

This Guidance Note 5 corresponds to Performance Standard 5. Please also refer to the Performance Standards 1-4 and 6-8 as well as the corresponding Guidance Notes for additional information. Bibliographical information on all reference materials appearing in the text of this Guidance Note can be found in the References Section at the end.

#### ***Introduction***

1. *Involuntary resettlement refers both to physical displacement (relocation or loss of shelter) and to economic displacement (loss of assets or access to assets that leads to loss of income sources or means of livelihood) as a result of project-related land acquisition.<sup>1</sup> Resettlement is considered involuntary when affected individuals or communities do not have the right to refuse land acquisition that results in displacement. This occurs in cases of: (i) lawful expropriation or restrictions on land use based on eminent domain;<sup>2</sup> and (ii) negotiated settlements in which the buyer can resort to expropriation or impose legal restrictions on land use if negotiations with the seller fail.*

2. *Unless properly managed, involuntary resettlement may result in long-term hardship and impoverishment for affected persons and communities, as well as environmental damage and social stress in areas to which they have been displaced. For these reasons, involuntary resettlement should be avoided or at least minimized. However, where it is unavoidable, appropriate measures to mitigate adverse impacts on displaced persons and host communities<sup>3</sup> should be carefully planned and implemented. Experience demonstrates that the direct involvement of the client in resettlement activities can result in cost-effective, efficient, and timely implementation of those activities, as well as innovative approaches to improving the livelihoods of those affected by resettlement.*

3. *Negotiated settlements help avoid expropriation and eliminate the need to use governmental authority to remove people forcibly. Negotiated settlements can usually be achieved by providing fair and appropriate compensation and other incentives or benefits to affected persons or communities, and by mitigating the risks of asymmetry of information and bargaining power. Clients are encouraged to acquire land rights through negotiated settlements wherever possible, even if they have the legal means to gain access to the land without the seller's consent.*

<sup>1</sup> Land acquisition includes both outright purchases of property and purchases of access rights, such as rights-of-way.

<sup>2</sup> Such restriction may include restrictions of access to legally designated nature conservation areas.

<sup>3</sup> A host community is any community receiving displaced persons.

G1. Through proper resettlement planning and implementation, the client can enhance the development impact of a project by enabling affected people to share directly in the benefits of the project and thereby improve their living standards. Investment in local economic and social development pays dividends to the client in the form of enhanced goodwill within the host community, and an enhanced corporate reputation. Conversely, without proper planning and management, involuntary resettlement may have negative consequences that diminish the developmental impact of a project and affect the reputation of the client.

#### *Objectives*

- *To avoid or at least minimize involuntary resettlement wherever feasible by exploring alternative project designs*
- *To mitigate adverse social and economic impacts from land acquisition or restrictions on affected persons' use of land by: (i) providing compensation for loss of assets at replacement cost; and (ii) ensuring that resettlement activities are implemented with appropriate disclosure of information, consultation, and the informed participation of those affected*
- *To improve or at least restore the livelihoods and standards of living of displaced persons*
- *To improve living conditions among displaced persons through provision of adequate housing with security of tenure<sup>4</sup> at resettlement sites*

<sup>4</sup> A resettlement site offers security of tenure if it protects the resettled persons from forced evictions.

G2. IFC encourages its clients to avoid the acquisition of land that results in the displacement of people. Where such displacement is unavoidable, i.e., where suitable alternative project sites are not available or the cost of developing those sites is prohibitive, adverse impacts on individuals and communities should be minimized through adjustments in routing or siting of project facilities (e.g., pipelines, access roads, plants, depots, etc.).

G3. Compensation for land and other assets should be calculated at the market value plus the transaction costs related to restoring the assets. In practice, those who suffer negative social and economic impacts as a result of the acquisition of land or land use rights for a project may range from those having legally recognized rights or claims to the land, to those with customary claims to land, and those with no legally recognized claims, to seasonal resource users such as herders or fishing families, hunters and gatherers who may have interdependent economic relations with communities located within the project area. The potential variety of land or land use claimants renders the calculation of full replacement cost difficult and complex.

G4. For this reason, clients should identify and consult with all persons and communities that will be displaced by land acquisition as well as host communities who will receive those who are resettled, to obtain adequate information about land titles, claims and use. Affected communities should also have the opportunity for informed participation in resettlement planning so that the mitigation of the adverse project impacts is appropriate and the potential benefits of resettlement are sustainable. More detailed information on consultation and engagement with communities is provided in Performance Standard 1 and its accompanying Guidance Note.

G5. Compensation alone does not guarantee the restoration or improvement of the economic conditions and social welfare of displaced persons and communities. Major challenges associated with rural resettlement include restoring income based on land or natural resources and the need to avoid compromising the social or cultural continuity of affected communities, including the host communities to which the displaced population may be resettled. Resettlement in urban or peri-urban areas typically affects housing, employment and enterprises. A major challenge associated with urban resettlement is the restoration of wage-based or enterprise-based livelihoods that are often tied to location (such as proximity to jobs, customers and markets). IFC encourages clients to undertake resettlement as a sustainable development initiative, i.e., an initiative that leads to an improved standard of living for displaced

people. The following are recommendations for the design of measures to improve livelihoods that are land-based, wage-based and enterprise-based:

- *Land-based livelihoods* – Depending on the site to which affected people are relocated, they may require: assistance in acquiring or accessing replacement land, including access to grazing land, forest and water resources; physical preparation of farm land (e.g., clearing, leveling, access routes and soil stabilization); fencing for pasture or cropland; agricultural inputs (e.g., seeds, seedlings, fertilizer, irrigation); veterinary care; small-scale credit, including rice banks, cattle banks and cash loans; and access to markets.
- *Wage-based livelihoods* – Wage earners in the community may benefit from skills training and job placement, provisions made in contracts with project sub-contractors for employment of qualified local workers, and small-scale credit to finance start-up enterprises.
- *Enterprise-based livelihoods* – Established and start-up entrepreneurs and artisans may benefit from credit or training (e.g., business planning, marketing, inventory and quality control) to expand their business and generate local employment. Clients can promote local enterprise by procuring goods and services for their projects from local suppliers.

