

Montenegro: Main Roads Reconstruction Project, M-2 Tivat-Jaz Road Section

Land Acquisition and
Resettlement Plan (LARP)

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List of Acronyms

Acronym	Explanation
CM	Cadastre Municipality
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
ESIA	Environmental and Social Impact Assessment
ESP 2014	Environmental and Social Policy 2014
GRM	Grievance Response Mechanism
HH	Household
LARF	Land Acquisition and Resettlement Framework
LARP	Land Acquisition and Resettlement Plan
NEPA	Nature and Environmental Protection Agency of Montenegro
NTS	Non-Technical Summary
PAA	Project Affected Area
PAPs	Project Affected People/Parties
PIU	Project Implementation Unit (of TA)
PR5	Performance Requirement 5 on Land Acquisition, Resettlement and Livelihood Restoration
REA	Real Estate Administration of Montenegro
SEP	Stakeholder Engagement Plan
SES	Socio-Economic Study
TA	Transport Administration of Montenegro

Executive Summary

The European Bank for Reconstruction and Development (EBRD) is considering providing finance to the Transport Administration of Montenegro (TA) in support of the rehabilitation and upgrade of the M2 Road between Tivat and Jaz (the Project). As a result, the Project is required to be constructed and operated in line with the EBRD’s Environmental and Social Policy (2014) and associated Performance Requirements (PRs). These include PR 5: Land Acquisition, Involuntary Resettlement and Economic Displacement.

This document is the Project Land Acquisition and Resettlement Plan (LARP). It outlines the work done to date on project land acquisition (see following table), the stakeholder engagement and impact assessment studies as well as the proposed follow up actions to enable completion of the land acquisition in conformance with the EBRD requirements.

Activity	Responsible	Scope	Date	Status
Expropriation Study including initial Asset Inventory	Real Estate Administration (REA)	Identified 661 land plots, 441 private owners and 112 business entities based on cadastral records and aerial photographs.	Sept’19 – Mar’20	Complete
Initial Socio-Economic Study	TA	Collected initial socio-economic data and identification of resettlement impacts, based on sample of 102 businesses and 106 households (HH) within 50 metres of the existing road that may be significantly affected. The study has interviewed 77% of the households and 70% of the businesses.	Feb’20	Complete
Follow-up Socio-Economic Study and Supplementary Asset Inventory	TA	Collected additional socio-economic data as well as preliminary asset information based on the same sample used in Feb’ 2020 (HH and businesses within 50 metres from the existing road). The study interviewed 65% of the households and 85% of the business entities within this corridor.	Nov’20	Complete
Asset Inventory ground-truthing and Census	Real Estate Administration (REA)	Ground-level enumeration of PAPs and their assets, verification of expropriation study with all PAPs related to acquisition of their land or assets	Nov 20 - Ongoing	Ongoing, to be completed early 2021

In Q1 2019 an Expropriation Study was carried out for the Project to initiate the asset inventory and quantify areas and types of land impacted and identities of landowners. The Expropriation Study identified 661 land plots to be expropriated of which 424 are owned by private people and 112 are owned by business entities. In addition, government agencies and municipalities own 125 plots. The area to be expropriated is 16.89 hectares of which 36% is privately owned, 36% is owned by businesses and the remainder is owned by the government.

The formal decision that the Project is in the public interest, announcement of cut-off date and associated publication of data from the Expropriation Study has now occurred. Socio-economic surveys have been completed by the TA to provide initial data on typical resettlement impacts, losses of assets, and PAP views on appropriate compensation measures. The Real Estate Administration (REA) is currently in process of carrying out the final detailed census and asset inventory ground-truthing to confirm assets, owners and users not included in the Expropriation Study. This final assessment will expand on and validate all earlier work and provide the final inventory against which the compensation measures will be determined. The work entails a combination of disclosure, negotiation, agreement and implementation and may require the incorporation of supplementary measures to meet expectations of the EBRD requirements under PR5 (see Section 5.4.2).

Much of the land take will involve small areas of land that are distant from houses, businesses and livelihood assets. These are not expected to significantly impact owners and users. For the socio-economic study, the consultant team identified 102 businesses and 106 households (HH) within 50 metres of the existing road that may be significantly affected by land-take. To date only two HH are expected to require physical resettlement, although other HH and businesses may request to be resettled once the severity of impacts has been clarified through the asset inventory and census process.

Certain groups of people have been identified that may be more vulnerable to land acquisition impacts as a result of their distinct socio-economic characteristics, such as households or businesses not owning their home or business property, or differentially impacted groups which may require additional support (including during the engagement process) such as households receiving social transfers or pension, households representing low income and educational levels, or presenting infirmity or poor health.

