Involuntary Resettlement of Urban Population:
Experiences in World Bank-Financed Development
Projects in Latin America

July 1996

María Clara Mejía
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Development Projects in Latin America

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The World Bank
Latin America Technical Department
Environment Unit

This document is based on a paper delivered by the author to the World Bank's Urban Resettlement Workshop held September 25-29, 1995 in Ouro Preto, Brazil
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Foreword

This document was prepared with the aim of contributing to the objectives of the Urban Resettlement Workshop held September 25-29, 1995 in Ouro Preto, Brazil. It is based on experiences gathered by the World Bank in Latin America and other regions, as well as contributions made by social science teams and agencies in charge of resettlement in each of the projects within the Bank’s regional portfolio. Specifically, the document seeks to:

- Describe the particular characteristics of urban population resettlement programs resulting from Bank-financed projects in Latin America
- Analyze the main difficulties found in the planning and implementation of resettlement programs
- Point out the most significant steps taken toward improving urban resettlement in the region and identify where additional efforts are required
- Make practical recommendations toward improving social planning and management in projects with involuntary displacement of urban populations.

The Dissemination Note Series of the Latin America and the Caribbean Region’s Environment Unit (LATEN) seeks to share the results of our analytical and operational work, both completed or in progress. Through this series, we present the preliminary findings of larger studies in an abbreviated form, as well as describe “best practices” with regard to major environmental issues currently confronting Latin America and the Caribbean.

Most of these notes represent “work in progress,” and their findings, interpretations, and conclusions are those of the authors and should not be attributed to the World Bank, members of its Board of Executive Directors, or the countries they represent. Since one of our key objectives is to stimulate debate, we encourage readers to contact the authors directly should with any comments or suggestions for improving the analyses.

Most of the data used in this report was current as of December 1995. However, whenever possible more recent information was used.

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Environment Unit
Latin America and the Caribbean Region
The World Bank
Acknowledgments

The author especially wants to thank Ms. Laura Mancini (Rio de Janeiro) for gathering the basic information, much of which was used in this document, as well as for her contribution to our understanding of urban resettlement procedures in Brazil; the resettlement coordinators—Paula Pini (Sao Paulo), Soraya Melgaco (Minas Gerais), and Angela Dias (Paraná)—for the information provided and their contributions to the development of the resettlement component in the urban renewal projects; the Yacyreta Department of Complementary Works, for their contribution to the analysis of urban resettlement experiences in hydroelectric projects; Kathy Johns for her constant and valuable collaboration and assistance in the preparation of the document and seminar; and Scott Guggenheim and William Partridge for their critical contributions to the ideas expressed in this document.
## Abbreviations and Acronyms

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADÉL</td>
<td>Agencia de Desarrollo Local</td>
</tr>
<tr>
<td>CDHU</td>
<td>Housing and Urban Development Company of the State of Sao Paulo</td>
</tr>
<tr>
<td>CEHAB</td>
<td>State Housing Company of Rio de Janeiro</td>
</tr>
<tr>
<td>COHAB</td>
<td>State Housing Company of Minas Gerais</td>
</tr>
<tr>
<td>LATEN</td>
<td>Environment Unit of the World Bank's Latin America and the Caribbean Region Technical Department</td>
</tr>
<tr>
<td>LAC</td>
<td>World Bank Latin America and the Caribbean Regional Office</td>
</tr>
<tr>
<td>NGO</td>
<td>Nongovernmental organization</td>
</tr>
<tr>
<td>OD</td>
<td>Operational Directive</td>
</tr>
<tr>
<td>PPF</td>
<td>Project Preparation Facility</td>
</tr>
<tr>
<td>PROSAM</td>
<td>Programa de Saneamiento</td>
</tr>
<tr>
<td>SA</td>
<td>Social Assessment</td>
</tr>
<tr>
<td>SEHAB</td>
<td>Housing Department of Sao Paulo</td>
</tr>
<tr>
<td>UGP</td>
<td>Project Managing Unit</td>
</tr>
</tbody>
</table>
Involuntary Resettlement Of Urban Population: 
Experiences in World Bank–Financed Development Projects in Latin America

María Clara Mejía

INTRODUCTION

1. The involuntary displacement and consequent resettlement of populations has been a major concern of the World Bank and other international development agencies during the last two decades. In June 1990, the Bank issued Operational Directive 4.30 (see Appendix A) establishing official policies and procedures on the matter. But while “megaprojects” in hydroelectricity, irrigation, and other major works have given the Bank extensive and valuable experience in rural resettlement, the Bank’s experience in involuntary displacement of urban populations, especially in the slums and poverty belts of large cities, has been less systematically assessed. A disciplined effort is needed to design operational policies, strategies, and procedures compatible with the socioeconomic, cultural, and political realities of the urban context.

2. Bank involvement in projects requiring involuntary displacement of the urban poor in Latin American and the Caribbean is more recent than in Asia and Africa. The majority of such projects in Latin America were approved after 1993, with the exception of the El Salvador Earthquake Reconstruction Project in 1987, the Rio Flood Reconstruction and Prevention Project in 1988, and the Yacyreta Hydroelectric Project approved in 1992. The main body of the current portfolio consists of programs for drinking water and urban sanitation in Brazil, for which a systematic analysis of preliminary experiences and results is still pending. This document seeks to improve understanding of the resettlement process in active projects and those under preparation during the past five years.

3. The treatment of urban populations displaced by Bank-financed projects has improved significantly in the past decade. Borrowing countries and implementing agencies have made considerable progress in the design of resettlement plans, adoption of participatory strategies for decisionmaking, and restoration and improvement of living standards for those displaced.

4. Despite this progress, the scope and nature of involuntary displacement often are not clearly identified during project preparation, there is little planning of resettlement procedures, financing is insufficient, and unexpected results occur due to failures which could have been avoided or minimized.

1. María Clara Mejía, Resettlement Specialist, Environment Unit for the Latin America and the Caribbean Region, World Bank. The opinions expressed in this working document are attributable to the author and do not necessarily reflect the opinions of the World Bank.
5. Studying the specific characteristics of urban resettlement operations and analyzing operational problems will help the Bank to significantly increase benefits, reduce social costs, and assure the social feasibility of urban development projects in Latin America. Accordingly, this document will analyze those characteristics, describe current procedures in projects under implementation, show the main difficulties in the planning and implementation of urban resettlement components, and make operational recommendations for overcoming those difficulties.

OVERVIEW OF URBAN DISPLACEMENT AND RESETTLEMENT IN LATIN AMERICA

World Bank Projects and Urban Population Displacement

6. One of the most significant changes in the Bank's portfolio in the past ten years has been the growing number of urban, transportation, and water supply projects. In the Bank's active portfolio during fiscal 1993, these sectors accounted for 23 percent of all projects, 51 percent of all projects involving resettlement, and 28 percent of people displaced (approximately 550,000)\(^2\). The Bank currently has about one hundred urban projects in Latin America and the Caribbean, including thirty-four which are being prepared for approval during 1996-99.\(^3\) The majority are directed toward the construction and improvement of urban equipment, environmental sanitation, improvement of services, territorial order, and management of urban basins in large and heavily populated cities. Due to the high population density of urban areas, many of these operations will inevitably involve involuntary displacement of thousands of poor residents from the cities.

7. Table 1 shows current urban projects in LAC for which involuntary resettlement is known or estimated, and which already have resettlement plans. Table 2 lists urban projects under preparation for which resettlement needs are not yet established (this list may not be definitive since new projects, and extensions to existing ones, are frequently being added). Experience has shown that due to the lack of detailed design, or uncertainties in defining certain components, resettlement needs are often established only during the advanced stages of preparation or even during implementation.

8. The ten projects in Table 1 displace almost 100,000 people. Yet compared to urban projects in other regions, especially Africa and Asia, this is a fairly moderate amount. However, these numbers will tend to increase because of the growing weight of urban projects in the Bank's portfolio, and due to the existence of projects for which resettlement needs are not yet determined. This paper will look beyond the mere numbers, to explore the specific characteristics, complexities, and social costs and benefits of these undertakings, and most importantly the challenges they present.


Table 1. Urban Population Displaced by Bank Projects in Latin America

<table>
<thead>
<tr>
<th>Project</th>
<th>Displaced Population</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Projects Under Implementation</strong></td>
<td></td>
</tr>
<tr>
<td>Brazil—Paraná Water Quality and Pollution Control (Loan 3505)</td>
<td>9,000</td>
</tr>
<tr>
<td>Brazil—Minas Gerais Water Quality and Pollution Control (Loan 3554)</td>
<td>12,522</td>
</tr>
<tr>
<td>Brazil—São Paulo Water Quality and Pollution Control (Loan 3504)</td>
<td>24,144</td>
</tr>
<tr>
<td>Brazil—Rio Flood Reconstruction and Prevention (Loan 2975)</td>
<td>22,200</td>
</tr>
<tr>
<td>Argentina/Paraguay—Yacyreta Hydroelectric II (Loan 3520)</td>
<td>15,000</td>
</tr>
<tr>
<td>Brazil—Ceará Urban Development and Water Resource Management (Loan 3789)</td>
<td>2,000&lt;sup&gt;a&lt;/sup&gt;</td>
</tr>
<tr>
<td>Brazil—Belo Horizonte and Recife Metropolitan Transportation (Loans 3916, 3915)</td>
<td>4,368</td>
</tr>
<tr>
<td>Argentina/Paraguay—Highway VIII (Loan 3685)</td>
<td>204&lt;sup&gt;c&lt;/sup&gt;</td>
</tr>
<tr>
<td><strong>Projects in Preparation</strong></td>
<td></td>
</tr>
<tr>
<td>Colombia—Santa Fe 1 Water Supply and Sewerage Rehabilitation and Private</td>
<td>390</td>
</tr>
<tr>
<td>Sector Development</td>
<td></td>
</tr>
<tr>
<td>Brazil—Minas Gerais Urban Development (Ipatinga)</td>
<td>4,500&lt;sup&gt;d&lt;/sup&gt;</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>94,328</td>
</tr>
</tbody>
</table>

Note: Actual and anticipated displacement in projects under implementation or preparation as of September 1995.  
<sup>a</sup> Some numbers were estimated based on an average household size of six residents.  
<sup>b</sup> The rural population to be relocated by the first four dams is 186 families. A total of about 2,000 people in rural areas are estimated to be displaced by the thirty-nine dams. In addition, and unknown number of urban families will also be displaced.  
<sup>c</sup> Residents without legal title. No data is available on legal owners to be displaced by the project.  
<sup>d</sup> Population displaced in Ipatinga. The number to be displaced in other municipalities of Minas Gerais by the next phase is still unknown.

Table 2. LAC Urban Projects in Preparation for 1996-99 (as of September 1995)

<table>
<thead>
<tr>
<th>Country</th>
<th>Project</th>
<th>Year</th>
<th>Sector&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Country</th>
<th>Project</th>
<th>Year</th>
<th>Sector&lt;sup&gt;a&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>BA Urban Transport</td>
<td>1998</td>
<td>T</td>
<td>Honduras</td>
<td>Municipal Development</td>
<td>1997</td>
<td>U</td>
</tr>
<tr>
<td>Bolivia</td>
<td>Municipal Sector II</td>
<td>1999</td>
<td>U</td>
<td>Jamaica</td>
<td>Urban Social Inv. Fund</td>
<td>1999</td>
<td>Y</td>
</tr>
<tr>
<td>Brazil</td>
<td>SP Urban Transport</td>
<td>1999</td>
<td>T</td>
<td>Mexico</td>
<td>State &amp; Municipal Dev.</td>
<td>1996</td>
<td>U</td>
</tr>
<tr>
<td>Brazil</td>
<td>Pernambuco Urban Dev.</td>
<td>1996</td>
<td>U</td>
<td>Mexico</td>
<td>Municipal Mgmt.</td>
<td>1996</td>
<td>U</td>
</tr>
<tr>
<td>Brazil</td>
<td>Bahia Urban Dev.</td>
<td>1996</td>
<td>U</td>
<td>Mexico</td>
<td>Low Income Housing</td>
<td>1996</td>
<td>U</td>
</tr>
<tr>
<td>Chile</td>
<td>Water Resource Mgmt.</td>
<td>1996</td>
<td>U</td>
<td>Mexico</td>
<td>Urban Development</td>
<td>1997</td>
<td>Y</td>
</tr>
<tr>
<td>Chile</td>
<td>Water Resource Mgmt.</td>
<td>1996</td>
<td>W</td>
<td>Mexico</td>
<td>City Wastewater Mgmt.</td>
<td>1998</td>
<td>S</td>
</tr>
<tr>
<td>Chile</td>
<td>Urban Development</td>
<td>1997</td>
<td>U</td>
<td>Mexico</td>
<td>Municipal Mgmt. II</td>
<td>1998</td>
<td>U</td>
</tr>
<tr>
<td>Colombia</td>
<td>Bogotá Transport</td>
<td>1999</td>
<td>T</td>
<td>Panama</td>
<td>Water Supply</td>
<td>1998</td>
<td>Y</td>
</tr>
<tr>
<td>Colombia</td>
<td>Urban Environmental</td>
<td>1999</td>
<td>Y</td>
<td>Peru</td>
<td>Urban Rehab/Mgmt.</td>
<td>1996</td>
<td>U</td>
</tr>
<tr>
<td>Ecuador</td>
<td>Urban Transport</td>
<td>1998</td>
<td>T</td>
<td>Peru</td>
<td>Wastewater Mgmt.</td>
<td>1988</td>
<td>U</td>
</tr>
<tr>
<td>Ecuador</td>
<td>Municipal Dev. II</td>
<td>1999</td>
<td>U</td>
<td>Trinidad</td>
<td>Water/Sewerage Rehab.</td>
<td>1996</td>
<td>W</td>
</tr>
<tr>
<td>Guyana</td>
<td>Infrastructure II</td>
<td>1999</td>
<td>Y</td>
<td>Venezuela</td>
<td>Low Income Barrio II</td>
<td>1998</td>
<td>U</td>
</tr>
</tbody>
</table>

<sup>a</sup> Sector: T—Transport; U—Urban Development; W—Water; S—Solid Waste; Y—Other Urban Development  
Source: World Bank internal records.
Causes and Rational for Involuntary Displacement in Urban Areas

9. Displacement of urban population is generally the result of (a) disorderly growth and consequent reordering of urban living space, (b) improvement of highly deteriorated sanitation and environmental conditions, (c) improvement of urban infrastructure facilities, (d) specific social or poverty alleviation policies, and (e) the effects of natural disasters. This last case typically involves moving at-risk population to improve living conditions or avoid future disasters. In this case, the resettlement is an objective in itself, and may be highly beneficial to the displaced population, provided sound resettlement plans are implemented.

