PHILIPPINES:
Local Government Unit- Urban Water Supply and Sanitation Project
(LGU-UWSP)

POLICY FRAMEWORK ON
IN VOLUNTARY RESET TLEMENT AND
COMPENSATION OF LAND AND OTHER ASSETS

September 2000
1 Introduction

The Local Government Unit-Urban Water Supply and Sanitation Project (LGUUWSSP) objective is sustainable improvement of water and sanitation services in approximately 1000 small towns in the Philippines. The LGUUWSSP is designed to provide phased but sustained support for the implementation of a long term development plan in the 1000 LGU-owned water utilities in the country through practical demonstration projects that will appropriate design and institutional incentives, these relatively small water supply systems can be made viable and sustainable.

Like most water supply, sanitation and sewerage project, the LGUUWSSP will involve construction, expansion or rehabilitation of reservoirs, wells, intake structures, transmission mainlines, pumping stations, treatment and distribution systems. Also, watershed protection will be undertaken when a spring, river or other surface water sources are selected. The proposed guidelines govern the basic principles of compensation and rehabilitation assistance for all types of adverse impacts, partial or severe, the acquisition of land and other assets, displacement of persons, demolition of structures, and loss of employment and sources of incomes due to the implementation of sub-projects under the LGUUWSSP.

2 Involuntary Resettlement Operations Manual

An Operations Manual for the LGU-UWSP on Involuntary Resettlement and Compensation of Land and Other Assets has been prepared to guide project implementers how to compensate those who are affected by project. The Operations Manual is divided into 2 main parts: (i) Policy Framework; and (ii) Procedural Guidelines.

3 Policy Framework

The present document includes the first part of the Operations manual, the Resettlement and compensation Policy Framework. This policy framework provides principles and instructions to compensate persons, families, organizations negatively affected by the project to ensure that regardless of tenure status, they will be assisted to improve, or at least restore their living standards, income, earnings and/or production capacity to pre-project levels.

This Policy Framework is based on the following WB Guidelines and GOP Policies:


b) Executive Order 132. “Procedure to be Followed in the Acquisition of Private Property for Public Use and Creating Appraisal Committee. December 1937

c) WB-OD 4.30 Involuntary Resettlement
d) Administrative Order 50 or AO 50.

In case of a difference in policies between the World Bank and GOP the WB OD 4.30 shall prevail.

4 Definition of Terms

Project Affected Person (PAP): any person or persons who, on account of the execution of the Project, or any of its components or sub-projects or parts thereof, would have their

(i) right, title or interest in any house, land (including residential, agricultural and grazing land) or any other fixed or moveable asset acquired or possessed, in full or in part, permanently or temporarily; or

(ii) business, occupation, work, place of residence or habitat adversely affected; or

(iii) standard of living adversely affected.

Project Affected Family (PAF): all members of a household residing under one roof and operating as a single economic unit, who are adversely affected by the Project, or any of its components.

Land Acquisition: the process whereby a person is compelled by a public agency to alienate all or part of the land a person owns or possesses, to the ownership and possession of that agency, for public purpose in return for a consideration.

Replacement Cost: the value determined to be fair compensation for agricultural land based on its productive potential, the replacement cost of houses and structures (current fair market price of building materials and labor without depreciation or deductions for salvaged building material), and the market value of residential land, crops, trees and other commodities.

Resettlement: all measures taken to mitigate any and all adverse impact of the Project on PAF's property and/or livelihoods, including compensation, relocation (where relevant) and rehabilitation.

Relocation means the physical relocation of a PAF from her/his pre-Project place of residence.

Rehabilitation means compensatory measures provided under the Policy Framework other than payment of the replacement cost of acquired assets.

Compensation means payment in cash or in kind of the replacement cost of the acquired assets.