G6. Adequate housing or shelter can be measured by quality, safety, affordability, habitability, cultural appropriateness, accessibility, and locational characteristics. Adequate housing should allow access to employment options, markets, and basic infrastructure and services, such as water, electricity, sanitation, health-care, and education. In addition, security of tenure is an important component of adequate housing. Security of tenure affords residents legal protection from forced eviction. Forced eviction means removal of people and their belongings from structures against their will and without any legal or other protection. Performance Standard 5 affords adequate housing and security of tenure to displaced persons at resettlement sites. Clients should include one or more of the aspects of adequate housing in this paragraph in order to offer improved living conditions at the resettlement site, particularly to those without recognizable legal right or claim to the land they occupy, as described in paragraph 14 (iii) of Performance Standard 5.

G7. Displaced persons falling within the meaning of paragraph 14 (iii) of Performance Standard 5 are vulnerable to the risk of forced evictions and displacement in the future by the state or others, particularly if they receive cash compensation but not a place to relocate. As a result, additional consideration and protection should be available to them. These are described in paragraph G34 of Guidance Note 5.

G8. The living conditions at the new resettlement site should be an improvement over conditions at the site from which the displaced persons were resettled. The improved living conditions to be provided under Performance Standard 5 should include improvement of one or more of these aspects of adequate housing and security of tenure described above. In particular, informal settlers without security of tenure should be provided with adequate housing and security of tenure in the new resettlement sites. Generation of improvement options and

priority setting for such improvements at resettlement sites should be done with the participation of those being resettled as well as host communities as appropriate.

#### *Scope of Application*

4. *The applicability of this Performance Standard is established during the Social and Environmental Assessment process, while implementation of the actions necessary to meet the requirements of this Performance Standard is managed through the client's Social and Environmental Management System. The assessment and management system requirements are outlined in Performance Standard 1.*

5. *This Performance Standard applies to physical or economic displacement resulting from the following types of land transactions:*

- *Type I: Land rights for a private sector project acquired through expropriation or other compulsory procedures*
- *Type II: Land rights for a private sector project acquired through negotiated settlements with property owners or those with legal rights to land, including customary or traditional rights recognized or recognizable under the laws of the country, if expropriation or other compulsory process would have resulted upon the failure of negotiation<sup>5</sup>*

*Paragraph 18 and part of paragraph 20 below apply to displaced persons with no recognizable legal right or claim to the land they occupy.*

6. *This Performance Standard does not apply to resettlement resulting from voluntary land transactions (i.e., market transactions in which the seller is not obliged to sell and the buyer cannot resort to expropriation or other compulsory procedures if negotiations fail). In the event of adverse economic, social, or environmental impacts from project activities other than land acquisition (e.g., loss of access to assets or resources or restrictions on land use), such impacts will be avoided, minimized, mitigated or compensated for through the process of Social and Environmental Assessment under Performance Standard 1. If these impacts become significantly adverse at any stage of the project, the client should consider applying the requirements of Performance Standard 5, even where no initial land acquisition was involved.*

<sup>5</sup> These negotiations can be carried out by the private sector company acquiring the land or by an agent of the company. In the case of private sector projects in which land rights are acquired by the government, the negotiations may be carried out by the government or by the private company as an agent of the government.

G9. Performance Standard 5 applies to transactions where the buyer acquires land or land use rights through direct negotiations with the seller, but where the buyer can resort to government authority to gain access to the land or impose limits on land use (such as easements or rights of way) if the buyer and seller cannot agree on a price, or negotiations otherwise fail. In these cases, the seller does not have the option to retain the land. The seller must accept the buyer's best offer or face expropriation or other legal proceedings based on eminent domain. This process of land acquisition by governments is commonly known as expropriation, compulsory acquisition or eminent domain. Performance Standard 5 seeks to protect sellers from a variety of risks of negotiated transactions that occur under these conditions. It is not relevant to the application of Performance Standard 5 whether the client or

the government conducts the negotiations (directly or through third parties), since the seller is likely to accept inadequate compensation if he or she knows that the alternative (expropriation) is even less attractive, or if he/she lacks access to adequate information on market prices. The seller may also be forced to accept a cash settlement in situations where alternative housing or replacement land of equivalent value is not available in the area.

G10. In the event of potential adverse economic, social or environmental impacts by project activities *other than land acquisition*, the client's Social and Environmental Assessment process under Performance Standard 1 should address how these impacts will be avoided, minimized, mitigated or compensated for. Examples include loss of access to state-owned sub-surface mineral rights<sup>1</sup> by artisanal miners; loss of access to marine fishing grounds due to project activities; restriction of access to resources located within state-determined exclusion zones not acquired by the client; and demonstrated decreases in agricultural, livestock, forest, hunting and fishing yields resulting from project-related disturbance and/or pollution. In these cases, restrictions of access to natural resources do not occur from project-related land acquisition. While Performance Standard 5 will not apply to these situations, the client should nonetheless consider appropriate measures for the affected people under Performance Standard 1 (see paragraph G9 in Guidance Note 1). Even if the client's Assessment determines at the outset that no significant project impacts are likely to occur, project conditions could subsequently change and affect local communities adversely (e.g., future project-related pollution or project's extraction of water that affects water resources on which communities depend). If and when such conditions occur in the future, they should be assessed by the client under Performance Standard 1. If these impacts become significantly adverse at any stage of the project, so that the relevant communities are left with no alternative except to resettle, the client should consider applying the requirements of Performance Standard 5, even where no initial project-related land acquisition was involved. In these cases, an option for the client may be to acquire the relevant land that is subject to significant adverse impact, and apply the requirements of Performance Standard 5.