10. Synthesis. The most common causes of forced urban resettlement in Bank projects in Latin America and the Caribbean are:

- Space for transportation corridors, industry, commerce, government buildings, etc.
- Expansion of public services, mainly drinking water and sewerage
- Urban renewal and improvement of slums
- Creation of recreational parks and environmentally sensitive areas (urban basins)
- Risk prevention and housing for families affected by natural disasters
- Other infrastructure (hydroelectric projects, roads, irrigation systems, etc.) that affects small- and medium-sized cities.

11. Below is a brief description of the causes of displacement in some of the urban LAC projects analyzed in this paper.

- Brazil—Paraná Water Quality and Pollution Control. In this case, to protect and develop water resources, it is necessary to resettle people who are exposed to floods or living in at-risk areas near water sources. The current lack of infrastructure contributes to pollution and health hazards. About 1,500 families would be moved to make way for planned civil works, and the many families that remain will be provided with services.

- Brazil—Minas Gerais Water Quality and Pollution Control. This project will canalize sections of the Arrudas, Onça, and Ferrugem rivers that suffer frequent floods and lack sanitation infrastructure. The project will displace 2,087 low-income families living along the rivers.

- Brazil—Sao Paulo Water Quality and Pollution Control. This project supports expansion of the São Paulo region's sanitation infrastructure from covering 43 percent of the population to 85 percent, thereby improving the living conditions of low-income populations. A resettlement component has been designed for homes in high-risk areas unsuitable for basic infrastructure construction, and for homes in areas needed for placement of the actual sanitation infrastructure. While 3,730 families are expected to be resettled, most families in the affected area will not be moved and will be provided with basic infrastructure, services, sanitation, and
flood protection. The final number of families to be resettled can change significantly during construction due to the specific characteristics of the slum upgrading program and will only be known after completion of the project.

- Brazil—Rio Flood Reconstruction and Prevention. This drainage project included resettlement of families living along the rivers to permit construction for urban renewal and flood prevention. The resettlement component was extended to include families in at-risk areas. While the original plan anticipated displacement of 5,000 families, ultimately only 3,700 had to be relocated.

- Argentina/Paraguay—Yacyreta Hydroelectric II. This hydroelectric project required resettlement of people living in Encarnación (Paraguay) and Posadas (Argentina) whose homes were to be flooded by the dam’s reservoir.

- Brazil—Belo Horizonte and Recife Metropolitan Transportation. Displacement of 2,966 families in Belo Horizonte and 432 families in Recife will be necessary to allow for construction of railway lines and terminals.

12. The importance of development and sanitation projects in response to soaring urban growth in Latin America is beyond question. Such projects improve the health and living conditions of hundreds of thousands of people in metropolitan areas. For example, in the project for Bacia de Guarapiranga in the São Paulo region, more than 72,000 families will benefit from urban rehabilitation of slums. The same project will also recover the water supply of more than 3 million families. The nature and scope of social, economic, and environmental benefits clearly justify these projects. But often they imply considerable social costs as well. The reorganization and improvement of urban areas inevitably involves displacement of marginalized populations living on public or private lands, in slums, and in highly degraded areas.

13. But the relation between the objectives of urban development projects and the need for involuntary displacement is not always so clear and justifiable. Unnecessary displacement is sometimes caused by poor project design, failure to optimize social costs and benefits, or exclusion of relevant actors from the decisionmaking process. For instance, in most projects under implementation, displacement has been reduced significantly by changing project design, using more appropriate technology, and broadening public consultation, without seriously affecting project costs or objectives (Table 9, page 31).

Characteristics and Specific Conditions of the Urban Context

14. Is urban displacement and resettlement different from that in rural areas? And if so, how? Diverse and complex factors define the specific features of urban resettlement—the internal conditions of each country, the nature of some projects, the dynamics of urban growth and demographics, the urban land tenure problem, and the institutional arrangements for urban projects. Below are some of the characteristics specific to resettlement in the urban context.
• **The pattern of settlement is relatively recent.** On average, 65 percent of the urban population affected by Bank projects in Latin America and the Caribbean has lived in the affected area for five years or less, while only about 15 percent of families have lived in the area for more than twenty years (see Figure 5 on page 16). This feature is in striking contrast to typically long-established rural settlements.

• **Urban communities have a high capacity for adaptation, self-management, and resettlement resulting** from previous and often repeated experience in relocating themselves (both from country to city and within the city itself). The ability of the urban poor to self-relocate and to manage compensation packages should be studied more deeply, but what is important is that their experience in this regard is much greater than that of rural populations. The Rio Flood Reconstruction Project is a good example. In the face of delays and bureaucratic inefficiencies, and fearful of squatters, sixty-three families which were going to be displaced occupied the resettlement site on their own. The self-resettlement was orderly and calm, and created favorable conditions for future negotiations between the communities and project management.

• **Mobility** The number of families in affected areas is always changing due to pressures on urban living space, inability of the government to prevent such movements, project delays, etc. The constant threat of massive new influxes makes traditional field studies, planning process, and lengthy negotiations difficult.

• **Political significance of urban resettlement programs.** The socioeconomic and political landscape of cities is constantly changing, affecting the various social actors (institutions, groups, and individuals) and requiring permanent adjustments in the agreements established in development projects. Relocation of populations and housing solutions for low-income groups have undeniable political significance. It does not take extensive research to understand that beyond the main objectives these projects indirectly:
  
  – Legalize and regulate the occupation of urban lands
  – Allocate access to public services
  – Create new economic opportunities for commercial and industrial businesses
  – Increase land values and influence low-income housing prices
  – Produce political revenues for electoral purposes.

• **Slumdwellers are considered third-class citizens.** Public officials tend to view people living in slums as squatters, thieves, prostitutes, and drug dealers, etc., and therefore less worthy of meaningful consultation and participation strategies or well-designed resettlement plans. Yet slums are like parallel cities whose marginalization and lack of government assistance has fostered specific survival strategies. Relocating their inhabitants disrupts an entire lifestyle and the social network established among neighbors.
• **Scarcity and high price of urban land.** It is increasingly difficult to find affordable and suitable land for resettlement in urban areas, and real estate prices are subject to runaway speculation. This poses a serious obstacle to resettlement planning. Often, building upward rather than outward is increasingly seen as the only affordable resettlement alternative. Yet, sociocultural effects and disruption of social and economic activities, is to be assessed.

• *Resettlement "naturally" tends to become intertwined with public housing programs,* and therefore subject to official housing agencies’ parameters on: financing strategies and recovery of investments, real estate appraisal, housing standards, expropriation procedures, etc. This creates conflicts between the policies of the Bank and the legislation and regulations of the borrowing country.

• **Institutional and administrative complexity.** Urban projects usually include a number of components involving many sectors of the economy and a multitude of agencies and institutions. This complicates decisionmaking, dissemination of information, and planning and implementation of resettlement programs.

• **Informal economy.** The reliance of slum dwellers on the so-called informal economy has not been sufficiently studied or taken into consideration in resettlement planning. While informal activities allow greater mobility, they also create dependence on commercial and industrial centers where informal or temporary job opportunities are greatest. This makes site selection critical to restoring employment, income, and social network.

• **Squatters.** but perhaps one of the most outstanding characteristics of urban resettlement processes is the affectation of poor families with no legal land titles, who frequently account for the vast majority of the affected population in highly degraded urban areas. Although this feature may also be found in rural resettlement, it is in the urban context where it implies a major challenge.

15. **There are some special conditions in the case of slum improvement programs** that hinder traditional planning processes and create new social and technical challenges:

• Resettlement needs can only be determined when project design is ready for each slum, which practically merges planning and implementation into a single stage.

• During construction, small variations in the work plan and other strictly technical reasons may require additional resettlement due to unforeseen property damages.

• Displacement of some families is often necessary to provide services and improve the standard of living of the rest of the community, which divides population among affected and benefited.

• A parallel strategy is required to keep out new squatters during the period from project design to registry and relocation of the existing families. In the case of Sao Paulo for instance, it is estimated that this period takes six to ten months.
16. Another special case is linear projects such as construction or improvement of roads, laying out electrical grids, and installing pipes for water and sewers that affect urban areas. On the one hand, these undertakings require isolated, noncontiguous relocations that must be planned on a case by case basis. On the other hand, the impact on most houses and property is only partial, and the families can usually stay in the same location as long as their homes are enlarged or rebuilt. This is quite different from cases in which the loss of property or housing is total.

17. Displacement of populations in high-risk areas also has special characteristics. Despite the social costs, resettlement of families frequently threatened by landslides, floods, or risky environmental conditions is highly desirable as long as housing provisions are acceptable to those being relocated. Unfortunately the Bank’s experience with such resettlements in LAC has not been documented enough. It is a case that requires special procedures and policy considerations.

**RESETTLEMENT POLICIES AND ALTERNATIVES FOR HOUSING REPLACEMENT**

18. During the past four years borrowers in Latin America and the Caribbean have designed and implemented a range of policies to address problems related to urban resettlement. These policies follow the general lines of the Bank’s Operational Directive 4.30, but also reflect the specifics of each country and each project. More importantly, they are the result of social, economic, and political agreements between the agencies and institutions which participate in project implementation. Below are some of the differences between these policies and OD 4.30.

19. Differentiation based on legal property title. The Bank’s policy is to provide compensation regardless whether the person has legal title, even when the borrowing country does not recognize the person’s property rights. Despite this, some current borrowers in Latin America still base resettlement policy on whether the property holder has legal title, while others base their policy on social vulnerability regardless of legal status. Compensation for legal landowners is generally considered a buyer/seller business between the state and private individuals. Houseowners without title, on the other hand, are considered squatters or “illegal inhabitants” of public or private property, who should bear more of the financial burden of resettlement through partial payment of housing solutions, legal prohibitions on property ex-

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4. * Minimize displacement
   * Mitigate negative social impacts on displaced communities
   * Include participation of communities in decisionmaking related to their relocation
   * Compensate for material losses and assist communities in resettlement and improving their living conditions
   * Make affected communities beneficiaries of projects outcomes.

5. The social and economic vulnerability of each family is determined by sociocultural and economic field research, and relocation is offered only to those with high vulnerability and especially those facing a serious risk of impoverishment and social trauma.
change, or lower quality housing solutions. Commonly, they receive compensation only for personal property but not the lot itself.

20. **Monetary compensation.** From the Bank’s view monetary compensation, although recommendable in selected cases, may generally jeopardize living standards, especially for low-income groups. The compensation often ends up in the hands of moneylenders and intermediaries, or is spent on old debts, consumer goods, or other unforeseen needs and does not ensure the re-establishment of homes, communities, and social networks. Unfortunately, there have not been ex-post evaluations of groups that received cash compensation, so the true dimensions of this problem are not measured. For those without legal title, monetary compensation often does not allow for full replacement, since it does not include payment for land.

21. **Socioeconomic development.** Bank policy emphasizes the need to treat resettlement as a development program. It recommends training and alternative employment strategies for the displaced, including preferential hiring in the project itself and in the public sector when appropriate.\footnote{Refer to OD 4.30, paragraphs 3(b) and 18.} However, most current urban resettlement programs are based only on housing replacement. Economic and social assistance programs are mentioned only tangentially, and financing, human resources, and participation of social development agencies are inadequate. Usually it is the social workers directly involved who promote the community and solicit support from state agencies. By contrast, in the El Salvador Earthquake Reconstruction Project the Italian government collaborated in a resettlement plan that included integral programs of socioeconomic development oriented toward employment generation and family income through creation of microenterprises. The case of Yacyreta is another outstanding example, with routine socioeconomic assistance programs before, during, and after actual resettlement.

22. **Subsidized solutions vs. partial payment.** Policies also vary in the degree of subsidy or financing required of the families themselves. In some cases the entire cost of housing and resettlement is covered by the project (Minas Gerais, Santa Fe 1, Colombia Power Market, Yacyreta), while in others the displaced families must pay a share of the housing costs (Sao Paulo, Paraná, Rio de Janeiro). Without trying to settle the debate over whether to require those displaced to cover part of the resettlement cost, the following points should contribute to the discussion.

- *The Bank’s view* is that the risk of impoverishment must be avoided. The population is forcibly displaced, should not have to bear any of the resettlement costs, and also should have various resettlement options. Additional financial burdens must not be placed on low-income families that are already at risk of impoverishment due not only to precarious income, but also to labor instability. As an illustration, in projects currently under implementation in Latin America and the Caribbean between 15 and 25 percent of the families affected earn less than the minimum wage (Figure 1). Even those that appear capable of making modest payments might be at risk of losing their homes due to economic crises, inflation, and currency de-
valuations. Forced imposition of a debt when no other alternative is offered is not acceptable to the Bank.

- **Housing agencies**, faced with declining budgets, needs for investment recovery, and increasing land and construction prices, feel they have no choice but to require displaced people to pay part of the resettlement costs. Also, they fear that not requiring squatters to pay part of the resettlement cost will encourage new occupations of public land.

- **Some social teams in charge of resettlement** think that having to pay part of the housing cost makes the resettled families feel more rooted, increases their sense of ownership, and creates greater social discipline and capacity for self-management. In the projects under implementation in Latin America, housing subsidies to families vary from 65 percent for families with income greater than three times the minimum wage, 75 percent for families with up to three times the minimum wage, and as much as 95 percent for families with less than a single minimum wage.

- **The involuntarily displaced communities** themselves have repeatedly rejected being forced to assume housing costs. In the “Sitio do Livramento” in Rio de Janeiro, 95 percent of the families failed to make their monthly payments due to unstable incomes and the financing terms imposed. A recent survey by a local housing agency revealed that 70 percent of families that were resettled for more than one year were not making their monthly payments. The Yacyreta project also illustrates reluctance to pay even by families considered as well-off.

