

## Chapter 2

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### ADB AND WORLD BANK RESETTLEMENT POLICIES

*This chapter is divided into two sections. Section I is based on the presentations made at both the Manila and Port Vila workshops by Susanna Price of the Social Development Division, ADB, supplemented with material presented by Gordon Appleby, Environment and Natural Resources Division of EDI at the World Bank.*

*Section II of the chapter consists of some reflections on the issues already raised and is the text and presentational material used at the Port Vila workshop by Maninder Gill, who is Coordinator for the Resettlement Thematic Group at the World Bank.*

#### Multilateral Development Banks' Resettlement Policies

Major development projects with which multilateral development banks are often associated frequently displace people from their dwelling and, or, usual place of work. For this reason, these same banks have introduced policies to guide what is acceptable treatment of those affected. While there are minor differences between the terminology used by the World Bank and the ADB (see Annex B), there are no essential differences in the principles on which they are based. These essentials on which both banks are fully agreed are set out in Box 2.1.

The guidelines adopted make provision for compensation for lost assets and income, physical resettlement where appropriate, and rehabilitation to allow affected people to regain, or, better, to improve, their former economic capacity. All of this complex of activity is loosely called "involuntary resettlement," even though, in some cases, no actual physical relocation of housing may be necessary. An alternative terminology, widely used at the World Bank, is to refer to Resettlement and Rehabilitation, the latter being all that set of measures used to assist project-affected people regain or improve on their former standard of living.

#### Avoiding and Minimizing Resettlement Effects

Because it involves serious private and social costs, involuntary resettlement should be avoided to the extent possible. The private costs of being resettled are attributable to the loss of: specific land and other assets; access to communal facilities including grazing land and forests for gathering food; fuel and medicines; established work opportunities; business contacts; family and social contacts; access to markets; social services; and, religious, cultural, and burial sites. Defining all these losses accurately and completely for every affected individual is rarely possible and so, even with the best of intentions, some of the costs of displacement will be borne by those displaced.

The social costs of resettlement are of two kinds; those that flow on from the private costs in terms of lost productivity, and those that arise from the implementation of the resettlement itself. Most of these are fairly obvious but others are largely hidden and never

## Box 2.1

## Ten Key Points in ADB and World Bank Resettlement Policy

1. Avoid involuntary resettlement where feasible.
2. Minimize resettlement effects.
3. For people unavoidably displaced: compensate, assist with housing, rehabilitate incomes and livelihoods.
4. Integrate resettlement into the main project with a time bound plan and budget.
5. Employ a participative planning strategy: inform, consult, gain participation.
6. Support the social and cultural institutions of those affected.
7. Assist all affected people including those without title to property.
8. Use resettlement to help vulnerable groups improve their status.
9. Treat resettlement costs as a part of the total project budget.
10. Adequately budget for resettlement and provide bank assistance with finance if requested.

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Source: Presentations to the Manila and Port Vila Workshops by Susanna Price, Social Development Division, ADB. Precise details and recommendations for the execution of the policy of ADB can be obtained from its publication *Handbook on Resettlement: A Guide to Good Practice* (1998). For the policies and guidelines applying at the World Bank, see Michael Cernea, *Involuntary Resettlement in World Bank-Financed Projects*. World Bank Technical Paper 80, 1988.

become explicit. In particular, the cost of delay in the main project can be enormous. Such delay arises when resettlement is badly handled and those affected mobilize themselves to strike a better bargain than has been offered. Take the case of a hydroelectric project dependent on a dam or diversion weir that displaces significant numbers of people. Disputes over the rights of those to be moved can easily delay the implementation of the project by a year or more. This adds appreciably to the cost of the project as many of the skilled personnel and specialized equipment will have to be kept on hand until the dispute is over, but this is not all. Even more significant can be the loss of earnings from the sale of electricity as the date by which power becomes available slips into the future.

The lessons of experience learned by ADB and the World Bank include avoiding these costs if at all feasible. The first step is to be sure that all possible alternative approaches to meeting the underlying developmental need have been considered. Some may have no, or negligible, resettlement consequences. The provision of additional power may be possible through use of alternative dam sites in less densely populated areas. The need for additional power might be obviated by better use of existing generating equipment or by less wasteful, and more easily monitored, distribution system. The design of the dam might be varied to occupy less prime land.