## Requirements

### *General Requirements*

#### **Project Design**

**7. The client will consider feasible alternative project designs to avoid or at least minimize physical or economic displacement, while balancing environmental, social, and financial costs and benefits.**

#### **Compensation and Benefits for Displaced Persons**

**8. When displacement cannot be avoided, the client will offer displaced persons and communities compensation for loss of assets at full replacement cost and other assistance<sup>6</sup> to help them improve or at least restore their standards of living or livelihoods, as provided in this Performance Standard. Standards for compensation will be transparent and consistent within the project. Where livelihoods of displaced persons are land-based, or where land is collectively owned, the client will offer land-based compensation, where feasible.<sup>7</sup> The client will provide opportunities to displaced persons and communities to derive appropriate development benefits from the project.**

<sup>1</sup> In most countries, surface land rights are legally distinct from sub-surface mineral rights.

<sup>6</sup> As described in paragraphs 18 and 20.

<sup>7</sup> See also footnote 9.

G11. The rate of compensation for lost assets should be calculated at full replacement cost, i.e., the market value of the assets plus transaction costs. In applying this method of valuation, depreciation of structures and assets should not be taken into account. For losses that cannot easily be valued or compensated for in monetary terms, in-kind compensation may be appropriate. However, this compensation should be made in goods or resources that are of equivalent or greater value and that are culturally appropriate. With regard to land and structures, replacement costs are defined as follows:

- *Agricultural land*—the market value of land of equal productive use or potential located in the vicinity of the affected land, plus the cost of preparation to levels similar to or better than those of the affected land, and transaction costs such as registration and transfer taxes.
- *Land in urban areas*—the market value of land of equivalent area and use, with similar or improved infrastructure and services preferably located in the vicinity of the affected land, plus transaction costs such as registration and transfer taxes.
- *Houses and other structures*—the cost of purchasing or building a new structure, with an area and quality similar to or better than those of the affected structure, or of repairing a partially affected structure, including labor and contractors' fees and transaction costs such as registration and transfer taxes.

G12. As a matter of general principle under Performance Standard 5, preference should be given to land-based resettlement strategies for physically or economically displaced persons whose livelihoods are land-based. When displaced persons are to be physically displaced (whether in Type I or II transactions), these strategies may include resettlement on public land with agreement of government or on private land acquired or purchased for resettlement. When replacement land is offered, the combined characteristics of the land, such as productive potential, advantages of location, and security of tenure, as well as the legal nature of the land title or use rights should at least be equivalent to those of the old site. If land is not the preferred option of the displaced persons, or sufficient land is not available at a reasonable price, non-land-based options, such as employment opportunities or assistance to establish businesses should be provided in addition to cash compensation for land and other affected assets. The lack of adequate land should be demonstrated and documented. Persons identified as vulnerable (as described in footnote 2 to Guidance Note 5) should be assisted to fully understand their options for resettlement and compensation and encouraged to choose the option with the lowest risk. In cases of economic displacement (whether in Type I or II transactions), the preference for land-based strategies means that the compensation, targeted assistance, and transitional support to be offered to economically displaced persons should be consistent with their land-based livelihood. For additional guidance, see paragraphs G39 and 40 below.

G13. Payment of cash compensation for lost assets may be appropriate where: (i) livelihoods are not land-based; (ii) livelihoods are land-based but the land taken for the project is a small

fraction of the affected holding and the residual land is economically viable; (iii) replacement land or housing of comparable quality is not available locally; or (iv) active markets for land, housing, and labor exist locally, displaced persons use such markets, and there is sufficient supply of land and housing. Cash compensation levels should be sufficient to replace the lost land (or lost access to land) and other assets at full replacement cost in local markets.

G14. Cash compensation may be offered to those people who do not wish to continue their land-based livelihoods or who prefer to purchase land on their own. When payment of cash compensation is considered, the abilities of the affected population to utilize cash to restore standards of living should be assessed. It is common for households in subsistence-based economies as well as poorer households in cash-based economies to divert cash compensation from longer-term investment to short-term consumption. Under these circumstances, payment of in-kind compensation (e.g., livestock or other moveable/transferable property) or vouchers earmarked for specific types of goods and services may be more appropriate. Detailed guidance on opportunities to derive appropriate development benefits from the project can be found on pages 23 and 24 of [IFC's Handbook for Preparing a Resettlement Action Plan](#).

#### Consultation

**9. Following disclosure of all relevant information, the client will consult with and facilitate the informed participation of affected persons and communities, including host communities, in decision-making processes related to resettlement. Consultation will continue during the implementation, monitoring, and evaluation of compensation payment and resettlement to achieve outcomes that are consistent with the objectives of this Performance Standard.**

#### Grievance Mechanism

**10. The client will establish a grievance mechanism consistent with Performance Standard 1 to receive and address specific concerns about compensation and relocation that are raised by displaced persons or members of host communities, including a recourse mechanism designed to resolve disputes in an impartial manner.**

G15. Effective resettlement planning requires regular communication and consultation with a wide range of project stakeholders. For the purpose of Performance Standard 5, the key stakeholders groups are the displaced persons and the host community. Early communication helps to manage public expectations concerning the impact of a project and its expected benefits.

G16. Individuals and communities directly affected by resettlement should have the opportunity to participate in the negotiation of compensation packages and consultations regarding eligibility requirements, resettlement assistance, suitability of resettlement sites and the timing of resettlement activities. Special provisions apply to consultation with Indigenous Peoples (see Performance Standard 7), as well as individuals belonging to vulnerable groups.<sup>2</sup>

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<sup>2</sup> Vulnerable or "at-risk" groups includes people who, by virtue of gender, ethnicity, age, physical or mental disability, economic disadvantage or social status may be more diversely affected by displacement than others and who may be limited in their ability to claim or take advantage of resettlement assistance and related development benefits. Vulnerable groups in the context of displacement also include people living below the poverty line, the landless, the elderly, women- and children-headed households, indigenous peoples, ethnic minorities, natural resource dependent communities or other displaced persons who may not be protected through national land compensation or land titling

For IFC's requirements and guidance on consultation and informed participation, see paragraphs 19 through 23 of Performance Standard 1 and its accompanying Guidance Note 1. Guidance for effective public consultation can be found in the IFC publication [Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets](#).