23. **Housing replacement alternatives.** Table 3 shows the resettlement solutions offered to different groups in LAC urban projects, and Table 4 describes the basic menu of strategies available for providing housing.

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7. Many other factors influenced the families' dissatisfaction. The buildings had only 22 square meters of floor space per family, and a single roof for multiple units made it impossible to build additions for larger families. Perhaps most importantly, the families had no opportunity to participate in planning the houses. After two and a half years, 50 percent of the families had abandoned or sold their houses, according to investigations carried out by CEHAB-RJ.
Table 3. Alternatives Offered to the Displaced Population

<table>
<thead>
<tr>
<th>Project</th>
<th>Displaced</th>
<th>Alternatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil–Sao Paulo Water Quality</td>
<td>Legal owner</td>
<td>There are no legal owners to be displaced in the project.</td>
</tr>
<tr>
<td>and Pollution Control</td>
<td>Landholder</td>
<td>1. Financed house in CDHU or SEHAB housing development. Alternatives offered depend on family income, in accordance with normal CDHU regulations. Monthly payments vary from $11 to $226. Compensation for improvements is not paid because the new homes are already highly subsidized. A legal agreement (Termo de Compromiso) is signed upon moving into the house.</td>
</tr>
<tr>
<td></td>
<td>without legal title</td>
<td>2. Letter of credit for up to $15,000.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3. For extremely poor families (less than one minimum wage) exchange for shack worth up to $1,700 in another slum, or construction of home in the same slum, without financing restriction.</td>
</tr>
<tr>
<td>Renter</td>
<td></td>
<td>Same alternative as for houseowners without titles. No indemnification paid to original owners if the units have not been legalized.</td>
</tr>
<tr>
<td>Brazil–Minas Water Quality</td>
<td>Legal owner</td>
<td>Monetary compensation at market replacement price.</td>
</tr>
<tr>
<td>and Pollution Control</td>
<td>Landholder</td>
<td>1. Monetary compensation of at least $6,000 for houses and improvements.</td>
</tr>
<tr>
<td></td>
<td>without legal title</td>
<td>2. House in COHAB development, with no financial obligation. Resident signs a legal agreement (Posse Provisoria) that prohibits the family from selling the house for ten years.</td>
</tr>
<tr>
<td>Renter</td>
<td></td>
<td>One year rent payment at market prices. The property owners are given the same option as the houseowners without title.</td>
</tr>
<tr>
<td>Brazil–Parana Water Quality</td>
<td>Legal owner</td>
<td>1. Monetary compensation at market replacement price.</td>
</tr>
<tr>
<td>and Pollution Control</td>
<td>Landholder</td>
<td>2. Exchange for developed lot with no payment by property owner.</td>
</tr>
<tr>
<td></td>
<td>without legal title</td>
<td>1. Developed lot financed under COHAB rules: 60 to 120 monthly payments up to 20 percent of minimum salary</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. Modular house financed in conjunction with the developed lot.</td>
</tr>
<tr>
<td>Renter</td>
<td></td>
<td>3. Basic package of building materials to families recently displaced by floods (Trevisan area). The materials will be financed jointly with the urbanized lot.</td>
</tr>
<tr>
<td>and Prevention</td>
<td>Landholder</td>
<td>2. Home in CEHAB housing development.</td>
</tr>
<tr>
<td></td>
<td>without legal title</td>
<td>Unit in CEHAB development with monthly payments equivalent to 15 percent of the minimum wage; one-year grace period.</td>
</tr>
<tr>
<td>Renter</td>
<td></td>
<td>1. Unit delivered by CEHAB with monthly payments equivalent to 15 percent of the minimum wage; one-year grace period.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. Monetary compensation for house and improvements. Property owner is not compensated if units are not legalized.</td>
</tr>
</tbody>
</table>

a. When the parents' marital status is not legalized, the house is registered to the woman.

(Table continues on following page)
<table>
<thead>
<tr>
<th>Project</th>
<th>Displaced</th>
<th>Alternatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil–Belo Horizonte and Recife Metropolitan Transportation</td>
<td>Legal owner</td>
<td>Monetary compensation at market value or a minimum payment sufficient to buy another property, whichever is higher. Assistance is provided in finding a replacement property.</td>
</tr>
<tr>
<td></td>
<td>Landholder without legal title</td>
<td>1. Compensation at market values.</td>
</tr>
<tr>
<td></td>
<td>Renter</td>
<td>1. Financial assistance provided to help rent another property.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. Indemnification for commercial house.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Metropolitan assistance in finding a replacement property.</td>
</tr>
<tr>
<td>Argentina/ Paraguay–Yacyreta Hydroelectric II</td>
<td>Legal owner</td>
<td>1. Indemnification for lot, house, and improvements at market replacement price.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. Full restitution of the lot, house, and material losses. Exchange of current house for unit built by the project in development with community services and infrastructure.</td>
</tr>
<tr>
<td></td>
<td>Landholder without legal title</td>
<td>Monetary compensation for material losses.</td>
</tr>
<tr>
<td></td>
<td>Renter</td>
<td>Monetary compensation for material losses.</td>
</tr>
<tr>
<td>Colombia–Santa Fe 1 Water Supply and Sewerage Rehabilitation and Private Sector Development</td>
<td>Legal owner</td>
<td>1. Monetary compensation for 120 percent of replacement value of house and lot.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. Replacement of house at no cost to owner.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3. Monetary compensation for economic losses in domestic and commercial activities.</td>
</tr>
<tr>
<td></td>
<td>Landholder without legal title</td>
<td>1. Indemnification for 100 percent of house and lot replacement value.</td>
</tr>
<tr>
<td></td>
<td>Renter</td>
<td>2. Replacement of the property at no cost to owner.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3. Monetary compensation for effects on economic activities.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Financial assistance equivalent to six months rent for tenants with less than two years residence, and twelve months rent for tenants with more than two years residence.</td>
</tr>
<tr>
<td>Housing Alternatives</td>
<td>Description</td>
<td></td>
</tr>
<tr>
<td>------------------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Chess Game</td>
<td>For families with income below the minimum wage. The project buys a house in the same slum and gives it to the displaced family. The family that sold the house is moved into housing financed by COHAB. In Sao Paulo: fourteen families out of the eighty already resettled have chosen this option.</td>
<td></td>
</tr>
<tr>
<td>Exchange for partially subsidized housing in developments built by housing agencies or under contract by private firms.</td>
<td>The family promises to make monthly payments in accordance with their income level (Rio de Janeiro, Sao Paulo)</td>
<td></td>
</tr>
<tr>
<td>Exchange for fully subsidized house in development built by the project.</td>
<td>Those displaced receive a single-family home in a new housing development built by the project (Minas Gerais, Yacyreta, Sao Paulo).</td>
<td></td>
</tr>
<tr>
<td>Exchange for single-family housing with shared social area</td>
<td>Rio de Janeiro. The family promises to make monthly payments based on their income level</td>
<td></td>
</tr>
<tr>
<td>Apartment buildings</td>
<td>Delivery of a financed apartment (Sao Paulo, eighty families)</td>
<td></td>
</tr>
<tr>
<td>Letter of credit</td>
<td>The displaced family receives a document giving them credit to buy an existing house worth up to $15,000 (Sao Paulo, this tool has yet to be used)</td>
<td></td>
</tr>
<tr>
<td>Renting with option to buy</td>
<td>The renting family moves to a unit that belongs to the local housing agency. They continue to make monthly rent payments, but part of it goes toward an escrow account to allow for the possibility of purchase in about five years.</td>
<td></td>
</tr>
<tr>
<td>Financed lot with services</td>
<td>The renting family moves to a developed urban lot. The project provides technical assistance to dismantle, move, and rebuild the existing home.</td>
<td></td>
</tr>
<tr>
<td>Lot with services and basic building supplies</td>
<td>For families left homeless by flooding. Financing is provided to enable the family to buy the building supplies and the lot. (Paraná).</td>
<td></td>
</tr>
</tbody>
</table>
SOCIOECONOMIC PROFILE OF THE AFFECTED POPULATION

24. Socioeconomic characteristics are an important consideration in determining appropriate urban resettlement strategies and policies. The baseline information available for LAC urban resettlement projects is mostly drawn from registries and censuses which provide an economic and demographic profile on which to base compensation and indemnification. Nevertheless, the information falls short of providing a full portrait of the affected communities.

25. With the aim of contributing to the discussion regarding the appropriateness or inappropriateness of the strategies and policies adopted in the resettlement process of urban population in LAC, the socioeconomic characteristics of the displaced population will be presented here. Although each project has census and land registry data that at least include the communities to be displaced in the first phases, the socioeconomic profile does not clearly delineate the sociocultural characteristics of the displaced population. As an illustration of the socioeconomic profile of the urban affected population in LAC projects, figures 1, 2, and 3 present the average level of family income, employment, and gender composition in four of the projects. Figure 4 shows the gender of the head of household for three cases, and Figure 5 presents the average length of residency in the communities to be resettled.

26. Family income. The Parana Water Quality and Pollution Control Project stands out at the extreme low end of family income—37 percent of the families received less than a single minimum wage, compared with 5 percent in the Rio de Janeiro metropolitan area. In general the great majority of the families to be displaced receive less than two times the minimum

![Figure 1. Household Income of Displaced Families](image-url)
wage. The socioeconomic vulnerability of this extremely poor segment is indisputable, and special social assistance for relocation will be needed.

27. **Employment.** Average unemployment for the displaced population is about 15 percent, though in Rio de Janeiro it exceeds 40 percent. Furthermore, on average about 25 percent of the population is underemployed or relies solely on incidental work. With 40 percent either unemployed or underemployed, this population is highly vulnerable and requires special support during resettlement. It is also expected that relocation of this group in a new settlement far from the current one, will significantly affect job and income opportunity.

28. **Women in urban resettlement.** The gender of heads of households is another important factor, with implications for aspects of program design such as financing and titling of real estate, accommodating special socioeconomic needs, and building community support.
infrastructure. For example, in households headed by women that work outside the home there will be a greater need for kindergarten or daycare facilities. In the Rio Flood Reconstruction Project about 66 percent of households are headed by women. Unfortunately, in the LAC projects there is no systematic breakdown of data by gender. It is an unattended factor that influences participatory strategies and attainment of resettlement outcomes.

29. Length of residence. A high percentage of families have lived in the neighborhoods for five years or less, while about 15 percent have resided there for more than twenty years. This influences both the heterogeneity of the neighborhood and the degree of participation in the community social network.

30. Heterogeneity of the population. Although data is not available for a systematic analysis, the heterogeneity of the population in the so-called poverty belts has been clearly confirmed by the technicians responsible for conducting socioeconomic surveys and negotiations with the affected communities. Significant indicators of heterogeneity include:

- Income structure—ranges from less than one minimum wage to more than eight per household.
- Quality and size of houses—from disposable materials to brick; from 18 square meters of floor space to 120 square meters and more; from one floor to as many as four floors.
- Family size—from one person to more than nine
- Level of community organization—from rudimentary forms to officially recognized organizations with representation in policymaking bodies at local and state levels.
CONSULTATION AND PARTICIPATION

31. All active projects involving urban resettlement include consultation and participation with the affected communities to guarantee the social feasibility of relocation and rehabilitation programs. The difficulties now are mainly operative: When to consult? Who to consult? Which actors are most relevant? Through which mechanisms should we consult? Which type of decisions and actions should the communities participate in? How to prevent manipulation of the communities by outside parties? Some of these questions are elaborated on below.

32. *Is it possible to begin consultation and participation at the earliest stages of the project?* There is a myth, especially among implementing agencies and the Bank's project managers, that participation at the early stages will lead to cost overruns and unnecessary delays. It is also feared that sharing information and consulting with the affected population will create unrealistic expectations and attract new squatters to the project site. But experience has shown that this is not the case as current projects in LAC had demonstrated. Two exceptions should be mentioned: Yacyreeta and Rio Flood Reconstruction in which massive invasions after several years of delays in providing the housing solutions.

33. These and other experiences show that, far from hindering and delaying the process, participation actually reduces tensions, conflicts, and negative social impacts, builds trust and collaboration, and improves the feasibility of the project. Participatory mechanisms such as holding a referendum on decisions taken by community leaders also helps prevent manipulation of the community by outside parties. There is no evidence that participatory processes cause delays and cost overruns. These difficulties are more likely due to planning problems, implementation weaknesses, or insufficient resources that actually hinder participation. In the Parana Water Quality and Pollution Control Project, for example, project delays and changes paralyzed the work of a committee composed of a local planning agency and community associations, and heightened criticism and distrust of the project.

34. *Consultation mechanisms and strategies vary,* but follow the same general pattern:

- Preliminary meetings with neighborhood associations or organized interest groups to survey public opinion and gain preliminary consent for the resettlement plan
- Agreement on basic policy and plans, especially the resettlement site, housing design, compensation and indemnification, replacement of community property
- Family by family negotiations once the cadaster and census are completed

35. As the process advances, consultation evolves into more active participation, not only in the decisionmaking process but also in areas such as construction of housing, house hunting (self-resettlement), and protection of unoccupied sites. In some cases, after settling in to the new site, the communities begin to manage services such as transportation, community centers, schools, hospitals, garbage collection, road maintenance, etc.
36. In the late 1980s and early 1990s consultation and participation generally were conducted after the project had already been approved. Communities were simply informed at the implementation stage that they would be displaced, and under what conditions. Consultation was limited to decisions related to the resettlement itself, and participation was negligible to almost nonexistent. However, in projects approved more recently—such as Colombia Santa Fé I, Colombia Power Development, and Belo Horizonte and Recife Metropolitan Transportation—and in others under preparation, consultation began at the earliest stages of project planning. The borrowers agreed to present the resettlement policy and consult directly with the affected community about resettlement logistics as a condition for Bank approval. Likewise, before final approval of Yacyreta II, the resettlement plan underwent an extensive process of consultation, including discussions with community organizations, affected groups, unions, nongovernmental organizations, universities, and others.

