

**OECD
DEVELOPMENT ASSISTANCE
COMMITTEE**

Guidelines on Aid and Environment

No. 3

**Guidelines for Aid Agencies
on Involuntary Displacement and Resettlement
in Development Projects**



Paris 1992

OECD
DEVELOPMENT ASSISTANCE COMMITTEE
Guidelines on Aid and Environment

The OECD Development Assistance Committee (DAC) seeks to improve and co-ordinate Member policies which will integrate development and environment imperatives. The Guidelines are designed to help policy makers and practitioners address serious national, regional and international environmental problems.

Guidelines No. 3: *Guidelines for Aid Agencies on Involuntary Displacement and Resettlement in Development Projects* calls on project designers and implementors to ensure that the population displaced by a project receives benefits from the changes and that it is re-established on a sound productive basis. The basic rationale and main elements to consider are laid out in a clear, succinct format for non-specialists, explaining:

- *what basic elements should be considered in preparing a resettlement action plan,*
- *how the local community can be involved,*
- *what role the donor can assume in the process, and*
- *what consequences of planning and implementation are effective.*

In December 1991, OECD Ministers of Environment and of Development Co-operation endorsed these, and other guidelines, on environmental impact assessment, country environmental surveys and strategies and global environmental problems. This consensus of OECD Member countries is indicative of strong donor support for the efforts of developing countries to manage and protect the environment and to minimise environmental effects of economic development.

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DAC GUIDELINES ON AID AND ENVIRONMENT

The OECD Development Assistance Committee (DAC) seeks to improve and co-ordinate Member policies which will integrate development and environment imperatives. Through its Working Party on Development Assistance and Environment, the DAC is preparing a series of Guidelines on subjects relating to Aid and Environment. These Guidelines are designed to help policy makers and practitioners in donor agencies and developing countries to devise strategies to address serious national, regional and international environmental concerns.

In December 1991, OECD Ministers of Environment and Development Co-operation endorsed the following four guidelines.:

1. *Good Practices for Environmental Impact Assessment of Development Projects;*
2. *Good Practices for Country Environmental Surveys and Strategies;*
3. *Guidelines for Aid Agencies on Involuntary Displacement and Resettlement in Development Projects;*
4. *Guidelines for Aid Agencies on Global Environmental Problems.*

This consensus of OECD Member countries is indicative of strong donor support for the efforts of developing countries to manage and protect the environment and to minimise environmental effects of economic development.

Guidelines No. 3 *Guidelines for Aid Agencies on Involuntary Displacement and Resettlement* calls on project designers and implementors to ensure that the population displaced by a project receives benefits from the changes and that it is re-established on a sound productive basis. Donors as well as developing-country planners are advised on the basic elements to consider in preparing a resettlement action plan, how to involve the local community, and effective sequencing of steps in planning and implementation.

These Guidelines are only one aspect of many DAC activities which bear on sustainable development. The subject of recommendations in the near future will pertain to areas of high priority interest to developing countries as well as to aid agencies. These include chemical management, including accident prevention and prior informed consent; pesticides and integrated pest management; natural disaster reduction; primary environmental care; environmental economics and environmental capacity building.

TABLE OF CONTENTS

Introduction 6

Policy Objectives 6

Resettlement Planning 7

Donor Agencies' Role in Resettlement..... 8

Project Processing and Documentation..... 8

Annex: Elements of the Resettlement Plan.....10

GUIDELINES FOR AID AGENCIES ON INVOLUNTARY DISPLACEMENT AND RESETTLEMENT IN DEVELOPMENT PROJECTS

Introduction

Development projects that displace people involuntarily generally give rise to severe economic, social, and environmental problems: production systems are dismantled, productive assets and income sources are lost, and people are relocated to environments where their social and productive skills may be less applicable and the competition for resources greater. Involuntary resettlement thus may cause severe long-term hardship, impoverishment, and environmental damage unless appropriate measures are carefully planned and carried out. Past experience indicates that the absence of explicit guidelines regarding involuntary resettlement has contributed in many projects to underestimating the complexity and impact of displacement.

