

Involuntary Resettlement in Development Projects

Policy Guidelines in World Bank-Financed Projects

Michael M. Cernea

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Michael M. Cernea is sociology adviser in the Agriculture and Rural Development Department of the World Bank.

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ABSTRACT

Development projects sometimes require that people be involuntarily resettled from areas where they live and work to other locations. Adequate policy and purposive implementation are necessary to minimize and reverse the negative effects of compulsory relocation on individuals and on the economy, and to help people become re-established on a productive, self-sustainable basis.

The paper addresses policy issues and operational implications of development projects that cause involuntary resettlement. The general principles for resettlement as planned change are discussed, with emphasis on government responsibility, involvement of resettlers in the choice among available resettlement options, and prevention of adverse impact on host populations and environment. The operational procedures described in the paper are tailored to each of the different stages of the project cycle in World Bank-financed projects.

Involuntary resettlement has been, and often still is, approached as a salvage and welfare operation, rather than one pursuing development objectives. In contrast with such approaches, the paper emphasizes that because involuntary resettlement dismantles a previous production system and way of life, all involuntary resettlement programs must be development programs as well. The backbone of any resettlement plan must be a development package consisting of a set of project funded provisions aimed at reconstructing the production base of those relocated and at re-establishing them as self-sustaining producers or wage earners. The paper argues that the knowledge generated by social science research on resettlement is directly relevant and useful for addressing the social and economic problems of such relocation effectively.

Policy aspects and operational implications are discussed in the following sequence: types of projects causing involuntary resettlement and ways of minimizing resettlement; the social nature of involuntary resettlement processes and lessons from past project experiences; general principles in approaching resettlement; policy objectives; resettlement plans; reconstruction of the resettlers' production base; habitat and social organization; environmental implications and environmental management; and procedures for treating resettlement in each stage of the project cycle: identification; preparation; appraisal; supervision and monitoring.

Annex 1 contains a technical checklist for preparing and appraising resettlement plans in projects.

Annex 2 contains guidelines for the economic and financial analyses of project components addressing involuntary resettlement.

Annex 3 contains a technical checklist for monitoring and evaluating resettlement.

The paper is addressed to planners, project managers and staff, development practitioners, anthropologists, sociologists, environmentalists, and other students of development processes.

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I. INTRODUCTION

Development projects sometimes require the involuntary resettlement of people from areas where they live and work to other locations. Such relocation causes profound economic and cultural disruption to the individuals affected as well as to the social fabric of local communities. Adequate policy and purposive implementation actions are necessary to minimize or reverse the negative effects of compulsory relocation on individuals and on the national economy.

This paper presents the basic guidelines and the procedures for World Bank-financed development projects that entail involuntary resettlement. The operational procedures are tailored to each of the different stages of the project cycle in such projects. The purpose of the paper is to assist those involved in preparing, implementing or evaluating such projects, and to contribute to the exchange of information about current approaches to involuntary resettlement operations. Appended also is a set of three interlinked annexes, containing analytical and planning tools: working technical checklists for preparing and appraising resettlement plans in projects (Annex 1), for the economic and financial analyses of resettlement components, including worksheets and proforma tables (Annex 2), and for monitoring such operations (Annex 3).

Involuntary resettlement has often been dealt with in the past in a haphazard, ad-hoc manner, as a low priority side-effect of major infrastructural works. The lack of clear objectives, consistent procedures and adequate resources for addressing resettlement had resulted in serious adverse effects on the people displaced, on the host populations at relocation sites, and on the environment. To correct such practices, in February 1980 the Bank issued an internal statement to staff that formulated a coherent policy for treating involuntary resettlement in

Bank-financed projects. It was the first time that any major development aid agency established a special policy to guide work in this complex area in order to protect better the interests of the many people affected. That statement defined the basic principles that must guide Bank staff in projects entailing compulsory resettlement, outlined the procedures for preparing, appraising and supervising relocation schemes, and specified the conditions that are expected to be met by Bank borrowers and agencies in charge of resettlement.

After a six year period, the experience accumulated in applying the Bank's policy was again evaluated. A 1986 internal policy note that resulted from this evaluation, while reaffirming the existing resettlement policy, supplemented it with new elements and more precise norms for addressing these complex processes effectively and comprehensively. Other related concerns are addressed in the guidelines concerning physical environmental issues and the management of cultural property in Bank-assisted projects,^{1/} and in the overall Bank policies regarding the relationships between environment, growth and development.^{2/}

The Bank's resettlement policy was formulated by ~~codifying the~~ lessons learned from prior and ongoing relocation operations, and by using research findings, concepts and tools that have emerged from social science studies^{3/} of such processes. In the next sections of this paper, the two sets of policy and procedural guidelines mentioned above will be presented in an integrated manner*. In keeping with the sociological nature of resettlement processes, primary attention is given to the socio-anthropological^{4/} understanding of resettlement that informs both the policy and the operational recommendations.

* Throughout the paper indented single-spaced passages are used for highlighting and closely paraphrasing the critical elements of the Bank's policy and operational guidelines.

II. TYPES OF PROJECTS THAT CAUSE INVOLUNTARY RESETTLEMENT

Involuntary resettlement is often a consequence of planned change generated by major development projects or programs. While such relocation of people is generally regarded as a consequence of building dams for irrigation or hydropower, in fact it also occurs with considerable frequency as a result of projects in many other sectors (e.g., projects for urban renewal, highway construction, mine development, etc.). Therefore, early screening of most development projects is necessary to assess their hidden potential to trigger involuntary resettlement.

Throughout the world, population displacements and involuntary migration occur also as a consequence of wars, political turmoil, and natural disasters, such as earthquakes, droughts, floods and others. The numerous categories of refugee populations displaced by such events confront many problems similar to those confronted by people displaced by development projects; therefore, many considerations made in this paper apply as well to refugees from natural disasters or war and to the type of assistance they need. However, the explicit purpose of this paper is to deal with compulsory resettlement caused specifically by planned development^{5/}.

The types of development projects that most often cause involuntary resettlement are those that are predicated on a major change in land and water use. This commonly occurs in urban development projects, water resource projects, in highway construction, mine development or in industry, where financing is provided for:

- (a) construction of dams for irrigation, hydro-energy and water supply which create man-made lakes on previously inhabited areas;
- (b) construction of transportation corridors — railways, highways, airports, transmission lines, irrigation canal networks and others that require right of way;

- (c) construction of new ports and towns;
- (d) construction or improvement of urban infrastructure (e.g., sewerage systems, subways, intracity roads, etc.) and more generally, urban systematization;
- (e) Inception of mining operations, particularly strip mining; and
- (f) the protection of grazing areas and of transhumance routes.

Such projects are often of crucial importance for national or regional development. They are, but one of a variety of situations in which national long term interests may conflict with the interests of groups and individuals who are immediately and adversely affected. The former usually prevail. However, inasmuch as these projects, in addition to their positive contribution to national interests, have also an unavoidable negative impact, means of reconciling the two sets of conflicting interests need to be found. Firm measures must be taken to protect the lives, welfare, culture, and human rights of those displaced, as well as to reduce/redress the loss of economic potential incurred by the local or regional economy.

Avoiding or Minimizing Resettlement

In recognition of the hardship and human suffering caused by involuntary resettlement, the Bank's policy states as its first requirement that

whenever feasible, involuntary resettlement must be avoided or minimized, and alternative development solutions must be explored.

To encourage the active search for alternative solutions, the guidelines require Bank staff, as well as the borrower's project preparation teams,

to examine, in the case of all large construction projects (dams, ports, highways, irrigation schemes, etc.), and determine at the time of identification and appraisal, whether people must be displaced and, if displacement is unavoidable, to reduce it to a minimum compatible with the purpose of the project.

There have been cases when insufficient examination of such possible consequences has permitted projects to be designed and appraised without any provision for resettlement, only to find out subsequently that resettlement was necessary but that it had neither been identified in time, nor prepared and provided for financially, socially and technically.

To ensure the resources necessary for, and eliminate the economically unjustified, relocation, the Bank also requires that the costs of resettlement (both compensation for lost assets and costs of other redevelopment measures) be included in the overall project costs and taken into account in the rate of return calculation when the economic analysis of a project is prepared.

Social science studies have pointed out that there is an intrinsic link between the civil engineering solutions adopted for development projects and the social engineering required for their adequate design and implementation.^{6/} For instance, significant trade-offs may be identified between dam height and the amount of population displacement planned. In the physical layout of reservoirs, sometimes small increments in dam height and reservoir level can entail major increases in the number of people exposed to submergence; conversely, small decreases in height may significantly reduce this number. Social considerations are an intrinsic part of technical evaluation and must, therefore, weigh significantly in the dam optimization studies and in the cost-benefit analyses. Other aspects of resettlement minimization are addressed further in the section on project appraisal.

The Nature and Scale of Involuntary Resettlement

The nature of resettlement processes has been the subject of pertinent sociological research; their socio-cultural, economic, and psychological consequences are becoming better understood. In particular, social science research has identified both the similar and the dissimilar behavioral patterns present in voluntary and compulsory resettlement processes. It is crucial that planners recognize the profound differences between these two types of resettlement and between the populations they encompass (a self-selected, young or middle age, initiative-prone and risk-taking, voluntary-moving segment of the population in one case; and the total population that is evicted against its desire, in the other); such, and other, differences must dictate different designs, approaches, institutional responsibilities and financing sources in the corresponding types of projects.

Frequently, involuntary resettlement is dealt with by governments, consulting firms, the media, etc. under the rubric of "environmental problems". This is, perhaps, a result of the fact that environmentalists have traditionally been those who have expressed the strongest criticism about the adverse effects of dams and thus have helped increase public awareness about human relocation too. But by its very nature, resettlement is a socio-cultural/economic process that happens first to people, rather than to their physical environment. Therefore, the correct understanding of the sociological nature of involuntary resettlement -- with its cultural, economic and psychological ramifications that much exceed the environmental aspects -- has strategic consequences, for it leads to a different course of action in addressing resettlement than if it is regarded only as an environmental problem.

When agencies and project managers understand in-depth the complex social nature of involuntary resettlement, they are more likely to address it with the tools and resources of planned change; rather than seek mitigation only, they would aim to relaunching the socio-economic development process. They might also become willing to bring in the specialized professional skills (anthropological, sociological, technical) needed to work with the people subject to resettlement.

The resettlement guidelines formulated for Bank-financed projects reflect the conceptualizations that have emerged from social science research, particularly that the very nature of involuntary resettlement

gives rise to special social and technical problems, which are to a great extent different from, and usually more severe than, those encountered in cases of voluntary resettlement. A feeling of powerlessness and alienation is often engendered in those who are relocated, especially when entire communities are uprooted from familiar surroundings. To the extent that pre-existing community structure and social networks disintegrate, and tightly-knit kin groups are dispersed to new locations, social cohesion is weakened, and the potential for productive group-action is diminished.

Further, the Bank's guidelines identify and call attention to what sociologists name the "dependency syndrome" and the risks entailed if welfare-only approaches are applied.

People subjected to relocation are prone to develop the syndrome of settler dependency if paternalistic help policies are applied. Because such policies discourage self-mobilization and undermine the settlers' commitment to self-support and development, government assistance should be an interim measure; however, care must be taken to avoid introducing in the patterns of assistance provided at the time of relocation, or implanting in the minds of the resettlers, the idea that those resettled are going to be permanent wards of the State.

In light of such and other special problems that result from involuntary relocation, the Bank has concluded that

more systematic procedures are needed for the treatment of resettlement under the Bank projects, as well as guidance to staff on the policies and measures the Bank should promote in its relations with borrowers and settlement agencies.

By its nature, displacement is always an extraordinarily disruptive and painful process, economically and culturally: It

dismantles production systems, it disorganizes entire human communities and it breaks up long established social networks, it destroys productive assets, it causes severe environmental effects, and the loss of valuable natural resources. Research has found that forced resettlement also tends to be associated with increased stress (psychological and socio-cultural), and heightened morbidity and mortality rates.