5 Principles and Objectives on Involuntary Resettlement

1. Land acquisition, other impacts, and resettlement will be minimized as much as possible.
2. The Resettlement/Compensation program should improve or at least maintain the PAP’s pre-project living standards and should warrant their participation in project benefits.
3. The compensation to be provided are: (i) compensation at replacement cost for houses and other affected structures; (ii) compensation in terms of land for land of equal productive capacity acceptable to the PAP for agricultural land; where land is not available, compensation will be provided in cash at replacement cost; (iii) replacement of premise/residential land of equal size acceptable to the PAPs; and (iv) transfer and subsistence allowance.¹

4. Agricultural, residential and businesses replacement land will be provided with secured tenure status and without any additional cost, taxes, surcharge to the PAPs at the time of transfer.

5. Plans for acquisition of land and other assets and provision of rehabilitation measures will be carried out in consultation with the PAPs.

6. Payment of compensation of affected assets and resettlement must be completed one month prior to start-up of civil works in a project.

7. Resettlement programs will include adequate institutional arrangements to ensure effective and timely design, planning, consultation and implementation of compensation, resettlement and rehabilitation measures.

8. All costs related to compensation, resettlement and rehabilitation should be included towards the cost of the project. Resettlement costs shall be funded by the participating LGU.

6 Eligibility

All Project Affected Persons (PAP) residing in, working, doing business, or cultivating land, or having rights over resources within the project area as of the date of the baseline surveys are entitled to be compensated for their lost assets, incomes and businesses at replacement cost and provided with rehabilitation measures sufficient to assist them to improve or at least maintain their pre-project living standards and incomes. Lack of legal rights to the assets lost will not bar the affected persons from entitlement to such compensation and rehabilitation measures.

7 Substitution cost valuation: adjustments regarding the AO 50

Compensation will be provided as prescribed by the Administrative Order 50 in amounts equal to "zonal value" plus 10%. However, since the definition of "zonal value" may be outdated it is not sure that the compensation prescribed by AO 50 corresponds to substitution cost as required by WB 4.30 in all sub-projects areas. In order to ensure that compensation is provided at substitution cost the project resettlement policy provides for ad hoc compensation adjustment mechanisms involving: i.) an ad hoc appraisal of the affected land; ii.) when necessary, an adjustment of the AO 50 rates; and iii.) negotiations with the landowners. These different steps are described below.

¹ The method for defining replacement cost is the "valuation of assets which helps determine the amount sufficient to replace lost assets and cover transaction costs. For losses that cannot easily be valued or compensated in monetary terms (e.g. access to public services, customers and suppliers; or to fishing, grazing or forest areas), attempts are made to establish access to equivalent and culturally acceptable resources and earning opportunities. Where domestic law does not meet the measures necessary to meet the replacement cost standard."
i.) **Ad Hoc Appraisal.** Replacement cost for land eventually acquired by the project will be determined on the basis of an ad hoc appraisal of its fair market value (to be established during RAP preparation.) In cases of sub-projects requiring a full RAP (see 10.2 below) the ad hoc appraisal will be carried out by an independent assessor belonging to an accredited local appraisal association and working in accordance with internationally recognized standards. In cases of projects requiring only a partial RAP (see 10.1 below) the appraisal will be carried out by municipal assessors.

ii.) **Compensation adjustment.** When, following the assessment, the amounts prescribed by the AO 50 result lower than the replacement rates appraised, the PAFs will be offered a supplemental amount equal to the difference between “zonal value” plus 10% and the assessed land replacement cost. The supplemental amount shall be paid to the landowner prior to the commencement of project works on the land or his resettlement.

iii.) **Negotiations with the PAFs.** Since in remote barangays local land-markets may be not be sufficiently developed to ensure an adequate valuation of land market values, the final definition of compensation rates will be negotiated with the PAFs. In order to ensure the PAF’s satisfaction, when no agreement between these latter and the implementing agencies is reached, the project will seek alternative land sources. The negotiations with the PAPs will be carried out by a negotiation Committee to be established at the level of the Municipality.

