement issues associated with the ongoing Left Bank Outfall Drain (Stage 1) Project in Pakistan came to light and were investigated only in 1994, several years after project implementation began.<sup>1</sup>

19. However, more recent projects indicate a positive change. Thus, the ongoing private sector Hopewell Power (Philippines) Corporation Project in the Philippines and the Jamuna Multipurpose Bridge Project in Bangladesh incorporate detailed compensation, resettlement, and rehabilitation provisions. Both projects involved cofinancing with other agencies, including the International Finance Corporation and the World Bank. Resettlement issues are also reviewed during environmental impact assessment (EIA), which is now required for selected Bank-financed projects. One of the criteria for a project to be classified under the Bank's environmental Category A, which includes projects with potentially significant adverse environmental impacts, is displacement of a large number of people.

### C. Experiences of the World Bank and Other Agencies

#### 1. World Bank's Experience

20. The World Bank was one of the first international development aid agencies to formulate a policy on involuntary resettlement. The policy was first issued as an internal Operational Manual Statement (OMS 2.33) to staff in February 1980. Since then, it has been revised and reissued a number of times, most recently as an Operational Directive (OD 4.30) in June 1990, and it remains one of the most comprehensive resettlement policy statements. It describes the World Bank's policy objectives on involuntary resettlement as well as measures the borrowers are expected to take in operations involving resettlement. It also gives specific information on the review procedures that World Bank staff should follow for projects involving resettlement components.

21. Experiences of involuntary resettlement operations in World Bank-assisted projects between 1986 and 1993 were reviewed in 1993-1994.<sup>2</sup> The review showed that of the World Bank's 1,900 ongoing projects in 1993, 146 (or less than 8 percent) involved involuntary resettlement. These projects displaced nearly two million people. A large majority of these projects (over 60 percent) were in East Asia and South Asia, and they accounted for about 80 percent of the people to be resettled. A small number of projects in Brazil, PRC, India, and Indonesia accounted for the bulk of the people displaced. Significant increases in the number of projects supported by World Bank and involving resettlement are expected in Bangladesh, Indonesia, Pakistan and Viet Nam. Globally, about 100 projects with a preliminary estimate of 600,000 people to be resettled have been proposed in the World Bank's 1994-1997 pipeline of projects.

<sup>1</sup> Loan No. 700-PAK(SF), for US\$122 million, approved on 25 October 1984 and cofinanced by the Bank, the World Bank and four other donors.

<sup>2</sup> World Bank, Environment Department, *Resettlement and Development: The Bankwide Review of Projects Involving Involuntary Resettlement*, Washington, D.C., 8 April 1994.

22. The review showed that good resettlement can prevent impoverishment of affected persons and can even reduce their poverty by building sustainable livelihoods. However, inadequate resettlement induces local resistance to the project, increases political tensions, causes significant project delays, and postpones the flow of project benefits; and the benefits lost as a result of such avoidable delays may sometimes far exceed the additional cost of good resettlement. The World Bank's resettlement operations portfolio improved significantly during the period although resettlement operations and outcomes in a number of projects were not meeting the standards defined by the World Bank's policy.

23. Based on the World Bank's experience over the past 10-14 years, a number of major common factors that contribute to the success of resettlement were identified. These are (i) political commitment of borrowers in the form of laws, policies, and resource allocations; (ii) close adherence to established guidelines and procedures in implementation; (iii) sound social analysis, reliable demographic assessments, and appropriate technical expertise in planning for development-oriented resettlement; (iv) reliable cost estimates and provision of required financing, with resettlement activities phased in tune with civil works construction; (v) effective executing agencies that are responsive to local development needs, opportunities and constraints; and (f) people's participation in setting resettlement objectives, identifying reestablishment solutions, and implementing them.