The size of the population displaced may vary from only several hundred people in one project to tens of thousands of people in others: the Aswan Dam project in Egypt, for instance, had to resettle over 100,000 people, and the Narmada Sardar Sarovar Dam being built now in Gujarat will displace some 70,000 people; the Yacyreta reservoir at the border area between Argentina and Paraguay will submerge towns and villages inhabited by some 45,000 people; about 60,000 urban and rural people were displaced by the Sobradinho Dam in Brazil; the recently completed Nangbeto hydropower dam in Togo has displaced some 10,000 rural people, many of whom are shifting cultivators; the Shulkou dam on the Min river in China, whose construction started in 1987, will cause the relocation of about 62,500 people living in villages and townships; the largest involuntary relocation in dam projects known so far was caused by the Danjiangkou dam, completed in China in mid '70s, where some 383,000 people were resettled; and a drinking water reservoir and supply system under construction now in Dhaka, Bangladesh will cause the relocation of some 20,000 people, etc.

In each and every case, the task of involuntarily relocating people is a daunting one, and it would be a mistake to underestimate the disruptive effects of dislocation even in projects where the size of the population affected is relatively small. In Guatemala, for instance, the mishandling of the relatively limited relocation entailed by the Chixoy dam caused such discontent that a national emergency was declared. Warning about the difficulties involved in resettlement, the Bank's guidelines emphasize that

the complexity of dislocation results not from numbers alone, but from the severity of the consequences to the people affected and to project success. The way involuntary resettlement is handled can substantially affect the overall economic and social results of projects.

The only response adequate to the complex and disruptive nature of involuntary resettlement, when such resettlement is unavoidable, is careful and systematic advance planning for viable alternatives in each individual project.

Because involuntary resettlement dismantles a previous production system and way of life, all resettlement programs must be development programs as well. It is not acceptable to leave unexplored or unimplemented reasonable measures to prevent those dislocated from becoming permanently impoverished. When resettlement is unavoidable, the Bank's policy is to help the borrower ensure that the productive base and income-earning ability of those involuntarily resettled are improved — so that they share the benefits of the new development and are compensated for transitional hardships — or at least helped to attain the standards they would have achieved without relocation.

Lessons from Past Projects Involving Resettlement

Throughout the world, involuntary resettlement has probably been the most unsatisfactory component associated with dam construction, either in nationally or in internationally financed projects. This sobering record calls for changes through improved policy approaches, greater resource allocation, and enhanced implementation standards.

Past Bank-assisted projects, particularly during the 1960s and early 1970s, sometimes contained relocation operations that were flawed by the lack of social planning. They failed to restore, let alone improve, the social and economic well-being of the displaced population. Critical conclusions in this respect have been reached both by the Bank and by many socio-anthropological and environmental studies undertaken by independent researchers from developing and developed countries^{7/}, who have empirically documented performance, failures and lessons from various resettlement schemes.

When resettlement operations in Bank-assisted projects were left out of the main project design, and implicitly out of the Bank's concern

for implementation and assistance to the borrowing agency responsible, the resulting institutional and financial problems tended not to be resolved in time. This caused increased hardship to the affected population and delays in project implementation. In other cases, some general provision for resettlement was made in the project design but without always ensuring that a detailed resettlement plan would be drawn up, agreed upon in time, and implemented; this often happened because the borrowing agency did not realize the complexity of resettlement and underestimated its economic, cultural and political consequences. In the latter cases, Bank missions have often been unable to assess the real size of relocation, the soundness of the provisions for resettlement, or their costs; the result has been an incomplete design for, and underfinancing of, the involuntary resettlement components. The Bank concluded, therefore, that

examining a resettlement plan after project appraisal and negotiations is unsatisfactory, as the Bank may be unable at that time to persuade the borrowers to make desirable modification to the plan or obtain the full commitment of the borrower to carry it out.

Past experience has also shown the importance of mobilizing adequate local sociological skills [besides the technical and economic ones] for the investigations and/or planning and implementation needed for effective resettlement. For instance, as the Bank's guidelines point out,

the failure, during project preparation, to carry out social surveys of those to be dislocated, as well as of the host-area populations, combined with weak preparation of viable re-development alternatives, can make it impossible to conduct an adequate appraisal of resettlement plans, costs and organizational arrangements and can result in resettlement components which are underdesigned, underfunded and understaffed. Inadequate concern with the severe consequences of involuntary dislocation or inability by the borrowers to carry out their responsibility for preventing destitution -- for example, by re-establishing those evicted on an alternative productive base -- can defeat an important purpose of the overall development effort and of assistance by the Bank.

Over the last seven years, the application of the Bank's policy, although not free of shortcomings, has led to significant improvements in the resettling of people displaced under Bank-financed projects. The Bank has been the only International development agency with a clear policy guiding involuntary resettlement operations. The impact of this policy has not been limited to resettlement under Bank-assisted projects, but has also had a spill-over effect among borrowing governments and local agencies, as well as other International donors.

Nevertheless, the Bank has sometimes not applied the policy and its related operational procedures with adequate rigor and consistency in all its projects; serious issues have remained unresolved regarding the resettlement policies, laws, and practices of various borrowers. Although the Bank usually is involved in only a fraction of the resettlement operations that do arise in a country, and thus its influence is limited, it is regarded as essential that the Bank's own approach and performance under its financed projects set an example of addressing relocation problems effectively; for that too, Bank policies must be applied to Bank-financed operations faithfully and consistently.

A retrospective analysis of resettlement experiences carried out in 1986 on a large number of projects indicated that both the Bank and the borrowers need to improve substantially their performance in this category of projects. Three key areas were identified as requiring immediate and considerable strengthening:

first, the quality of borrowers' preparation and detailed planning of resettlement components must improve radically with respect to their economic, technical, sociological and organizational content; without comprehensive, detailed, and timely feasibility studies and relocation design, there is little that can be meaningfully done at appraisal time and little that can subsequently guide implementation on an effective path;

second, increased attention must be given to economically and socially viable options for developing the productive capacity of displaced populations through project-financed land- and employment-based strategies;

third, supervision by the Bank of the implementation of resettlement operations must be exercised more regularly, professionally and firmly, to help improve the performance of the agencies executing resettlement and ensure consistency of implementation with policies and legal loan agreements.

The in-depth evaluation of the Bank's experience in the '80s has shown that staff must also pay increased attention to:

- (a) Consideration of legal aspects of resettlement and of legislative policy frameworks governing expropriation, compensation and production-based relocation in the borrowing countries;
- (b) ~~Economic analysis and full costing of resettlement components in projects;~~
- (c) Recognition of the special conditions and needs of tribal populations affected by displacement;
- (d) Implications of resettlement for the host population and the physical environment in the receiving areas, and ~~the impact of resettlement on the host population and the physical environment in the receiving areas;~~
- (e) The suitability of available organizational arrangements (which are often inadequate) for executing the relocation, and means for improving them.

III. GENERAL PRINCIPLES FOR RESETTLEMENT AS PLANNED CHANGE

The policy for involuntary resettlement operations rests on a number of basic principles related to government responsibility, resettler rights and participation, protection of the interests of host populations, and a clear definition of the objective of resettlement. These considerations and objectives must be embodied in resettlement action plans, adequately financed and intrinsically coordinated with the implementation of the project's infrastructural components which cause resettlement. These aspects are presented, in sequence, below.

Government Responsibility

The responsibility for relocating the affected groups rests with the government. The Bank is prepared to assist the responsible agency to ensure that an appropriate course of action is followed and that human hardship is minimized. Further, the Bank encourages government policies that both permit affected households to choose their future from a number of acceptable alternatives and assist technically and financially these families to rebuild their lives, their self-sustaining economic basis and their social support networks. It discourages solutions of a purely welfare nature because these promote feelings of powerlessness and tend to lack lasting beneficial effects.

The Bank is aware that involuntary resettlement is often politically sensitive in Borrower countries and encourages the improvement of country policies and legal regulations pertinent to the rights of those displaced, or the formulation of new policies and legislation regarding resettlement when such institutional frameworks are not yet in place. In some countries, such explicit Bank efforts have resulted in the adoption of significantly improved policies and domestic legislation. When this happens, the resulting legislation and regulations improve the framework for resettlement operations that occur outside Bank financed projects as well.

The Bank also engages in policy dialogue with borrower governments, when necessary, on matters regarding resettlement. To address such issues adequately and on a larger -- country or sectoral -- scale, the Bank uses not only its project assistance, but other vehicles too, like sector work and sectoral lending operations. The guidelines specifically indicate that in cases when large scale involuntary resettlement is likely to occur as a result of sectoral lending for energy, irrigation, transportation, industry, urban development or water supply, the Bank's sector analytical work should address the social, technical, economic and political implications of resettlement on a broad sector basis. When sectoral lending operations are envisaged, these should take into account the need for sound resettlement policies and the country's willingness and capability to handle involuntary resettlement adequately.

The emphasis on a sectoral approach in the case of lending operations with unavoidable population displacement, such as in the hydropower sector, is a rather recent approach and constitutes a notable advance over the previous way of handling resettlement case by case or project by project. The sectoral approach is already proving its advantages (e.g., in the case of sectoral lending for energy in Brazil in 1987) by helping to establish sector-wide criteria for such operations in the respective country, by creating conditional interlinkages between investments in energy infrastructure and investments in the socio-economic re-establishment of those displaced, and by providing a longer time horizon for the advance planning of relocation.

Resettlers' Participation

Since resettlement planning implies critical decisions regarding the future of the displaced groups, it is incumbent upon the agencies involved in this planning to seek the participation of the resettlers. The guidelines recommend specifically that

affected populations be consulted -- directly or through their formal and informal leaders,

representatives, or non-governmental organizations — with respect to the social and economic aspects of the various alternatives being considered for resettlement. This will improve the understanding of their needs, resources and preferences, prevent costly mistakes, help reduce the understandable reluctance to move and the stress associated with the dislocation, and accelerate the subsequent transition to and integration within the new settlements.

Dissemination of information about the impending relocation, about resettlers' rights, compensation procedures, available choices, etc. is an indispensable premise for participation. Initial resistance or hostility to the idea of involuntary resettlement is normal and should be expected. The responses of settlers and hosts will greatly depend on establishing good communications and holding consultations with the concerned groups and their organizations (local associations, NGOs, etc.), and on encouraging their participation in finding solutions to the complicated problems encountered in the planning and execution of resettlement. Moreover, the lack of accurate information can exacerbate misunderstanding and strengthen resistance. It also gives rise to situations where some individuals may try to manipulate conditions to their personal advantage. A program to inform and educate is therefore a prerequisite for obtaining the cooperation of the affected population.

Involving the local leadership and the non-governmental organizations (NGOs) is another basic requirement underlying the recommendations for resettlement operations; NGOs have effectively contributed to calling the attention of the Bank to the problems emerging in various resettlement operations, and they are apt to articulate resettlers' needs and defend their entitlements^{8/}. Since traditional local organizations and the ethnic and religious leaders are usually respected by the people,

planners and administrators should seek their involvement in planning relocation whenever possible, in order to facilitate communication, mobilization of group resources, and cooperation. Leaving behind lands, debts, and ancestors deeply

affects both the individual and the community, and may lead to a partial breakdown of social cohesion. Moreover, the weakening of the previous economic organization and of traditional authority can foster dependency and promote social apathy. These socio-cultural factors should be taken into account in planning and implementing resettlement.

The Host Population

Besides (a) the government agencies and (b) the resettlers themselves, the other major actor in resettlement processes is (c) the host population living in the receiving areas. A widespread fallacy is to omit the host population from the pre-project weighing of resettlement implications, only to discover during implementation that intractable problems arise. Since only rarely can implementing agencies find "empty lands" to place resettlers, the risks are that population density in receiving areas will increase suddenly to levels above the carrying capacity of the land and the natural resources available to both hosts and newcomers on a sustainable basis.

Although hosts may at first react favorably to the arrival of the displaced, serious conflict may arise as increased demands are placed on land, water, services, etc. In situations where no large blocks of land are available and a "fill-in" operation is planned, experience shows that hosts tend to see the newcomers as a source of cheap labor and may try to exploit them.