G17. Regardless of scale, involuntary resettlement may give rise to grievances among affected persons and communities over issues ranging from rates of compensation and eligibility criteria to the location of resettlement sites and the quality of services at those sites. Timely redress of grievances through an effective and transparent grievance mechanism is vital to the satisfactory implementation of resettlement and to completion of the project on schedule.

G18. The client should make every effort to resolve grievances at the community level without impeding access to any judicial or administrative remedies that may be available. The client should designate an appropriate person to receive grievances and coordinate efforts to redress those grievances through the appropriate channels, taking into consideration any customary and traditional methods of dispute resolution within the affected community. Affected individuals and communities should be informed, as part of the consultation process, of the process for registering grievances and have access to this grievance mechanism. As with the Resettlement Action Plan (see paragraph 13 of Performance Standard 5 and its accompanying Guidance Note), the scope of the grievance mechanism will vary with the magnitude and complexity of the project and its associated displacement. It should provide for fair, transparent and timely redress of grievances and provide special accommodations for women and vulnerable groups to make complaints. In addition, the grievance mechanism should enable those who feel that their grievances have not been adequately addressed to have recourse to an external, neutral person or body for reconsideration of their case. This person or body should serve in an advisory capacity so as to minimize the necessity for litigation. Nonetheless, as part of the consultation process the client should inform affected individuals and communities of their entitlements and the possibilities of administrative and legal recourse or remedies and any legal aid available to assist them. Further guidance on establishing grievance procedures can be found on page 48 of [IFC's Handbook for Preparing a Resettlement Action Plan](#).

#### *Resettlement Planning and Implementation*

**11. Where involuntary resettlement is unavoidable, the client will carry out a census with appropriate socio-economic baseline data to identify the persons who will be displaced by the project, to determine who will be eligible for compensation and assistance, and to discourage inflow of people who are ineligible for these benefits. In the absence of host government procedures, the client will establish a cut-off date for eligibility. Information regarding the cut-off date will be well documented and disseminated throughout the project area.**

G19. Effective resettlement planning entails compiling a census of displaced persons and an inventory of affected land and assets at the household, enterprise and community level. The date of completion of the census and assets inventory represents a cut-off date. Individuals taking up residence in the project area after the cut-off date are not eligible for compensation or

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legislation. These groups should be identified through a process of Social and Environmental Assessment (Performance Standard 1). Special measures in terms of consultation and development assistance may be needed to allow such groups to participate in resettlement planning meaningfully and to benefit from development opportunities. Persons identified as vulnerable should be assisted to fully understand their options for resettlement and compensation, and encouraged to choose the option with the lowest risk.

resettlement assistance provided that notification of the cut-off date is well documented and disseminated. Similarly, the loss of fixed assets (such as built structures, crops, fruit trees, and woodlots) established after the cut-off-date should not be compensated. Seasonal resource users may not be present in the project area during the time of the census and special consideration should be given to the claims of these communities.

***12. In the case of Type I transactions (acquisition of land rights through the exercise of eminent domain) or Type II transactions (negotiated settlements) that involve the physical displacement of people, the client will develop a resettlement action plan or a resettlement framework based on a Social and Environmental Assessment that covers, at a minimum, the applicable requirements of this Performance Standard regardless of the number of people affected. The plan or framework will be designed to mitigate the negative impacts of displacement, identify development opportunities, and establish the entitlements of all categories of affected persons (including host communities), with particular attention paid to the needs of the poor and the vulnerable (see Performance Standard 1, paragraph 12). The client will document all transactions to acquire land rights, as well as compensation measures and relocation activities. The client will also establish procedures to monitor and evaluate the implementation of resettlement plans and take corrective action as necessary. A resettlement will be considered complete when the adverse impacts of resettlement have been addressed in a manner that is consistent with the objectives stated in the resettlement plan or framework as well as the objectives of this Performance Standard.***

G20. A Resettlement Action Plan that is a component of the client's Action Plan should be prepared for any project that results in physical displacement, i.e., projects that involve the relocation of people from their homes. (Clients undertaking projects that entail land acquisition but require no physical displacement of people will prepare procedures for determining and awarding compensation, as outlined in paragraph 13 of Performance Standard 5 and its accompanying Guidance Note.) The scope and level of detail of the Resettlement Action Plan will vary with the magnitude of displacement and the complexity of the measures required to mitigate adverse impacts. In all cases, the Resettlement Action Plan will describe the manner in which the objectives of Performance Standard 5 will be achieved. At a minimum, the Resettlement Action Plan should: 1) identify all people to be displaced; 2) demonstrate that displacement is unavoidable; 3) describe the process of consultation with affected people regarding acceptable resettlement alternatives, and the level of their participation in the decision-making process; 4) describe the entitlements for all categories of displaced people; 5) enumerate the rates of compensation for lost assets and demonstrate that these rates are adequate, i.e., at least equal to the replacement cost of lost assets; 6) describe relocation assistance to be provided; 7) outline the institutional responsibility for the implementation of the Resettlement Action Plan and procedures for grievance redress; 8) provide details of the arrangements for monitoring and evaluation; and 9) provide a timetable and budget for the implementation of the Resettlement Action Plan. More detailed guidance can be obtained from [IFC's Handbook for Preparing a Resettlement Action Plan](#).

G21. Women are often the first to suffer when resettlement is badly planned or executed as they are often a disproportionately large number of the poor, have more limited access to resources, opportunities and public services than men, and as a result rely more heavily on informal support networks within their existing communities. The resettlement process should specifically take into account women's situations, adapting the participation process as

necessary to provide women a role in decision making. Women may, for example, put particular emphasis on maintaining the social continuity of the displaced community.

G22. The RAP should include measures to ensure that women are not disadvantaged in the resettlement process, are fully informed and aware of their rights, and are able to benefit equally from the resettlement opportunities and benefits, by ensuring in particular that the documentation for ownership or occupancy, such as title deeds and lease agreements, and compensation (including the bank accounts established for payment of compensation) is issued in the names of both spouses or women single head of households, as relevant to each situation, and that other resettlement assistance, such as skills training, access to credit and job opportunities are equally available to women and adapted to their needs. Under circumstances in which national law and tenure systems do not recognize the rights of women to hold or contract in property, provision should be made to ensure that the access of women to security of tenure is equivalent to that of men.

