

Resettlement Planning Document

Resettlement Framework
Project Number: 39915
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IND: Proposed Equity Investment IDFC Private Equity Fund II

Prepared by IDFC Private Equity.

The resettlement framework is a document of the borrower. The views expressed herein do not necessarily represent those of ADB's Board of Directors, Management, or staff, and may be preliminary in nature.

RESETTLEMENT FRAMEWORK

A. Purpose

1. This resettlement framework defines the policies, procedures, roles, and responsibilities of the India Fund for screening and management of involuntary resettlement by portfolio companies. The resettlement framework has been prepared by the India Fund as part of its commitment to comply with ADB's Involuntary Resettlement Policy (1995). Under this policy, a resettlement framework is required where a fund's investment activities may involve involuntary resettlement.

B. Expected Scope of Land Acquisition

2. Some investments of the India Fund may entail investment in Portfolio Companies involved in "greenfield" development or significant expansion. In some circumstances, such development or expansion may involve involuntary resettlement.

C. Policy Framework

3. The India Fund will ensure that the involuntary resettlement activities of any Portfolio Companies are conducted in accordance with the following:

- (i) ADB's Involuntary Resettlement Policy and
- (ii) applicable national and provincial laws and regulations governing land acquisition, compensation, and resettlement.¹

4. Objectives for managing involuntary resettlement impacts are

- (i) to avoid involuntary resettlement wherever feasible,
- (ii) to minimize resettlement where population displacement is unavoidable, and
- (iii) to ensure that affected people are compensated and assisted through replacement of land, housing, infrastructure, resources, income sources, and services, in cash or kind, so that their economic and social circumstances will be at least restored to the preproject level. All compensation is based on the principle of replacement cost. The absence of a formal legal title to land is not a bar to policy entitlements.²

5. Resettlement plans will pay particular attention to addressing the needs of the poorest project-affected people and vulnerable groups that may be at high risk of impoverishment.

¹ Involuntary resettlement addresses social and economic impacts that are permanent or temporary and are (i) caused by acquisition of land and other fixed assets, (ii) by change in the use of land, or (iii) restrictions imposed on land as a result of an ADB operation.

² The term affected person includes any people, households, firms, or private institutions who, on account of changes that result from the project will have their (i) standard of living adversely affected; (ii) right, title, or interest in any house, land (including residential, commercial, agricultural, forest, and/or grazing land), water resources, or any other moveable or fixed assets acquired, possessed, restricted, or otherwise adversely affected, in full or in part, permanently or temporarily; and/or (iii) business, occupation, place of work or residence, or habitat adversely affected, with or without displacement

D. Screening

6. As part of the due-diligence process, before investing in any portfolio company, the Investment Manager's environmental and social manager will determine whether any activities of the prospective Portfolio Company may involve involuntary resettlement. In the event that involuntary resettlement appears likely, before investing in a Portfolio Company, the investment adviser will require the prospective Portfolio Company to prepare and submit to ADB for approval a resettlement plan prepared in accordance with the ADB involuntary resettlement policy and this resettlement framework.

E. Procedure for Prospective Investments with Involuntary Resettlement

7. Where an investment may involve involuntary resettlement, the environmental and social manager will, before the investment,

- (i) complete the resettlement screening checklist;
- (ii) assess the magnitude of resettlement, and in consultation with ADB, determine whether a short or full resettlement plan is required (section 6);
- (iii) provide the prospective portfolio company with copies of the ADB policies and guidelines;
- (iv) advise the prospective portfolio company of the need for a resettlement plan;
- (v) once a draft resettlement plan has been completed, submit it to ADB for review and comment;
- (vi) oversight any revisions required by ADB in order to finalize the resettlement plan;
- (vii) verify local disclosure of the final resettlement plan; and
- (viii) submit the final resettlement plan for website disclosure.

8. Where an investment may involve involuntary resettlement, the environmental and social manager will, following investment:

- (i) monitor the implementation of the resettlement plan and ensure that investments do not proceed without replacement of assets prior to the dispossession or displacement of affected people, and
- (ii) prepare and circulate reports as required under the approved resettlement plan.

F. Resettlement Plans

9. Prospective portfolio companies involved in or planning involuntary resettlement will prepare a short or full resettlement plan, dependent on the magnitude and complexity of resettlement. A full resettlement plan will be required where resettlement is "significant." Involuntary resettlement is "significant" when 200 or more people will experience major impacts, which are defined as (i) being physically displaced from housing, or (ii) losing 10% or more of their productive (income-generating) assets.

G. Consultation and Disclosure

10. Wherever a resettlement plan is required, project-affected people will be consulted on compensation and/or resettlement options, including relocation sites, and socioeconomic rehabilitation. Pertinent resettlement information will be disclosed to the project-affected people at key points, and specific opportunities provided for them to participate in choosing, planning, and implementation options. Grievance redress mechanisms for project-affected people will be established.

H. Monitoring and Evaluation

11. Monitoring and evaluation requirements will be defined as part of each resettlement plan.

I. Roles and Responsibilities

12. The social and environmental manager will be responsible for screening prospective Portfolio Companies, coordinating resettlement plan preparation and approval, and monitoring as well as reporting on involuntary resettlement policy compliance on behalf of the India Fund.

13. Prospective Portfolio Companies will be responsible for planning, preparing, financing, and implementing resettlement plans in accordance with this resettlement framework and the applicable policies, laws, and regulations as cited in section 3.

J. Reporting

14. The environmental and social manager will prepare an annual report for ADB summarizing

- (i) resettlement progress for each portfolio company whose operations are the subject of a resettlement plan,
- (ii) any areas of noncompliance or other issues arising from the resettlement activities of portfolio companies, and
- (iii) a list of pipeline investments with likely involuntary resettlement impacts for the forthcoming year.

K. Capacity and Implementing Arrangements

15. The Investment Manager will appoint an environmental and social manager, who will receive training in (i) screening prospective portfolio companies for involuntary resettlement, (ii) resettlement monitoring, and (iii) reporting. Where warranted, dependent on the scale of resettlement and the capacity of the prospective portfolio company, the Investment Manager may require the Portfolio Company to engage an experienced resettlement consultant to assist with resettlement planning, documentation, and implementation.