The resettlement agency should anticipate that feelings of jealousy will likely be aroused among the hosts if superior services and housing are provided to the settlers. If possible, education, water, health, and other services should be made available for both groups, and a suitable social climate generated for their integration. To promote this climate, any payment due the hosts for land or other assets provided to settlers should be promptly rendered. Equitable treatment should be accorded as far as possible to both hosts and settlers.

Obviously, carrying out these recommendations may increase the cost of a project, but in the long run the extra investment will prevent the possible abandonment of settlements and help secure the desired results of the initial investment. They are necessary also to help prevent impoverishment effects on the host populations and destructive environmental consequences caused by induced overpopulation in the arrival zones.

The social, economic and cultural integration of the resettlers with the host population is a slow process, which cannot happen through administrative decree. But it is an indispensable process, if viable communities, settlements, and new social networks are to be rebuilt. Such a process can be accelerated by policy driven planning that purposively integrates host-resettler development.

IV. THE DEVELOPMENT-ORIENTED APPROACH TO RESETTLEMENT

The Objective of Resettlement

Not infrequently, involuntary resettlement of people has been treated in the past as a salvage and welfare operation, rather than as one pursuing development objectives. Resettlement can be bureaucratically dealt with by some planners or administrators as a mere and hasty physical removal of people out of the path of the flooding reservoir waters or of the coming highway. But it may also be approached as a multisided opportunity for the reconstruction of systems of production and human settlements that would represent a development in the standard of life of those affected, as well as in the regional economy of which they are a part. The former perspective has been proven a recipe for failure, able only to compound for the long term the immediate disruptive effects of forced dislocation; the latter is clearly preferable but it is more difficult and costlier.

This major difference in perspective leads to different approaches to conceptualizing, designing, planning, financing and implementing resettlement.

When certain development projects make the involuntary resettlement of people unavoidable,

the general policy of the Bank is to help the borrowing country ensure that, after a transition period, the displaced people regain at least their previous standard of living and that, so far as possible, they be economically and socially integrated into the host communities. In pursuing such integration, the major objective is to ensure that settlers are afforded opportunities to become established and economically self-sustaining in the shortest possible period, at living standards that at least match, and if possible improve upon, those before resettlement.

It has to be kept in mind that the living standards of the people would in any case have changed somewhat during the project years had there not been a project; therefore, the usual "with-and-without-the-project" type of analysis, that is applied to assessing general returns, must be applied also to the component aiming to re-establish resettlers at levels comparable or better than those that would have been reached without the project-induced resettlement. More often than not, living standards suffer during the years preceding dam construction, and especially during the years between the commencement of construction and actual relocation (which in certain big projects may be an extended time period). Therefore, to merely restore those living standards to a level strictly equal to the pre-project one, without considering the growth that would have occurred anyway, would mean relocating people at a marginal or submarginal level.

A comparable improvement can and must be achieved in the physical planning of new settlements, whether these are rural or urban: the future-looking approach calls for reconstructing settlements that are residentially superior to, and not just replicas of, those existing previously. The policy guidelines for resettlement direct the actual relocation programs

to recognize that new settlements are expanding socio-cultural systems whose collective needs will increase over time.

In other words, development-oriented resettlement means that the social infrastructure, school and health services, access to employment opportunities and, if applicable, the housing-plot allotments and dwellings should be planned to meet the needs of resettlers' growing families, taking into account, if possible, at least the first and second generation in the settlement. The same applies to infrastructural systems such as feeder roads and water supply, or service systems like marketing networks and agricultural extension. Such systems must be planned in ways that use the development opportunities created by relocation and their planning should provide for future expansion as well. This is facilitated when those displaced are enabled to share in the benefits of the new development: for instance, by being resettled into the newly irrigable

areas downstream, whenever possible; by getting access to a share of the new power capacity or revenues, etc.

The Resettlement Plan

Without doubt, extraordinary difficulties await both the people displaced and the relocation agencies on the way to achieving these forward looking objectives, particularly because the starting point of resettlement is the setback caused by the loss of key productive assets.

In order to accomplish these objectives, the Bank adopted the approach of making the planning and financing of resettlement an integral part of the preparation for the main project that causes the resettlement, i.e. of the planning, appraising, financing and supervising of this main project. The measures to be taken in this regard should be clarified between the Bank and the borrowers before, and agreed upon during, the negotiations for the project and its financing loan.

To be specific, the resettlement of those displaced must be undertaken based on a well-prepared resettlement plan, aimed at using the opportunities created by relocation towards re-establishment and development. The goal of the following section is to present some of the framing principles required of a resettlement plan and the specific components that must be present. It should be emphasized that these are the minimum requirements without which any proposed plan will be incomplete. The content and level of detail required for such a plan will vary with circumstances.

Where large numbers of people are to be moved, such as entire communities, a more detailed plan is required than where only few people are to be relocated. Such a plan provides far more than simply disbursing cash compensation to those affected and considering the problem closed, as is practice in some countries. The resettlement plan includes the activities necessary for relocation in a specific new area and for integration with existing communities, in a manner that gives settlers the opportunity to become physically established and economically self-sustaining in the shortest possible period.

To be successful, resettlement planning and implementing requires close scrutiny of the essential needs of the settlers. Those responsible for planning the resettlement need to think about the economic and cultural characteristics of the population to be moved and how these will affect its response to relocation and its ability to cope in the new environment. It is often useful to have this initial orientation, guided by professional sociological advice, especially when dealing with isolated or culturally non-homogenous groups. Planning for resettlement should begin as early as possible.

Because delays in resettlement have led in the past to serious cost overruns, not only in the resettlement operation itself but also in the overall project, completion of detailed resettlement planning is required before the negotiation of the project loan.

Development Packages and Strategies. The backbone of the resettlement plan is the "development package", in other words, the set of provisions aimed at reconstructing the production base of those relocated. The development package must offer sufficient opportunities and resources for their economic and social re-establishment as self-sustaining producers or wage earners. With costs of involuntary resettlement operations now often close to those for government sponsored settlement projects in which the settlers themselves contribute to project benefits, the developing countries are virtually in a situation where they cannot afford to relocate people without fostering new development, so that the involuntary resettlement would eventually contribute to the benefit stream.

Two basic strategies may be pursued in the resettlement plan for economically and socially re-establishing those dislocated from rural settings:

- land-based strategies; and
- non land-based strategies.

In urban and peri-urban settings, those displaced usually depend on non land-based sources of livelihood (e.g., the service sector,

Industrial employment, self-employment, etc.) but sometimes they may possess also some farming lands. The approach to their situation should take into account, in addition to their need for new housing plots, their access to employment opportunities and, when warranted, to some land for farming or gardening. Depending on local (rural, urban or peri-urban) circumstances, a combination of land-based and non land-based strategies may be adequate. Whichever strategy is followed, however, it must be flexibly translated into specific provisions in the project.

In land-based strategies, the Bank's approach is that adequate compensation for lost property is important, but that providing economic opportunities to re-establish the displaced populations as agricultural producers, rural artisans, etc. is the crux of any viable resettlement. Components based on

technically feasible agricultural production packages are likely to be the main avenue to restoring the production systems of dislocated rural groups.

Such economic opportunities arise from building into the agricultural redevelopment package specific project-funded activities such as land reclamation, irrigation schemes, agricultural intensification, tree crops development, fisheries, commercial or social forestry, vocational training, off-farm employment, and other kinds of lasting income-generating activities. Reforestation schemes are of particular importance not only for their income generating potential, but also for mitigating some of the environmental losses usually caused by reservoir submergence.

Overall, when the solutions for displaced people are geared towards agriculturally-based involuntary relocation, many of the general approaches to regular (voluntary) land settlement projects, described in other World Bank policy and technical papers^{9/}, will also apply. Land settlement is, in fact, also a resettlement process of people from their old to a new location and, beside the sociological differences between causes and actors (see pp. 6-8) there is substantial similarity in many of

the reconstructive processes that can be predicted, and thus planned for, at the new locations. There is, therefore, much to be learned in planning involuntary resettlement from the approaches developed for non-compulsory land settlement, voluntary and sponsored migration or transmigration processes.

Land is a crucial factor in re-establishment strategies, since the vast majority of those displaced tend to be farmers or agricultural laborers. The reconstruction of their productive potential essentially depends on availability of land. The experience in a number of projects, however, is not very encouraging, since borrowers are often reluctant to take all the steps necessary for making land available to those dispossessed of their land or to those entitled to receive land even though they had no legal land title before. Sometimes, land unavailability is a real and serious constraint, given existing population densities. Usually, however, it is the result of (i) poor project planning, (ii) lack of effort to identify land reserves, (iii) lack of political will to use government authority for providing land that may legally be made available, or (iv) lack of imagination to design proper solutions. The resettlement plan for rural populations should, therefore, start by establishing the basic indicator: the amount of land necessary to re-establish those displaced on a productive base. This requires having defined area targets, economically and technically viable sites acceptable to relocatees, and timetables for obtaining and preparing new farming land.

Even when land is available, however, alternative non land-based strategies may be needed for some of those displaced. Such alternatives become imperative in situations of extreme land-scarcity. Opportunities then need to be opened up for those displaced to re-establish themselves in the industrial or service sectors of the local or regional economy. Job creation through new investments may become necessary, because vocational training alone, without actual employment of those displaced in their newly acquired skills, does not restore income. This is why

restoration of productive systems and substitution for lost income-generating assets should go beyond

simple cash payments to providing an alternative income basis to the affected people. While land scarcity may make it difficult to identify such alternatives, it will also make them more important. In exploring land-based and employment-based opportunities, consideration should be given to such options as the creation of land-pools, granting first right of purchase to resettlers, project financing for land reclamation works, investments in vocational training, in small industries, in service sector jobs, etc. Specific project funded provisions for carrying out these activities must be incorporated in the project's design.

In cases when urban settlements are affected, the resettlement plan must give special attention to the complexities of site ownership, legality of site occupation, and site-related economic (productive or service) activities. Bank operational guidelines specify that

squatter communities slated for removal must receive alternative locations for housing although they may lack the legal title or rights to their land (or other property) that would ensure their compensation. When the relocation is into an already populated urban setting, tensions between various neighborhood, ethnic or other groups may be exacerbated as a result of greater proximity, especially if previously separated groups are expected to share a site and its resources in the new location. Planned provisions to ensure that services will be capable of handling the needs of the displaced are also a critical part of the resettlement plan.

Compensation. People displaced by a large project are compelled to relinquish rights to various immovable assets. These include housing, land (and improvements to both), access to economic opportunities (such as nearby jobs) and public services, as well as non-economic assets (such as shrines, cemeteries, communal public buildings, etc.). In urban settings, relocation can cause special problems for traders, small businesses, street vendors, cottage industries, etc. through the disruption of commercial ties with customers, suppliers and distributors. In rural areas, lost assets can include fishing waters, irrigation works, standing

crops, and trees. In the case of the very poor, even the loss of assets or opportunities that are not normally ascribed an economic value may be disastrous. Such opportunities include the collection of roots, berries or leaves for dietary supplement or sale, occasional portage, etc.

Government laws and regulations pertinent to expropriation of property by the State when required by preeminent national interests are generally used to define the procedures for valuation of, and compensation for, the property lost in cases of compulsory relocation. However, such national laws and regulations governing compensation are sometimes outdated, or lack in precision or implementation mechanisms, and therefore do not prevent serious hardships and suffering. In particular, (i) compensation procedures typically relate to fair market values, whereas in practice the return from these assets to their owners may well exceed such a valuation; (ii) certain types of intangible assets are not counted - ranging from proximity to kinship groups, or access to religious shrines and other places of cultural identification, to proximity to employment opportunities (the latter may be the most important to the poorest groups, whose tangible asset base eligible for compensation is typically meager); and (iii) the productive assets given up may be difficult to replace in-kind, as in the case of land in densely populated areas; but the cash-only compensation implicitly shifts the burden of solving this difficulty to those displaced, without providing them institutional assistance in addition to cash compensation.