### 8 Entitlements

PAPs will be entitled to the following compensation and rehabilitation measures (See Table 1 for Compensation Matrix):

1. **Residential land, houses and structures.**
   - Provision of replacement residential land (house site and garden) of equivalent value or cash compensation at replacement cost according to PAP’s choices; cash compensation reflecting full replacement cost of the house/structure affected without depreciation;
   - If the PAP so wishes and the portion of the land to be lost represents 20% or less of the total area of the residential land area, and the remaining land is still a viable residential lot, cash compensation, at full replacement cost (market value), may be provided to the PAP;
   - If after acquisition, the residential land and/or structure is insufficient to rebuild the residential structure lost, then at the request of the PAP the entire residential land and structure will be acquired to full replacement cost without depreciation; and
   - Tenants who have leased a house for residential purposes will be provided with a cash grant of three months rental fee at the prevailing market rate in the area and will be assisted in identifying alternative accommodation.

2. **Agricultural land and crops**
   - The general mechanism for compensation of lost agricultural land will be through provision of "land for land" arrangements of equal productive capacity, satisfactory to the PAP. However, if the PAP so wishes and the portion of the land to be lost represents 20% or less of the total area of the landholding, and the remaining land is still a viable economic holding, cash compensation, at full replacement cost (market value), may be provided to the PAP;
(ii) If more than 20% of a villager's agricultural land is acquired and the remaining holding is not viable, then the Project will acquire the entire landholding and provide compensation of the acquired land at direct land replacement.

(iii) the loss of standing crops and fruit/industrial trees at market rates; and

(iv) PAPs whose land is temporarily taken by works under the Project will be compensated for their loss of income, standing crops and for the cost of soil restoration and damaged infrastructure.

3  Business losses
(i) The mechanism for compensating loss of business will be: (a) the provision of alternative business site of equal size and accessibility to customers, satisfactory to the PAP; (b) cash compensation for lost business structure reflecting full replacement cost of the structures without depreciation; and (c) cash compensation for the loss of income during the transition period.

4  Other Losses
PAPs will also be provided compensation at full replacement cost, without depreciation for any other fixed assets affected in part or in to by the Project such as tombs and water wells. In cases where community infrastructure such as schools, factories, water sources, roads, sewage systems or electrical supply is damaged, the Project will ensure that these would be restored or repaired as the case may be, at no cost to the community.

8  Public Consultation and Participation
The Local Government Unit (LGU) at the municipal/city and barangay levels will ensure that all affected persons including owners of assets and occupants of land located in a proposed sub-project area are properly consulted. PAPs will be informed of the provisions of this Guidelines through an effective public information campaign and public meetings.

A community meeting should be conducted to present the design of the sub-project, wherein the location, size and other requirements of the water supply and sanitation structures that will be constructed, expanded and/or demolished, and the water sources that need to be protected, will be known. Based on this, the Guidelines should be discussed at the meeting and copies should be made available so that the PAP will know of their rights and options accordingly. The barangay meeting should be properly documented.

In the event that a sub-project involves acquisition of land and other assets and results in other adverse impacts, the LGU shall not proceed with the sub-project unless a compensation package in accordance with these Guidelines, satisfactory to all concerned is agreed upon between the applicant/sponsoring agency and the owners of land/asset affected as well as those who stand to lose their jobs and sources of incomes.

The LGU or sponsoring agency shall allow civil work to start one month after the compensation has been paid and resettlement, where necessary, is completed in accordance with the Guidelines and to the satisfaction of the PAPs. The compensation package and the payments made should be properly documented.
9 Complaints and Grievances

A Complaints and Grievance Committee at the barangay/community level should be established to hear the complaints and grievances of the PAPs regarding the acquisition of land, houses and other assets and the loss of livelihood caused by the sub-project, and compensation, resettlement and rehabilitation entitlements. Members of the CGC should include the barangay captain, barangay secretary and a member of the Barangay Justice (Lupong Tagapamayapa) as well as formal or informal representatives of the affected community.

