
Acknowledgments

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Abbreviations

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|----------------|--|
| ADB | Asian Development Bank |
| AP | affected person/people |
| cm | centimeter |
| CNY | yuan |
| CPR | community/common property resource |
| CRIP | Cambodia Resettlement Implementation Plan |
| CVM | contingent valuation method |
| DFDR | development-caused forced displacement and resettlement |
| DMC | developing member country |
| GOI | Government of India |
| IRC | Inter-ministerial Resettlement Committee (Cambodia) |
| ISA | initial social assessment |
| kg | kilogram |
| LAA | Land Acquisition Act (India) |
| LML | Land Management Law |
| m ² | square meter |
| MEF | Ministry of Economy and Finance (Cambodia) |
| NGO | nongovernment organization |
| NHAI | National Highways Authority of India |
| NPRR | National Policy on Resettlement and Rehabilitation (India) |
| PPTA | Project Preparatory Technical Assistance |
| RDI | Rural Development Institute |
| RLCL | Rural Land Contracting Law (the PRC) |
| ROW | right of way |
| RRAP | Resettlement and Rehabilitation Action Plan (Cambodia) |
| Rs | rupee |
| R&R | resettlement and rehabilitation |
| WTA | willing to accept |
| WTP | willing to pay |

Note:

In this publication, “\$” refers to US dollars.

Executive Summary

Development-caused forced displacement and resettlement (DFDR) is frequently characterized by the resulting impoverishment of those displaced. The lack of appropriate valuation of and compensation for lost assets is one major underlying factor. This paper addresses the valuation and compensation issues within the context of three Asian countries (Cambodia, People’s Republic of China [PRC], and India) and offers recommendations related to the Asian Development Bank’s (ADB) relevant guidelines and methods and to the country-specific policy and legal regimes.

Specifically, Section I contains a discussion of the general international experiences in valuation and compensation issues. Section II discusses the topic within each of the three focal countries and offers specific recommendations for both policy reform and project-specific approaches in each country. Section III summarizes common problems and offers general recommendations for policies and practice that may be applicable for ADB across the region.

ADB adopted an involuntary resettlement policy in 1995 that includes general language on compensation and valuation. That policy calls for compensation of lost assets at “replacement cost.” It appears that the policy and legal frameworks governing DFDR compensation in all three countries fall short of relevant ADB policy standards in several respects. Meeting those standards for ADB-funded projects in these three countries will require conducting legislative and policy reforms, designing and implementing extra-legal, project-specific guidelines, and faithfully implementing the laws and rules on the ground.

The gaps between ADB policies and the country legal frameworks are country-specific. Nonetheless, several themes appear in more than one country, including: the difference between replacement value (ADB standard) and “market value”; the difficulties of applying any compensation standard in settings where land markets are inactive; the failure of legal

regimes to recognize claims of those without formal titles; and the inadequacy of procedural mechanisms in terms of providing affected people (AP) with access to information, participation, and redress.

Most notably, a five-component formula—consisting of market value, premium, transaction costs, interests, and direct damages—should be used to determine the “replacement value” under the ADB policy. Among other things, we further recommend the following:

- Where land market is active, apply comparable sales approach to assess the value of expropriated land and non-expropriated equivalent land in vicinity and take the higher of two values as the market value of the land at issue.
- Apply income capitalization approach to assess the value of expropriated land based on the best permissible use of the land.
- Experiment with contingent valuation methods to substitute the other valuation methods eventually.
- Improve procedural safeguards by instituting a six-step mechanism.

Main recommendations offered to each focus country include:

For the **PRC**:

- Introduce a replacement value approach along with minimum compensation standards for valuation of rural land under expropriation.
- Designate a fair ratio of allocation of compensation between collective landowners and affected farmers, with greater share going to affected farmers.
- Improve resettlement subsidy to satisfy the needs for mitigation of non-asset impoverishment risks.

- Reduce the scope of land expropriation by clearly defining “public interests.”

For **India**:

- Conduct valuation of land through different combinations of key informant interviews, comparable sales approach, and income capitalization approach for the expropriated land depending on development level of land market in the locality.
- Adopt the highest value for the expropriated land in the locality derived from different valuation techniques.
- Consider establishing expert tribunals to help set compensation in all projects involving land expropriation.

- Require “land-for-land” as an option in making compensation and provide larger house plots upon the selection of this option.

For **Cambodia**:

- Conduct legal and policy reforms on compensation and resettlement regimes to protect poor people from being further marginalized.
- Define clearly the “fair and just compensation” requirement.
- Do not let the lack of formal title be a bar to rehabilitation assistance.
- Establish an independent adjudication body to address AP’s grievances.

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