Sometimes borrowing agencies propose cash compensation only, in lieu of resettlement facilities, because they are not able or willing to actively search for existing surplus lands for those displaced. The Bank's resettlement policy therefore emphasizes that

experience with the resettlement of large populations tends to show that payment of cash compensation alone is often a very inadequate strategy for dealing with the displaced; in some instances, the entire compensation has been used for immediate consumption purposes, leaving the displaced with nothing to replace their lost

Income-generating assets and opportunities. When only few people are involved, cash compensation may be adequate; but, even in that case, consideration should be given to the ability of displaced persons to find alternative homes and employment opportunities. Assistance in relocating also is often necessary.

The reasons why cash compensation is seldom the proper answer is that such compensation is usually not adequate, (e.g., in a project in Kenya the compensation offered per acre represents only some 20% of the actual cost of replacement land) nor is it commonly invested productively. If not given land for land, the displaced population is likely to end up in squatter settlements that undermine the project's objective. Experience in World Bank-assisted projects has shown that cash handouts often result in impoverishment. Under the pressure of immediate needs, or of cultural expectations, people frequently tend to use cash compensation for purposes other than replacing the land, after which those displaced are destitute and left to start farming on canal banks, encroaching, deforesting, overgrazing, etc. This is why the borrowers' "land for land" approaches are to be firmly supported by the Bank which seeks their consistent implementation, in association with the use of imaginative institutional mechanisms for land identification, conversion, pooling, exchanging, selling, etc. The fact that cash compensation, in certain situations, may be acceptable and adequate for a small higher-income stratum of the affected population, should by no means validate it as an adequate solution generalizable to all those displaced.

Habitat. Housing at the new sites, sanitary facilities, drinking water supply systems, schools, health care facilities, etc. are another major component of resettlement planning. Resettlers generally tend to put higher priority, and rightly so, on access to land and employment, and planners should allocate resources accordingly, rather than reverse priorities. However, a development-oriented approach to resettlement should strive as well to enhance the prior housing standards and the physical infrastructure in the new settlement.

Since self-built houses are often better accepted, an effective project option is to provide of prepared village sites, materials and some infrastructure, which will enable the resettlers to construct larger and healthier dwellings using a model of their own preference (In the Shaxicon project and in the Shuikou project in China, for instance, the resettlers are given the option to select among six different new house blueprints drawn for them by technical experts, and then assisted with materials to build the one chosen). Restrictions on the settlers' customary activities (such as restrictions on farming, extending their houses, building shrines, etc.), which cause frustration and encourage those who can to abandon the settlements, should be kept to a minimum.

Social Organization of Resettlers. Attention to the social organization of the new human settlements is indispensable for development-oriented resettlement. The policy explicitly directs Bank-financed projects that

the settlers' social and cultural institutions should be supported and used as much as possible, and their own initiative should be encouraged through self-help and incentive programs.

Because the dismantling of the previous economic organization and of traditional authority systems is apt to undermine the self-mobilizing capacity of the community and may promote social apathy, careful work with the resettlers, the host communities and their respective leaders prior to and after the move is also of crucial importance.

Learning from the conclusions of many anthropological and sociological analyses of settlement schemes regarding the role of settlers' own organization and self-management, the Bank's policy states that, to be ultimately successful,

resettlement operations require a gradual transfer of responsibility from settlement agencies to the settlers themselves. Action should be taken from the outset to prepare the transfer of the responsibilities of management to the resettled.

To prevent administrative tutelage and a dangerous dependency relationship from setting in, the Bank's policy explicitly recommends to government settlement agencies

to overcome the bureaucratic tendency to retain decision making and managerial functions among agency personnel and encourage the emergence of recognized community leaders. This will increase participation, stimulate local initiative, and greatly facilitate the tasks of the agencies themselves.

The majority preference of those displaced to move in groups as cultural/social units (e.g., as entire kin group, extended family, ethnic group, neighborhood, whole hamlet or village unit, etc.) also bears upon their potential to get socially organized and economically productive quickly at the new location. This preference must be supported as long as it does not adversely affect the choice of feasible redevelopment options or the genuine preference of some for individual self-relocation. Such support for relocation as cultural units would protect an important social resource -- the viable patterns of group organization -- which can act immediately at the new location to cushion disruption caused by resettlement.

Environmental Management. The resettlement plan must be drawn with a definite orientation towards preventing environmental deterioration as a consequence not only of the main project, but also of resettlement as such.^{10/} Experience indicates that reservoir relocation operations frequently tend to move the displaced people into the upper catchment belt immediately surrounding the new reservoir, which may be already inhabited to capacity. The downstream command areas may hold better promise for relocation sites with less environmental risks, due to their transition from rainfed to irrigated agriculture and the resulting increased agricultural potential.

The key indicator that must be used in such situations is the ratio between the incoming resettled population and the host population already inhabiting the receiving areas. This would measure the

Incremental population density per unit of land caused by resettlement and the likely increased pressure on the area's natural resources. To assess this, the resettlement plan must develop a working definition of the boundaries of the resettlement area, within which the specific new village sites (or the fill-in operations) are located, and of the area's available natural resources. If the predictable consequences on the physical environment are unacceptable, alternative relocation sites must be found.

When relocation takes place downstream or around the reservoir, or in both areas, the guidelines emphasize that

the involvement of local authority systems of both resettlers and hosts is essential, if major environmental problems, including encroaching on forests, over-grazing, etc. are to be averted. Local leaders must eventually take over from the settlement agency the responsibility for environmental management and for the maintenance of infrastructural assets. They, as well as local health practitioners (curers, mid-wives, and the like) who operate within the context of local medical systems and folk beliefs, must also be involved in the execution of strategies to improve community health and prevent the spread of new water-borne diseases.

At the same time, constructive measures for environmental protection and management may provide new economic opportunities and benefits to resettlers and host populations alike. For instance, project financed compensatory reforestation not only replaces forests that are submerged by the reservoirs, but also offers gainful employment for many people; the new reservoir-lakes, if managed correctly from an environmental viewpoint, are apt to provide significant new benefits through fishing and tourism.

In sum, well balanced resettlement plans, -- incorporating production-based development packages, adequate compensation, provisions for habitat and new settlement infrastructure, health and environmental protection measures, as well as the strengthening of social organization

and local institutions -- lead to a constructive response to the upheaval inflicted on people by involuntary dislocation. Projects containing and financing such plans are thus in a position not only to remove people, but to proceed systematically towards re-establishing them in a development-oriented and environmentally sound manner.

V. OPERATIONAL PROCEDURES IN THE PROJECT CYCLE

A set of operational procedures germane to the resettlement policy have been designed and prescribed for work on Bank-assisted projects with such components. These procedures are intended to ensure that the policy provisions are translated into substantive project realities in every stage of the project cycle. They supplement the general operational norms, valid for all projects, with added emphasis on key steps, requirements and processes particularly relevant for resettlement operations, as a way of preventing, or responding to, the unusually complex problems arising in such projects.

The policy and its related procedures leave room for considerable flexibility in selecting the solutions and modes of implementation that are most suitable in any particular situation. However, unjustified departures from the basic procedures and processes carry a high risk of undercutting the policy itself and rendering it less effective.

Such departures, unfortunately, have happened, including cases when legal covenants regarding resettlement have not been complied with, and enforced rigorously. Specific procedures established precisely for handling resettlement have sometimes been bypassed by Bank staff or borrowing agencies. In some cases Bank staff have not taken the required prompt, firm action when borrowing agencies have created situations in involuntary resettlement that were contrary to the Bank's policies. When such departures or bypassing occur, the policy is compromised and the quality of people's resettlement is lowered. Therefore, the Bank has recently increased its expert resources (both specialized in-house staff and outside consultants) assigned specifically to work on resettlement components and to provide technical assistance to borrowers, in order to improve the quality of resettlement planning and execution. The Bank has also intensified its policy dialogue with borrowers on these issues and strengthened the formulation and enforcement of resettlement related provisions in the legal agreements for loans and credits.

The sections that follow deal with the key stages^{11/} of the Bank's project cycle; these stages are discussed as "entrance points", so as to indicate the kind of population-related knowledge^{12/} that is required at each stage and the basic elements of what needs to be done operationally.

Project Identification

Early during project identification, it is important to identify whether resettlement will be required and the size of the population that will be affected, and to start preparing the relocation component. This way the project preparation work would begin by "putting the people first" and considering the social implications of the proposed infrastructural development from the outset, thus reversing the habit (widespread in the planning of hydropower dams) of dealing with the population to be displaced last. Long before investments are made in preparation or preappraisal work for a project -- namely, beginning with the initial "executive project summary" brief -- the Bank's internal procedures require that

known or potential resettlement operations related to the project be explicitly flagged to management, so that they can be weighed during the decision making process, and not dealt with as an after-thought when the key decisions had already been taken.

The possibility that the magnitude and complexity of involuntary resettlement might be better handled under a special full scale resettlement project, rather than as a subsidiary component in the main project, may be usefully considered at this stage, although definite answers to this question can be given only after preparation work and at preappraisal/appraisal stages.

The guidelines further indicate that in the early identification stage Bank staff should discuss with the borrower its policies, plans, or preliminary ideas for the resettlement sites, and the institutional and

legal arrangements for planning and executing the resettlement. Reviewing past experience with similar projects in the borrowers' country is recommended, since it may provide valuable information on foreseeable issues and suggest ways to proceed. The basic legal framework for compensation should also be examined at this stage. During identification and preparation, the Bank division in charge of a project is responsible for informing the prospective borrower of the Bank's policies relevant to resettlement, and then ensuring that they are reflected in the work done.

A development strategy for the new settlement must be considered at the identification stage so that decisions will be based on available resources of land and water, as well as on factors relating to administrative convenience and provision of social services.

Project Preparation

Preparation of the resettlement operation, which is the responsibility of the borrowing agency and of the specialized teams working on its behalf, should begin at the same time as preparation of the other project components. The project preparation phase is when the actual feasibility of resettlement must be meticulously explored and demonstrated and, if it is, the phase when the resettlement plan (as discussed in the previous chapter) must be generated.

The Bank's operational guidelines require that

the resettlement plan should incorporate three distinct sets of activities concerning: (i) the preparation of the affected groups for the transfer; (ii) the transportation of the displaced to the new site; (iii) the integration of the displaced into the new community. Preparation of the resettlement component may require expertise in many disciplines, and should normally involve the on-site services of at least one sociologist/anthropologist, preferably a national from the country, and a specialist in resettlement.

*Skills
Resettlement*

During preparation, finding sites for new settlements and their adjacent farming and grazing lands is a key task entailing land capability

studies and planning for site preparation, land reclamation work, possible soil improvements, etc. In irrigation dam projects, for instance, since land is usually not easy to find, early and patient efforts should be undertaken during project preparation to inform downstream farming communities (whose lands will benefit from irrigation) and involve them in participatory planning for absorbing some of the farmers displaced from upstream areas and for relinquishing land to be sold to the resettlers. When the amount of farm land available is insufficient to accommodate all displaced families, planning for urban relocation of some groups may be needed, taking into account the common desire of those affected to move in units larger than the household. Criteria for houseplot allocation need also to be prepared at this stage, taking into account the predictable growth of affected households in the next generation, the existing inheritance systems, and other relevant factors.

During project preparation, it is important that affected populations be informed, consulted and involved — directly or through their formal and informal leaders, representatives, and through NGOs — with respect to the various alternatives being considered for resettlement.

Large-scale resettlement requires careful consideration of the most appropriate institutional framework for executing the resettlement and redevelopment process. The Bank's guidelines recommend more flexibility vis-a-vis the conventional project format used in the past, calling attention to the fact that

sometimes resettlement can best be carried out through a free-standing area development project paired with the project that finances the new physical infrastructure, rather than through a secondary component within the main project. This approach can promote a more effective resolution of the social, economic and environmental aspects of resettlement, with special attention for coordinating the progress of both projects.