The following appeals process should be followed:

Level 1 PAP addresses complaints/grievances to the CGC;

Level 2 If the CGC cannot address the PAP’s concerns within 2 weeks after the receipt of the complaint, complaints/grievances will be raised to the municipal/city LGU.

Level 3 If no decision is reached at the municipal/city LGU within 2 weeks after the receipt of the complaint, the complaints/grievances will be raised with the provincial LGU.

PAPs will be exempted from all administrative and legal fees incurred in pursuant to the grievance redressal procedures.

10 Reporting and Documentation

The implementation of resettlement and compensation will require variable documentation and instruments according to the number of PAP affected by each sub-project.

10.1 Project with less than 200 PAP

When sub-projects affect less than 200 PAP (40-50 households) only a Partial RAP will be required. In these cases the documents that need to be submitted to the PMO and the World Bank together with the proposal for the sub-project are the following:

i. Description of affected assets and other adverse impacts such as loss of job;
ii. Names of project affected persons
iii. In case of voluntary contribution, name/s of contributors and details about the contribution;
iv. In case of land/asset acquisition, name/s of affected persons and details about the nature and level of compensation and rehabilitation assistance, where necessary and in accordance with these guidelines

A Partial RAP will be approved by the Project Management Office (PMO) located in the Land Bank of the Philippines.

10.2 Project with more than 200 PAP

In the event that more than 200 PAPs (40-50 households) by a sub-project a detailed Resettlement Action Plan (RAP) will have to be prepared.
The RAP should contain a brief description of the project; socio-economic characteristics of the affected community; detailed description of adverse impacts; compensation policy and entitlement criteria for compensation, resettlement and rehabilitation; cost estimates and budget; public participation and consultation framework; grievance redressal mechanism; organizational set-up; supervision and monitoring; and implementation schedule.