24. In May 1994, the World Bank's Board of Directors discussed the review, and broadly supported the approach, findings and recommended action plans. Semiannual reports on remedial actions planned to improve involuntary resettlement in ongoing World-Bank financed projects were circulated to their Board of Directors in November 1994 and May 1995.<sup>1</sup>

## 2. Policies of Other Agencies

25. In recent years, a number of multilateral and bilateral agencies have prepared and adopted resettlement policies and/or guidelines that are similar to those of the World Bank. Thus, the Inter-American Development Bank adopted a set of resettlement guidelines in 1990. In 1991, the development ministers of all 17 members of the Development Assistance Committee of the Organisation for Economic Cooperation and Development (OECD) approved the adoption of uniform resettlement guidelines by their countries' aid agencies.<sup>2</sup> The Overseas Development Administration in the United Kingdom has adopted guidelines that are essentially the same as those of the World Bank. The Overseas Economic Cooperation Fund of Japan issued checklists on involuntary resettlement based on OD 4.30. Japan International Cooperation Agency was preparing its own technical guidelines for resettlement with World Bank advice. Although a number of agencies have prepared and adopted resettlement policies/ guidelines, data on their experiences are not readily available.

<sup>1</sup> World Bank, "Status Report: Remedial Action Planning for Involuntary Resettlement," SecM94-1091, Washington, D.C., 4 November 1994, and "Final Report: Regional Remedial Action Planning for Involuntary Resettlement," SECM95-475, Washington, D.C., 18 May 1995.

<sup>2</sup> OECD, Development Assistance Committee, *Guidelines for Aid Agencies on Involuntary Displacement and Resettlement in Development Projects*, OECD/GD(91)201, Paris, 1991.

#### **D. Resettlement and Local Organizations**

26. Local government bodies, people's organizations and mainstream development NGOs often play a constructive role in facilitating public discussion and dialogue, and assist in evolving pragmatic solutions. Their inputs may be beneficial for government decision making.

27. At the national and regional levels, local and regional NGOs are involved in (i) informing affected persons about projects that may have adverse impacts; and (ii) by networking with their international counterparts, and in lobbying for design modifications including change of location of such projects. Local government bodies, people's organizations, and some development NGOs may also play a useful facilitating role in planning and implementing involuntary resettlement. They may act as intermediaries between affected persons and the project executing agencies and facilitate the channeling of affected persons' views and preferences to the executing agencies. They may also mobilize affected persons and organize them to work together to minimize the adverse effects or maximize benefits. Thus, local government agencies, people's organizations and suitable development NGOs may be called upon to facilitate successful resettlement operations.

### **III. INVOLUNTARY RESETTLEMENT POLICY**

#### **A. Rationale**

28. Until recently, development-induced displacement of population was considered a "sacrifice" some people have to make for the larger good. Resettlement programs in general were limited to statutory monetary compensation for land acquired for the project, and occasionally development of a resettlement site.

29. However, perceptions are changing because of delays in project implementation and benefits foregone; growing awareness about the potential adverse economic, social, and environmental consequences of population displacement; and increasing concern about people's welfare. Resettlement is viewed increasingly as a development issue. Policy makers, planners, and development practitioners have come to accept that inadequate attention to resettlement does not pay in the long run; and costs of implementation problems caused by lack of good involuntary resettlement can far exceed the costs of proper resettlement. Furthermore, impoverished people are a drain on the national economy; thus, avoiding or minimizing displacement as well as proper rehabilitation of those displaced make good economic sense as well as being fair to those adversely affected.

30. The Bank and its DMCs should see these changes in perceptions as an opportunity rather than an impediment. With the recent renewed emphasis on project quality and impact, the focus on affected persons and their welfare should (i) improve the way development projects are conceived, planned, and implemented; and (ii) make development not only economically but also socially and environmentally beneficial. This approach is in tune with the twin objectives of poverty reduction and sustainable economic growth.

31. So far, the Bank has not adopted a formal policy on involuntary resettlement. However, in recent years, some staff have been using the World Bank's operational directive (OD 4.30) as a guide in addressing resettlement issues in selected projects. The Bank's *Guidelines for Social Analysis of Development Projects*, issued in June 1991 incorporated the essential features of OD 4.30 in an appendix.<sup>1</sup> More recently, the President issued instructions to staff to adhere to the principles and approaches in OD 4.30 to deal with involuntary resettlement in Bank operations, pending formal adoption of a Bank policy on the subject.<sup>2</sup>

32. Formal adoption and implementation of a policy on involuntary resettlement is necessary to promote consistent improvements in Bank assistance to DMCs in this sensitive area. A policy on involuntary resettlement is necessary to (i) spell out the objectives and approaches, (ii) set the standards in Bank operations, (iii) provide staff with a clear perspective on the issues, (iv) assist borrowers in addressing the issues, and (v) adopt formal procedures to address systematically these aspects in Bank operations.