37. The Rio Flood Reconstruction Project had particularly strong consultation and participation, including extensive meetings with representatives of slumdwellers' organizations (Federacao de Associacao de Moradores do Estado do Rio de Janeiro, Comite de Saneamento da Baxada Fluminense, etc.). This helped correct previous errors and to develop a more harmonious relationship between the project and the affected population. Agreement was reached on the basic principles of resettlement before preparation of the final plan, including:

- Participation of the population in each stage of the project
- Maximum distance to the new settlements
- Share of cost to be paid by the relocated families
- Maintenance of neighborhood socioeconomic relations
- Community property and facilities at the new site.

38. Challenge of the future. The road before us is long and arduous. Participatory strategies still are aimed more at avoiding conflict than at fostering inclusion of stakeholders and displaced communities in decisionmaking and in sharing responsibilities central to the project. Developing a strategy that decentralizes decisionmaking, and finding new alternatives related to urban renewal, development, and sanitation, continue to be an important goals.

PRINCIPAL DIFFICULTIES IN PLANNING AND IMPLEMENTATION

Planning

39. General outline of the planning process. Resettlement planning has varied in the past, but followed the same basic pattern:

- Projects are conceived by borrowing agency in charge of preparation and design
- Resettlement policy is established by each agency based on local circumstances rather than on national social policy
• Socioeconomic information on the affected population is unreliable and incomplete, and is based on secondary sources
• Resettlement site is selected based on availability of public land rather than on what is desirable for the displaced population
• Prevailing state or municipal housing policy is automatically adopted regardless of its adequacy for involuntary resettlement
• Consultation with the affected population is rarely conducted prior to project approval, and generally is limited to a small group of local authorities and state agencies.

40. The typical planning process for urban resettlement faces many difficulties. Three of the most important, explained more fully below, are lack of an official resettlement policy at the national or state level, inadequate definition of project subcomponents at the time of appraisal, and lack of qualified social scientists within the project design team.

41. **Lack of an official resettlement policy** that defines institutional responsibilities, rights of those displaced, financing mechanisms, land acquisition, compensation, indemnification, titling, etc. This is one of the most common problems in resettlement planning—no Latin American or Caribbean country has a national policy for involuntary resettlement caused by development projects, nor are we aware of any comprehensive sectoral resettlement policy except for in the Colombian electricity sector.

42. **Inadequate definition of subcomponents**, especially those involving public works construction, hinders early identification of the scope and nature of involuntary displacement. Problems in resettlement programs frequently are a direct consequence of socially unfeasible designs in the preparation phase. Some subcomponents even fail to clearly identify the area affected, and/or lack basic design elements. In the case of slum upgrading and rehabilitation projects the need for displacement is not known until the project nears completion. This complicates advance planning of specific elements, defining of a feasible framework for relocation, and budgeting of human resources and funds.

43. **Lack of qualified social science professionals** in the agencies responsible for project design perpetuates the engineering perspective, from which resettlement tends to be seen as an obstacle to the advancement of the public works projects instead of as a social development program. Physical elements of resettlement such as land and housing generally are taken into account during project planning, but elements such as consultation and participation with the affected population, and assessment of socioeconomic impacts before, during, and after the actual move are usually missing, weakly addressed, or little more than a phrase in a document.
Implementation

General Difficulties

44. Although each project runs into difficulties related to specific undertakings or local conditions, it is possible to identify common problems that are the rule rather than the exception. The most important of these are presented below (some will be discussed in more detail later).

- **Constant changes in project design** has been one of the most important factors complicating resettlement planning in the projects studied here. In almost all the projects the prevailing resettlement plan is different from the one approved two years earlier due to changes in the design of subcomponents, the enlargement or reduction of the project area, or new decisions about construction technologies taken during implementation.

- **Resources of local counterparts are insufficient or not readily available.** In some cases local governments have underestimated costs and failed to allocated sufficient resources (this point will be dealt with in more detail later), causing delays in resettlement programs and distrust toward the project. Also, most projects have had delays due to previously allocated local funds not being effectively available when needed.

- **Lack of a projectwide housing policy.** Frequently the various states and municipalities involved in a project have different housing policies, which complicates coordination and creates disparity in resettlement procedures and outcomes.

- **Conflicts between resettlement strategies and environmental or urban planning regulations.** National or local legal restrictions sometimes create difficulties in obtaining environmental permits for urban renewal, slum improvement, and construction of new housing units (see section on legal difficulties below).

- **Conflicts between the main project and the resettlement program.** Despite the fact that on paper the resettlement plan is consistent with the project’s general construction schedule, in reality progress on the main project tends to create pressures that compromise the resettlement plan and sometimes lead to unsatisfactory measures such as offering monetary compensation as the only option, using transitional shelters when the new settlement is not finished, or occupying unfinished housing and settlements that lack operational public services. In some cases, the water and sanitation agency is separate from the resettlement agency, making coordination difficult especially when the resettlement component is not considered as an integral part of the project but as a subordinate activity.
Institutional complexity affecting planning and implementation of resettlement. All projects in the LAC region involve numerous housing, urban, environmental, and public service agencies, resulting in a very slow process of coordination and decisionmaking.

Incidence of political changes. Local, state, and even national administrations have changed during the course of project implementation, causing revisions to projects and resettlement plans, and consequent delays and difficulties in negotiations with affected populations. Policy differences in successive administrations, the creation of new municipalities such as in the case of Parana and Rio de Janeiro, and ongoing institutional reorganization and shifting of responsibilities have generated enormous difficulties.

Inadequate social teams, sometimes without full-time commitment. In Sao Paulo, for example, six social workers are responsible for assisting 2,000 families (including both the displaced and others affected). If the work requires a minimum of two visits per family, each social worker must make about 600 visits, not counting the time required to for census interviews, community meetings, preparing for the move, and accompanying the families during the move and the adaptation period. In addition, changes in the technical team for the project, and particularly in the social team responsible for resettlement, means losing accumulated knowledge and experience.

Weak management capability in some municipal administrations. This is sometimes aggravated by competing interests between different municipalities with differing stakes in the costs and benefits of a project. Centralization of budgeting and decisionmaking plays an important role, as well as lack of experience on the part of sanitation and public works agencies in resettlement of involuntarily displaced populations.

Invasion by squatters, both in the areas affected by the projects as well as the new resettlement sites. In general squatters fall into two basic categories: homeless families seeking housing opportunities, and groups led by political or community leaders trying to gain electoral advantage. In the PROSAM-Sao Paulo project, the population to be resettled in the first seven slums being rehabilitated increased 16 percent in the year between the initial census and the actual move. In Rio de Janeiro (Strada do Paraiso), homeless people invaded 600 units designated for families displaced by the project. In the Yacyreta project the number of families in the urban area affected doubled in four years. While population pressures pose an additional problem and risk for urban resettlement, it is the responsibility of local public authorities, not the project, to control squatters.

Natural disasters aggravated by lack of contingency plans. The most significant case of this is the PROSAM-Parana project, in which one of the resettlement sites, Renato Bonilauere, became partially uninhabitable due to flooding. As a result, an additional...
A drainage project is required. The Rio de Janeiro and Yacyreta projects also have faced various emergencies during implementation. Such problems result in the social science teams constantly “putting out fires,” which necessarily disrupts the resettlement schedule.

Legal Difficulties

45. **Brazil: “Lei de Protecão dos Mananciais.”** Perhaps one of the major legal difficulties confronted by the sanitation and rehabilitation projects in Brazil has been the requirements imposed by the Lei dos Mananciais, which regulates use of the space around bodies of water and springs. The law basically prohibits construction of human settlements within 50 meters of a body of water, which in many cases has impeded construction of housing developments already approved by the Bank and the borrower. Legal restrictions include rules on lot size and housing density that conflicted with housing plans for low-income families. In PROSAM–São Paulo, the scarcity of lots complying with the regulations has led to proposals to amend the law, or to the search for semi-developed lots with licenses approved before the new law in order to meet the budgetary limitations of the implementing agency. In other cases land is only available at the city outskirts. In PROSAM–São Paulo, for instance, two of the municipalities involved in the project, Itapecerica da Serra and Embu-Guacu, fall entirely within areas affected by the law, thus prohibiting construction of new housing within the town for the displaced families.

46. **Lack of laws on expropriation and public utility.** The absence of laws or expedited mechanisms for expropriation and/or decrees of public utility has created special difficulties for resettlement operations, making it difficult to take possession of areas necessary for project construction and for relocating the displaced population. In the case of Yacyreta, the resettlement programs have faced innumerable legal obstacles (particularly on the Paraguayan side) due to nonexistent and/or inoperative processes for expropriation under declaration of public utility.

47. **Bidding procedures in Bank-financed projects.** Sometimes World Bank bidding regulations conflict with local contracting norms, causing delays in the project timetable. In the case of Rio de Janeiro the resettlement program had to confront a series of difficulties and delays due to the promulgation of law 8.666/93 and its subsequent regulations, which were incompatible with the bidding procedures required by the Bank. Finally the law was changed, allowing bidding to proceed on the civil works for the housing units in Rio Bota, Campo do America, and Barro Vermelho.

Economic Difficulties

48. **Underestimating resettlement costs.** Failure to understand the nature and complexity of the resettlement process has caused chronic underestimation of its cost. The only resettlement costs usually included in the budgets of projects involving involuntary displacement are related to acquisition of land, construction of housing, and compensation for material losses. For Bank
operations up to 1994, cost estimates for resettlement were 54 percent too low on average, and in many cases final costs were 300 to 400 percent higher than initial estimates. Urban resettlement projects in Latin America are not an exception to making unrealistic cost estimates. The original resettlement plan for the PROSAM-Parana project estimated a unit cost of $2,500, even though the current price of a finished low-income housing unit in Curitiba was $7,500. In Yacyreta, resettlement costs doubled in the three years since the original estimate. Evidently not all costs were considered. Below is a list of some of the typical cost factors:

- Consultation and participation
- Field studies and gathering of census information
- Design of housing projects
- Land acquisition, construction of housing and service infrastructure
- Investment in expanding or improving existing services to meet the new demand created by the resettled population
- Transactions with the communities receiving the displaced populations
- Indemnification and compensation for material losses and adverse impacts on economic activities
- Moving the displaced population
- Social assistance and income restoration programs
- Title and registration
- Administrative costs and salaries of social scientists and related specialists
- Incremental costs due to urban land speculation
- Transactions costs between the institutions and agents involved
- Miscellaneous costs not previously planned

49. Furthermore, the rise in urban land and housing prices between the planning stage and the time of purchase has played an irrefutable role in the insufficiency of local counterpart funds. In Sao Paulo, the costs estimated by the Housing and Urban Development Company (CDHU) had to be adjusted 69 percent to meet prevailing prices in the market for low-income housing.

50. Finally, administrative costs due to the institutional complexity of these projects are generally greater than predicted. Very frequently, arriving at agreements between institutions, creating of inter-institutional coordinating committees, and overcoming the geographic and bureaucratic dispersion of the agencies involved, leads to unforeseen costs.

51. Unit costs of resettlement. Table 5 presents the unit costs for resettlement in eight active and in-preparation Bank projects in Latin America and the Caribbean. The average unit costs are approximately $10,200. However, the characteristics of the solutions offered (location, lot and house size, services, community facilities, etc.) vary, and actual costs range from a low of $1,700 for buying a flimsy, existing house in the same or another slum, to a high of $33,450 for building finished single-family units complete with services, community facilities, and socioeconomic assistance programs for urban low-middle class families in
### Table 5. Unit Costs of Resettlement by Project

<table>
<thead>
<tr>
<th>Project</th>
<th>Unit cost ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Projects Under Implementation</strong></td>
<td></td>
</tr>
<tr>
<td>Brazil—Paraná Water Quality and Pollution Control Project</td>
<td>6,800</td>
</tr>
<tr>
<td>Brazil—Minas Gerais Water Quality and Pollution Control Project</td>
<td></td>
</tr>
<tr>
<td>Contagem</td>
<td>6,780–7,300</td>
</tr>
<tr>
<td>Belo Horizonte</td>
<td>7,372–12,643</td>
</tr>
<tr>
<td>Brazil—São Paulo Water Quality and Pollution Control Project</td>
<td>1,700&lt;sup&gt;a&lt;/sup&gt;–20,515</td>
</tr>
<tr>
<td>Brazil—Rio Flood Reconstruction and Prevention Project</td>
<td>6,502–13,980</td>
</tr>
<tr>
<td>Yacyreta Hydroelectric Project II</td>
<td></td>
</tr>
<tr>
<td>Argentina</td>
<td>10,105–17,122</td>
</tr>
<tr>
<td>Paraguay</td>
<td>20,250–33,450</td>
</tr>
<tr>
<td>Brazil—Integrated Urban Transport Project</td>
<td></td>
</tr>
<tr>
<td>Belo Horizonte</td>
<td>7,200</td>
</tr>
<tr>
<td>Recife</td>
<td>6,300</td>
</tr>
<tr>
<td><strong>Projects in Preparation</strong></td>
<td></td>
</tr>
<tr>
<td>Colombia—Santa Fe 1 Water Supply and Sewerage Rehabilitation and Private Sector Development Project</td>
<td>13,492</td>
</tr>
<tr>
<td>Brazil—Minas Gerais Urban Development (Ipatinga)</td>
<td>10,199</td>
</tr>
</tbody>
</table>

<sup>a</sup> $1,700 is the maximum cost that is invested in the purchase of a slum house where intervention takes place.

Argentina. Table 6 shows the total cost of the resettlement program as a percentage of total cost in seven projects.

52. As mentioned, the real total cost of resettlement is higher, due to the fact that the figures do not include all factors associated with resettlement. Also, costs are higher in projects which entail massive relocation and large urban upgrading components; for example, in the PROSAM—Sao Paulo and Rio Flood Reconstruction projects resettlement costs rose to 27 percent and 15 percent of total costs, respectively.