Avoiding or minimizing the need for resettlement should be an integral part of good project design. For this reason, the resettlement component needs to be specified early and as an integral part of the physical and financial plan for the project as a whole.

## Unavoidable Resettlement

For people who, despite all efforts to avoid it, must be resettled, there are three broad categories of assistance that ADB and the World Bank require them to receive. These concern compensation, housing relocation, and income restoration. The rights of each person or family group are usually established in accordance with the nature of the assets, housing, and employment they currently enjoy. Thus, while all affected people should be assisted, the nature of the assistance is usually determined by the severity of the impact they suffer. A family losing its home, as well as its farmland, will be treated differently from a family losing only a small part of its farmland, especially if the remaining land is to be improved by access to irrigation water or become valuable because of its proximity to a new road or township. Since the nature of the compensation and the kind of housing assistance, and the approaches to restoration of living standards must vary among the many classes of affected people even within a given project, it is not practical to provide a definitive prescription for the facilities to be provided. However, general guidelines are possible and these are set out in Table 2.1.

**Table 2.1**  
**Addressing Resettlement Effects**

Type of Loss	Measures Required
Loss of Productive Assets including: Land, Income, and Livelihoods	<ul style="list-style-type: none"> <li>• Replacement or compensation at replacement values</li> <li>• Income substitution and transfer costs during re-establishment</li> <li>• Income restoration measures that regain and enhance livelihoods.</li> </ul>
Loss of Housing, Community Systems, and Services	<ul style="list-style-type: none"> <li>• Compensation for lost housing at replacement values</li> <li>• Relocation options including site development if required</li> <li>• Measures to re-establish community systems and services to prior standard or better</li> </ul>
Loss of Other Personal Property	Replacement or compensation at replacement value
Loss of Other Community Resources, Habitat, or Services	Replacement or restoration of lost amenities

## Resettlement in the Project Context

The many problems with resettlement that have emerged over the years have largely been due, either to uncertainty concerning the measures set out above, or to the fact that the resettlement aspects of the main project have not been adequately integrated with the rest of the planning and civil works. This topic is presented at greater length in Annex A of this publication. The main concern is that the resettlement implications for the viability of the project should be properly taken into account. This can only happen if resettlement and the social and economic rehabilitation of adversely affected people are considered as important a component of the project as the engineering design, civil works, and commissioning of the plant.

While the skills required in executing the resettlement component make it sensible to use a specialized unit for their execution, this unit should come under the broad direction of the project implementing unit, but at the highest level. The timelines for implementation should be fully coordinated with those for construction and key points for synchronization established. For instance, the World Bank requires that, in projects receiving their financial assistance, no civil works may be started until a full resettlement action plan (RAP) has been agreed among all parties including representatives of the affected population.

Similarly, the progress of the project and its oversight by management should be comprehensive, including as much detail on resettlement issues as is necessary to ensure no unpleasant surprises during implementation. The management of the project, the monitoring of compliance with all covenants and effectiveness conditions, and the subsequent evaluation of the project should all be undertaken in a manner that specifically includes consideration of the resettlement component.

To make the project run as smoothly as possible and without unrest or disturbance from dissatisfied individuals or groups, fast-tracking the resettlement component makes a lot of sense. The sooner displaced people can see that they can re-establish their homes and livelihoods, the less likely it is that they will act to disturb project execution. Indeed, given the high costs attaching to project delays, it makes sense to give first priority to the resettlement component in the early stages of the project.

Eventually, the physical aspects of the project, including resettlement, will be complete and all concerned will be keen to bring the operation to a close, transferring authority to the implementing agent. However, there is little chance that full restoration of earnings and living standards will have been accomplished for displaced people within the short time frame of the civil works. For this reason, some residual monitoring capacity needs to be retained to ensure that these aspects of the project are accomplished before it can be said that the project development period has ended.