## B. Bank Policy

33. The objectives of the Bank's policy on involuntary resettlement should be to (i) avoid involuntary resettlement wherever feasible; and (ii) minimize resettlement where population displacement is unavoidable, and ensure that displaced people receive assistance, preferably under the project, so that they would be at least as well-off as they would have been in the absence of the project, as contemplated in the following paragraphs.

34. Involuntary resettlement should be an important consideration in project identification. The three important elements of involuntary resettlement are (i) compensation for lost assets and loss of livelihood and income, (ii) assistance for relocation including provision of relocation sites with appropriate facilities and services, and (iii) assistance for rehabilitation to achieve at least the same level of well-being with the project as without it. Some or all of these elements may be present in projects involving involuntary resettlement. For any project that requires relocating people, resettlement should be an integral part of project design and should be dealt with from the earliest stages of the project cycle, taking into account the following basic principles:

- (i) Involuntary resettlement should be avoided where feasible.
- (ii) Where population displacement is unavoidable, it should be minimized by exploring all viable project options.

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<sup>1</sup> Asian Development Bank, *Guidelines for Social Analysis of Development Projects*, Appendix 6, Manila, June 1991. These Guidelines have been superseded by the *Guidelines for Incorporation of Social Dimensions in Bank Operations*, issued in October 1993.

<sup>2</sup> Asian Development Bank, "Staff Instructions on Certain Policy/Administrative Issues - Involuntary Resettlement," 15 February 1994.

- (iii) If individuals or a community must lose their land, means of livelihood, social support systems, or way of life in order that a project might proceed, they should be compensated and assisted so that their economic and social future will generally be at least as favorable with the project as without it. Appropriate land, housing, infrastructure, and other compensation, comparable to the without-project situation, should be provided to the adversely affected population, including indigenous groups, ethnic minorities, and pastoralists who may have usufruct or customary rights to the land or other resources taken for the project.
- (iv) Any involuntary resettlement should, as far as possible, be conceived and executed as a part of a development project or program and resettlement plans should be prepared with appropriate timebound actions and budgets. Resettlers should be provided sufficient resources and opportunities to reestablish their homes and livelihoods as soon as possible.
- (v) The affected people should be fully informed and closely consulted on resettlement and compensation options. Where adversely affected people are particularly vulnerable, resettlement and compensation decisions should be preceded by a social preparation phase to build up the capacity of the vulnerable people to deal with the issues.
- (vi) Appropriate patterns of social organization should be promoted, and existing social and cultural institutions of resettlers and their hosts should be supported and used to the greatest extent possible. Resettlers should be integrated economically and socially into host communities so that adverse impacts on host communities are minimized. One of the effective ways of achieving this integration may be by extending development benefits to host communities.
- (vii) The absence of formal legal title to land by some affected groups should not be a bar to compensation. Affected persons entitled to compensation and rehabilitation should be identified and recorded as early as possible, preferably at the project identification stage, in order to prevent an influx of illegal encroachers, squatters, and other nonresidents who wish to take advantage of such benefits. Particular attention should be paid to the needs of the poorest affected persons including those without legal title to assets, female-headed households and other vulnerable groups, such as indigenous peoples, and appropriate assistance provided to help them improve their status.
- (viii) The full costs of resettlement and compensation, including the costs of social preparation and livelihood programs as well as the incremental benefits over the "without project" situation, should be included in the presentation of Project costs and benefits.
- (ix) To better assure timely availability of required resources and to ensure compliance with involuntary resettlement procedures during implementation, eligible costs of resettlement and compensation may be considered for inclusion in Bank loan financing for the project, if requested.

35. The Bank's support for projects requiring significant involuntary resettlement should include assistance to the government and other project sponsors to (i) adopt and implement the above objectives and principles of the Bank's policy on involuntary resettlement within their own legal, policy, administrative and institutional frameworks; (ii) build the capacity of the government and other project sponsors to effectively plan and implement involuntary resettlement in the projects; and (iii) strengthen the DMC's capacities and macro frameworks for involuntary resettlement. Where serious differences on major aspects between project sponsors and affected persons are evident, adequate time should be allowed for the government and other project sponsors to resolve these differences before the Bank commits support for the project. If requested by the government, the Bank should be prepared to assist as appropriate. The government and project sponsors are responsible for resolving the differences.