A Full RAP will be approved by the World Bank.²

² Once adequate experience and expertise has been obtained, the PMO - after obtaining no-objection from the World Bank - may approve full RAPs.
<table>
<thead>
<tr>
<th>Type of Loss</th>
<th>Application</th>
<th>Entitled Person</th>
<th>Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arable land</td>
<td>Less than 20 percent of land holding lost, the remaining land economically viable</td>
<td>Farmer/title holder/other categories of PAPs using arable land to be temporarily acquired</td>
<td>Cash compensation for lost land at replacement cost.</td>
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<tr>
<td>More than 20 percent of land holding lost OR where less than 20% holding lost but the remaining land becomes economically inviable</td>
<td>Farmer/title holder/other categories of PAPs using arable land to be temporarily acquired</td>
<td>Land for land or compensation in cash. Compensation by receiving a new parcel of land of equivalent size and crop productivity and free of taxes, registration and transfer cost; at location acceptable to PAP; and with long-term security of tenure. Eligible for rehabilitation assistance. Transfer/shifting allowance.</td>
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<tr>
<td>Tenant/lease holder/other categories of PAPs using arable land to be temporarily acquired</td>
<td>Tenant/lease holder/other categories of PAPs using arable land to be temporarily acquired</td>
<td>Cash compensation equivalent to the market value of gross harvest for one year or for the remaining period of tenancy agreement, whichever is greater.</td>
<td></td>
</tr>
<tr>
<td>Agricultural labor/other categories of PAPs using arable land to be temporarily acquired</td>
<td>Agricultural labor/other categories of PAPs using arable land to be temporarily acquired</td>
<td>Cash compensation equivalent to 6 months salary and assistance in getting alternative employment.</td>
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<tr>
<td>Temporary acquisition or easement</td>
<td>Title holder/other categories of PAPs using arable land to be temporarily acquired</td>
<td>A minimum cash compensation equivalent to 10% value of the affected asset.</td>
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<tr>
<td>2. Residential land</td>
<td>Less than 20% of land holding lost and remaining land viable for present use</td>
<td>Title holder</td>
<td>Compensation in cash at market value.</td>
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<tr>
<td>More than 20% holding affected OR where less than 20% holding affected but the remaining area becomes smaller than minimally accepted under the zoning laws and inviable for continued use</td>
<td>Title holder</td>
<td>Land for land or cash compensation. Replacement land of minimum plot of acceptable size under the zoning laws or a plot of equivalent size, whichever is larger, in a nearby resettlement area with adequate physical and social infrastructure. When the affected holding is larger than the relocation plot, cash compensation to cover the difference in area. Replacement land to be free from taxes, registration and transfer costs. Eligible for rehabilitation assistance. Transfer/shifting allowance.</td>
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<tr>
<td>Temporary acquisition</td>
<td>Title holder</td>
<td>Cash compensation for the net loss of income and damaged assets or at 10% of the value of the affected assets.</td>
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<tr>
<td>Tenant</td>
<td>Cash compensation equivalent to the market value of gross income for one year or for the remaining period of the tenancy agreement whichever is greater and for damaged assets.</td>
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<td></td>
</tr>
<tr>
<td>Squatter</td>
<td>Cash compensation for the loss of income equivalent to 6 months salary and damaged assets.</td>
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</tr>
<tr>
<td>3. Commercial land</td>
<td>Plots used for business partially affected, limited loss</td>
<td>Title holder/businessman</td>
<td>Compensation in cash at market value.</td>
</tr>
<tr>
<td>Tenant</td>
<td>Cash compensation equivalent to the market value of gross loss of income for one year or for the remaining period of tenancy agreement whichever is greater and for damaged assets.</td>
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</tr>
<tr>
<td>Squatter</td>
<td>Cash compensation for the loss of income equivalent to six months salary and damaged assets.</td>
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<tr>
<td>Plots used for business severely affected. Remaining area insufficient for continued use</td>
<td>Businessman/title holder</td>
<td>Cash or land for land. Replacement land of sufficient size for business continuation in market area of resettlement area or at location comparable to previous site. When the affected premises are larger than the relocation plot, cash compensation at market value to cover the difference in area. Transfer/shifting allowance. Eligible for rehabilitation assistance.</td>
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<tr>
<td><strong>4. Structures</strong></td>
<td>Structures partially affected but the remaining structure viable for continued use.</td>
<td>Owner</td>
<td>Compensation in cash for affected portion of the structure and other fixed assets, and assistance in restoration of the remaining structure.</td>
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<td>Entire structure affected OR where structures partially affected such that the remaining structure is inviable for continued use.</td>
<td>Owner/occupant</td>
<td>Compensation in cash for entire affected structure and other fixed assets (wells, electric and water connections etc.) at replacement cost, without depreciation. Transfer/shifting allowance. Eligible for rehabilitation assistance.</td>
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<td></td>
<td></td>
<td>Tenant</td>
<td>Cash compensation equivalent to one month’s salary or six months’ rental allowance. Assistance in alternate rental accommodation.</td>
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<tr>
<td><strong>5. Loss of business/incomes</strong></td>
<td>Temporary or permanent loss of business/incomes/employment</td>
<td>Affected PAPs</td>
<td>Cash compensation for the loss of business, incomes &amp; wages during the transition period. Eligible for rehabilitation assistance.</td>
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<tr>
<td><strong>Or employment</strong></td>
<td></td>
<td>Farmer/title holder or tenant/lease holder</td>
<td>Compensation in cash at market value.</td>
</tr>
<tr>
<td><strong>6. Standing crops</strong></td>
<td>Crops affected by land acquisition or temporary acquisition/easement</td>
<td>Person occupying the land where trees are located</td>
<td>Compensation in cash calculated on the basis of type, age and productive value of affected trees.</td>
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</tbody>
</table>