53. But in general, resettlement costs are still of little significance in relation to total project costs, and its effect on profitability is minimal. Economic studies carried out by the Bank on megaprojects that entailed resettlement have demonstrated the low sensitivity of the rate of return in relation to a significant increase in costs. A recent calculation made for Yacyreta showed that an increase of 500 percent in the cost of resettlement would be required to drive the internal rate of return below 12 percent.<sup>8</sup>

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54. **Resettlement financing and the role of the Bank.** In most projects, local counterpart resources for resettlement have been insufficient due to underestimation of resettlement costs, changes in financing priorities due to changes in public administration, and changes in project design and expansion of the area to be affected. Furthermore, the funds that do exist and have been appropriated by the borrower are not always available when needed due to bureaucratic delays in moving the funds to the implementing agencies. Greater Bank involvement in resettlement financing could help solve some of these problems.

55. Although Bank resources designated for resettlement have increased significantly in recent years, the financial participation of the Bank is still weak. In accordance with existing guidelines, the Bank cannot finance some important resettlement costs, such as land acquisition, salaries of government functionaries, compensation for goods other than land, or already built housing units.\(^9\) Except for these items, the Bank can finance all investments related to resettlement, subject of course to the Bank’s financing norms and prevailing procedures for bidding and contracting. Initially, governments are not interested in borrowing money for resettlement and prefer to finance resettlement operations by using counterpart funds. The Bank has other financial support instruments specifically directed toward project preparation through the Project Preparation Facility (PPF). So far, none of the projects with resettlement in the LAC portfolio have used such financing.\(^{10}\) It would be interesting to investigate the reasons why, and find ways to facilitate use of these funds.

<table>
<thead>
<tr>
<th>Project</th>
<th>Total cost ($ million)</th>
<th>Cost of resettlement ($ million)</th>
<th>Resettlement as percent of total cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rio Flood Reconstruction</td>
<td>300(^a)</td>
<td>45</td>
<td>15</td>
</tr>
<tr>
<td>PROSAM-Minas Gerais</td>
<td>307</td>
<td>15</td>
<td>4.8</td>
</tr>
<tr>
<td>PROSAM-Parana</td>
<td>223</td>
<td>14.4(^b)</td>
<td>5.4</td>
</tr>
<tr>
<td>PROSAM-Sao Paulo</td>
<td>260</td>
<td>70</td>
<td>27</td>
</tr>
<tr>
<td>BH-REC Metropolitan Transp.</td>
<td>204</td>
<td>12.3</td>
<td>6</td>
</tr>
<tr>
<td>Yacyreta</td>
<td>8,500</td>
<td>218.6(^c)</td>
<td>2.6</td>
</tr>
<tr>
<td>Santa Fe</td>
<td>641</td>
<td>0.2</td>
<td></td>
</tr>
</tbody>
</table>

*Note:* The costs of resettlement of various projects only includes the housing replacement programs. Acquisition of land, compensation, and administrative costs are not included.

\(^{a}\) State component  
\(^{b}\) Through December 1993  
\(^{c}\) Total cost including semiurban, urban, and rural resettlement

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10. See World Bank Operational Directive 8.10 on the Project Preparation Facility
56. Table 7 shows current Bank participation in resettlement financing of projects under implementation in Latin America and the Caribbean. Although most of these projects did not include external resettlement financing when they were approved, once the projects were under implementation (and at the request of the borrowing governments), the Bank expanded its participation by financing construction of housing units, infrastructure, and consultant salaries to carry out independent studies and evaluations. The most notable case is the Rio Flood Reconstruction Project, in which the Bank financed 60 percent of the resettlement program.

57. Even if we cannot establish a direct correlation between external financing and the success of resettlement programs, we can at least show that in practice the availability of external resources creates a commitment and positive response by the governments to deliver

<table>
<thead>
<tr>
<th>Project</th>
<th>Bank participation</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paraná Water Quality and Pollution Control</td>
<td>yes</td>
<td>Until now the state of Paraná has been responsible for 100 percent of resettlement costs. At the borrower's request, the Bank will finance the infrastructure and earthworks as well as water and sewage services for the lots.</td>
</tr>
<tr>
<td>Sao Paulo Water Quality and Pollution Control</td>
<td>yes</td>
<td>The state of Sao Paulo with the support of the municipality of Sao Paulo is responsible for 98.7 percent of the resettlement costs. The Bank is financing the services infrastructure in the housing developments (1.3 percent of the total construction costs for the housing).</td>
</tr>
<tr>
<td>Rio Flood Reconstruction and Prevention</td>
<td>yes</td>
<td>The Bank is financing 60 percent of the resettlement costs (state component) and the federal government is financing 40 percent.</td>
</tr>
<tr>
<td>Minas Gerais Water Quality and Pollution Control</td>
<td>yes</td>
<td>Until now, the state of Minas Gerais and the municipality of Contagem have been responsible for 100 percent of resettlement costs. At the request of the state government, the Bank will finance the housing construction component.</td>
</tr>
<tr>
<td>Yacyreta Hydroelectric II</td>
<td>yes</td>
<td>The Argentine government is responsible for resettlement financing, but the Bank is financing 6 percent of the total cost of the plan, including urban and rural relocation.</td>
</tr>
<tr>
<td>Belo Horizonte and Recife Metropolitan Trans-</td>
<td>no</td>
<td>The implementing agency will be responsible for 100 percent of the resettlement costs.</td>
</tr>
<tr>
<td>portation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Santa Fe I Water Supply and Sewerage Rehabili-</td>
<td>no</td>
<td>Implementing agency will be responsible for all resettlement costs.</td>
</tr>
<tr>
<td>tation and Private Sector Development</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
local counterpart financing and thereby facilitate implementation of the program in accordance with agreed upon schedules.

58. **Recuperation of investment in resettlement.** In accordance with Bank policy, the resettlement component need not be economically viable nor subject to the criteria of investment recovery. However, it is expected that resettlement goals will be achieved at the lowest cost possible. In massive resettlement cases and those with high resettlement costs, all implicit costs should be identified and included as part of the overall project cost. Both the costs and benefits of resettlement should be considered in the cost-benefit analysis of the main project. There is a possibility to include the cost of resettlement and socioeconomic rehabilitation of the displaced population in the price charged for services provided by the project. In this way the benefits of a project would pay for the resettlement necessary to implement it while ensuring more sustainable development. This clearly goes beyond mere cost considerations, and involves a broad range of issues in the conception, design, and implementation of resettlement programs within the context of development and urban rehabilitation. These ideas should be explored by social science teams along with economists, project managers, and urban planning specialists.

**Concerns Expressed by Borrowers**

59. Below is list of the principal concerns expressed by borrowers regarding resettlement operations:

- **Difficulties in reconciling national or local contract and bidding procedures with those of the Bank.** In particular, borrowers mention difficulties in applying Bank rules in the bidding process for housing construction and other resettlement related programs.

- **Constant changes in Bank personnel responsible for supervising resettlement.** In particular, such turnover leads to differing information requirements and changes in pre-established agreements, disturbing the progress of the resettlement program. Borrowers also note the long period between resettlement supervision missions, which sometimes results in having to go back over decisions and actions that were already settled.

- **Undue pressure by the Bank to register affected families before the project is clearly delineated and an official resettlement policy formulated.** This can result in false expectations and distrust by the community toward the implementing agency.

- **Lack of Bank financial support for resettlement operations** is one of the most important concerns expressed by borrowers. Resettlement operations would benefit greatly by having the Bank and the borrower share responsibility for financing.

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IMPACT OF RESETTLEMENT ON EMPLOYMENT, PRODUCTIVE ACTIVITIES, AND INCOME

60. It is widely recognized that resettlement does not end when the population has been moved to the new site. In fact, the work of assuring the community's sustainability has just begun: adaptation to the new site and new housing, rebuilding social networks and the structure of the community, new relations with the host population, recovery of prior family income level, management and maintenance of new services, etc. These challenges go far beyond the mere physical relocation of the population.

61. Successful budgeting, financing, recouping of resettlement investments, and sustainability is closely tied to the central issues of urban development itself. In other words, social and economic rehabilitation programs are the backbone of sustainable urban resettlement. Location of the new settlement is a key element in restoring productive activities and ensuring income opportunities and access to services. In resettling the urban poor it is important to move them the least distance possible from their original location. This is problematic, however, since many of the difficulties of urban resettlement are rooted in the relative scarcity of land and housing (especially for low-income groups), restrictions on land use, and the burden on municipal finances.

62. However, the impact of resettlement on economic activities has not been seriously considered and monitored in most Bank projects in Latin America. Income restoration programs generally are not included in project design, and the programs that do exist are in some cases inadequate. This is due to the prevailing belief that resettlement of the urban poor does not seriously disrupt economic activities, and that with time families adapt and find other ways to subsist. This belief persists, in part, because of the scarcity of data on the correlation between economic activities and place of residence.

63. One factor to look at in assessing the potential economic effect of resettlement is the degree to which families gravitate toward particular neighborhoods and how their economic activities are linked to that specific area. This will help identify impacts on home-based businesses or survival strategies based on the informal sector, and to design income restoration strategies at the new site. Among the families relocated by the El Salvador Earthquake Reconstruction Project, for example, field studies documented the decline or even disappearance of activities, such as selling tortillas and tailoring, that depended on proximity to the business generated by government workers in downtown offices.

64. In many of the LAC urban resettlement projects it has been possible to obtain adequate lots near the current settlements, but in other cases budget limitations have forced implementing agencies to select sites relatively far away. As shown in Table 8, distances to the new sites range from less than 1 kilometer for one of the Yacyreta settlements, to 60 kilometers for one of the communities displaced by the PROSAM–Parana project.
Table 8. Distance of Relocation

<table>
<thead>
<tr>
<th>Settlement</th>
<th>Average distance to new site (kilometers)</th>
<th>Settlement</th>
<th>Average distance to new site (kilometers)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project: PROSAM-Parana</td>
<td></td>
<td>Project: Rio Flood</td>
<td></td>
</tr>
<tr>
<td>Areal</td>
<td>7.5</td>
<td>Sitio do Livramento</td>
<td>3</td>
</tr>
<tr>
<td>Independencia</td>
<td>8</td>
<td>Strada do Paraiso</td>
<td>40</td>
</tr>
<tr>
<td>Butiazinho</td>
<td>8.5</td>
<td>Bento Rivero Dantas</td>
<td>15</td>
</tr>
<tr>
<td>St. Judas Tadeu</td>
<td>9</td>
<td>Sitio do Livramento (II)</td>
<td>2.5</td>
</tr>
<tr>
<td>Maria Luiza</td>
<td>9.8</td>
<td>Barro Vermelho</td>
<td>8</td>
</tr>
<tr>
<td>V. Jurema</td>
<td>7</td>
<td>Campo de America</td>
<td>5</td>
</tr>
<tr>
<td>Libanopolis</td>
<td>15</td>
<td>Missoes</td>
<td>13</td>
</tr>
<tr>
<td>V. Martins</td>
<td>11.5</td>
<td>Bota</td>
<td>7</td>
</tr>
<tr>
<td>JD. Nemari I</td>
<td>112</td>
<td></td>
<td></td>
</tr>
<tr>
<td>JD. Nemari III</td>
<td>10.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>JD. Nemari IV</td>
<td>11.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jd. Ipe</td>
<td>8.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brasiliino M. Pedroso</td>
<td>9.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>JD. Alvorada</td>
<td>10.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>JD. Itajuba</td>
<td>11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>JD. Isaura</td>
<td>11.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fany Do Guatuke I</td>
<td>11.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fany Do Guatuke II</td>
<td>11.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>JD. Tropical</td>
<td>35</td>
<td></td>
<td></td>
</tr>
<tr>
<td>JD. Tamoio</td>
<td>23</td>
<td></td>
<td></td>
</tr>
<tr>
<td>JD. Nemari V</td>
<td>60</td>
<td></td>
<td></td>
</tr>
<tr>
<td>JD. Eugenia Ma.</td>
<td>10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>JD. Paulista</td>
<td>19</td>
<td></td>
<td></td>
</tr>
<tr>
<td>JD. Santa Rita de Cassia</td>
<td>23</td>
<td></td>
<td></td>
</tr>
<tr>
<td>JD. Parana</td>
<td>23</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PS Sta Luzia</td>
<td>55</td>
<td></td>
<td></td>
</tr>
<tr>
<td>V. Dignidade</td>
<td>2.5</td>
<td>Buena Vista</td>
<td>5</td>
</tr>
<tr>
<td>Weissopolis/Atuba</td>
<td>4.5</td>
<td>A3.2</td>
<td>&lt;1</td>
</tr>
<tr>
<td>Weissopolis/Irai</td>
<td>4.5</td>
<td>A1</td>
<td>2-3</td>
</tr>
<tr>
<td>Vargem Grande</td>
<td>2.9</td>
<td>San Pedro</td>
<td>10</td>
</tr>
<tr>
<td>Vila Ma Antonieta</td>
<td>2.9</td>
<td>Arroyo Porá</td>
<td>15</td>
</tr>
<tr>
<td>V. Guiomar</td>
<td>2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

65. But distance is not the only factor that poses a risk to the displaced families' income, economic opportunities, and survival strategies. Some other important factors are:

- Negative effects on the semirural survival patterns developed by poor families living in areas of urban expansion, especially activities that complement family income and nutrition such as raising animals, maintaining home gardens, scavenging, and garbage recycling
- Family income erosion due to new financial burdens, such as additional transportation costs or having to pay for services that previously were free or subsidized.
• Additional expenditures due to the rupture of community ties and interdependence that previously guaranteed services such as child care, neighborhood security, etc.

66. As mentioned earlier, there is no systematic and reliable data regarding the impact of completed Bank resettlement programs on family income in Latin America, nor on local or home-based businesses. This problem is compounded by the general scarcity of research on informal-sector economic activities, which are usually the largest source of income for residents in marginalized areas. Even in cases where a postrelocation survey is carried out, (like in Rio Flood) there has not been systematic monitoring of the economic welfare of the resettled families, but rather a usually narrow focus sample survey to determine the level of satisfaction of relocated families with housing and new services.