36. For projects or programs involving displacement of people and for projects that are likely to encounter significant social resistance, the social preparation of the adversely affected persons and their communities into which they will be resettled would be an important means to obtain their cooperation for the project to proceed. For all public and private sector projects that involve significant involuntary resettlement, the government and other project sponsors should be assisted in preparing and submitting to the Bank, before loan appraisal, a satisfactory resettlement plan with time-bound actions and budgets.

#### IV. IMPLEMENTATION PROCEDURES

##### A. Initial Social Assessment

37. An initial social assessment (ISA) is required for every development project in order to identify the people who may be beneficially and adversely affected by the project. It should assess the stage of development of various subgroups, and their needs, demands, and absorptive capacity. It should also identify the institutions to be involved in the project and assess their capacities. The ISA should identify the key social dimensions aspects (such as involuntary resettlement, indigenous peoples, poverty reduction and women in development) that need to be addressed under the project.<sup>1</sup> The ISA should be undertaken as early as possible in the project cycle and preferably by the time of fact-finding for a project preparation technical assistance (PPTA). If the ISA identifies that resettlement is likely to be involved in the project, a resettlement plan should be prepared, preferably in conjunction with preparation of the project feasibility study.

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<sup>1</sup> For detailed explanation on ISA, see *Guidelines for Incorporation of Social Dimensions in Bank Operations*, Asian Development Bank, Manila, October 1993, pp. 23-26; and for subsectoral checklists, etc., please see *Handbook for Incorporation of Social Dimensions in Projects*, Asian Development Bank, Manila, May 1994. The preparation of an ISA may entail the inputs of a sociologist or social anthropologist for 5-10 days for a simple project and up to 2 months for a complex project serving a large number of people belonging to diverse groups.

## **B. Resettlement Plan**

38. Where population displacement is unavoidable, a detailed resettlement plan with time-bound actions specified and a budget are required. Resettlement plans should be built around a development strategy; and compensation, resettlement, and rehabilitation packages should be designed to generally improve or at least restore the social and economic base of those to be relocated. Monetary compensation for land alone may not be adequate. Voluntary relocation by some affected persons may form part of a resettlement plan, but measures to address the special circumstances of involuntary resettlers should also be included. Preference should be given to resettlement of people dislocated from agricultural settings unto similar settings. This is particularly important for indigenous peoples whose degree of acculturation to mainstream society is limited. If suitable land is unavailable, other strategies built around opportunities for wage employment or self-employment may be used.

39. The contents and level of detail of resettlement plans, which will vary with circumstances, especially the magnitude of resettlement, should normally include a statement of objectives, policies, and strategy, and should cover the following essential elements: (i) organizational responsibilities; (ii) community participation and integration with host populations; (iii) socioeconomic survey; (iv) legal framework including mechanisms for resolution of conflicts and appeals procedures; (v) identification of alternative sites and selection; (vi) valuation of and compensation for lost assets; (vii) land ownership, tenure, acquisition, and transfer; (viii) access to training, employment, and credit; (ix) shelter, infrastructure, and social services; (x) environmental protection and management; and (xi) implementation schedule, monitoring, and evaluation.

40. Cost estimates should be prepared for these activities; they should be budgeted; and implementation of the activities should be scheduled with time-bound actions in coordination with the civil works for the main investment project. The resettlement plan should have an executive summary. A summary resettlement plan should be included in the draft Report and Recommendation of the President (RRP) for Management Review Meeting, and in the final RRP for Board circulation. The Office of Environment and Social Development (OESD) should be consulted in the preparation of the summary resettlement plan. To assist staff and project sponsors, a set of guidelines and an annotated outline of a resettlement plan will be prepared and issued after the resettlement policy is approved by the Bank.

## **C. Responsibility for Resettlement**

41. As is common with all projects, the responsibility for planning and implementing resettlement rests with the government and other project sponsors. The Bank should support the efforts of the government and other project sponsors, as required, through (i) assistance in formulating and implementing resettlement policies, strategies, laws, regulations, and specific plans; (ii) providing technical assistance to strengthen the capacity of agencies responsible for resettlement; and (iii) financing eligible costs of resettlement, if requested.