## Information, Consultation, Participation

The resettlement policies of ADB and the World Bank are quite explicit about the need for a participative development strategy. This participative approach is required in relation to both those to be resettled or otherwise affected and those in the host community to which the resettlers will become attached. It is easy to say that such an approach should be adopted, but much more difficult to carry it out in practice. There are not many government project officials who have ever had to adopt any but a directive approach to their duties. This will not be conducive to engaging in a truly participative dialogue. For this reason alone, great care is needed in selecting those who will head the official resettlement planning and implementing unit of a project. This is also one of the good arguments for bringing into the process

able facilitators from non-government organizations (NGOs) that have had a successful record of community development work. Their possible roles are explored further in Chapter 10.

The first step in a participative management approach is to identify all the stakeholders whose concerns, whether now known or not, should be taken into account. As indicated, this goes beyond the project officials and those displaced. It will at least include representatives of any host communities, those who provide private sector services such as transport in the district, representatives of provincial and local government as well as of other central government departments providing services to the community. In forming contact groups it is important to ensure that members of the local community are not outnumbered by officials from the different levels of government. The objective of the process is empowerment of those affected. Their lives may be shattered by the disruption created and it is natural that they should feel as if they had entirely lost control of their own lives and futures. The approach is to provide information on the basis of which there can be effective consultation that leads to full participation in the planning strategy. The test of success is whether empowerment of the affected people is attained so that they resume responsibility for their own lives and do not remain dependent on the project authorities.

### Box 2.2

#### The Four Steps in a Participative Approach to Resettlement

1. INFORMATION is provided to all affected people and other stakeholders. This is a one-way process, but a vital first step. Every available means of communication should be used.
2. CONSULTATION especially with affected people and the intended host communities is undertaken. The flow of ideas is now two-way, but there will be many misunderstandings and great skill and patience is required.
3. COLLABORATION between project officials and community representatives takes place to reach mutually agreed solutions to all matters affecting the lives of affected people and the host community. In some cases, this is a process mediated by skilled and experienced staff of NGOs who have the confidence of all parties.
4. EMPOWERMENT of the project affected people is attained so that they take full responsibility for their own affairs. This will only be achieved if the project commits adequate resources and officials respect the decision-making processes of the community.

Source: Based on *Participation in Resettlement Operations*. World Bank (EDI) Video film. 1995. ADB policy on participation is illustrated more fully in the *Handbook on Resettlement: A Guide to Good Practice*, Table 4.1, p.42.

Once information is flowing and the consultative process has led to a sense of participation, it will be possible to negotiate the finer points of project entitlements for the affected population. This involves agreement on how best to categorize those affected and then to reach mutual agreement on how to apply any latitude officials may have in determining the content of the package of benefits for each affected category. At the same time, acceptable procedures need to be agreed for the hearing of grievances and the redress of any administrative errors that may occur.

## Supporting Resettler Social and Cultural Institutions

An important feature of the socio-economic baseline survey required under ADB and World Bank resettlement policies is the documentation of existing social and cultural resources. The more obvious and tangible of these are facilities such as meeting houses, places of community worship, burial grounds, and memorials of all kinds. These facilities may be managed by priests, guardians, janitors, and so on whose future roles need to be taken into account. Less obvious are the social connections on which, however, all daily activities in a close-knit community depend. Apart from administrative or political leaders in the community, there are a number of others who provide critical services.

These will differ from culture to culture, but they include artisans, irrigation water masters, healers, and midwives. While some of their services may be paid for in cash, many are rewarded in kind and, in the case of a person with responsibilities that touch all of the community, such as a water master, that payment may be in the form of a regular levy on all family heads-of-household of the community on a basis designed to ensure that a full subsistence living is received.

Resettlement can result in total disruption of the network of traditions that supports these specialists in the community and allows the community full access to their services. The socio-economic survey should be designed to identify these specialists and gain an understanding of how they are linked by mutual obligations to the rest of the community. If the entire community is transferred to another site, it is probable that most of the services will continue as before. Where communities are split, this is less likely and special provision may have to be made for the welfare of the specialists who usually own no land, and for new lines of access to the same services in the new, host community, location.