67. In the PROSAM–Minas Gerais–Contagem project a survey was conducted recently in the new settlement of Camp Alto, located 20 kilometers from the old site, in which 68 families were resettled during 1993-94. The survey showed that 39 percent of the economically active population still were working in industries near the former site of the community, and 17 percent were self-employed in activities near the former site. In total, 56 percent depended on the physical and economic environment of the former site for their subsistence. Although the social science team in charge of the resettlement concluded that there has not been a rupture of economic activities and that existing difficulties are minor and transitory, the survey signals potential problems that require attention:

• 58 percent of the those surveyed pointed out problems related to distance, transportation, and scarce demand for labor in the area of the new settlement
• 35 percent said their family income was affected by lower wages and higher costs for services in the new settlement
• The community complained that insufficient education and health facilities force them to use other schools and hospitals, thereby increasing transportation costs

68. The El Salvador Earthquake Reconstruction Project is an exception to the lack of economic welfare monitoring. At the Bank’s request a quick evaluation was carried out on the risk of impoverishment for families resettled in the Villa Italia District, 15 kilometers from the original settlement. The study showed that economic conditions had worsened for 6 percent of the resettled families due to lack of access to usual sources of employment in the city’s center, and as well as higher costs for transportation and services. A support strategy was designed and implemented for these families, with the support of an NGO, consisting of a rotating fund for financing family microenterprises.

69. It should be recognized, however, that each case is different and that distance is not necessarily a negative factor. For example, in the case of Parque Libertad in the municipality of Caixas, the residents chose to be resettled in the Bento Riviero Danta housing development in Rio de Janeiro. This was far from their former site, but had the advantage of being closer to the job market. Early consultation with affected families and participation in decisionmaking were key factors in the success of this case.
Finally, an independent evaluation and monitoring system has been set up to assess income restoration and recovery of prior living standard conditions in Yacyreta. Monitoring will cover a postrelocation period of one and a half years.

PROGRESS MADE AND NEW CHALLENGES
FOR THE BANK AND BORROWERS

Advances

The resettlement operations mentioned here, and many others that are outside the scope of this document, clearly reflect the progress made by borrowers and the Bank in understanding, planning, and implementing projects that involve involuntary displacement of urban populations. Some of the most notable advances and positive results are briefly mentioned below.

- **Avoiding unnecessary displacement.** In all the projects, borrowers have made serious efforts to minimize involuntary displacement, often by searching for better technical options. Table 9 presents some cases of design optimization that significantly reduced displacement.

- **Resettlement plans and policies.** All the projects have resettlement plans generally consistent with Bank policy and with norms and regulations in each country.

- **Taking into account the views of the affected population.** Consultation and participation by the communities directly affected is a fundamental part of all resettlement operations currently in progress. In all cases, direct involvement of the population affected is a key element in the implementation phase.

- **Participation from the earliest stages.** Recent projects have shown progress in

<table>
<thead>
<tr>
<th>Project</th>
<th>Optimization actions</th>
<th>Reduction in displacements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rio Flood</td>
<td>The project (state component) has been optimized through changes in the layout of ditches and water treatment services and the adoption of new construction technologies to minimize the impact on affected neighborhoods</td>
<td>1,300</td>
</tr>
<tr>
<td>PROSAM-Parana</td>
<td>The project has been improved by changing the initial objective of moving the population away from bodies of water and into areas with access to services (to prevent contamination), and instead using appropriate technology to improve water and sanitation infrastructure at the existing settlements.</td>
<td>1,000</td>
</tr>
<tr>
<td>Colombia-Santa Fe 1</td>
<td>The project has been optimized by changing some of the areas to be affected.</td>
<td>1,800</td>
</tr>
</tbody>
</table>
conducting consultation and participation from the first stages of planning, thereby contributing significantly to the social feasibility and acceptance of the project.

- *New Initiatives.* Significant efforts have been made by the interdisciplinary technical teams of the projects to provide sound technical, economic, environmental, and social solutions to mitigate the impacts of the forced displacement. In several projects, innovative instruments have been developed for the replacement of housing, such as letter of credit, option to purchase, resident aid, contracting out services to third parties, etc., which are more in harmony with the reality of major urban centers in Latin America.

- *Growing institutional capacity.* The technical capacity and accumulation of experience on the part of the social science teams in charge of resettlement has slowly permeated and fortified the capacity of the borrowing institutions.

- *Interinstitutional coordination.* Important progress in interinstitutional coordination through adoption of formal agreements has permitted a clearer designation of responsibility among agencies involved in resettlement.

- *Best practices.* The process of analyzing and understanding past resettlement experiences, while still weak, has yielded important lessons which have been incorporated into current resettlement plans.

- *Financial support.* At the borrowers' request, the Bank has augmented its participation in financing resettlement and rehabilitation plans, which has guaranteed cash flow availability.

- *In summary,* many resettlement projects have turned involuntary displacement from a solely negative experience into a source of positive benefits expressed by:
  - Security and stability for the families removed from the areas at risk
  - Better housing, health, and sanitary conditions
  - Secure property rights
  - Increased value of family assets and access to basic services.

**Recommendations for the Borrower**

72. Notwithstanding the progress mentioned, there are still many problems that must be studied and resolved to improve planning, management, and social outcomes of urban resettlement programs. Following are some recommendations to help overcome or mitigate the operational problems that have been analyzed in this document.

**Preparation Phase**

- *Design of urban projects should be optimized and should incorporate resettlement as an integral component from the very outset.* Many difficulties result from failure to optimize project design and from viewing resettlement as an obstacle rather than an integral part of urban development and rehabilitation. For example, last-minute changes in the location and impact area of the projects, and subordination of resettlement to the requirements of civil works and other components has sometimes meant relocating populations into housing units without finished services, water, and
electricity (Rio Flood, Yacyreta), or into temporary shelters that do not meet even minimal conditions of hygiene and habitability. In Rio de Janeiro, due to the pressure imposed by progress in the main civil works, about 100 families were temporarily placed in rented houses before being moved to Missoes and Campo do America. Such measures usually involve high social costs, uncertainty, and discontent which could have been avoided if explicit designs and optimal technical solutions had been clearly defined before project approval or at the earliest possible stage.

b. Early resettlement arrangements as a key element in the social feasibility of the project. Early preparation of institutional and financial arrangements, and particularly the timely definition of resettlement policy, strategies, and mechanisms for participation, have evolved as critical criteria for successful resettlement operations.

c. Adoption of a resettlement policy at the national, state and/or sectoral level. This is particularly important in countries with numerous projects involving resettlement, since designing policy project by project is inefficient and time consuming and can lead to inconsistencies difficult to manage. The Bank could offer technical assistance and help coordinate interinstitutional dialog.

d. Staffing projects with adequate social science teams. Along with engineers, economists, planners, etc., the central coordinating unit of the project should include from the outset a basic team of social specialists to evaluate the project and design the resettlement plan. Before project approval the Bank and borrower should agree on a minimum number of social specialists to contract during the implementation phase of the project.

e. Approach to resettlement as a planning process and not just as a document preparation. Designing the resettlement plan as phases included in the legal agreement, with clauses on approval of action plans for future components or subparts, authorization procedures for beginning construction of main civil works at each phase, will permit flexible management without unnecessary pressure on social programs and the pace of the work. If the resettlement plan should be flexible, so too must the civil works be responsive to the vicissitudes of the resettlement process—negotiation with the affected population, acquisition and preparation of new sites, availability of housing, new legislation, political interference, etc. All changes in the project should be submitted to the Bank for review and approval.

f. Carrying out a social assessment (SA) and analysis of stakeholders. The SA will help identify the social actors affected by the project and ensure their participation in the planning and design of resettlement options as well as the distribution of associated costs and benefits. The findings of the SA will be a fundamental tool in designing socially feasible projects, and should be a factor in: defining criteria for distributing costs and benefits (including the displaced population), financial analysis and in-
vestment decisions, optimal use of project resources, and the price of services produced by the project.

g. **Resettlement is more than just replacement housing.** Urban displacement and resettlement requires an integrated vision not only of housing issues but also economic and social impacts. Resettlement programs should include not just housing agencies, which possess enormous experience with low-income housing, but also other institutions responsible for addressing socioeconomic problems associated with forced displacement.

h. **There must be adequate socioeconomic and cultural data** for making decisions during preparation. Frequently there is no information about the social, economic, and political networks—the *modus operandi*—of the so-called poverty belts or slums. Urban planners and government agencies know little about the survival strategies, expense management, mutual security, solidarity networks, system of power, etc. in those settlements. It is hard to find studies that go beyond traditional socioeconomic indicators of poverty and marginalization, and there is little concern about the effects of resettlement on employment, economic activities, and family income. Resettlement plans should include programs for restoring productive activities. In selecting the resettlement site and planning income rehabilitation measures it is important to assess the degree to which the displaced families’ economic activities are linked to the community’s original location.

i. **There must be substantial improvement in estimating costs, arranging financing for resettlement, and defining the time frame for resettlement.** Underestimation of costs and the resulting unavailability of resources has often led to poorer housing quality or to providing prepared lots rather than finished houses. There also is a tendency to underestimate the time necessary for implementation, and particularly for acquiring and preparing resettlement sites, obtaining licenses, and carrying out renewal and rehabilitation projects. Bank resettlement programs in Latin America are typically 10–24 months behind schedule.

j. **Resettlement financing.** Bank participation in resettlement financing has been a key element in the success of some operations, while reliance solely on local counterpart financing has contributed to delays and problems in others. It is strongly recommended that the Bank and borrowers study the pros and cons of partial financing from external sources, and solve difficulties for funds availability.

k. **Institution strengthening for agencies implementing resettlement should be a project subcomponent in many cases.** Measures should also be taken to strengthen the commitment and participation of local governments in project planning and development. Specifically, the Bank should promote, and the borrower should be committed to share experiences among projects and countries.
1. All resettlement plans should offer a range of alternatives to the affected population. This helps address the heterogeneity of displaced groups, recognizes their right to weigh different options and choose the most appropriate one, and permits more flexible management of the resettlement operation. The broader the range of alternatives for replacing land, housing, and services and for restoring standards of living, the better the chance of reducing the negative impacts and having a successful outcome. Special emphasis should be given to preparing viable social and economic alternatives for families in extreme poverty, even if that implies large subsidies.

m. Contingency plans. Projects in areas subject to frequent natural disasters such as flooding, earthquakes, etc., should have contingency plans for emergency evacuation of the displaced population. The plan should establish explicit institutional responsibilities and economic measures, and the corresponding economic resources should be contemplated within the project budget.

Implementation Phase

a. Immediately after project approval, counterpart funds for resettlement should be transferred to a special account to guarantee timely availability of resources for the state, municipality, or implementing agency.

b. An interdisciplinary team should be in charge of resettlement during the entire implementation phase, and should include, where possible, specialists in social sciences, community participation, social engineering, architects, etc.

c. The principal civil works and resettlement activities should be developed in parallel, phase by phase, through a special project managing unit (UGP). It is critical to make the resettlement team part of the project managing unit.

d. Housing solutions involving costs to the resettled population should be studied carefully. Requiring those displaced to bear part of the resettlement cost, particularly when no other alternative is offered, can have serious negative impacts on precarious family incomes. Such arrangements should be rigorously analyzed and monitored to avoid further impoverishing already marginalized populations.

e. Plans involving monetary compensation should be carefully evaluated and monitored, and should include safeguards to prevent families from falling into poverty. Housing availability problems and the advance of civil works make cash compensation an attractive option for project planners. In Contagem, 60 percent of displaced families received monetary compensation, and in Belo Horizonte it is expected that 40 percent will choose this option in the next phase of resettlement. While there is no systematic tracking of resettlement outcomes, experience throughout the world has shown that this alternative does not guarantee replacement of housing or previous living conditions. Indemnification in money may be an adequate option for groups
with higher incomes and greater capacity to self-relocate, but it should not be an "out" to avoid finding viable solutions for vulnerable, low-income families.

f. **Controlling invasion by squatters.** In general, there are no effective regulations or measures to control invasions in the project area or the resettlement sites. One tactic is to start the civil works as soon as possible after the population is moved to avoid new squatters taking over the abandoned site. Before resettlement takes place, the affected communities themselves can often help control invasions, both in the original site and the future site. Once a census has been conducted, and as long as there are not significant delays, the project area should be "closed" and agreement reached with residents that newcomers will not be entitled to resettlement or cash compensation.

g. **Systematic monitoring.** The monitoring program should be planned and put in place immediately after the census has been conducted. Indicators to measure restoration of social networks and economic activities, adaptation to the new environment, and improvement in living conditions should be clearly defined and routinely incorporated in all resettlement processes. Quarterly monitoring reports should include specific recommendations for fine-tuning policies, modifying housing alternatives and assistance, and avoiding emergencies in future phases of the resettlement. Special attention should be given to field monitoring of economic activities, employment, and family income when the new site is far from the original settlement or job market, or is located in the urban outskirts or in a different municipality.

h. **Post-project evaluation of results.** With the exception of Yacyreta, there are no independent ex-post evaluations of urban resettlement programs in the LAC region. Few projects have been systematically evaluated; most reviews are only fragmentary. This is one of the reasons that decisionmaking related to resettlement policy is largely based on speculation, subjective interpretations, and endless repetition of failures. It is especially important to include analysis of the living conditions of people who received monetary compensation, and to adapt prevailing policy accordingly. The ex-post evaluation of each resettlement should begin after the physical transfer of the families and establishment of services is completed. The borrower should include a detailed report of the results of resettlement within the project completion report to be sent to the Bank.

i. **Post-project evaluation indicators.** In addition to the traditional indicators of success for urban resettlement (replacement of housing, quality of housing, access to services, improvement in quality of life, and degree of satisfaction) the completion report should evaluate recovery of economic activities and risk of impoverishment based on the following criteria:

- Effects on home-based employment and economic activities
- New economic activities
- Evolution of family income
- Cost of basic family necessities in the new place
- New expenditures in services
- Value of family assets
- Changes in sociocultural behavior
- Sustainability of the new settlement.

j. **Social assistance and economic recovery activities** should be contracted to governmental or nongovernmental entities *specialized* in this type of program. It is especially important to design support programs for microenterprises and home-based economic activities. Such programs have proven to be effective tools in restoring income as well as facilitating the adaptation process and rebuilding of communities.

k. **Environmental education.** Environmental education programs are recommended to help ensure the sustainability of the new settlement as well as the cleared areas. Many Bank projects in Latin America have well-designed environmental education programs, but unfortunately they are not usually implemented effectively.

l. **Supervision of resettlement.** The borrower should demand the necessary technical and supervisory support from the Bank. Supervision missions should be planned to allow time for evaluating problems and designing solutions together with the borrower, and the aide memoire signed by the parties must be clear and must contain realistic commitments. The Bank should intensify its supervision of urban resettlement, and the necessary resources should be included in the operating budget.