A special project, in certain circumstances, may be a better lending vehicle for financing the cost of relocation; it may help integrate better

the assistance to those relocated with development assistance to the host area populations, under the umbrella of an area (basin) development approach. The adequacy of such an institutional and lending vehicle will than be considered by the Bank during the preappraisal/appraisal stage.

To help the borrowers along this preparation stage, the Bank's guidelines explicitly direct the divisions which envisage projects with resettlement to

facilitate early provision of technical assistance to the borrowers for resettlement planning, including, but not limited to, the use of funds under the project preparation facility (PPF) made available by the Bank to borrowing agencies, as appropriate, in special cases.

In 1986 and 1987, for instance, two special Technical Assistance projects, one in Nepal and one in Lesotho, were approved by the Bank specifically to advance the financing needed for detailed preparation studies, including resettlement feasibility assessments, for large scale water engineering projects, long before these projects would come under consideration for Bank appraisal and full financing. In some projects, field studies carried out by some NGOs among the affected population (for instance, in India, by Lokayan, a research NGO, and by MYRADA, an NGO specialized in resettlement assistance) have improved the understanding of the resettlers' situation in several Bank-assisted projects and led to planning corrections for better addressing their needs.

Project Preappraisal and Appraisal

Appraisal missions for projects which cause significant resettlement should be mounted only after the borrower has developed the resettlement plan and timetable, and has submitted it for review. This is an essential procedural requirement germane to the resettlement policy, that resulted from past experience with the negative consequences of timelags in the preparation of resettlement vis-a-vis other project components. The Bank's recent operational guidelines emphasize that

preappraisal work should ensure that appraisal missions are not faced with hastily improvised solutions as substitutes for such plans. The post-appraisal submission of resettlement plans not appraised in the field is unsatisfactory.

Because involuntary dislocation gives rise to special social and technical problems even more severe than those encountered in voluntary settlement, sociological/anthropological skills are required in preappraisal teams for projects where such dislocation will occur on a large scale.

The basic objective of the appraisal of the proposed arrangements for resettlement should be to ascertain (see Annex 1) whether they are adequate and feasible and whether, when implemented, they will relocate the affected people without undue hardship, provide them with support services, and enable them to fully rebuild their livelihood. This incorporates (and also goes considerably beyond) the elements usually reviewed under social impact assessment (SIA) or environmental impact assessment (EIA). The appraisal of the plan for implementation includes a reexamination of the premises and results of the prior feasibility and preparation work and particularly focuses on determining whether:

- (I) property to be destroyed by the primary project has been inventoried and valued
- (II) land in the receiving sites has been identified and is available and accessible to the settlers; and
- (III) the number of people choosing from among the various alternative proposals is adequately known and these alternatives are technically and economically sound.

The appraisal should also assess the overall policy of the borrower in respect to resettlement, as well as the legal and organizational framework within which the resettlement will be executed.

The severe cultural and social implications of displacement should be carefully considered at appraisal within the regional and national context, taking into account such factors as the ethnic composition of the area, population density, the local socio-political climate, traditions, etc. The ratio between the number of immediate

project beneficiaries and the number of those subject to dislocation will also be relevant. In an irrigation dam project, for instance, this is the ratio between the numbers of beneficiary farmers in the command area and the number of upstream inhabitants being displaced. Judgment should be exercised in each individual case and multiple factors must be considered; as a rule-of-thumb, when this ratio is smaller than approximately ten to one, Bank financing should be provided only in exceptional, carefully explained circumstances, flagged early in the loan cycle and justified in detail at appraisal. Technical optimization such as trade-offs between dam height and dislocation size must be also weighed once again during preappraisal and at appraisal, by reexamining the optimization and costs/benefit studies. The number of people to be dislocated per unit of flooded area must also be taken into account, so that when it is unusually high, the desirability of the project design can be reconsidered.

Particular attention should be given at appraisal to situations in which the affected land is utilized by tribal people or others practicing a form of rotational agriculture, whether currently occupied by the people or not. Such lands form an important resource in what is often a long rotation cycle. Distinct guidelines were issued by the Bank regarding projects that may affect tribal populations in general^{13/}, but the special guidelines for resettlement point out as well that

since tribal peoples usually have customary rights rather than formal legal title to land, the question of recognizing their rights and entitlements to compensation and alternative resources must be carefully discussed with the borrower in order to achieve fair and workable solutions.

Organizational frameworks for handling resettlement should be confirmed at appraisal. Longitudinal anthropological studies and past experience in many projects, whether or not financed by the Bank, have shown that vesting operational responsibility for planning and executing resettlement in the agency which is specialized in, and executes, the engineering and civil works of the project, often relegates resettlement to the status of a low priority task. It does not automatically ensure,

as is frequently but spuriously assumed, good coordination between construction and resettlement. Therefore, the guidelines conclude that

setting up a distinct organizational responsibility in the project, with adequate budget and staffing for implementing relocation and socio-economic re-establishment, may facilitate the involvement of line agencies for agriculture, fisheries, livestock, and other activities. It may also be more effective in terms of technical competence, priority treatment, and linkage with the regular development programs.

Another alternative is to entrust the implementation of resettlement to local administrative units (e.g., Provincial Councils, District Councils), which can mobilize local technical expertise, know the local population and resources, speak resettlers' languages, and will ultimately be responsible for the resettlers.

In this connection, a decision should be made during the preappraisal and appraisal phase about whether the most appropriate institutional framework and Bank lending vehicle for resettlement and redevelopment is a project component or a free standing area/basin development project. As pointed out above, at times a full scale project can better mobilize adequate resources — staff time, financing, multisided expertise — than can a secondary component within the main project. Such a full scale resettlement project was approved for the first time by the Bank in 1987: the Brazil-Itaparica Resettlement and Area Development Project (Bank loan US\$132 million), which will provide for the resettlement of some 45,000 people and for irrigation on 8,000 ha., agricultural support services, housing, electrification, etc. to assist in the production-based re-establishment of those displaced. Other such full scale Bank-assisted projects are being prepared now in Asian and African countries. This special-project approach merits consideration especially when the people threatened with dislocation number in the tens of thousands.

A similar approach may be taken in connection with sectoral loans for hydroenergy, irrigation, transportation, etc., which can be paired

with specific parallel projects addressing one (or more) of the resulting major relocation operations, with borrower agreement to the parallel project as a condition of the sector loan. The advantage of the sectoral approach is that it extends the enhanced resettlement criteria and standards to all operations in that sector, rather than applying them only in the projects assisted with Bank financing.

Regardless, however, of whether the approach found suitable is a special project or a component, the preappraisal and appraisal efforts should make sure that the reconstructive activities incorporated are designed in adequate detail, sufficiently financed and staffed. The policy states clearly that

financing compensation and relief only is insufficient. The full costs of re-establishment activities should be identified and incorporated for financing in the total project cost, whether these activities are financed by the Bank itself, as they often should be, or are to be financed through local funds. For instance, hydropower projects which entail resettlement should include financing earmarked for agricultural or urban packages.

The costs of resettlement should be treated (see Annex 2) as a charge against the economic and social benefits of the project which makes resettlement necessary. The resettlement component need not necessarily be economically viable on its own. When the reintegration of the displaced groups is made part of a broader development project in the receiving area, there is a better possibility to design the resettlement program so that the income and productivity of the resettlers are raised relative to their previous circumstances. Any net benefits to resettlers as compared to their previous circumstances should be added to the benefit stream of the primary project.

Following appraisal, at the time of loan negotiations between the Bank and the borrower, the borrower is expected to satisfy the Bank that the plan for resettlement is fully workable and accepted as intrinsic to

the project and to the legal agreement for that project, and represents an integral part of the borrower's obligation to carry out the project.

Project Supervision and Monitoring

In the last instance, adequate resettlement depends on the quality of implementation. An adequate policy, even good planning and project design, are not sufficient and can be frustrated by unsatisfactory and inconsistent implementation.

The Bank's policy requirements regarding the standards for adequate resettlement are, in general, considerably higher than the current practices in many borrowing countries and usually are more demanding than the norms contained in the regulatory frameworks of the borrowers. This difference often affects the implementation of resettlement provisions agreed upon and designed into Bank assisted projects; discrepancies may therefore occur between plans and practice. Even when the levels achieved in actual resettlement operations represent significant improvements over prior local practices, they may fall short of set goals. The experience of many projects has thus reinforced the lesson that for increasing the consistency between actual execution and the policy/project provisions designed at the outset, careful and regular supervision is essential.

Sensitivity to the cultural, not only to the economic, implications of forced displacement, to the responses of individuals and communities, to the manner of agency interaction with affected people, is the mandate which Bank operational guidelines give when they direct supervision missions

to pay careful attention to the sociological and technical aspects of resettlement as a whole. Project management should monitor, with Bank assistance if required, the timely progress and completion of resettlement activities, and the general social and economic condition of the resettled people.

Good results are achieved when arrangements for monitoring are incorporated in the very design of the project and entail administrative and funding provisions conducive to the needed independence of judgment.

Supervision and monitoring should provide both a warning system for project managers and a channel for the resettlers to make known their needs and their reactions to resettlement execution. Supervision and monitoring should cover both the departure and the arrival areas for those resettled, so that feedback from the transfer and initial adjustments of the first groups relocated may be used for the following groups. It is recommended that Bank field supervision teams have on board the professional expertise to deal with the complex social, agricultural, health and cultural issues of resettlement and rehabilitation. In turn, the borrowers are best helped by local monitoring/evaluation teams able to analyze resettlement progress and issues distinctly from the monitoring of other components of the project, (see a technical checklist for monitoring resettlement in Annex 3).

In sum, the entire set of operational procedures, as well as the resettlement policy guidelines, tell clearly that involuntary relocation must be addressed with great concern and unrelenting consistency throughout all of the project's phases, and not be relegated to second degree status.

Even under a carefully applied policy, involuntary resettlement is, and will always remain, a traumatic process in the life of the affected groups, as well as a complex and formidable task to solve for any development project that causes it. Since such social disruptions will continue to accompany future technical and economic change, further improvements in relocation policies, in legal frameworks, in implementation, and in the study of resettlement will remain imperative.

ANNEXES

ANALYTICAL AND PLANNING TOOLS FOR PROJECTS

INVOLVING INVOLUNTARY RESETTLEMENT

The following set of three Annexes is intended to assist in, and improve, the practice of substantive preparation, economic analysis, appraising, and monitoring of involuntary resettlement components in projects. They contain technical guidelines, standard tables, worksheets and checklists that closely reflect the policy principles and guidelines presented in the main paper. They go several steps further in the level of detail, and in addressing the practicalities and technicalities usually encountered in the planning and analysis for such operations. These annexes are important working aids, since no policy can be consistently and effectively implemented without adequately tailored analytical, data processing and programming tools. At the same time, since they are standard, broad instruments, they should be applied flexibly; judgment must be exercised to determine the level of data and planning detail needed for each specific case.

The following working guidelines have been developed during 1986 and 1987 through an iterative process that has included field testings and successive revisions; they have been applied recently in a number of actual development projects and are presented here for a wider use in such projects.

ANNEX 1

PREPARING AND APPRAISING INVOLUNTARY RESETTLEMENT COMPONENTS:

TECHNICAL GUIDELINES (CHECKLIST)

The main elements that should be considered during the project preparation phase for preparing an involuntary resettlement component, whether in agricultural or urban based projects, are:

- I. Baseline information on the affected populations from departure and arrival areas;
- II. Policy and legal frameworks;
- III. Organizational capability for resettlement;
- IV. Resettlement plan for reconstructing the production systems and the habitat of the displaced;
- V. Transfer arrangements;
- VI. Timetable and budget.

The same main elements, with some difference in level of detail and emphasis, must be re-examined during the project reappraisal/ appraisal process by a team different than the project preparation team, to reassess the feasibility and soundness of the resettlement provisions from a technical, economic, sociological and institutional viewpoint.