The data collected thus far, combined with a review of applicable Montenegrin legislation and EBRD PR requirements, has informed the proposed entitlements which outlines the different eligible groups (landowners, households and businesses on rented premises, and employees). The main entitlements for these groups and different impact types include compensation of land at replacement cost including associated fees (and compensation for orphaned land), appropriate replacement housing or business premises for physical displacement (including additional moving costs and support), compensation for lost crops as well as other livelihood impacts such as lost wages of employees.

EBRD PR requirements and Montenegrin Law requires that formal household and business compensation is calculated using the market value plus any transaction costs associated. Montenegrin Law does not however, require the compensation of informal built structures or other assets. The TA has, however, committed in writing and during engagement with HHs and businesses to compensate both formal and informal assets through the REA process. This will include informal houses, and any informal household or business assets e.g. parking areas, crops, fruiting trees, and non-housing structures that are not permitted and are therefore included in this category. This approach conforms with the EBRD requirement to compensate for assets at full replacement cost, providing that costs are truly representative of replacement costs, and assets are identified correctly.

Finally, the LARP provides details on the organisational arrangement, the proposed timeline and monitoring framework, details on engagements undertaken to date and to follow as well as a description of a grievance mechanism, and finally an indicative budget of compensation costs, or where to be determined, a methodology to calculate compensation items.

1 Introduction

1.1 Brief Description and Context of the Project

The Transport Administration of Montenegro (TA), financed by the European Bank for Reconstruction and Development, is implementing the Main Roads Reconstruction Project, which involves the rehabilitation and upgrade of the M2 Road between Tivat and Jaz (The Project).

The Project will involve the rehabilitation and expansion of the Tivat to Jaz Main road (the M-2) from approximately 100m before the entrance to Tivat Airport to the end of the existing intersection at Jaz, north of Budva, approximately 16km in length. The Project incorporates the territories of three municipalities in the Coastal region of Montenegro, namely Budva, Kotor and Tivat, and their associated settlements located along the M-2 route. As the widening of the existing road will require additional land, varied levels of land expropriation will be encountered in the following 20 Cadastral Municipalities (CMs): Prijedor I and Prijedor II (Municipality of Budva), Dub, Glavati, Gorovici, Kavac, Kovaci, Kubasi, Ljesevici, Naljezici, Pelinovo, Pobjrdje, Prijeradi, Sisici, Sutvara, Vranovici, Lastva, Privredna zona (Municipality of Kotor), and Mrcevac and Djurasevici (Municipality of Tivat).

The Project has been Categorised as 'A' by the Bank, in part as it will require land acquisition, resulting in economic and physical displacement. As a result, the Project is required to be constructed and operated in line with the EBRD's Environmental and Social Policy (2014) and associated Performance Requirements (PRs). These include PR 5: Land Acquisition, Involuntary Resettlement and Economic Displacement. Therefore, the Bank requires a formalised and participatory PR5-compliant Land Acquisition and Resettlement Plan to be developed and implemented.

1.2 Objective and Scope of the Land Acquisition and Resettlement Plan (LARP)

This LARP is based on the **Project Land Acquisition and Resettlement Framework (LARF)** disclosed in August 2020. Based on surveys and analysis carried out as part of the ESIA process, the LARF provided an initial outline of expected displacement impacts associated with the Project. The Expropriation Study identified a **total of 661 land plots** to be expropriated of which **424 owned by private people** and **112 owned by business entities**, covering an **area of 16.89 hectares** of land to be acquired in total. The LARF therefore provided a basis for the Project's planned approach, processes, responsibilities and compensation entitlements associated with land acquisition and resettlement, as well as a grievance mechanism for people affected by land acquisition as a way to raise concerns and as a mechanism for problem solving.

The Land Acquisition and Resettlement Plan (LARP) provides an update on the land acquisition process since the disclosure of the LARF. It summarises work being undertaken by the TA and the Real Estate Administration (REA) to identify, measure and price land, crops and built assets using the processes required under the Expropriation Law for projects that have been determined to be in the public interest. It also describes supplementary data collection and consultation activities that fill gaps between the Montenegrin expropriation process and the EBRD requirements. It lays out a series of actions designed to achieve full compliance with PR 5.