### Recommendations for the Bank

73. As mentioned, urban development projects are more likely than rural ones to involve frequent modifications in design, subcomponents, and project area, and often are approved before designs are complete. Cases without finished designs, where there is great uncertainty regarding resettlement needs and the number of families that will be affected, require agreement between the Bank and Borrower on the policies, principles, and arrangements that will be applied during implementation. The Bank should make sure that the borrower agrees with Bank directives on resettlement and makes the necessary institutional and financial arrangements to respond to any resettlement needs that arise.\(^{12}\) Specifically, there should be two stages in the planning process:

a. **Preparation of a planning framework including the ground rules for handling any involuntary displacement.** The framework will be presented to the Bank before negotiations, and any activities contemplated in the project should be clearly specified in the project's legal documents as a condition for approval. The plan should include, at minimum:

\(^{12}\) See Operational Directive 4.30, paragraph 26, World Bank
• A resettlement policy acceptable to the Bank specifying that all affected families (regardless of legal ownership status) will have the right to choose between monetary compensation for the replacement value of their property, or a replacement lot and housing of equal or better quality. Those displaced will also receive assistance in restoring their economic status and community social networks during the period of transition and adjustment to the new site. The policy should also detail participatory strategies and mechanisms.

• Financial and institutional responsibilities and arrangements to ensure availability of necessary funding and human resources.

• A schedule for the planning process, indicating all benchmarks for resettlement preparation and submission of the action plan for Bank approval.

b. *Preparation of a detailed action plan* that is based on the results of the census and family-by-family registry, shows evidence of consultation with involved community associations and negotiations with the people directly affected, and describes human resources, socioeconomic programs, budget, schedule of activities, monitoring program, and follow-up indicators. The detailed action plan should contain all information required in Bank Operational Directive 4.30, and should be submitted for Bank approval before bidding on any civil works that will cause involuntary displacement.\(^\text{13}\)

\(^{13}\) See Appendix B: LATEN Guidelines for Review of Projects Where Resettlement Needs Are Not Known in Detail at the Time of Appraisal.
APPENDIXES

A. Operational Directive 4.30: Involuntary Resettlement

B. LATEN Guidelines for Review of Projects Where Resettlement Needs Are Not Known in Detail at the Time of Appraisal
# Operational Directive 430: Involuntary Resettlement

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This directive was prepared for the guidance of staff of the World Bank and is not necessarily a complete treatment of the subjects covered.
Involuntary Resettlement

Introduction

1. This directive describes Bank policy and procedures on involuntary resettlement, as well as the conditions that borrowers are expected to meet in operations involving involuntary resettlement. Planning and financing resettlement components or free-standing projects are an integral part of preparation for projects that cause involuntary displacement. Any operation that involves land acquisition or is screened as a Category A or B project for environmental assessment purposes should be reviewed for potential resettlement requirements early in the project cycle (para. 20).

2. 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; people are relocated to environments where their productive skills may be less applicable and the competition for resources greater; community structures and social networks are weakened; kin groups are dispersed; and cultural identity, traditional authority, and the potential for mutual help are diminished. Involuntary resettlement may cause severe long-term hardship, impoverishment, and environmental damage unless appropriate measures are carefully planned and carried out.

Policy Objectives

3. The objective of the Bank's resettlement policy is to ensure that the population displaced by a project receives benefits from it. Involuntary resettlement is an integral part of project design and should be dealt with from the earliest stages of project preparation (para. 28), taking into account the following policy considerations:

   (a) Involuntary resettlement should be avoided or minimized where feasible, exploring all viable alternative project designs. For example, realignment of roads or reductions in dam height may significantly reduce resettlement needs.

   (b) Where displacement is unavoidable, resettlement plans should be developed. All involuntary resettlement should be conceived and executed as development programs, with resettlers provided sufficient investment resources and opportunities to share in project benefits. Displaced persons should be (i) compensated for their losses at full replacement cost prior to the actual move; (ii) assisted with the move and supported during the transition period in the resettlement site; and (iii) assisted in their efforts to improve their former living standards, income earning capacity, and production levels, or at least to restore them. Particular attention should be paid to the needs of the poorest groups to be resettled.

   (c) Community participation in planning and implementing resettlement should be encouraged. Appropriate patterns of social organization should be estab-

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1. "Bank" includes IDA, and "loans" includes credits.
3. OD 4.00, Annex A, Environmental Assessment, para. 18.
4. Such projects may 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. Refugees from natural disasters, war, or civil strife are also involuntary resettlees, but they are not discussed in this directive (see OD 6.50, Emergency Recovery Assistance).

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lished, and existing social and cultural institutions of resettlers and their hosts should be supported and used to the greatest extent possible.

(d) Resettlers should be integrated socially and economically into host communities so that adverse impacts on host communities are minimized. The best way of achieving this integration is for resettlement to be planned in areas benefiting from the project and through consultation with the future hosts.

(e) Land, housing, infrastructure, and other compensation should be provided to the adversely affected population, indigenous groups, ethnic minorities, and pastoralists who may have usufruct or customary rights to the land or other resources taken for the project. The absence of legal title to land by such groups should not be a bar to compensation.

Resettlement Planning

4. Where large-scale population displacement is unavoidable, a detailed resettlement plan, timetable, and budget are required. Resettlement plans should be built around a development strategy and package aimed at improving or at least restoring the economic base for those relocated. Experience indicates that cash compensation alone is normally inadequate. Voluntary settlement may form part of a resettlement plan, provided measures to address the special circumstances of involuntary resettlers are included. 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 may be used.

Plan Content

5. The content and level of detail of resettlement plans, which will vary with circumstances, especially the magnitude of resettlement, should normally include a statement of objectives and policies, an executive summary, and provision for the following:

(a) organizational responsibilities (para. 6);
(b) community participation and integration with host populations (paras. 7-10);
(c) socioeconomic survey (para. 11);
(d) legal framework (para. 12);
(e) alternative sites and selection (para. 13);
(f) valuation of and compensation for lost assets (paras. 14-16);
(g) land tenure, acquisition, and transfer (para. 17);
(h) access to training, employment, and credit (para. 18);
(i) shelter, infrastructure, and social services (para. 19);
(j) environmental protection and management (para. 20); and
(k) implementation schedule, monitoring, and evaluation (paras. 21-22).

Cost estimates should be prepared for these activities, and they should be budgeted and scheduled in coordination with the physical works of the main investment project.

6. Host communities receiving resettlement.
7. See OMS 2.34, Tribal People in Bank-Financed Projects, to be reissued as OD 4.40, Tribal People.
8. Where only a few people (e.g., about 100-200 individuals) are to be relocated, appropriate compensation for assets, logistical support for moving, and a relocation grant may be the only requirements. However, the principles on which compensation is to be based are the same as for larger groups.

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Organizational Responsibilities

6. The responsibility for resettlement rests with the borrower. The organizational framework for managing resettlement must be developed during preparation and adequate resources provided to the responsible institutions. The organization responsible for resettlement should be strengthened when entities executing infrastructure or other sector-specific projects lack the experience and outlook needed to design and implement resettlement. One alternative is to create a special resettlement unit within the project entity: this can facilitate the involvement of other line agencies. Another alternative is to entrust resettlement to the regional or town administration that knows the population and area, can mobilize local expertise, speaks the resettlers’ language, and will ultimately be responsible for the integration of resettlers into the host population and area. There also may be considerable scope for involving nongovernmental organizations (NGOs) in planning, implementing, and monitoring resettlement.9

Community Participation and Integration with Host Population

7. Most displaced people prefer to move as part of a preexisting community, neighborhood, or kinship group. The acceptability of a resettlement plan can be increased and the disruption caused by resettlement can be cushioned by moving people in groups, reducing dispersion, sustaining existing patterns of group organization, and retaining access to cultural property10 (temples, pilgrimage centers, etc.), if necessary, through the relocation of the property.

8. The involvement of involuntary resettlers and hosts in planning prior to the move is critical. Initial resistance to the idea of involuntary resettlement is to be expected. To obtain cooperation, participation, and feedback, the affected hosts and resettlers need to be systematically informed and consulted during preparation of the resettlement plan about their options and rights. They should also be able to choose from a number of acceptable resettlement alternatives. These steps can be taken directly or through formal and informal leaders and representatives. Experience has shown that local NGOs can often provide valuable assistance and ensure viable community participation. Moreover, institutionalized arrangements, such as regular meetings between project officials and communities, should be provided for resettlers and hosts to communicate their concerns about the resettlement program to project staff throughout planning and implementation.11 Particular attention must be given to ensure that such vulnerable groups as indigenous people, ethnic minorities, the landless, and women are represented adequately in such arrangements.

9. The plan should address and mitigate resettlement’s impact on host populations. Host communities and local governments should be informed and consulted. Any payment due the hosts for land or other assets provided to resettlers should be promptly rendered. Conflicts between hosts and resettlers may develop as increased demands are placed on land, water, forests, services, etc., or if the resettlers are provided services and housing superior to that of the hosts. 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. In the long run, the extra investment will help prevent conflicts and secure the project’s aims.

10. Successful resettlement requires a timely transfer of responsibility from settlement agen-

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10. See OPN 11.23, Management of Cultural Property in Bank-Financed Projects, to be released as OD 4.50, Cultural Property.
11. Disputes of varying kinds may arise in the process of implementation of the agreed resettlement plan. These conflicts could take the form of appeals related to the compensation payable to affected persons, conflicts between the displaced persons and the host population, appeals to the agency charged with the implementation of the resettlement with regard to services promised, etc. It is therefore important to devise schemes for conflict resolution for all resettlement plans. Such schemes should, as far as possible, take into account existing procedures for settling disputes in the country or area concerned.
cies to the settlers themselves. Otherwise, a dependency relationship may arise, and agency resources may become tied up in a limited number of continually supervised schemes. Local leadership must be encouraged to assume responsibility for environmental management and infrastructure maintenance.

Socioeconomic Survey

11. Resettlement plans should be based on recent information about the scale and impact of resettlement on the displaced population. In addition to describing standard household characteristics, socioeconomic surveys should describe (a) the magnitude of displacement; (b) information on the full resource base of the affected population, including income derived from informal sector and nonfarm activities, and from common property; (c) the extent to which groups will experience total or partial loss of assets; (d) public infrastructure and social services that will be affected; (e) formal and informal institutions (such as community organizations, ritual groups, etc.) that can assist with designing and implementing the resettlement programs; and (f) attitudes on resettlement options. Socioeconomic surveys, recording the names of affected families, should be conducted as early as possible to prevent inflows of population ineligible for compensation.

Legal Framework

12. A clear understanding of the legal issues involved in resettlement is needed to design a feasible resettlement plan. An analysis should be made to determine the nature of the legal framework for the resettlement envisaged, including (a) the scope of the power of eminent domain, the nature of compensation associated with it, both in terms of the valuation methodology and the timing of payment; (b) the legal and administrative procedures applicable, including the appeals process and the normal time-frame for such procedures; (c) land titling and registration procedures; and (d) laws and regulations relating to the agencies responsible for implementing resettlement and those related to land compensation, consolidation, land use, environment, water use, and social welfare.

Alternative Sites and Selection

13. The identification of several possible relocation sites and the demarcation of selected sites is a critical step for both rural and urban resettlement. For land-based resettlement, the new site's productive potential and locational advantages should be at least equivalent to those of the old site. The Bank encourages "land for land" approaches, providing replacement land at least equivalent to the lost land. For rural settlers, irrigation, land reclamation, tree crop development, intensification of production, and other innovations often can provide adequate production potential on limited amounts of land to resettle agriculturalists, even in countries with high population densities. In selecting sites, attention must be paid to the availability of sources of off-farm income (fishing, gathering forest products, seasonal wage employment) to complement farm income. For urban resettlers, the new site should ensure comparable access to employment, infrastructure, services, and production opportunities. For both rural and urban resettlement, the borrower needs to (a) develop institutional and technical arrangements for identifying and preparing relocation sites, e.g., pooling together small plots, wasteland reclamation, land leveling, and terracing; (b) draw up timetables and budgets for site preparation and transfer; (c) make legal arrangements for transferring titles to resettlers; and (d) consider, when necessary, a temporary freeze on land transactions within the relocation area to prevent land speculation. Though the Bank does not normally disburse against land acquisition, it can finance land improvement to accommodate resettlers.

Valuation of and Compensation for Lost Assets

14. Valuation of lost assets should be made at their replacement cost. Compensation is facilitated by (a) paying special attention to the adequacy of the legal arrangements concerning land title, registration, and site occupation; (b) publicizing among people to be displaced the laws and regulations on valuation and compensation; (c) establishing criteria for determining the resettlement eligibility of affected households, e.g., households that have only partially lost their...
assets but are no longer economically viable should be entitled to full resettlement; and (d) developing mechanisms to prevent illegal encroachers and squatters, including an influx of nonresidents entering to take advantage of such benefits, from participating in the compensation arrangements, by an early recording of the numbers and names of the affected populations entitled to compensation/rehabilitation.

15. Some types of loss, such as access to (a) public services; (b) customers and suppliers; and (c) fishing, grazing, or forest areas, cannot easily be evaluated or compensated for in monetary terms. Attempts must therefore be made to establish access to equivalent and culturally acceptable resources and earning opportunities.

16. Vulnerable groups at particular risk are indigenous people, the landless and semilandless, and households headed by females who, though displaced, may not be protected through national land compensation legislation. The resettlement plan must include land allocation or culturally acceptable alternative income-earning strategies to protect the livelihood of these people.