G23. A project may include subprojects or multiple components that cannot be identified at project appraisal or that may be implemented sequentially over an extended period (such as a highway project in which all interchanges have not been determined or a mining project for which land acquisition cannot be planned at one time). Under these circumstances, a Resettlement Framework should establish the principles, procedures, entitlements and eligibility criteria, organizational arrangements, arrangements for monitoring and evaluation, the framework for participation, and mechanisms for redressing grievances by which the client will abide during the project implementation. A Resettlement Action Plan consistent with this Resettlement Framework should be prepared for each subsequent subproject or project component that entails physical and/or economic displacement. The Resettlement Action Plan for each subproject or subcomponent will be reviewed and approved by IFC.

G24. Depending on the scale of a project's resettlement, it may be appropriate for the client to commission an external completion audit of the Resettlement Action Plan to determine that the provisions of the Resettlement Action Plan have been met. The completion audit should be undertaken after all inputs in the Resettlement Action Plan – including any developmental initiatives – have been completed, but well before the client's financial commitments to IFC have been met. The timing of the audit enables the client to complete corrective actions, if any, as recommended by the auditors before the project is complete. Based on the outcome of the completion audit, IFC and the client together will determine if the objectives of Performance Standard 5 have been met. In the majority of cases, the completion of corrective actions identified by the completion audit should bring the client's responsibility for resettlement, compensation, livelihood restoration and development benefits to a close.

***13. In the case of Type II transactions (negotiated settlements) involving economic (but not physical) displacement of people, the client will develop procedures to offer to the affected persons and communities compensation and other assistance that meet the objectives of this Performance Standard. The procedures will establish the entitlements of affected persons or communities and will ensure that these are provided in a transparent, consistent, and equitable manner. The implementation of the procedures will be considered complete when affected persons or communities have received compensation and other assistance according to the requirements of this Performance Standard. In cases where affected persons reject compensation offers that meet the requirements of this Performance Standard and, as a result, expropriation or other legal procedures are initiated, the client will***

*explore opportunities to collaborate with the responsible government agency, and if permitted by the agency, play an active role in the resettlement planning, implementation, and monitoring.*

G25. In cases of land acquisition based on negotiated settlement that does not result in the physical displacement of people, the client should provide the affected people with information on current property values and methods of value appraisal. The client should document the procedures for determining and awarding compensation in a Compensation Framework that: 1) identifies all affected people; 2) provides an inventory of affected assets; 3) describes the methods applied for valuing land and other affected assets at full replacement cost; 4) indicates the rates of compensation to be paid; 5) outlines a schedule of land take and compensation payments; and 6) describes the process whereby affected people can appeal property valuations they deem to be inadequate. The client should summarize this information for public disclosure to ensure that affected people understand the land acquisition procedures and know what to expect at the various stages of the transaction (e.g., when an offer will be made to them, how long they will have to respond, grievance procedures, legal procedures to be followed if negotiations fail). The client should provide the affected communities the opportunity to participate in the negotiations based on the established procedures.

G26. Land-based compensation should be offered to affected people in cases where their livelihoods are land-based and the proposed land take is significant enough to render a land holding economically unviable. If it is not possible to offer replacement land (in cases of displaced persons under paragraph 14 (i) or 14 (ii) of Performance Standard 5), the client will provide opportunities that enable sellers of land to restore their livelihoods and standards of living to levels equivalent to, or better than, those maintained at the time of sale (see paragraphs 20 and 21 of Performance Standard 5 and their accompanying Guidance Note). A detailed action plan describing how this restoration will be achieved should be included in the Compensation Framework.

G27. If the affected people reject the client's offer of compensation that meets the requirements of Performance Standard 5 and, as a result, expropriation or other legal procedures are initiated, the affected people may be offered compensation based on the assessed value of the land, which may be less than the compensation required under Performance Standard 5. The matter may proceed to litigation and may take a number of years to be resolved. The court's final determination may confirm compensation based assessed value. Because there is a risk of impoverishment from loss to the income base or livelihood of the affected people or communities from a protracted process and depressed compensation, IFC will ascertain whether such expropriation is consistent with Performance Standard 5 by requesting information on the level of compensation offered by the government and the procedures used under such expropriation. In addition, the client should explore opportunities during these expropriation processes to play an active role in collaboration with the responsible government agency to achieve outcomes that are consistent with the Objectives of Performance Standard 5. Whether the client will be permitted to play an active role will depend in part on the applicable national law and the judicial and administrative processes and practices of the responsible government agency.

#### *Displacement*

14. *Displaced persons may be classified as persons: (i) who have formal legal rights to the land they occupy; (ii) who do not have formal legal rights to land, but have a claim to land that is recognized or recognizable under the national laws<sup>8</sup>; or (iii) who have no recognizable legal right or claim to the land they occupy.<sup>9</sup> The census will establish the status of the displaced persons.*

15. *Land acquisition for the project may result in the physical displacement of people as well as their economic displacement. As a result, requirements for both physical displacement and economic displacement may apply.*

#### *Physical Displacement*

16. *If people living in the project area must move to another location, the client will: (i) offer displaced persons choices among feasible resettlement options, including adequate replacement housing or cash compensation where appropriate; and (ii) provide relocation assistance suited to the needs of each group of displaced persons, with particular attention paid to the needs of the poor and the vulnerable. Alternative housing and/or cash compensation will be made available prior to relocation. New resettlement sites built for displaced persons will offer improved living conditions.*

<sup>8</sup> Such claims could be derived from adverse possession or from customary or traditional law.

<sup>9</sup> Such as opportunistic squatters and recently arrived economic migrants who occupy land prior to the cut-off date.