Policy Context. The elements listed above will be explained one by one further. For brevity sake, policy considerations and general operational procedures regarding resettlement are not repeated here; but they are crucial for doing resettlement adequately, and therefore this technical checklist can be used best only in the context of the Bank's policy and operations guidelines, summarized in the attached paper, particularly in sections III-V.

Flexibility. Since this is a standard checklist, it needs adjustments to specific situations and to differences between levels of

economic development or various sectors - e.g., agricultural versus urban resettlement, etc. The list is not exhaustive and must be used flexibly: not every detail is required for every single resettlement plan; subject to the magnitude of the resettlement process, judgment must be exercised to determine the level of detail required and possible in each situation.

Iterative Approach. In practice, not all the necessary information is available at once; but even if it becomes available in stages, staff should determine what study or data is necessary for each stage of preparation and incremental planning, and define what kind of, and when, additional information will be gathered by those responsible for various parts of the preparation effort. While countries have established laws and procedures for carrying out involuntary resettlement, it is important to document these, and assess the lessons of prior resettlement processes.

Work Team. In most cases, preparation of resettlement has to start when very little data is readily available. In such situations it is desirable to start by creating teams which will work for resettlement preparation, with adequate skills mix (technical, social, economic), equipment and field transport capacity, access to maps, links to relevant line agencies, etc.; this is a prerequisite for ensuring that further planning will occur in a professionally competent manner. The organization of the preparation work should be such as to facilitate bottom up planning and eventual integration into an overall regional (basin or urban, as the case may be) development plan.

I. BASELINE INFORMATION AND STUDIES REQUIRED FOR PLANNING

A. Information on the Departure (submergence) Area:

1. Census of population to be displaced, with key demographic indicators, after the on-the-ground marking of the boundaries of the area to be evacuated (with

consideration of backwater effects in case of reservoirs). Inventory of property to be lost (irrigated and non-irrigated land, houses, wells, trees, cattle, etc.) and valuation. Estimate of likely population growth until actual resettlement takes place. Identity cards for settlers.

2. Description of production system(s) existing in the area and of the main social and ethnic groups (farmers; landless laborers; tribal groups; employees; artisans, merchants, haulers, processors, etc.) and forms of social organizations that operate and depend upon them (ownership, usufruct, and tenure system; kin groups or extended family systems, etc.). Determination of major income sources and approximate income levels.
3. Description/inventory of public or common areas, infrastructure and other productive or social resources, shared or divided (village schools, temples, health rooms, etc.; shared grazing lands, access to adjoining forests, etc.).

B. Information and Design for Arrival Areas (relocation sites):

1. Identification of new settlement sites (whether consolidated new settlements or fill-in operations). Maps at 1:10,000 of new sites.
2. Survey of host population at/around new settlement areas and their resource use-patterns (attention to economic, demographic, ecological, ethnic or other features that limit receptivity to displaced population; estimate carrying capacity of existing resources and potential for intensification).

3. Feasibility studies, including assessment of new site suitability (adequate water sources, soil capability, grazing lands, fuelwood sources and other commons; suitability of residential sites; site preparation requirements - clearing, leveling, tree planting, etc. and assessment of required new infrastructure).

II. DEFINITION OF POLICY AND LEGAL FRAMEWORKS

1. Definition of resettlement policy and development policy to be applied in given case (entitlement to replacement land and other productive resources; house reconstruction; cash compensation levels and terms for individuals and groups; overall development objectives of resettlement policy). If no policy/regulations exist, what norms need to be formally enacted as part of project preparation.
2. Legal definitions of the rights of displaced population; resettlement grants or awards; institutional assistance for land replacement and land alienation procedures at new sites; technical and financial assistance for bringing new resources into production; rights of the landless and those in non-agricultural sectors; have such domestic legal provisions been respected in the past; have they worked; legal grievance procedures; are there legal provisions for displaced people to share in the benefits generated by the construction which evicted them, such as access to electricity, irrigation, revenue from power, etc.

III. ORGANIZATIONAL CAPABILITY FOR RESETTLEMENT

1. Designation of department/agency responsible for resettlement and for implementation of development plan

(existing staff; needed staffing plan and skill mix; equipment, vehicles, etc.).

2. Line agencies/ministries expected to assist; cooperation with NGOs; management supervision and communication systems; monitoring arrangements (see Annex 2).

3. Development plan for the resettlement organization: training of staff; training of representatives of the displaced and of host populations.

4. Strategy for securing the participation of the displaced and host communities in each phase; involvement of NGOs.

IV. RESETTLEMENT PLAN FOR THE NEW SITES

1. Development objectives for the displaced groups; alternative development strategies among which families may choose; estimate of proportions in which each alternative is likely to be selected; technical features known and further study required for the implementation of each.

2. Development packages proposed for new settlements (agricultural intensification, irrigation, land reclamation/preparation, etc.; livestock improvement plans, including small animals; cropping regime packages, including financing for inputs; outputs estimates; opportunities for women in the schemes; fuelwood production; fruit trees development; main farm models anticipated; expected benefits and likelihood of restoring/improving farmer income/living standards; financial analysis of each package).

3. Urban development if necessary; permanent employment opportunities outside agriculture; development of small industries, services, etc.; investments required for creation of new jobs; temporary employment opportunities in the construction works for the project.
4. Assessment of likelihood of boom-town growth; prevention/mitigation measures proposed regarding expected adverse socio/environmental effects.
5. Compensation for lost property and hardship to resettlers (assessment procedures, timetable of payments, etc.); recommended uses of compensation for re-establishment of economic potential.
6. Habitat; provisions for assistance to resettlers for reconstructing housing; engineering of new sites (design and layout plans for infrastructure, public and common installations; land and resources use plans; potable water system; drainage and water disposal system; environmental assessment of plans).
7. Support for the social organization of resettlers, including local NGOs, and explicit measures for the involvement and participation of displaced and host people in planning/implementation (resettlement committees, leadership training strategies, resettlement companions; cooperation and linkages between resettlement agency, line agencies, local NGOs, community leadership, women's groups, other organizations; roles in site selection, land preparation, in plan execution, operation and maintenance, etc.).

8. Measures proposed for environmental management and protection.

V. TRANSFER ARRANGEMENTS

1. Information dissemination among the displaced and host people (explanation of resettlement policies, rights of displaced people, legal provisions and grievance procedures; schedule of displacement; transport means available; access to interim assistance programs).
2. Maintenance arrangements during transfer period (food, fodder, fuelwood, medical maintenance arrangements required for the "lag" time between moving out of old site and such time as the new lands are yielding crops; monitoring systems should enable management to identify precisely where such programs are to be strengthened).
3. Mobilization schedule (logistics or routes prepared to facilitate access and exit from old sites to new sites; vehicles to be used for hauling belongings, livestock, house materials, etc. and those for hauling persons; schedule of movement).

VI. TIMETABLE AND BUDGET

1. Resettlement timetable coordinated with chronogram of construction and other project features (e.g., reservoir filling); a diagram should be drawn up to summarize the resettlement plan showing all critical path activities by month for years -2, -1, 0 (0 = transfer year), +1, +2 and so forth until transfer is completed; envisaged development activities over the long-range, beginning with year +2 after

the transfer and continuing until former levels of livelihood or better levels are expected to be achieved.

2. Cost estimates for all operations (see Annex 2), broken down according to main headings/categories above (costs estimates on a unit basis; individual family beneficiary cost tables, operating unit costs table, financing timetable, etc.).

ANNEX 2

THE ECONOMIC AND FINANCIAL ANALYSIS OF PROJECT COMPONENTS
ADDRESSING INVOLUNTARY RESETTLEMENT: GUIDELINES*

1. Many Irrigation, hydropower and water supply projects, as well as some urban, transportation and Industry projects can only be implemented if a certain number of people living in the project's area are displaced. This generally involves also the loss of land and other assets. This has significant social, financial, economic and environmental consequences which should be reflected in the project's economic assessment. These guidelines identify which costs and benefits should be considered in the economic analysis of projects requiring population resettlement and clarify some conceptual and methodological issues encountered in defining and quantifying costs and benefits. These guidelines should be used flexibly, to help ensure that established policies are implemented.

2. A review of past project experience revealed that involuntary resettlement was often underfinanced. One major reason for this was that the costs of resettlement had been systematically underestimated by the Borrower and the Bank. Examples of cost elements frequently missed are surveys and population and property census, foregone benefits from assets being lost, land reclamation/improvements at relocation sites, adequate urban and village infrastructure, implementation of re-development (rehabilitation) packages, mitigation of the impact on host populations, temporary losses or reductions in production and income of the affected population, the cost of setting up new industrial and commercial enterprises, provision of special health and welfare services,

* These guidelines have been drafted in 1986 and subsequently discussed and improved through a group effort by several economists, anthropologists and other project specialists, particularly by C. Diewald, D. Fitchett, W. Partridge, with contributions from S. El Serafi, W. Jones, R. Martin, G. Ed Schuh, H. Van der Tak, D. Turnham, V. Vyas, A. Walters, M. Wiehen, O. Yenil.

training, technical and managerial staff, and logistical requirements of relocation. These costs will include both investments and recurrent costs.

3. The logic, concepts and methods pertinent to the economic and financial analysis of projects with involuntary resettlement are the same as those generally used in the Bank. There are, however, some peculiar problems which occasionally lead to confusion. The tracing and valuation of the various costs and benefits may be quite complex.¹ These problems will be discussed below, followed by a summary of the costs and benefits that should be considered.

Conceptual Framework

4. **Economic Viability of Resettlement Components.** The inclusion of involuntary resettlement in the project is not by choice but by necessity. Its cost is an integral part of project cost. Therefore, it is neither possible nor appropriate to provide a separate economic justification for resettlement, as one would do for "optional", separable components. What matters is that the project as a whole has a positive net present value.² For example, if the development of reservoir fisheries is included as a means towards gainful employment of displaced persons, it is not relevant whether this project "component" is economically viable on its own; the "component" simply adds a net economic cost to the project.³ This additional cost is justified as long as the "component" is planned and

1/ The analyst may be tempted to put a great amount of effort into refining the estimates of costs and benefits of resettlement, particularly if they escape easy handling. However, the merits of doing so should always be judged in the light of what difference further refinement might make to the overall outcome of the economic analysis.

2/ For appraisal, a positive net present value is normally sufficient; however, planning and design would aim at maximizing the NPV under given constraints.

3/ If a resettlement plan calls for more than just the "necessary" cost, for example, if housing provided to displaced families is of better quality than the dwelling they are losing, this does still not constitute a separate project component, as it would not be undertaken outside the context of resettlement.

designed in the most efficient way and constitutes an element of the "best" resettlement plan and "best" overall project design, always provided, of course, that the project as a whole remains viable. In this sense, elements of a resettlement plan are no different from, say, a spillway as a component element of a dam project.

5. **Financial Viability.** Resettlement programs are designed to assist displaced families to regain and eventually improve their previous standard of living. Elements of such programs, i.e. the various resettlement options planned and offered to displaced households, should be analyzed from the viewpoint of the beneficiaries to ensure that they are financially viable and provide incentives to the beneficiaries, in the sense of actually providing an adequate standard of living and of avoiding negative cash flows. This also implies that base line data on the average income level of the affected groups in the pre-project situation must be gathered during the project preparation stage to enable the economic analysis to project the expected income levels to be attained after resettlement and economic re-establishment.

6. **Financial versus Economic Costs and Benefits.**⁴ Care should be taken to distinguish between costs that are purely financial (transfers), those that are included in both financial and economic analysis, and those that are economic only. Often a significant part of resettlement costs

4/ For the benefit of the reader not entirely familiar with these terms: the distinction between financial and economic costs and benefits in Bank practice stems from the different purposes of cost estimating and financial analysis on one hand, and economic analysis on the other. Financial analysis deals with actual cash flows (expenditures and revenue/income) in the public and private sector. Project costs, in the narrower sense used in Bank cost tables, are a sub-set of all expenditures caused by a project. Economic analysis attempts to determine whether a project is worthwhile undertaking from the viewpoint of the national economy. It is based on the financial streams, but will usually modify them to account for certain distortions, and may add certain costs or benefits that have no counterpart in actual cash flows; it may also omit expenditures that don't represent use of economic resources, such as transfers in the form of taxes, subsidies and other grants. The economic analysis is based on comparing the "with" and "without the project" situations, whereas the financial analysis compares the situation of the beneficiaries before and after the project.

goes towards financial compensation of asset losses and towards various subsidies or grants to the displaced population. Such expenditures are prima facie transfer payments. The value of compensation paid, for example, should reflect the foregone future income from the asset. Foregone (net) benefits from land and natural resources, on the one hand, or certain environmental costs, on the other hand, may have to be included as purely economic costs, as they often don't show up in the analysis of cash flows.