Land Tenure, Acquisition, and Transfer

17. Resettlement plans should review the main land tenure and transfer systems, including common property and non-title-based usufruct systems governed by locally recognized land allocation mechanisms. The objective is to treat customary and formal rights as equally as possible in devising compensation rules and procedures. The plan should address the issues raised by the different tenure systems found in a project area, including (a) the compensation eligibility of land-dependent populations; (b) the valuation procedures applicable to different tenure types; and (c) the grievance procedures available for disputes over land acquisition. Plans should contain provisions for conducting land surveys and regularizing land tenure in the earliest stages of project development. Planning should also anticipate the approximate time needed to acquire and transfer land.

Access to Training, Employment, and Credit

18. Normally, general economic growth cannot be relied upon to protect the welfare of the project-affected population. Thus, alternative employment strategies are needed for nonagricultural displaced people, or where the land that can be made available is not sufficient to accommodate all the displaced farmers. The resettlement plan should, where feasible, exploit new economic activities made possible by the main investment requiring the displacement. Vocational training, employment counseling, transportation to jobs, employment in the main investment project or in resettlement activities, establishment of industries, incentives for firms to locate in the area, credit and extension for small businesses or reservoir aquaculture, and preference in public sector employment should all be considered where appropriate.

Shelter, Infrastructure, and Social Services

19. 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 centers). Site development, engineering, and architectural designs should be prepared for shelter, infrastructure, and social services. 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 plans, building materials, technical assistance, and “construction allowances” (for income foregone while resettlers build their houses) is an option communities should be offered. Planning for shelter, infrastructure, and services should take into account population growth.

12. Health care services, particularly for pregnant women, infants, and the elderly, may be important during and after relocation to prevent increases in morbidity and mortality due to malnutrition, the stress of being uprooted, and the usually increased risk of water-borne diseases.
Environmental Protection and Management

20. The screening process for an environmental assessment (EA) normally classifies projects involving involuntary resettlement as Category A. The EA of the main investment requiring the resettlement should thus cover the potential environmental impacts of the resettlement. The resettlement plan must be developed in coordination with the EA and define the boundaries of the relocation area, and calculate incremental population density per land unit. In agricultural projects (involving, for example, relocation to the catchment surrounding a reservoir, or to a downstream command area), 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 either include appropriate mitigating measures, including training of oustees, or else should allow for alternative sites to be selected. Urban resettlement raises other density-related issues (e.g., transportation capacity, access to potable water, sanitation systems, health facilities, etc.). Constructive environmental management, provided through the EA's mitigation plan, may provide good opportunities and benefits to resettlers and host populations alike (e.g., project-financed compensatory afforestation not only replaces the forests submerged by reservoirs but also offers gainful employment). If the likely consequences on the environment are unacceptable, alternative and/or additional relocation sites must be found.

Implementation Schedule, Monitoring, and Evaluation

21. The timing of resettlement should be coordinated with the implementation of the main investment component of the project requiring the resettlement. All resettlement plans should include an implementation schedule for each activity covering initial baseline and preparation, actual relocation, and post-relocation economic and social activities. The plan should include a target date when the expected benefits to resettlers and hosts would be achieved.

22. Arrangements for monitoring implementation of resettlement and evaluating its impact should be developed by the borrower during project preparation and used during supervision. Monitoring provides both a warning system for project managers and a channel for the resettlers to make known their needs and their reactions to resettlement execution. Monitoring and evaluation units should be adequately funded and staffed by specialists in resettlement. In-house monitoring by the implementing agency may need to be supplemented by independent monitors to ensure complete and objective information. Annual and midterm reviews are desirable for large-scale resettlement. The borrower should be required to continue impact evaluation for a reasonable period after resettlement and related development activities have been completed. The borrower should also be required to inform the Bank about the findings.

Bank Role and Project Options

23. The Bank supports borrowers' efforts 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; and (c) direct financing of the investment costs of resettlement. The Bank may sometimes finance resettlement even though it has not financed the main investment that made displacement and resettlement necessary (para. 26).

24. The task manager (TM) should inform the borrower of the Bank's resettlement policy.

15. See OD 10.70, Project Monitoring and Evaluation.
Starting early in the project cycle, the TM with the support of Bank operational, research, and legal staff should assess government policies, experiences, institutions, and the legal framework covering resettlement. In particular, the TM needs to ensure that involuntary resettlement is avoided or minimized, that laws and regulations concerning displaced people provide compensation sufficient to replace all lost assets, and that displaced persons are assisted to improve, or at least restore, their former living standards, income earning capacity, and production levels.

25. The adequacy of the resettlement plan should be reviewed by appropriate social, technical, and legal experts. Resettlement specialists should visit the possible resettlement sites and review their suitability. In the case of large-scale relocation, such experts should be included in independent technical or environmental review boards.16

26. Bank financing of resettlement can be provided as follows: (a) As a component of the main investment project causing displacement and requiring resettlement. (b) If large enough, as a free-standing resettlement project with appropriate cross-conditionality, processed and implemented in parallel with the investment project that causes the displacement. The latter approach may better focus country and Bank attention on the effective resolution of resettlement issues. (c) As a sector investment loan.17 Where the specific resettlement needs of each subproject are not known in advance, the borrower would need to agree to resettlement policies, planning principles, institutional arrangements, and design criteria that meet Bank policy and requirements as a condition of the loan. An estimate should be provided of total population to be displaced and overall resettlement costs, as well as an evaluation of proposed resettlement sites. Subprojects in sector investment loans should be screened by the implementing agency to ensure consistency with this directive, and approved individually by the Bank. For countries with a series of operations requiring resettlement, efforts to improve the policy, institutional, and legal framework for resettlement should form part of the Bank’s ongoing country and sector dialogue with the government. These efforts should be appropriately reflected in economic and sector work and in country strategy papers and briefs.

Processing and Documentation

27. The Regional Vice President (RVP) should be kept informed of major resettlement issues, and his guidance sought where necessary. The Regional Environment Division (RED), the Legal Department (LEG), and settlement specialists in Sector Policy and Research (PRS) should be consulted or included as necessary in peer reviews on involuntary resettlement issues throughout the project cycle.

Identification

28. The possibility of involuntary resettlement should be determined as early as possible and described in all project documents. The TM should (a) briefly summarize in the Initial Executive Project Summary (Initial EPS)18 the magnitude, strategy, and timing of the resettlement; (b) inform borrowers of the Bank’s resettlement policy; (c) review past borrower 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 borrowers. Such assistance should include the use of project preparation facility (PPF) resources19 for planning resettlement and building institutional capacity.

17. See OD 1.00, Bank Goals and Instruments, and OD 8.20, Sector Investment and Maintenance Loans, both to be issued.
18. See Circular Op 87/03, Procedures for Processing Investment Loans and Credits, filed as OMS 2.00, to be reissued as OD 9.00, Processing and Documentation for Investment Lending.
19. See OMS 2.15, Project Preparation Facility, to be reissued as OD 8.00, Project Preparation Facility and Special Project Preparation Facility.
Preparation

29. During project preparation, the feasibility of resettlement must be established, a strategy agreed upon, the resettlement plan drafted, and budget estimates prepared.20 The full costs of resettlement should be identified and included in the total cost of the main investment project, regardless of financing source. The costs of resettlement should also be treated as a charge against the economic benefits of the investment project that causes the relocation. Any net benefits to resettlers (as compared to the “without project” circumstances) should be added to the benefit stream of the main investment. While the resettlement component or free-standing project need not be economically viable on its own, it should be the least-cost approach consistent with the policies laid out above.

Appraisal and Negotiation

30. Submission to the Bank of a time-bound resettlement plan and budget that conforms to Bank policy is a condition of appraisal for projects involving resettlement, except for sector investment loans as discussed in para. 26. All final EPSs should confirm that this requirement has been met. The appraisal mission should ascertain (a) the extent that involuntary resettlement and human hardship will be minimized and whether borrowers can manage the process; (b) the adequacy of the plan, including the timetable and budget for resettlement and compensation; (c) the soundness of the economic and financial analysis; (d) the availability and adequacy of sites and funding for all resettlement activities; (e) the feasibility of the implementation arrangements; and (f) the extent of involvement of beneficiaries. At negotiations, the borrower and the Bank should agree on the resettlement plan. The resettlement plan and the borrower’s obligation to carry it out should be reflected in the legal documents. Other necessary resettlement-related actions must be covenanted. The Staff Appraisal Report and the Memorandum and Recommendation of the President should summarize the plan and state that it meets Bank policy requirements.

Implementation and Supervision

31. Resettlement components should be supervised throughout implementation.21 Supervision that is sporadic or left until late in implementation invariably jeopardizes the success of resettlement. Bank supervision missions should be staffed with the requisite social, economic, and technical expertise. Annual reviews of large-scale resettlement and in-depth Bank reviews of midterm progress are highly desirable. These reviews should be planned from the outset to allow the Bank and the borrower to make necessary adjustments in project implementation. Complete recovery from resettlement can be protracted and can often make it necessary to continue Bank supervision until well after populations have been relocated, sometimes even after a project has been closed.

Ex Post Evaluation

32. The project completion report22 submitted to the Operations Evaluation Department should evaluate resettlement and its impact on the standards of living of the resettlers and the host population.

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21. See OD 13.05, Project Supervision, particularly para. 44-47.

22. See the OPNSV memorandum, Guidelines for Preparing Project Completion Reports, June 7, 1989, and OMS 3.58, General Guidelines for Preparing Project Completion Reports, which are to be combined and reissued as OD 13.55, Project Completion Reports.

This directive was prepared for the guidance of staff of the World Bank and is not necessarily a complete treatment of the subjects covered.
APPENDIX B

LATEN Guidelines for Review of Projects Where Resettlement Needs Are Not Known in Detail at the Time of Appraisal

A. At appraisal, the borrower agency must present a Preliminary Resettlement Planning Document (not a complete resettlement plan) that specifies the resettlement policies, planning principles, institutional arrangements and design criteria that meet Bank policy and requirements as a condition of the loan (OD 4.30, para. 26). The following guidelines define each of these elements.

I. Resettlement Policy. The resettlement policy to be agreed with the Bank, that must specify proposed borrower policy that provides at a minimum:

(1) regardless of tenure status, all affected families are provided a clear choice among at least two options:

(a) replacement house and plot better than or equivalent to that acquired by project at no cost to the affected family;

(b) cash compensation equivalent to the replacement cost of the house and plot acquired by the project.

(2) socioeconomic reestablishment assistance package consisting in at least

(a) where customary income streams or assets will be disrupted, a choice among other replacement income streams or assets will be provided;

(b) where affected family costs in the new location are significantly higher than in the original location (e.g. 20% or more for transportation, child care, food, etc.), a choice among additional income stream or assets will be provided;

(c) maintenance costs to sustain affected families during transition period between transfer and reestablishment of income streams in new sites will be provided.

(3) independent monitoring and evaluation system which ensures that

(a) failures in implementation of policy will be detected in a timely fashion (e.g. within 30 days) that triggers corrective action on
part of the borrower agency, results of which will be shared with the Bank quarterly;

(b) grievance mechanism permitting affected families to bring to the attention of monitoring and evaluation agency and borrower agencies failures in policy implementation, cases and outcomes of which will be described in the quarterly report to the Bank.

II. **Institutional arrangements.** Establish the institutional responsibility and adequate organizational structure for detailed preparation of the resettlement plans and subsequent implementation based on the following principles:

(1) qualified and experienced social scientists will direct the application of agreed policies guiding the generation of detailed designs of the resettlement operations;

(2) participation of the affected families will be an interactive process of detailed design work which maximizes joint decision making regarding resettlement site selection, terms and conditions for mobilization and transfer of person and belongings to new sites, and assistance packages to be provided in new sites;

(3) clear statutory powers of the institution to ensure compliance with agreed policies on the part of collaborating agencies, contractors and local authorities representing the affected people;

(4) clear financial authority and budgetary mechanisms to guarantee effective availability of funds at the beginning of each fiscal year in a separate account for resettlement.

III. **Planning Principles.** Planning schedule for generation of detailed designs for resettlement operations and implementation schedules which include:

(1) timebound benchmarks and mechanisms for generation of initial detailed design proposals through participation of affected families, dissemination of initial design proposals to the affected families for verification or modification, and adjustment of initial designs and their endorsement by affected families;

(2) implementation schedule demonstrating adequate time for completion of the detailed resettlement plans and submission of plans for Bank review and clearance (see para. C below) prior to Bank authorization of the tendering of bids for civil works causing the displacement.
IV. **Design Criteria.** Criteria to be utilized in the planning process are to be agreed with the Bank regarding the following points:

(1) Criteria which define affected families and nonaffected families;
(2) Eligibility criteria which define types or degrees of impacts if relevant;
(3) Entitlement criteria which define the reconstruction and reestablishment packages and programs to be provided to each affected family.

B. For the first year's investments the Preliminary Resettlement Planning Document must present in addition to the above the following information:

V. **Numbers of Affected People.** Estimate of the numbers of affected households obtained from preliminary survey data that are

(1) collected by qualified and experienced social scientists utilizing standard sampling, interviewing and observation techniques to design and pre-test survey instruments;

(2) field survey utilizing the aforementioned instruments conducted by qualified and experienced social scientists.

VI. **Preliminary Cost Estimate.** Preliminary cost estimate of all the resettlement operations required disaggregated into the following categories of expenses:

(1) land acquisition for rights of way, sites of civil works, construction camps, borrow pits, equipment yards, laydown and storage areas, spoils disposal sites, etc.
(2) replacement land to be provided in resettlement sites;
(3) replacement housing and infrastructure to be provided;
(4) socioeconomic assistance packages to be provided;
(5) mobilization and transfer costs;
(6) staffing and professional services costs;
(7) administrative costs;
(8) physical contingency of 20%

C. In the absence of detailed resettlement plans at the time of appraisal, LATEN will review and clear detailed resettlement plans prior to Bank authorization of tendering bidding documents for the civil works causing the displacement in the initial three to four cases to ensure that such plans as are produced in accordance with the Preliminary Resettlement Planning Document are satisfactory to the Bank.
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* Dissemination Note #10 was superseded by publication of *A Conservation Assessment of the Terrestrial Ecoregions of Latin America and the Caribbean*, by Dinerstein, Olson, Graham, et. al. The book is available through the World Bank bookstore, or by contacting the Latin America Environment Unit or the World Wildlife Fund.