Where the physical capital or pool of special skills in a community is deficient, resettlement offers an opportunity to go beyond the simple restoration of what was there before and to enhance the nature and extent of social capital available to the community in its new location. This is one important aspect of the policies of ADB and World Bank that the process of resettlement should be addressed as a developmental opportunity for all involved.

## Assisting All—and Especially the Most Vulnerable

The resettlement policies of ADB and the World Bank are clear that the definition of project-affected people is very broad. It extends to all those who lose assets, land, income sources, resources, housing, or community amenity. It also includes those whose losses are temporary as well as those for whom the losses are permanent.

The key issue in dealing with such a wide definition of affected person is to identify all of them as early as possible. This is the purpose of the local census and the follow-up socioeconomic survey. A full tabulation of the ways in which each family and individual will be affected is usually made by the adoption of a pre-designed classification usually based on a sample survey and local expert advice. These classifications become associated with fixed benefit packages depending on the nature of the losses sustained.

Where the losses are of a temporary nature, the main objective is to ensure that living standards are maintained in the interval during which the loss applies. For example, a small store-keeper whose shop site is resumed for the project may be given another site and assistance in moving the shop or building a new one. However, until his new neighborhood takes advantage of his business as fully as was the case at the old site, he will be financially worse off. Some sort of indemnity might be negotiated as part of the project cost, but it will be important that it be shaped so as to provide an incentive to get back in business quickly. An example is set out in Box 2.3.

The definition of resettlement losses and of affected people means that even those who cannot prove their title to particular assets or resources must be assisted if they have been allowed the use of those assets or resources without question. Such uses are said to be customary or based on usufruct. Usufruct is the right to the off-take without damage to the underlying resource—usually fruit, nuts, and berries from trees or bushes. It can also apply to livestock. Whether the customary right is equivalent to ownership or just a use right makes no essential difference to the income derived from it. It is the value of this essentially perpetual stream of income that requires compensation.

### Box 2.3

#### Providing an Incentive for Recovering Temporary Losses

Many resettlement temporary losses are attributable to loss of business income. The best form of compensation is hard to design. Fixed sums are open to being frittered away and not used to build up the business. Monthly payments for a fixed period may give rise to pleas for extensions as circumstances alter. Here is an example of temporary assistance that contains an incentive to get the business operating quickly:

- Set the benefit as a percentage of gross earnings
- Have the percentage decline over a reasonably long adjustment period

The benefits are that:

- Such a form of assistance encourages full declaration of earnings
- A bonus is provided for restoring business profitability faster than anticipated
- There is a finite termination date

However, to avoid a budget blowout arising from a business boom:

- A total payout cap could be agreed upon

Many other resettlement situations are amenable to assistance with this same kind of built-in incentive for success.

Many customary rights are to a share in common property rights. These include forest gathering rights and rights of pasturage. There is rarely any documentary evidence of these rights which depend upon community consensus. Being sure that all such rights have been taken into account is not easy. However, the surest way to learn of them is to engage the entire community in an effectively participative approach to resettlement planning as discussed in an earlier section of this chapter.

Among those whose rights are difficult to define are displaced people who can be regarded as among the most vulnerable in society. Just who they are will vary from country to country, among provinces of the same country and from project to project. They usually comprise of the poorest households, pastoralists, indigenous people and households headed by women. They are already vulnerable to all the worst effects of poverty—their skills are low, they have little scope for employment, they may be both far from health and other services and unable to afford the costs involved. Morbidity is high and mortality among infants is high with low life expectancy for adults.

It is not possible for a resettlement project to also be a specialized social service for these people, but every effort should be made to ensure that they make a positive gain from

the resettlement process. Restoration of their meager livelihoods is simply not good enough. Giving them command over some productive asset and the skills to manage it can be a vastly empowering experience. For those in a village or township with access to a market for simple services—such as food preparation or repackaging of bulk goods—access to micro-enterprise finance and the associated technical help to set up in business will often be an effective catalyst that moves them out of dire poverty and into a better life. Such programs are frequently sponsored by NGOs and an example from Vanuatu that draws on experience in the Philippines is set out in Chapter 10.