PR 5 aims to:

- Avoid or, when unavoidable, minimise, involuntary resettlement by exploring alternative project designs;
- Mitigate adverse social and economic impacts from incomplete land acquisition or restrictions on affected persons' use of and access to assets and land by:
 - providing compensation for loss of assets at replacement cost; and

- ensure that resettlement activities are implemented with appropriate disclosure of information, consultation and the informed participation of those affected;
- Restore or, where possible, improve the livelihoods and standards of living of displaced persons to pre-displacement levels; and
- Improve living conditions among physically displaced persons through the provision of adequate housing, including security of tenure at resettlement sites.

This document should be read in conjunction with the following Project documents:

- Environmental and Social Impact Assessment (ESIA)
- Stakeholder Engagement Plan (SEP)
- Consultation Report

1.3 Assumptions and Limitations

- At the time of drafting this LARP document, the REA 's final asset inventory ground -truthing was still underway: all relevant landowners in Tivat have been consulted and agreements are being discussed, and the consultation documentation for Budva and Kotor is being prepared but no landowners have yet been contacted. Therefore, the budget provided in this document is an estimate based on REA's Expropriation Study and its initial asset information, and the supplementary asset information collected as part of the EBRD led surveys conducted in November 2020.
- Asset and income data collected is taken at face value from HH/business respondents and has not been certified by independent third party (this will follow in national process) and does not constitute a full AI/Census. There is a potential for HH overstating land loss / assets / livelihood impacts which may impact our budget estimate.

1.4 Report Structure

The LARP is composed of 8 main chapters and a number of supporting Annexes. The document is organised as follows:

- Chapter 1. Introduction
- Chapter 2. Project Description
- Chapter 3. Legal & Policy Framework for Land Acquisition & Resettlement
- Chapter 4. Affected People and Assets
- Chapter 5. Compensation Principles and Eligibility
- Chapter 6. Consultation, Disclosure and Grievance Management
- Chapter 7. Monitoring, Evaluation and Reporting
- Chapter 8. Implementation Plan and budget for LARP
- Appendices

The next Chapter (2) provides a general description of the project, the land use context as well as a brief overview of the project planning. Chapter 3 to describe the legal and standard requirements for the Project, tailored to the anticipated impacts and gaps between national laws and the EBRD requirements, and also includes a description of the overall approach that will be used to create conformance with PR5. Chapter 4 describes the background, social context and current understanding of resettlement impacts based on the Expropriation study and Socio-economic study including details on typically impacted assets. Chapter 5 reiterates the principles that guide the resettlement and expropriation process and presents the proposed entitlements, the scale of each resettlement impact and the compensation entitlement matrix. Chapter 6 addresses the consultation and disclosure and grievance management for the Project and Chapter 7 the monitoring indicators, reporting procedures and plans for external completion audit of the resettlement. Chapter 8 consolidates the proposed actions, schedules and responsibilities. The chapter ends with a presentation of the current status of costs for compensation and support measures.

2 Project Description

2.1 Project Overview

The Project will involve the rehabilitation and expansion of the Tivat to Jaz Main road (the M-2) from approximately 100m before the entrance to Tivat Airport to the end of the existing roundabout at Jaz, north of Budva. This will include widening the existing two-lane road to create a four-lane road (two-lanes in each direction) with a 2m wide central reservation, 2m wide sidewalks and a vegetated verge. In addition, seven road bridges, four culverts and one footbridge will be (re) constructed as well as 11 new roundabout junctions. Two existing roundabout junctions will also be reconstructed. The upgraded road corridor will be around 20m wide. In the section between Tivat airport and Radanovici a section of the road will deviate from the existing road, though this new road section passes through government-owned land (see ESIA for details). The Project incorporates the territories of three municipalities in the Coastal region of Montenegro, namely Budva, Kotor and Tivat, and their associated settlements located along the M-2 route. The following 20 Cadastral Municipalities (CMs) will be subject to expropriation: Prijevor I and Prijevor II (Municipality of Budva), Dub, Glavati, Gorovici, Kavac, Kovaci, Kubasi, Ljesevici, Naljezici, Pelinovo, Pobjrdje, Prijeradi, Sisici, Sutvara, Vranovici, Lastva, Privredna zona (Municipality of Kotor), and Mrcevac and Djurasevici (Municipality of Tivat). The proposed project route is shown in **Error! Reference source not found.** More detailed maps are included in Annex 1.