#### **D. Project Processing**

42. If the project is likely to involve significant involuntary resettlement, Bank staff should inform the government and other project sponsors of the Bank's involuntary resettlement policy. Starting early in the project cycle, staff should assess government policies, experiences, institutions, and the legal framework covering resettlement. It is important to ensure that involuntary resettlement is avoided where feasible and minimized if it is unavoidable; that laws and regulations concerning displaced people provide for compensation sufficient to replace all lost assets; and that displaced persons are assisted to relocate and generally at least restore their former living standards, income earning capacity, and production levels.

43. If the ISA identifies the need for a resettlement plan, appropriate provisions should be made in the PPTA to assist the government and other project sponsors prepare such a plan. The resettlement plan should be submitted by the government or the private project sponsors to the Bank, preferably together with the feasibility study for the project, but in any case, before project appraisal, as the costs and implementation of resettlement are likely to critically affect the overall costs and implementation schedule of the investment project.<sup>1</sup> The OESD should assess the adequacy of the resettlement plan in conforming to the Bank's policy. The project profile for each project involving significant involuntary resettlement should include appropriate information on resettlement aspects drawn from the ISA and the resettlement plan as applicable.

#### **E. Project Implementation**

44. Resettlement components should be reviewed thoroughly throughout project implementation. Bank review missions should include, as far as possible, persons with expertise in resettlement, sociology or social anthropology. Semiannual reviews of large-scale resettlement operations are recommended, and in-depth reviews of midterm progress are critical. The reviews should be planned from the outset to allow the government, the project sponsors, and the Bank to make necessary adjustments in project implementation. Complete recovery from resettlement can be protracted and may require monitoring well after affected persons are relocated, sometimes even after project facilities are commissioned and Bank financing is completed.

#### **F. Application of Policy**

45. This policy will be applicable to all projects approved after 31 December 1995. Until the beginning of 1994, the Bank has been using the World Bank's Operational Directive (OD 4.30) on Involuntary Resettlement as a guide in addressing resettlement aspects. Pursuant Staff Instructions issued by the President on 15 February 1994, the Bank has been implementing an involuntary resettlement policy based on the World Bank's Operational Directive (No. 4.30)

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<sup>1</sup> In the case of sector loans that are likely to involve significant involuntary resettlement, a broad assessment of the likely magnitude of the resettlement should be made. At least one of the sample subprojects to be appraised should include involuntary resettlement. The criteria and outline of a resettlement plan for other subprojects should be included in the RRP. Bank review of the resettlement plans for other subprojects should be mandatory.



on Involuntary Resettlement. A review of experience with involuntary resettlement in ongoing Bank-financed projects is proposed under a regional technical assistance to (i) learn about strengths and weaknesses, (ii) identify projects and project components requiring remedial actions, and (iii) recommend strategies and mechanisms to improve the project performance. The findings of the review would also be a useful input to future revisions of the Bank's policy on involuntary resettlement.

### **G. Monitoring and Reporting**

46. Staff of the Projects Departments should monitor regularly the involuntary resettlement aspects of ongoing Bank-financed projects, and the progress should be reported in the Project Administration Committee Notes. Annual reports on involuntary resettlement aspects of ongoing projects should be prepared by the OESD in consultation with Operational Departments. These reports should be circulated to the Board of Directors for information along with the corresponding Semi-Annual Reports on Project Administration. The Bank should review the experience with the Involuntary Resettlement Policy after the policy has been implemented for about two years. A report on this review, including any recommended modifications to the policy, should be submitted to the Board of Directors.

### **H. Resource Implications**

47. Along with formulation of the policy on resettlement, the Bank needs to develop adequate institutional capacity to facilitate effective implementation of the policy. Additional resources will be needed to orient and train staff and recruit new staff with training in sociology or social anthropology to address involuntary resettlement aspects in the operations. Thus, the upfront operational costs of staff time, consultants, and business travel are likely to increase, as will the technical assistance resources and the lead time required for project preparation and processing. At the same time, monitoring and evaluation of resettlement components may require increased staff resources, consultant inputs, and business travel budgets.