Resettlement planning provides the means to mitigate displacement's adverse impacts and to create development opportunities for project-affected people. While adequate resettlement planning may increase the initial investment costs of a project, long-term benefits include fewer delays and cost escalations during project implementation, an increased benefit stream from economically productive resettlers, and reduced welfare costs to society at large.

The policy and operational guidelines for addressing involuntary resettlement in donor-assisted projects that are presented below codify in a systematic manner some of the best practices in this domain.

Policy Objectives

The primary objective of adopting policy guidelines for resettlement activities is to ensure that project designers and implementors follow the best practices in such situations so that the population displaced by a project receives benefits from it and is re-established on a sound productive basis.

Alternatives to displacement and resettlement should be fully considered before decisions on displacement and resettlement are taken. Involuntary displacement and resettlement should be treated as an integral part of project design from the earliest stages of project preparation. Projects should be screened for potential resettlement issues. Projects that are particularly likely to cause involuntary resettlement include construction or establishment of a) dams, b) new towns or ports, c) housing and urban infrastructure, d) mines, e) large industrial plants, f) railways or highways, g) irrigation canals, and h) national parks or protected areas.

Resettlement planning should take into account the following basic policy considerations:

- Involuntary population displacement should be avoided or minimized whenever feasible by exploring all viable alternative project designs. In every case, the alternative to refrain from carrying out the project (the "non-action" alternative) should seriously be considered, and people's needs and environmental protection must be given due weight in the decision-making process. Where displacement is unavoidable, resettlement plans should be formulated with due care given to peoples' needs and to environmental

protection. Donor countries should not support projects that cause population displacement unless they contain acceptable resettlement plans protecting the rights of affected groups.

- All involuntary resettlement should be conceived and executed as development programmes, providing sufficient investment resources and opportunities for resettlers to share in project benefits. Displaced persons should be i) enabled to reconstruct a land-based or employment-based productive existence; ii) compensated for their losses at replacement cost; iii) assisted with the move and during the transition period at the relocation site; and iv) assisted in their efforts to improve their former living standards, income earning capacity, and production levels, or at least to restore them.
- Participation by environmental agencies and community participation in planning and implementing resettlement is essential and should include women. Appropriate existing social and cultural institutions of resettlers and their hosts should be used.
- Host communities that accept resettlers should be involved in the planning process and assisted to overcome possible adverse socio-environmental consequences from the resettlement.
- Indigenous groups, ethnic minorities, and pastoralists who may have informal customary rights to the land or other resources taken for the project must be provided with adequate land, infrastructure, and other compensation. The absence of legal title to land by such groups should not be a bar to compensation.
- Since women are to a great extent responsible for making the natural resource base productive (with their knowledge, skills and labour) and thereby contribute significantly to the well-being of their families, communities and national economies, planning for relocation should consider their preferences and should address their specific needs and constraints.
- The implementation of the resettlement plan is to be effectively supervised.

Resettlement Planning

A detailed resettlement plan, including timetable and budget, should be designed around a development package for improving, or at least restoring, the economic base of those relocated. Past practice indicates that cash compensation alone is usually inadequate and often counter-productive. Preference should be given to land-based resettlement strategies for people dislocated from agricultural settings. If suitable land is unavailable, non-land-based strategies built around opportunities for employment or self-employment are necessary.

The content and level of detail of resettlement plans will vary with circumstances, especially the magnitude of resettlement. The plan should normally include provisions for the following:

- organisational responsibilities;
- socio-economic survey;
- community participation and integration with host populations;
- legal framework;
- valuation and compensation for lost assets;
- land acquisition and productive re-establishment;
- access to training and employment;

- shelter, infrastructure, and social services;
- environmental protection and management; and
- implementation timetable, monitoring, and evaluation.

Details about each one of these plan components are described in the Annex. Most important in planning the resettlement is the advance identification of several possible relocation sites. For rural resettlers, it is desirable to encourage "land for land" approaches, providing replacement land of productive potential at least equivalent to the lost land. For urban resettlers, the new site should ensure comparable access to employment, infrastructure, services, and production opportunities.