7. **Treatment of Assets Lost.** If assets such as land, forests, houses, wells, powerlines, factories, etc., are lost because of the project (for example, due to submergence or demolition), the loss actually occurs in the form of foregone net benefits that would have been realized were the project not undertaken (opportunity cost concept). The market value of such assets might be a guide to the discounted (present) value of the net benefits foregone. (The value of compensation paid is usually not a good proxy.) Alternatively, the analyst might make an effort to estimate the stream of annual foregone net benefits himself. The latter method is preferable, because it is more consistent with the methods used for other components in the economic analysis, although a comparison of the results with the former method may be useful for cross-checking.⁵

8. In many cases, e.g. for houses, buildings, factories, roads, wells, etc., it is appropriate and less difficult to estimate the

^{5/} The (present) market value of an asset reflects the perception of the actual and potential owners ("the market") of the net income the asset may produce in the future, and thus what people are willing to pay to obtain those benefits. In this sense the market value (with some adjustment for distortions) would indeed be a proper measure of benefits lost. However, we don't know what discount rate is implied in the market's valuation of future benefits. If we are using a uniform discount rate for everything else in the economic analysis, as is implicit in both net present value and internal rate of return methods, this would almost certainly introduce an inconsistency. Also, analysts usually project economic benefits of an investment themselves, based on some estimate of quantities and economic prices of goods to be produced. If such estimates for similar goods are made elsewhere in the economic analysis (e.g., for incremental crop production from an irrigation project), then the treatment of benefits foregone should be consistent with such estimates.

replacement cost (minus the value of any salvaged materials used in replacement), and to ignore the foregone benefits as well as the benefits expected from the replacement. The underlying assumption is that the streams of benefits with and without project are more or less the same, i.e., offset each other. This method would normally presuppose that the replacements will actually be implemented, but even if they are not, the method may produce a good proxy for benefits foregone. In any case, it is important not to count costs twice, e.g., by accounting for benefits foregone and for the replacement.⁶

9. Questions have been raised with regard to the treatment of the loss of certain natural resources, such as forests that will be clearfelled before submergence. The timber and other forest products salvaged through clearfelling can legitimately be counted as project benefits. However, there is a host of foregone benefits that will not be sufficiently approximated by the value of foregone timber and fuelwood production alone.⁷ For the replacement of forest resources through compensatory afforestation, an effort should be made to quantify at least some of the major benefits foregone from the lost forests and their ecosystem, or the benefits from clearfelling should be curtailed in some fashion or entirely omitted in the economic analysis. (Clearfelling represents, of course, a financial benefit to the owner, and future production without project a net cash flow foregone).

10. The Psychological Costs of Resettlement. The displacement of people from their customary habitat involves substantial hardship and suffering. These are certainly costs to the society which matter in evaluating a project with respect to its social desirability. It is, however, virtually impossible to assign an economic value to these costs and to make them commensurate with other economic costs in the analysis.

^{6/} Where benefits from replacement assets are substantially different from those foregone, an incremental benefit stream (positive or negative, as the case may be) can be entered in the assessment of the "with-project" situation.

^{7/} Forests provide habitat for wildlife, regulate rainfall runoff, prevent soil erosion and sedimentation, replenish oxygen in the atmosphere, are pleasant to walk in, etc.

Theoretically, there may be a level of compensation at which people would be willing to relocate voluntarily; in practice, it is virtually impossible to find out what this level is. Since such psychological costs cannot be quantified with available analytical tools, the specific programs or services designed to mitigate such suffering, particularly its physical aspects, should be fully costed and included in the economic analysis (e.g., incremental health, nutrition and social services, etc.); in the initial post-relocation stage, health care costs (and possibly costs for other social services) might be higher than later on, and this should also be taken into account.

11. **Disruption Costs.** During the transfer and transition period, i.e., from the moment of moving out until the families have regained their previous standard of living, there will be a general decrease in economic activity and a resulting drop in production and income. The net loss from reduced production should be estimated. In general, it will not be correct to assume that the full benefits of re-development (rehabilitation) packages can be realized immediately after the relocation. For example, where a family receives or acquires new farmland, the initial net returns will probably be low for a while; where a small shopkeeper has to set up shop in a new environment, he may suffer a reduced turnover for sometime; and where a landless laborer has been trained as a carpenter, his productivity will only gradually rise to a normal level. This should be incorporated, as far as possible, in the economic analysis and financial models. The disruption cost would normally be captured as incremental cost by careful modelling of costs and benefits (or income and expenditures) "with project" and "without project". For costs which may not be anticipated or covered by the main categories, needed resources can be earmarked through a provision for contingency costs (some 3-5% of the resettlement costs).

12. **Re-Development Packages.** The formulation of economic re-development (rehabilitation) packages will encompass all those costs and benefits which are entailed in re-establishing families or individuals in new productive enterprises. They typically include provision of replacement land, improvements to such land (clearing, irrigation, levelling, etc.), provision of seeds, tools, draft animals, research and extension

services, credit, and so forth. There may be training facilities, and new enterprise packages consisting of investment credit, subsidies and technical assistance, etc. All these packages will entail investment and recurrent costs as well as benefits which should be estimated. This may be done either in the form of typical "modules" (see further Tables 3-5 given as samples), which can then be multiplied by the numbers of households projected to adopt them, or in detail for larger schemes benefitting many displaced families. Modules would serve a dual purpose: they would allow an estimate of economic costs and benefits from re-development investments, and they are useful in assessing the financial viability from the beneficiaries' viewpoint (see para. 5). Since the objective is for the settlers to regain at least their previous standard of living adjusted to the "without project" estimated level, the modules should be based from the outset on "baseline" income streams against which future income from re-development packages can be measured.⁸

13. An overall, and basic, objective of the economic analysis is to determine whether, if the investments in socio-economic re-establishment measures are made as planned, the expected income of the resettlers will at least equal, and possibly surpass, their income levels "without the project". This is necessary for the economic analysis to confirm from the outset that the projected outcome will meet the basic objective of the resettlement component.

8/ The total cost of resettlement is sometimes averaged on a per family or per household basis, but quite often this averaging is methodologically done incorrectly. If the value of lost infrastructure (e.g., highways, bridges, railways, etc.) which are submerged or have to be relocated is averaged on a per household basis, this only artificially inflates the apparent cost of people's resettlement. Such infrastructure, however, is not serving the displaced families only, but much larger regional or national needs, and the reconstruction of such infrastructure should not be made spuriously to appear as a cost incurred for these families alone. The average cost per family is, in any case, not an indispensable indicator for the economic analysis; however, if it is found useful to compute it for comparative reasons, it should include only the costs incurred for the resettlement and re-establishment of the affected families and for the infrastructure required to serve their needs.

14. **Environmental Costs and Benefits.** Resettlement can entail environmental degradation, apart from the general environmental consequences of building large infrastructure facilities such as dams and reservoirs. Environmental costs may include pressure on forests, grazing lands and soils at resettlement sites. It will often be difficult to make precise estimates of the physical damages expected and to attach values to those. On the other hand, careful design of resettlement would anticipate such incremental ecological pressures and include measures to mitigate or prevent resulting damages as well as shortages of fuelwood, fodder, etc., in part as a measure to accommodate the interests of both host community and settlers at the relocation sites. Such measures could include afforestation, community fuelwood plots, grassland rehabilitation, soil conservation measures and the like. The costs and benefits of such measures can and should be identified and included in the evaluation.

Typical Costs and Benefits of Resettlement (A Checklist)

15. It is convenient to structure the cost accounting and the economic analysis according to broad stages of the resettlement process: preparation, relocation, and re-development. More detailed tables are provided in the attachment to support the broad categories listed below.

Preparation and Compensation (Table 1)

- Cost of census of affected population and inventory of properties
- Compensation for properties lost (for project cost tables)
 - Foregone benefits from all assets (for economic and financial analysis)
 - Cost of residential site assessment in receiving area
 - Cost of replacement land
 - Cost of preparation of replacement farm land

Relocation (Table 2)

- Cost of moving and transport
- Cost of replacement housing
- Cost of village/urban infrastructure at relocation site
- Relocation/replacement of other infrastructure
- Subsistence packages
- Special welfare services during resettlement

Re-Development (Table 2 and modules in Tables 3-5)

- Large-scale schemes (costs and benefits)
- Small-scale (household) packages (costs and benefits)
- Incremental Services (extension, health, education, etc.)
- Environmental enhancement packages (forestry, soil conservation, grazing lands)

Administrative Overhead (Table 6)

- Physical facilities
- Vehicles
- Materials
- Operational staff (managerial and technical)
- Support staff
- Training
- Monitoring
- Evaluation (contract)
- Technical assistance

Financing Plan

16. The funding of resettlement costs will usually come from several sources. The project entity will receive funds from state or central government. Apart from aid financing, there may be local banks which will support private investments, local government contributions and, last but not least, contributions by the displaced people (settlers) themselves: for example, from compensation they receive for assets lost. In the proforma below, allowance is made for the financial flows that may be recouped by an entity, for example from settlers who make a down payment on an investment from compensation received, or the revenue from forest clearing from a reservoir — to a government.

Resettlement Financing Plan

	Outlays	Receipts	Net Outlay
Central Government			
State/Provincial Government			
Local Government			
Local Banks			
Other Donors			
NGOs			
Settlers			
IBRD/IDA			
Total			

Table 1

PROFORMA COST TABLES FOR RESETTLEMENT
Preparation and Compensation Costs

	Unit Cost ^{2/}	Quantity by Year ^{1/}							Total Cost
		-3	-2	-1	0	+1	+2	+3	
1. Census of the Affected Population									
2. Land Survey and Property Inventory									
3. Individual Compensation									
Private land									
Standing orchards and crops									
Privately owned trees									
Houseplots and dwellings									
Other private structures, etc.									
4. Public Assets Replacement									
a) Public Utilities									
water supply systems									
power lines									
telephone lines									
public buildings									
roads									
bridges									
Railways, etc.									
b) Compensatory Afforestation									
5. Site Assessment In Receiving Areas									
Host population survey									
Land demarcation survey									
Potable water surveys									
Soil surveys									
Site layout/designs, etc.									
6. Land Acquisition In Receiving Areas									
Agricultural land									
Common lands									
(streets, parks, grazing areas, civic buildings, etc.)									
House Plots									
Reserve for future growth									
<hr/>									
TOTAL									

1/ Year 0 is the point when actual transfer of the displaced people to the new settlement sites begins.

2/ Use of unit costs may not be appropriate in all cases. Estimated lumpsum expenditures can be entered as annual values instead.

PROFORMA COST TABLES FOR RESETTLEMENT: RELOCATION COSTS

	Unit	Quantity by Year ^{1/}						Total Cost
	Cost ^{2/}	-3	-2	-1	0	+1	+2	
1. Replacement Housing								
Building materials								
less salvaged materials								
Labor								
CIVIL works contract								
2. Village/Urban Infrastructure ^{3/}								
Site preparation								
Streets and approach road								
Electricity								
Water supply								
Sanitation/Drainage								
Schools								
Community buildings								
Dispensary								
Seed/Fertilizer Store								
Places of Worship								
Markets, etc.								
3. Transport and Shelter								
Transport of families and belongings								
Transport of salvaged materials								
Transport of monuments, etc.								
Temporary lodging								
4. Special Welfare Services								
Temporary health units								
Child nutrition supplements								
Training Costs								
Other social services								
5. Subsistence Packages								
Relocation grants								
Food allowances								
Fodder allowances, etc.								
<hr/>								
TOTAL								

- ^{1/} Year 0 is the point when the transfer of the displaced people to the new settlement sites begins.
- ^{2/} Use of unit costs may not be appropriate in all cases. Estimated lumpsum expenditures can be entered as annual values instead.
- ^{3/} Distinction between equipment purchase and operating cost/rental should be made.