G28. Where physical displacement is unavoidable, resettlement should be planned and executed in a manner that provides displaced persons with opportunities to participate in the planning and implementing of resettlement activities to improve or at least restore their standards of living. Under these circumstances, the following steps should be undertaken: 1) inform affected people of their options and entitlements concerning relocation and involve them in a process that considers alternatives to the project that minimizes displacement; 2) provide technically and economically feasible options for resettlement based on consultation with affected people and assessment of resettlement alternatives; 3) provide displaced people with prompt and effective compensation at full replacement value for any loss of assets due to project activities; 4) provide relocation assistance (see below); and 5) provide temporary housing (if necessary), permanent housing sites, and resources (in cash or in kind) for construction of permanent housing inclusive of all fees, taxes, customary tributes, and utility hook-up charges.

G29. Relocation assistance should be provided to people who are physically displaced by a project. Assistance may include transportation, food, shelter, and social services that are provided to affected people during their relocation. Additional measures, such as the provision of emergency health care, should be designed for vulnerable groups during physical relocation, particularly pregnant women, children, the elderly and the handicapped. Assistance may also include cash allowances that compensate affected people for the inconvenience associated with resettlement and defray the expenses of relocating to a new location, such as moving expenses and lost workdays.

G30. The living conditions at the new resettlement site built specifically to resettle people displaced by the project should be an improvement over conditions at the site from which the

displaced persons were resettled. The improved living conditions to be provided under Performance Standard 5 should include improvement of one or more of these aspects of adequate housing and security of tenure described above. In particular, informal settlers without security of tenure should be provided with adequate housing and security of tenure in the new resettlement sites. Generation of improvement options and priority setting for such improvements at resettlement sites should be done with the participation of those being resettled as well as host communities as appropriate.

**17. In the case of physically displaced persons under paragraph 14 (i) or (ii), the client will offer the choice of replacement property of equal or higher value, equivalent or better characteristics and advantages of location, or cash compensation at full replacement value where appropriate.<sup>10</sup>**

<sup>10</sup> Payment of cash compensation for lost assets may be appropriate where: (a) livelihoods are not land-based; (b) livelihoods are land-based but the land taken for the project is a small fraction of the affected asset and the residual land is economically viable; or (c) active markets for land, housing, and labor exist, displaced persons use such markets, and there is sufficient supply of land and housing. Cash compensation levels should be sufficient to replace the lost land and other assets at full replacement cost in local markets.

G31. Performance Standard 5 requires compensation be made for all land acquired from persons and communities having legally recognized claims to that land. This condition applies to legal owners, i.e., those who, prior to the cut-off date, have formal legal rights to land (including customary and traditional rights recognized under the laws of the country) as well as to claimants, i.e., those who, prior to the cut-off date, do not have formal legal rights to land but who have a claim to such land or assets, for example, through adverse possession (i.e., a method of acquisition of title to real property by possession for a statutory period under certain conditions), provided that such claims are recognized under the national laws.

**18. In the case of physically displaced persons under paragraph 14 (iii), the client will offer them a choice of options for adequate housing with security of tenure so that they can resettle legally without having to face the risk of forced eviction. Where these displaced persons own and occupy structures, the client will compensate them for the loss of assets other than land, such as dwellings and other improvements to the land, at full replacement cost, provided that these people occupy the project area prior to the cut-off date for eligibility. Compensation in kind will be offered in lieu of cash compensation where feasible. Based on consultation with such displaced persons, the client will provide relocation assistance sufficient for them to restore their standards of living at an adequate alternative site.<sup>11</sup> The client is not required to compensate or assist those who encroach on the project area after the cut-off date.**

<sup>11</sup> Relocation of informal settlers in urban areas often has trade-offs. For example, the relocated families may gain security of tenure, but they may lose advantages of location.

G32. Persons with no recognizable legal right or claim to the land they occupy are entitled to adequate housing with security of tenure. For a description of adequate housing and security of tenure, see paragraph G6. Options for providing security of tenure will depend on national law and tenure systems, but may include the following:

- a title deed to land owned by the client
- a title deed to land donated by the local government

- communal titles
- a pay-to-own scheme sponsored by a housing agency
- a long-term leasing or occupancy arrangement
- cooperative housing

Resettlement sites should be selected for locational advantage in terms of availability of basic services and employment opportunities that enable the displaced persons to improve or at least restore their livelihoods and standards of living. Options should be generated in consultation with the displaced persons so that their priorities and preferences can be reflected in the options from which they can make a selection.

G33. Persons with no recognizable legal right or claim are not entitled to compensation for land, but they should be compensated for the structures that they own and occupy and for any other improvements to land at full replacement cost. In addition, they should be offered resettlement assistance sufficient to restore their standards of living at a suitable alternative site. Options for resettlement assistance should be generated through consultation with the displaced persons and reflect their priorities and preferences. These provisions apply to persons who are occupying the project area prior to the cut-off date.

G34. The construction or upgrading of infrastructure projects in urban settings often requires the relocation of residential and commercial structures from areas that are legally required to be free of occupants, such as rights-of-way of roads and transmission lines, sidewalks, parks, and hazardous areas. Families living or conducting businesses in these areas should be offered opportunities to move to sites that can be occupied legally. Compensation in kind that facilitates the transition to the new site (down payment for land, provision of building materials, construction of basic infrastructure at the new site, etc.) is more likely to lead to permanent housing solutions than compensation in cash. Cash payments to illegal occupants tend to be used for consumption and may also result in informal resettlement in other unsafe or public areas. The absence of opportunities to move to alternative resettlement sites may also prompt displaced persons to resettle in informal settlements elsewhere, perpetuating their informal status and potential illegal settlements in new areas. In designing resettlement plans for both legal occupants as well as informal settlers on private or public lands, clients should take care not to create economic incentives for the displaced persons to occupy public or hazardous areas or to invade and occupy privately owned land.

***19. Where communities of Indigenous Peoples are to be physically displaced from their communally held traditional or customary lands under use, the client will meet the applicable requirements of this Performance Standard, as well as those of Performance Standard 7 (in particular paragraph 14).***

G35. In the event that the affected communities of Indigenous Peoples are to be relocated from their communally held traditional or customary lands under their use (as described in paragraph 12 of Performance Standard 7), the client will follow the requirements under Performance Standard 7, including paragraph 14, in addition to the requirements under Performance Standard 5 that pertain to Resettlement Action Plans and implementation. Where individual members of the affected communities of Indigenous Peoples hold legal title, or where relevant national law recognizes customary rights for individuals, the requirements of Performance Standard 5 will apply, rather than those under Performance Standard 7.