### Budget Issues

All the good physical planning and social analysis will be to no avail unless the cost estimates for delivery of effective resettlement and social and economic rehabilitation are translated into project funds. The resettlement process is a sensitive one and ADB and the World Bank understand if a borrowing government prefers to fund it from domestic sources. Both banks are fully prepared to provide the finance needed for resettlement expenses if requested and almost nothing is excluded other than the cost of land and some classes of housing replacement costs.

The banks will not be satisfied with project planning and will not participate if resettlement issues have not been fully costed and a clear financing plan developed. The resettlement elements must be as fully integrated into the project budget as they are to be linked to the implementation schedule for the civil works and other elements of the main project. As discussed further in Chapter 3 which follows, agreement on the resettlement action plan in detail and the means for its financing will be a part of the legal agreement between the borrower and the bank.

## Resettlement Challenges: Policy and Implementation

### The Relevance of Bank Resettlement Policy

An important point that needs to be made about the policies established by the World Bank and ADB is that they deal with involuntary resettlement. Resettlement is involuntary when government acquires land through its exercise of the rights of eminent domain or other regulations, and does so for developmental purposes. This is a very specific context and we do not have the experience with other forms of resettlement to be able to say for certain how well the policies would translate to them. What comes to mind are the issues of squatters and of those displaced by natural calamities or civil strife. One may choose to adapt the existing policies to situations such as these, but remember that they have not been tested for such an application.

However, the policies now in place in both banks are very robust. They have been applied across a very broad range of circumstances around the world. Perhaps not always perfectly, but they have been applied in many different systems of landownership and land use. World Bank experience has included projects in Africa, Central and South America in addition to the joint experience of the World Bank and ADB in Asia and the Pacific. Some of these experiences are recounted in Chapter 4 of this publication.

## Policy and Implementation Challenges

At the heart of a resettlement project is the Resettlement Plan (ADB) or Resettlement Action Plan (RAP) as it is called by the World Bank. This is the document that translates policy into practice for the particular project. It is important that the RAP be both complete and workable. The main headings for a RAP are set out in Box 2.4.

### Box 2.4 Contents of a Resettlement Action Plan

- Description of the Project
- Minimization Efforts undertaken or to be undertaken
- Census and Socio-Economic Survey Results
- Resettlement Policy Framework (Laws, Regulations, Customary Practices)
- Relocation Site Preparation (if relevant)
- Income Restoration Programs (if relevant)
- Resettlement Financing and Budget
- Implementation Timetable
- Organizational Arrangements
- Internal and External Monitoring
- Participation and Consultation
- Grievance Procedures

The process of formulating a RAP for a particular project will always involve some serious challenges for the project authorities. These challenges arise, first, because of policy failures. A very fundamental one concerns the definition, and application, of the concept of eminent domain. The law may not make provision for full replacement cost compensation for lost assets. Commonly, the replacement valuation is on an administered scale for land, and at depreciated values for fixtures. This alone will not allow a return to former living standards. In most cases, there are no payments envisioned for squatters, regardless of how long they have been left undisturbed by officialdom to enjoy land use rights. Temporary and indirect forms of project impact are commonly not recognized by existing compensation regulations.

A little less tangible, but not less important is that many existing institutional arrangements for resettlement are couched in remedial terms rather than being seen as a developmental opportunity. In such cases, there is neither a facility for, nor a culture amenable to, the conduct of community consultations. Without this there is no hope of moving on to a fully participative implementation of the project. Similarly, follow-up monitoring is frequently omitted from existing regulations dealing with resettlement.

Now we turn to some of the many challenges that arise at the level of implementation (see Box 2.5). It can truly be said that many project agencies concerned with the design and construction of a physical facility, regard resettlement as “a problem for somebody else to handle.” This externalization must be overcome if the resettlement is to proceed in a timely and acceptable way. The concept, as well as the costs, must be incorporated into the main project work program and budget.