48. The preparation of a resettlement plan may require 2-4 weeks of local consultant inputs for a simple project involving resettlement of a small number of people whereas a plan involving a large number of people to be resettled in a complex project may require about 15 months of staff and consultant inputs in addition to the inputs of the executing agencies, and may take up to two years. For example, preparation of the resettlement plan for the Jamuna Multipurpose Bridge Project in Bangladesh (see para. 7) took about two years and involved more than 14 person-months of World Bank staff and consultant inputs, in addition to the inputs of the executing agency. The costs of the compensation, resettlement, and rehabilitation component were estimated to be under 10 percent of the total Project cost.

49. During 1994, the staff of the Social Dimensions Unit reviewed, among other things, 29 loan and 18 technical assistance projects that involved involuntary resettlement to some degree or other. Of the 29 loan projects reviewed, 25 were at various stages of processing, 2 were under implementation, and project completion reports were being prepared for the remaining 2. One of the loan projects under processing and one under implementation were in the private sector. The country distribution of loan projects was quite widespread with 7 in

the PRC; 6 in the Philippines; 3 in Indonesia; 2 each in Bangladesh, Nepal, and Viet Nam, and 1 each in Cambodia, India, Lao, Malaysia, Pakistan, Thailand and Tonga. Of the 18 technical assistance projects with resettlement aspects reviewed in 1994, 14 were for project preparation and 4 were for advisory and operational support.

50. About 32 loan projects being processed for 1995 are likely to involve involuntary resettlement aspects in varying degrees. Many of these projects are carried over from 1994. The country distribution of these projects is 6 each in the PRC and Pakistan; 4 in Indonesia; 3 each in India, Nepal, and the Philippines; and 1 each in Bangladesh, Bhutan, Lao PDR, Malaysia, Mongolia, Sri Lanka and Viet Nam. Also, 18 PPTAs being processed in 1995 are likely to involve issues of involuntary resettlement.

51. The World Bank's experience in addressing involuntary resettlement aspects in Asia and the Pacific could indicate the likely resource implications for the Bank. In its two Regional Vice Presidencies covering operations in Asia and the Pacific, the World Bank had, in 1994, four full-time staff and four long-term consultants at headquarters looking after involuntary resettlement aspects. In addition, the World Bank had one staff person each in its Beijing, Dhaka, Jakarta, and New Delhi resident offices looking after resettlement aspects. The World Bank also hired short-term consultants to assist with specific assignments in this area. According to the World Bank staff in the Asia Technical Department, review of resettlement aspects at headquarters takes, on average, about 4-5 days for simple projects with well formulated resettlement plans. The staff indicated that it may take anywhere from 2-3 to 6-8 weeks of a staff specialist's time to help prepare a resettlement plan in the field, depending on the nature of the project, the magnitude of resettlement involved, the capacities of the executing and implementing agencies, and the attitudes and developmental level of the affected people.

52. Based on the above and taking into account the mix of projects in the existing portfolio and those to be included in the Bank's future lending portfolio, it is reasonable to expect that 8-10 professional expert years may need to be devoted annually to adequately address involuntary resettlement aspects in projects under processing, and another 4-6 expert years annually for monitoring and administration of ongoing Bank-financed projects. Some of the expert years required in project preparation could be incorporated in PPTAs and some of that needed for project processing and administration could be provided by staff consultants. However, in-house expertise in this area needs to be augmented by recruiting 3-4 additional staff with requisite expertise. These requirements could be met through reallocation of staff positions. With improved planning and preparation, many of the delays in implementation normally encountered in such projects could be avoided. Overall, although overhead costs for the Bank are likely to increase in the short to medium term, the quality of such projects and their impacts is likely to improve as a result of devoting increased attention to involuntary resettlement.

## V. CONCLUSIONS

52. The objective of the Bank's policy on involuntary resettlement should be to avoid or minimize resettlement, wherever feasible. If population displacement is unavoidable, the strategy should be to ensure that the people affected by project are, as contemplated above, generally at least as well off after resettlement as they would have been without the project. Addressing resettlement in Bank operations may entail some additional costs, but the benefits to the DMCs should outweigh the costs to the Bank. Good resettlement may be beneficial from economic, social, and environmental considerations, and should contribute to improved project quality and impact. It will also promote more equitable development.

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