

# Summary of groups entitled to compensation and type of compensation to be provided

**DISPLACED GROUP ENTITLED TO COMPENSATION**

**PERSONS WHO HAVE FORMAL LEGAL RIGHTS TO THE LAND OR ASSETS THEY OCCUPY OR USE**

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**PERSONS WHO DO NOT HAVE FORMAL LEGAL RIGHTS TO LAND OR ASSETS, BUT HAVE A CLAIM TO LAND THAT IS RECOGNISED OR RECOGNISABLE UNDER NATIONAL LAW**

## COMPENSATION TO BE PROVIDED

### PHYSICAL DISPLACEMENT

- Offer the choice of replacement property of equal or higher value, security of tenure, equivalent or better characteristics, and advantages of location or cash compensation where appropriate. Compensation in kind should be considered in lieu of cash. Cash compensation should be sufficient to replace the lost land and other assets at full replacement cost in local markets.<sup>1</sup>
- Provide relocation assistance to the displaced persons and take into account their preferences in terms of relocation. Existing social and cultural institutions of the displaced persons and host communities will be respected.
- Capture all of the above in a resettlement action plan.
- Companies are not required to compensate or assist those who encroach on the project area after the cut-off date for eligibility, provided the cut-off date has been clearly established and made public.

### ECONOMIC DISPLACEMENT

- Economically displaced persons who face loss of assets or access to assets will be compensated for such loss at full replacement cost.
- In cases where land acquisition or restrictions on land use affect commercial structures, affected business owners will be compensated for the cost of re-establishing commercial activities elsewhere, for lost net income during the period of transition, and for the costs of the transfer and reinstallation of the plant or other equipment.
- Replacement property (e.g. agricultural or commercial sites) of equal or greater value will be provided, or, where appropriate, cash compensation at full replacement cost.
- In addition to compensation for lost assets, if any, economically displaced persons whose livelihoods or income levels are adversely affected will also be provided opportunities to improve, or at least restore, their means of income-earning capacity, production levels and standards of living:
  - i. For persons whose livelihoods are land based, replacement land that has a combination of productive potential, locational advantages, and other factors at least equivalent to that being lost should be offered as a matter of priority.

1. Replacement cost is defined as the market value of the assets plus transaction costs. In applying this method of valuation, depreciation of structures and assets should not be taken into account. Market value is defined as the value required to allow affected communities and people to replace lost assets with assets of similar value.

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## COMPENSATION TO BE PROVIDED

### PHYSICAL DISPLACEMENT

### ECONOMIC DISPLACEMENT

- i. For persons whose livelihoods are natural resource based and where project-related restrictions on access, implementation of measures will be made to either allow continued access to affected resources or provide access to alternative resources with equivalent livelihood-earning potential and accessibility.
- ii. If circumstances prevent the company from providing land or similar resources as described above, alternative income-earning opportunities may be provided, such as credit facilities, training, cash or employment opportunities. Cash compensation alone is frequently insufficient to restore livelihoods.
  - Transitional support should be provided to economically displaced persons, based on a reasonable estimate of the time required to restore their income-earning capacity, production levels and standards of living.
  - In the case of projects involving economic displacement, the company will develop a livelihood restoration plan capturing the compensation measures and the persons entitled to compensation.

# Summary of groups entitled to compensation and type of compensation to be provided

**DISPLACED GROUP ENTITLED TO COMPENSATION**

**PERSONS WHO HAVE NO RECOGNISABLE LEGAL RIGHT OR CLAIM TO THE LAND OR ASSETS THEY OCCUPY OR USE**

## COMPENSATION TO BE PROVIDED

### PHYSICAL DISPLACEMENT

- Offer a choice of options for adequate housing with security of tenure so that people can resettle legally without having to face the risk of forced eviction.
- Where these displaced persons own and occupy structures, the company will compensate them for the loss of assets other than land, such as dwellings and other improvements to the land, at full replacement cost, provided that these persons have been occupying the project area prior to the cut-off date for eligibility.
- Relocation assistance to be provided.
- All of the above to be captured in a resettlement action plan.

### ECONOMIC DISPLACEMENT

- Compensate for lost assets other than land (such as crops, irrigation infrastructure and other improvements made to the land), at full replacement cost.
- In addition to compensation for lost assets, if any, economically displaced persons whose livelihoods or income levels are adversely affected will also be provided opportunities to improve, or at least restore, their means of income-earning capacity, production levels, and standards of living (see box above for further details).
- Transitional support should be provided to economically displaced persons.
- Companies are not required to compensate or assist opportunistic settlers who encroach on the project area after the cut-off date for eligibility.
- In the case of projects involving economic displacement, the company will develop a livelihood restoration plan capturing the compensation measures and the persons entitled to compensation.

Note this graphic is a summary and does not describe in detail the compensation to be provided or cover every possible situation (e.g. legacy land).