#### Economic Displacement

20. *If land acquisition for the project causes loss of income or livelihood, regardless of whether or not the affected people are physically displaced, the client will meet the following requirements:*

- *Promptly compensate economically displaced persons for loss of assets or access to assets at full replacement cost*
- *In cases where land acquisition affects commercial structures, compensate the affected business owner for the cost of reestablishing commercial activities elsewhere, for lost net income during the period of transition, and for the costs of the transfer and reinstallation of the plant, machinery or other equipment*
- *Provide replacement property (e.g., agricultural or commercial sites) of equal or greater value, or cash compensation at full replacement cost where appropriate, to persons with legal rights or claims to land which are recognized or recognizable under the national laws (see paragraph 14 (i) and (ii))*
- *Compensate economically displaced persons who are without legally recognizable claims to land (see paragraph 14 (iii)) for lost assets (such as crops, irrigation infrastructure and other improvements made to the land) other than land, at full replacement cost. The client is not required to compensate or assist opportunistic settlers who encroach on the project area after the cut-off date*
- *Provide additional targeted assistance (e.g., credit facilities, training, or job opportunities) and opportunities to improve or at least restore their income-earning capacity, production levels, and standards of living to economically displaced persons whose livelihoods or income levels are adversely affected*
- *Provide transitional support to economically displaced persons, as necessary, based on a reasonable estimate of the time required to restore their income-earning capacity, production levels, and standards of living*

G36. Economic displacement results from an action that interrupts or eliminates people's access to jobs or productive assets, whether or not the affected persons must move to another location. In other words, there can be economic displacement with or without physical displacement. While project-related land acquisition does not necessarily entail the relocation of people occupying or using the land, it may have an impact on the income, living standards and livelihood of people who depend on resources located in, on or around that land. For example, a farming family may lose a portion of its land to a project without having to vacate its homestead. Nevertheless, the loss of even a portion of its land may reduce the overall productivity of that farm. This threat is magnified among some agrarian populations where farm fields are typically small and often widely scattered, or those who do not own the land they cultivate.

G37. Compensation for economic displacement resulting from land acquisition should be made promptly in order to minimize adverse impacts on the income stream of those who are displaced. In the event that compensation is paid by the responsible governmental agency, the client should collaborate with the agency to help accelerate payments. Where due to government policy or practice, compensation payments cannot be made promptly, the client will explore resettlement assistance options to help the displaced people with temporary loss of income. On compensation for physical displacement, see Performance Standard 5, paragraph 16 and the accompanying guidance.

G38. In cases where land acquisition affects commercial structures, the affected business owner is entitled to compensation for the cost of reestablishing commercial activities elsewhere, for lost net income during the period of transition, and for the costs of the transfer and reinstallation of the plant, machinery or other equipment.

G39. In addition, land acquisition may restrict a community's access to commonly held resources such as rangeland and pasture, non-timber forest resources (e.g., medicinal plants, construction and handicraft materials), woodlots for timber and fuelwood, or riverine fishing grounds. The client will provide assistance that will offset the loss of such resources to a community. Such assistance could take the form of initiatives that enhance the productivity of the remaining resources to which the community has access (e.g., improved resource management practices or inputs to boost the productivity of the resource base), in-kind or cash compensation for loss of access or provide access to alternative sources of the lost resource.<sup>3</sup>

G40. In cases where project-related land acquisition results in loss of livelihoods or income of those without any legal title or legally recognized or recognizable claim to land, they are normally entitled to a range of assistance, including compensation for lost assets and any structures on land (see the first two bullets under paragraph 20 of Performance Standard 5), as well as targeted assistance and transitional support (see the last two bullets under paragraph 20 of Performance Standard 5). The nature and extent of such assistance will in part depend on whether the livelihood of those affected is land-based, wage-based, or enterprise-based (see guidance under paragraph G6 of this Guidance Note). Land-based compensation in these circumstances does not necessarily mean title to land, but may include continued access to land to enable the affected people to maintain their land-based livelihoods. It will be necessary to tailor compensation and entitlement options to the needs of the displaced. In cases where land acquisition does not result in the loss of livelihoods or loss of income, the client will pay fair compensation for the acquired land and lost assets on such land, as appropriate, at their replacement cost.

***21. Where communities of Indigenous Peoples are economically displaced (but not relocated) as a result of project-related land acquisition, the client will meet the applicable requirements of this Performance Standard, as well as those of Performance Standard 7 (in particular paragraphs 12 and 13).***

G41. In the event that the affected communities of Indigenous Peoples are economically displaced as a result of project-related land acquisition, and traditional or customary lands under their use are involved (as described in paragraph 12 of Performance Standard 7), the client will follow the requirements under Performance Standard 7, including paragraph 13, in addition to the requirements under Performance Standard 5 that pertain to the requirements on Resettlement Action Plans and implementation.

#### ***Private Sector Responsibilities under Government-Managed Resettlement***

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***22. Where land acquisition and resettlement are the responsibility of the host government, the client will collaborate with the responsible government agency, to the extent permitted***

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<sup>3</sup> In rare cases, a project may result in restricted access to legally designated protected areas (e.g., national parks or other types of natural or cultural conservation areas). Under such circumstances, the client will refer to the applicable guidance provided by the World Bank Operational Procedure 4.12 on Involuntary Resettlement.