Cost estimates (reflecting economic, social and ecological costs) should be prepared for all activities provided in the relocation plan, and they should be budgeted and scheduled in co-ordination with the physical works of the main investment project.

Donor Agencies' Role in Resettlement

As with other development projects, the primary responsibility for projects entailing involuntary resettlement rests with the government of the country in which the project is carried out.

In pursuing the mitigation of displacement's size and socio-environmental impacts, donor agencies should explore the possibility of supporting the efforts of aid recipients through a) assistance in designing and assessing resettlement policy, strategies, laws, regulations, and specific plans; b) financing technical assistance to strengthen the capacity of agencies responsible for resettlement; c) direct or indirect financing as appropriate of the investment costs of resettlement; and d) encouraging co-operative relations between the government and recipient countries and support for NGOs representing the resettled and indigenous populations.

Where the specific resettlement needs of each project are not known in advance, aid recipients would need to agree with donors on resettlement policies, planning principles, and institutional arrangements. At least a preliminary estimate of total population to be displaced and overall resettlement costs should be made at the outset, as well as an evaluation of proposed resettlement sites.

Project Processing and Documentation

While the preparation of resettlement operations will vary with circumstances and with the nature of the main project, past practices suggest the following broad sequences for effective planning and implementation.

Project identification. The possibility of involuntary resettlement should be determined as early as possible and project identification work should search and document technical alternatives to avoid or minimize displacement. Project managers should a) make a preliminary assessment and description of the magnitude, approach, and timing of the resettlement; b) inform aid recipients and affected population groups of the resettlement policy guidelines and plan their participation in planning; c) review past country experience with similar operations; d) invite agencies responsible for resettlement to discuss their policies, plans, and institutional, consultative, and legal arrangements

for resettlement; and e) where appropriate, ensure that technical assistance is provided early to aid recipients.

Project preparation. During project preparation, the feasibility of the proposed resettlement must be ascertained in participatory consultation with the affected and host populations whereby local women groups should be involved. Moreover a strategy should be agreed upon, the resettlement plan drafted, and budget estimates prepared. The full costs of resettlement should be identified and included in the total cost of the main investment project.

Appraisal and negotiations. The existence of a time-bound resettlement plan and budget must be a condition of initiating appraisal for projects involving resettlement. The appraisal mission should ascertain a) the extent that involuntary resettlement and human hardship will be minimized; b) the adequacy of the plan, including the timetable and budget for resettlement and compensation; c) the availability and adequacy of sites and funding for all resettlement activities; d) the feasibility of the implementation arrangements; and e) the extent of involvement of beneficiaries.

Implementation and supervision. Resettlement components should be supervised throughout implementation and continue after the arrival of the resettled population at the new site. Review missions should be staffed with the requisite economic, sociological, and technical expertise.

Ex post evaluation. The project completion report should evaluate the outcome of resettlement and its impact on the standards of living of the resettlers and the host population.

Annex

ELEMENTS OF THE RESETTLEMENT PLAN

Resettlement policy and objectives should be embodied in resettlement action plans. Below are the basic elements that should be considered during the preparation and formulation of such an action plan.

Organisational responsibilities. The organisational framework for managing resettlement must be developed during project preparation and adequate resources provided to the agencies in charge. There may be considerable scope for involving non-governmental organisations (NGOs) in planning, implementing, and monitoring resettlement.

Socio-economic survey. Resettlement plans should be based on recent information about size, cultural, economic and ecological characteristics of the population and the likely impact of displacement. Socio-economic surveys should describe i) the scale of displacement; ii) the standard household characteristics and full resource base of the affected population, including income derived from informal sector and non-farm activities, and from common property; iii) the extent to which groups will experience total or partial loss of assets, including control over resources, knowledge and skills; iv) public infrastructure and social services that will be affected; v) formal and informal institutions that can assist with designing and implementing the resettlement programmes; and (vi) attitudes on resettlement options. Socio-economic surveys, recording the names of affected families, should be conducted as early as possible to help prevent inflows of population ineligible for compensation.

Community participation and integration with host populations. The cultural and psychological acceptability of a resettlement plan can be increased by moving people in groups, reducing dispersion, sustaining existing patterns of group organisation, and retaining access to cultural property (temples, pilgrimage centres, etc.), if necessary, through the relocation of that property.