### Box 2.5 Resettlement Implementation Challenges

- Resettlement is “externalized” by project agencies
- Weakness of Resettlement and Rehabilitation institutions
- Lack of coordination mechanisms
- Impact categories are missed or under-reported
- Lack of corporate ownership of resettlement plans
- Participation is “checked off”—not real
- Inadequate funding or deficient budgetary procedure
- Income restoration measures not adequately analyzed
- Land-for-land policies have become extremely difficult to implement
- Resettlement implementation not closely tied to project construction activities
- Monitoring, if carried out, does not influence continuing implementation

Weakness of resettlement implementation units arises from the lack of a culture of concern for social issues on the part of those responsible for project design and execution. These functions have traditionally been based on engineering, finance, and economics, but with engineers most commonly responsible for direction. This has produced great benefits in terms of project management tools for scheduling, critical path analysis, and quantity surveys. When such a unit is instructed to establish a resettlement unit, there is rarely any prospect of promotion for those assigned to this apparently thankless task and so it has been difficult to attract the best and brightest minds. This is where real leadership needs to be shown by project managers in determining that all parts of the project are given a good chance of success so that the whole might also be judged a success.

Inter-government and intra-agency coordination is a perennial problem in all projects. The situation is aggravated in the case of resettlement because its social underpinnings are not well understood, if they are shared at all, by those not dealing with it on a daily basis. The challenge is to find mechanisms to break down the walls between the different groups. Some staff secondments and inter-changes will help as will visits to the resettlement workplace for project managers and officers from complementary services such as transport, health, water supply, and housing.

Defining the affected population depends upon having enough information to word the census questionnaire properly. Finding this adequate level of prior information usually means approaching some unconventional sources. These include local elders and others with a long-standing cultural interest in the population. Such persons or agencies are unlikely to be within government departments. Universities, community organizations, and dedicated charitable volunteers may be able to help provide the needed base. Without it some categories of affected people will be missed altogether or their number will be under-reported because the census form does not have a good enough description of the class.

Ownership of resettlement plans and the process of consultation leading to participation need to be seen together. Plans imposed from above will be reluctantly implemented. Those finalized with the active participation of those affected will have a much better chance

of working smoothly. In too many cases, participation is checked off as if it were complete once a few information meetings have been held. Information is necessary to achieve participation, but the latter is a two-way process in which ideas are passed back to better inform project decisions.

Funding deficiencies and inadequate budgetary procedures will quickly bring the best prepared RAP to a screeching halt. This is one of the most important areas in which to ensure that the resettlement components are fully integrated with the main project. Funding flows for key civil works should be as dependent on progress with resettlement stages as with any other project component.

When it comes to income restoration measures, there is a tendency to either assume that the compensation package will be enough or, at the other extreme, to put undue faith in the provision of skills training. Only a minority of affected people will take the money and run into a new and fulfilling life. Most will not have the knowledge or experience to do this and will need additional support. This may include skills training but that alone also is inadequate. The application of newly acquired skills requires the identification of a market for the service or commodity. In addition, producing the service or commodity requires finance—either just for living costs while starting up, or on a continuing basis for raw materials. Adequate access to an appropriate source of business credit, often in the form of micro-enterprise credit (MEC), is critical. A big advantage of MEC is that it comes bundled with technical assistance for the production process itself as well as for the development of sound business practices.

These concerns about income restoration have become highly relevant as the opportunities for giving land in return for land have dried up with increasing density of population and declining relative profitability of agriculture. So many of the millions of project-affected people have come from the agriculture sector that this loss of a major resettlement option is one of the most serious reasons for avoidance and minimization of resettlement in the first place.

Not just the financial aspect of the resettlement need to be tied into the main project—all components require this. The World Bank guidelines require that there can be no civil works undertaken at all until the RAP has been fully agreed. Similar checkpoints along the implementation path are needed.

Finally, there is the tendency to agree to the appointment of a monitoring agency, possibly an NGO, but without establishing adequate feedback mechanism. These are needed to ensure that what emerges from the field is reflected in revisions to the implementation plan and, if necessary, the more discretionary elements of the main project.

In summary, the challenge facing ADB and the World Bank and their borrowers in dealing with resettlement is to remove the “phase difference,” at the national, regional, or project level, between policy, planning, and implementation. Instead of running on separate lines, all three aspects need to demonstrate a kind of integrity. The result would be:

- adequate policy frameworks,
- participatory and comprehensive planning, and
- effective implementation.