Table 3

FINANCIAL ANALYSIS OF RESETTLEMENT ALTERNATIVES
Example: Rainfed Farming on Replacement Land

Year:

-2 -1 0 1 2 3 4 5 6 7

A) FAMILY INCOME

1. Before Move

a) Farming on Old Land
gross value of crops
of which: -home consumption
 -sales
 less seeds and losses^{2/}
 less cash inputs
net farm income on old land

b) Other family income before move
from wage labor
from livestock (net)
from rents
other (net)

2. After Move

a) Farming on new land^{1/}
gross value of crops
of which: -home consumption
 -sales
 less seeds and losses^{2/}
 less cash inputs
net farm income on new land

b) Other family income after move
from wage labor
from livestock (net)
from rents
other (net)

Total Income

B) OTHER RECEIPTS

1. Grants
for transportation
for subsistence
 In cash
 In kind

^{1/} May overlap with farming on old land

^{2/} Assumes seeds are retained from harvest; losses are storage losses.

Year:

-2 -1 0 1 2 3 4 5 6 7

- 2. Compensation
for lost farm land
for lost house and plot
for other lost assets
- 3. Investment Subsidies
for new farm land
for new house plot
for building material
for acquiring other assets.
- 4. Loans
for land improvements
for other assets (specify)

Total Receipts

C) EXPENSES

Household consumption

In cash
home consumption

Relocation Expenses

transportation cost
temporary shelter
Other

Total Expenses

D) INVESTMENTS

Cost of new land
Cost of land improvements
Cost of houseplot
Cost of new house
less salvaged materials

Total Investment Cost

E) DEBT SERVICE

on loan A
on loan B

Total Debt Service

F) NET CASH FLOW

Net Result of A)+B)-C)-D)-E)

Table 4

FINANCIAL ANALYSIS OF RESETTLEMENT ALTERNATIVES

Example: Irrigated Farming with Well on Replacement Land

Year: -2 -1 0 1 2 3 4 5 6 7

A) FAMILY INCOME

1. Before Move

a) Farming on Old Land

gross value of crops
of which: -home consumption
 -sales
 less seeds and losses
 less cash inputs
net farm income on old land

b) Other family income before move
from wage labor
from livestock (net)
from rents
other (net)

2. After Move

a) Farming on new land^{1/}
gross value of crops
of which: -home consumption
 -sales
 less seeds and losses^{2/}
 less cash inputs
 less well operating cost
net farm income on new land

b) Other family income after move
from wage labor
from livestock (net)
from rents
other (net)

Total income

B) OTHER RECEIPTS

1. Grants

for transportation
for subsistence
 In cash
 In kind

^{1/} May overlap with farming on old land

^{2/} Assumes seeds are retained from harvest; losses are storage losses.

Year:

-2 -1 0 1 2 3 4 5 6

- 2. Compensation
for lost farm land
for lost house and plot
for other lost assets
- 3. Investment Subsidies
for new farm land
for well
for new house plot
for acquiring other assets
- 4. Loans
for land improvements
for well
for other assets (specify)

Total Receipts

C) EXPENSES

Household consumption

In cash
home consumption

Relocation Expenses

transportation cost
temporary shelter
Other

Total Expenses

D) INVESTMENTS

Cost of new land
Cost of land improvements
Cost of well
Cost of houseplot
Cost of new house
less salvaged materials

Total Investment Cost

E) DEBT SERVICE

on loan A
on loan B

Total Debt Service

F) NET CASH FLOW

Net Result of A)+B)-C)-D)-E)

FINANCIAL ANALYSIS OF RESETTLEMENT ALTERNATIVES

Example: Dairy for Landless Family

Year:	-2	-1	0	1	2	3	4	5	6	7
A) FAMILY INCOME										
1. Before Move										
from wage labor										
from livestock (net)										
other (net)										
2. After Move										
a) From Dairy Cows										
gross value of production										
of which: -home consumption										
-milk sales										
-manure										
less cash inputs										
green fodder										
dry fodder										
concentrates										
veterinary services										
miscellaneous										
net come from dairy cows										
b) Other family income before move										
from wage labor										
other (net)										
Total Income										
B) OTHER RECEIPTS										
1. Grants										
for transportation										
for subsistence										
In cash										
In kind										
2. Compensation										
for lost house and plot										
for other lost assets										
3. Investment Subsidies										
for new house plot										
for building material										
for cows										
for acquiring other assets										

Year:

-2 -1 0 1 2 3 4 5 6 7

4. Loans
for dairy cows
for other assets (specify)

Total Receipts

C) EXPENSES

Household consumption

In cash
home consumption

Relocation Expenses

transportation cost
temporary shelter
Other

Total Expenses

D) INVESTMENTS

Cost of house plot
Cost of new house and shed
less salvaged materials

Total Investment Cost

E) DEBT SERVICE

on loan A
on loan B

Total Debt Service

F) NET CASH FLOW

Net Result of A)+B)-C)-D)-E)

Table 6

PROFORMA COST TABLES FOR RESETTLEMENT

Administrative Overhead of Resettlement Project Unit

	Unit Cost ^{2/}	Quantity by Year ^{1/}						Total Cost
		-3	-2	-1	0	+1	+2	
A. Offices, Furnishings and Staff Housing:								
1. Buildings								
2. Furnishings								
3. Equipment								
4. O&M								
B. Vehicles								
1. Investment								
2. O&M								
C. Materials and Supplies								
D. Staff ^{3/}								
1. Management								
2. Operational ^{4/}								
3. Support								
E. Monitoring and Evaluation								
1. Staff								
2. Equipment								
3. Contracts								
F. Training and Staff Development								
G. Technical Assistance								
H. Other								
<hr/> TOTAL <hr/>								

^{1/} Year 0 is the point when transfer of the displaced people to new settlement sites begins.

^{2/} Use of unit costs may not be appropriate in all cases. Estimated lumpsum expenditures can be entered as annual values instead.

^{3/} Enumerate on separate table

^{4/} For example, resettlement officers; specialists for agricultural development, veterinary, fisheries, forestry, etc.

ANNEX 3

MONITORING AND EVALUATING INVOLUNTARY RESETTLEMENT

Technical Guidelines (Checklist)

Monitoring of involuntary resettlement operations requires in essence an application of the general project monitoring procedures and methods^{1/} to the processes occurring in resettlement but with particular attention to the specific high risks intrinsic in such operations. These are the risks of impoverishment, malnutrition, increased morbidity, dependency, breakdown of community norms and mutual support systems, etc. This requires special resettlement monitoring and ongoing evaluation--i.e. distinct from the monitoring of project components that cause the displacement; it also requires monitoring staff trained to understand the nature and unusual issues of resettlement processes.

Monitoring. The objective of monitoring resettlement operations should be to provide management with an effective tool for assessing resettlement progress, identifying difficulties, ascertaining problem areas, providing early warnings and thus calling attention to corrections needed immediately. Monitoring could be done by a specialized group or unit reporting to the management of the resettlement operations.

Ongoing evaluation should address more complex social, cultural and economic issues, as described further. It is highly desirable that evaluations be conducted by specialized teams or units that are not under the direct administrative authority of those responsible for the resettlement program, so that management could obtain an in-depth and independent assessment.

Methods and Procedures. While covering the total resettler population, the monitoring entity should be able to make differential

^{1/} See Casley, Dennis and K. Kumar, Project Monitoring and Evaluation In Agriculture, World Bank, Washington, DC, 1987.

assessments about the social groups exposed to higher risks from resettlement disruption, like small and marginal farmers, landless agricultural laborers, unskilled laborers, petty vendors and artisans, and other groups at high risk like tribal populations, ethnic minorities, children, elderly, etc.

Imaginative, procedures may fruitfully be applied in this kind of monitoring, while focusing on key sensitive indicators: for instance, using field assessors who are resident in affected communities and at the new sites to keep track of indicators; attaching such assessors to the transport caravans from the old to the new sites; collection of case histories; participant observation and qualitative assessments, etc.

Establishing baseline information on individual households/families and their pre-move standards of living, health conditions, nutrition patterns, etc. is a necessary first step in building a monitoring system, and should precede resettlement in general by a year. The usual baseline planning information may sometimes need to be supplemented in order to create the reference points against which resettlement project performance, effects and objectives are to be measured.

Specific processes to be covered by monitoring studies and participant observations during the preparation of the resettlement operation include:

- communication with and reactions from the prospective resettlers;
- the degree of information of resettlers about their entitlements, available options, alternative development opportunities, relocation timetables, etc.;
- visits by prospective resettlers to potential new sites;
- valuation of property to be lost; use of grievance procedures;
- disbursement of compensation and grants;

- trends of land markets in the relocation/arrival areas;
- trends in prices of house construction materials;

Monitoring should also cover physical progress in the preparation of the receiving areas, including: reclamation of lands for agriculture, construction of schools, housing, access roads, potable water systems, grazing areas, fuelwood lots, and so forth before the displaced people arrive.

When physical transfer of the people starts, the monitoring system should cover the transport of people and their belongings to the receiving areas, as well as the allocation of replacement assets. Once evacuation has begun, weekly situation reports may be desirable.

Information useful to management will include performance of field staff carrying out the transfer, participation of settlers, activities of government officials assisting the resettlement, responses of the host population, and so forth.

Self relocation trends, if any, must be followed up distinctly and as much as possible, to help identify additional opportunities or unanticipated adverse effects.

After the resettlers' evacuation and arrival at the new sites, monitoring should focus on the delivery of project services and inputs, land acquisition/allotment, issuance of titles, reconstruction of dwellings, preparation of fields, assessing of people's economic adjustment, relationships between resettlers and hosts.

The development of an early warning system of the settlers well-being is essential. By tracking a few sensitive indicators, settler well-being can be quickly measured. Sample survey techniques can be used in the new settlements to trace (I) productive assets owned and (II) health status of children. For instance, serious difficulties may be indicated if settlers are selling livestock, tools and equipment, transport vehicles, and so forth to satisfy consumption needs; progress may be indicated when productive assets are purchased. Aggregate monthly weight

gain in children aged 12-60 months is a sensitive indicator of settler health and nutrition levels, which can quickly pinpoint severe problems in the new settlements.

Monitoring and ongoing evaluation should continue several years after actual relocation, but perhaps at less frequent intervals (e.g. annually) reaching past the adjustment/transition stage into the development process expected to follow once the resettlers have achieved prior levels of livelihood. At this point, case study methods and participant-observation can be used to monitor more complex social and economic issues and assess the level achieved is the economic and social re-establishment of resettlement compared with pre-project benchmark information (see Annex 2). These include changes observed in levels of livelihood, compared with the pre-relocation situation; changes in production systems; social organization and leadership; participation in cooperative activities, community organizations and committees; rates of alcohol consumption, violence or other stress indicators; morbidity and mortality rates; social support and service exchange such as child care; etc.

Monitoring and evaluation reports need to be submitted periodically, to help assess the progress of resettlement and its effects compared with established policy and specific project timetables and benchmarks at each phase. It is critical to establish an appropriate mechanism to expeditiously feed reports on these issues to the officials placed in a position to take needed corrective measures immediately.

Such information would contribute also to the supervision of resettlement components by the lending agency, to which copies of evaluation reports should also be submitted.

NOTES AND REFERENCES

Earlier drafts of this paper were presented at the "International Conference on the Social Effects of Major Dams In Latin America", Buenos Aires, Argentina, July 1983, and at a seminar on "Experiences with Involuntary Resettlement In World Bank Projects", Yangtze Valley Project Office (YVPO), Wuhan, China, December 1986.

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