The involvement of involuntary resettlers and hosts in planning prior to the move is critical. To obtain effective participation, the affected hosts and resettlers need to be informed about their entitlements and systematically consulted during preparation of the resettlement plan about their options and preferences. Local leadership must be encouraged to assume responsibility for environmental management and infrastructure maintenance. Particular attention must be given to ensure that women and vulnerable groups, such as indigenous people, ethnic minorities and the landless, are represented and actively involved in such arrangements.

Conditions and services in host communities should improve, or at least not deteriorate. Providing improved education, water, health, and production services to both groups fosters a better social climate for their integration.

Legal framework. An analysis should be made of the local legal framework relevant to resettlement operations, including i) the scope of eminent domain power and regulations for the valuation of lost assets; ii) applicable legal and administrative procedures, including access of those

affected to the grievance process; iii) land titling and registration procedures; and iv) laws and regulations relating to the agencies responsible for implementing resettlement.

Compensation for lost assets. Valuation of lost assets should be made at their replacement cost and in a transparent and openly publicized manner. Cash compensation alone should generally be avoided, except in well justified instances, as it typically leads to impoverishment. Some types of loss -- e.g. loss of access to i) public services; ii) customers and suppliers; and iii) fishing, grazing, or forest areas etc. -- cannot easily be compensated for in monetary terms and access must be sought to equivalent and culturally acceptable resources or earning opportunities. Customary land ownership and usufruct rights must be recognised for compensation purposes to avoid the destitution of former users.

Land acquisition and productive re-establishment. Resettlement plans should provide for the fair acquisition of condemned land, the conservation of cultural properties, as well as the identification, acquisition or allocation of land at the new resettlement sites. Land-based productive strategies are commonly the most reliable options for the socio-economic re-establishment of agricultural families; they may include small-scale irrigation development, tree planting schemes, etc. Particular attention needs to be given to lands held under common property regimes and to the needs of the poorest groups.

Access to training and employment. General economic growth cannot be relied upon to protect the welfare of the project-affected population. For non-agricultural displaced families, or where the land is not sufficient to accommodate all former farmers, alternative employment and vocational training could be incorporated in the resettlement plan. The resettlement plan should exploit new economic opportunities created by the main investment (e.g., fisheries and aquaculture development in a new reservoir).

Shelter, infrastructure, and social services. To ensure the economic and social viability of the relocated communities, adequate resources should be allocated to provide shelter, infrastructure (e.g. water supply, feeder roads), and social services (e.g. schools, health care centres). Since community or self-built houses are often better accepted and more tailored to the resettlers' needs than contractor-built housing, provision of a building site with suitable infrastructure, model house plans, building materials, technical assistance, and "construction allowances" (for income foregone while resettlers build their houses) are options communities should be offered. Planning for shelter, infrastructure, and services should take into account population growth.

Environmental protection and management. The environmental assessment of the main investment requiring the resettlement should include the potential environmental impacts of the resettlement. In rural resettlement, if the incoming resettled population is large in relation to the host population, such environmental issues as deforestation, overgrazing, soil erosion, sanitation, and pollution are likely to become serious and plans should include appropriate mitigating measures. Urban resettlement raises other density-related issues (e.g., transportation capacity, access to potable water, sanitation systems, health facilities, etc.). If the likely impacts on the environment and the population are unacceptable, alternative and/or additional relocation sites must be found.

Implementation timetable, monitoring, and evaluation. The timing of resettlement should be co-ordinated with the implementation of the main investment component of the project requiring the

resettlement. All resettlement plans should include an implementation timetable for each activity that covers initial preparation, actual relocation, and post-relocation economic and social activities. The plan should include a target date when the anticipated benefits to resettlers and hosts are expected to be achieved.

Arrangements for monitoring implementation of resettlement and evaluating its impact should be developed by the aid recipient agency during project preparation and used during supervision. Monitoring and evaluation units should be adequately funded and staffed by specialists in resettlement and provisions should be made to ensure a participatory approach.