*by the agency, to achieve outcomes that are consistent with the objectives of this Performance Standard. In addition, where government capacity is limited, the client will play an active role during resettlement planning, implementation and monitoring, as described below in paragraphs 23 through 25.*

*23. In the case of Type I transactions (acquisition of land rights through expropriation or other legal procedures) involving physical or economic displacement, and Type II transactions (negotiated settlements) involving physical displacement, the client will prepare a plan (or a framework) that, together with the documents prepared by the responsible government agency, will address the relevant requirements of this Performance Standard (the General Requirements, except for paragraph 13, and requirements for Physical Displacement and Economic Displacement above). The client may need to include in its plan: (i) a description of the entitlements of displaced persons provided under applicable laws and regulations; (ii) the measures proposed to bridge any gaps between such entitlements and the requirements of this Performance Standard; and (iii) the financial and implementation responsibilities of the government agency and/or the client.*

*24. In the case of Type II transactions (negotiated settlements) involving economic (but not physical) displacement, the client will identify and describe the procedures that the responsible government agency plans to use to compensate affected persons and communities. If these procedures do not meet the relevant requirements of this Performance Standard (the General Requirements, except for paragraph 12, and requirements for Economic Displacement above), the client will develop its own procedures to supplement government action.*

*25. If permitted by the responsible government agency, the client will, in collaboration with such agency: (i) implement its plan or procedures established in accordance with paragraph 23 or 24 above; and (ii) monitor resettlement activity that is undertaken by the government agency until such activity has been completed.*

G42. Host governments may reserve the right to manage land acquisition, compensation payments, and resettlement associated with a project. Nevertheless, the outcome of this process should be consistent with the requirements of Performance Standard 5. In such cases, clients should offer to play an active role during the preparation, implementation and monitoring of the process and should coordinate with the relevant government authorities those aspects of the process that can be facilitated more efficiently by the client or other agents such as consultants or civil society organizations. Whether the client will be permitted to play an active role will depend in part on the applicable national law and the judicial and administrative processes and practices of the responsible government agency.

G43. Because there is a risk of impoverishment from loss to the income base or livelihood of the affected people or communities from a protracted expropriation process and depressed compensation, IFC will review such expropriation to ascertain consistency with Performance Standard 5. Where IFC ascertains that the outcome of the government-managed resettlement is not likely to meet the requirements of Performance Standard 5, IFC may not proceed with the proposed financing of the project, or proceed only if its Board of Directors agrees.

G44. Under certain circumstances, a client may be provided with an unoccupied project site, unencumbered of any current claims, by a government agency or other authority. If resettlement from the site has occurred in anticipation of the project, but not immediately

preceding project implementation, the client should make a determination as to whether those resettled were compensated in a manner consistent with the requirements of Performance Standard 5 and, if not, any corrective action is feasible to address the situation. Under such circumstances, the following factors should be considered: 1) the length of the intervening period between land acquisition and project implementation; 2) the process, laws and actions by which the resettlement was carried out; 3) the number of people affected and the significance of the impact of land acquisition; 4) the relationship between the party that initiated the land acquisition and the client; and 5) the current status and location of the people affected.

G45. Where compensation procedures are not addressed under national law or policy, the client should establish methods for determining adequate compensation and for providing adequate compensation to the affected people in the Resettlement Action Plan or Framework. Where national law or policy does not provide for compensation at full replacement cost, or where other gaps exist between national law or policy and the requirements with respect to displaced people detailed in Performance Standard 5, the client should consider alternative measures to achieve outcomes consistent with the objectives of Performance Standard 5. Such measures could range from making or arranging for the payment of supplementary allowances in cash or in kind to arranging for the provision of dedicated support services.

G46. In most cases, the client should collaborate with local government authorities in the distribution of compensation payments. Those eligible for compensation should be given advance notice of the date, time and place of payments via public announcement. Receipts should be signed by all those receiving compensation payments and retained for auditing purposes. The payment of compensation and resettlement assistance should be monitored and verified by representatives of the client as well as representatives of the affected communities, which can often include community-based organizations. It may be appropriate for the client and the government authorities to engage the services of a registered auditing firm to monitor compensation payments.

G47. Where the responsible agency will enable the client to participate in the ongoing monitoring of affected persons, the client should design and carry out a program of monitoring with particular attention to those who are poor and vulnerable so as to track their standards of living and effectiveness of resettlement compensation, assistance and livelihood restoration. The client and the responsible agency should agree to an appropriate allocation of responsibilities with respect to completion audits and corrective actions.

#### References

The following guidance from UN Habitat provides useful information on security of tenure and adequate housing:

- *Handbook on Best Practices, Security of Tenure and Access to Land* (UN Habitat, 2003) identifies recent innovations at the global level in the field of land management and pinpoints land tenure trends.  
<http://www.unhabitat.org/list.asp?typeid=15&catid=24>
- *Global Campaign for Secure Tenure, A Tool for Advocating the Provision of Adequate Shelter for the Urban Poor* (UN Habitat, 2004) provides a framework on how to improve the conditions of people living and working in slums and informal settlements around the world. <http://hq.unhabitat.org/register/item.asp?ID=1482>

In addition, the guidance and recommendations contained in the following World Bank/IFC publications provide useful additional guidance:

- *Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets* (IFC, 2007) explains new approaches and forms of engagement with affected local communities, including guidance on grievance mechanisms.  
[http://ifchg14.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/p\\_StakeholderEngagement\\_Full/\\$FILE/IFC\\_StakeholderEngagement.pdf](http://ifchg14.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/p_StakeholderEngagement_Full/$FILE/IFC_StakeholderEngagement.pdf)
- *Handbook for Preparing a Resettlement Action Plan* (IFC, 2001) provides step-by-step guidance through the resettlement planning process and includes practical tools such as implementation checklists, sample surveys and monitoring frameworks.  
[http://ifcln1.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/p\\_resettle/\\$FILE/ResettlementHandbook.PDF](http://ifcln1.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/p_resettle/$FILE/ResettlementHandbook.PDF)
- *Involuntary Resettlement Sourcebook* (World Bank, 2004) provides guidance on resettlement design, implementation, and monitoring, and, it discusses resettlement issues particular to development projects in different sectors, such as urban development, natural resource management, and the building of dams.  
[http://publications.worldbank.org/ecommerce/catalog/product?item\\_id=2444882](http://publications.worldbank.org/ecommerce/catalog/product?item_id=2444882)