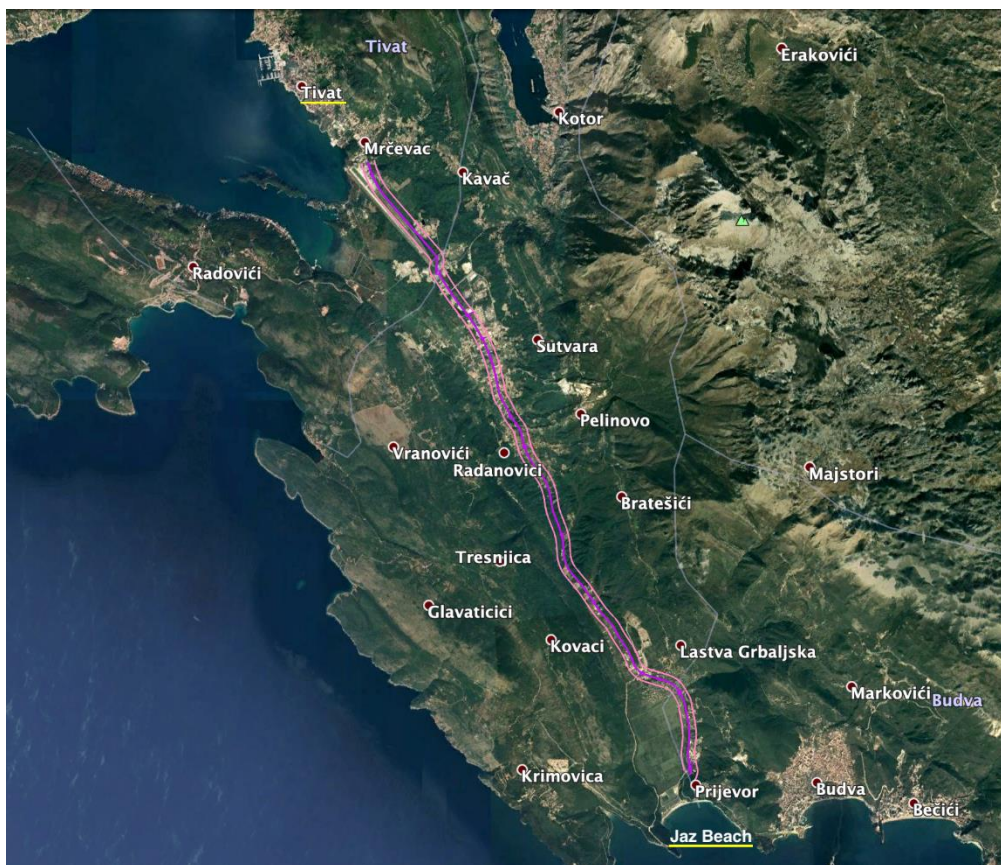


Figure 1: Route of the Proposed Project

Construction is expected to begin in 2021 and last approximately 24 months. The EPC Contractor has not yet been procured but this process is underway and is likely to be completed in early 2021. Construction will start as early as possible in 2021 but delays are possible due to the COVID-19 pandemic and no construction work is planned to take place during the summer months (June, July, August) to avoid worsening congestion and disruption in the area. Construction works will be carried out between 09.00 – 17.00 (unless by exception) and access to local businesses will be maintained throughout the entire construction period. Workers will be housed in nearby cities and towns so no land will be required for worker camps. Laydown areas and borrow pits etc. will be located in the expropriated area, so are not expected to require additional temporary land acquisition. Construction will take place in 3 phases as shown in Table 1:

Table 1: Construction Phasing Schedule

Phase 1	Construction of new sections of road, including bridges. Traffic will continue to use the existing road.
Phase 2	Traffic will be switched to the sections of the road that have been completed during Phase 1. Due to the limited size of the carriageway and to minimise disruption, traffic flows will alternate and be signal controlled during this phase. Demolition of the existing road and construction of the remaining sections of the road will take place in parallel.
Phase 3	Installation of curbs, barriers and pedestrian fencing. Installation of the final road surface.

2.2 Need for the Project

The current capacity of the road is not sufficient for existing traffic volumes during the summer period, when vehicle numbers are more than double those during the winter, and significant queues often develop. Furthermore, regular flooding occurs during the winter period, rendering the road impassable at times. As Montenegro is predicted to experience considerable growth in vehicle numbers using the roads in the future¹, the government has developed a policy regarding key road improvements to reduce both congestion and local accident rates. The proposed upgrade is in line with this government policy. In addition, as there have been no major upgrades or improvements to this section of the M-2 road in recent years, and only minor repairs to short stretches of the road that have been undertaken during regular maintenance, the entire section of the road now requires rehabilitation / reconstruction. Further details on the Project Need are provided in the Project ESIA.

2.3 The Project Plan & Land Use Context

The proposed road upgrade will run from approximately 100m before the entrance to Tivat Airport to the end of the existing three way T-intersection in Jaz, north of Budva. This incorporates the territories of the three municipalities of Budva, Kotor and Tivat, and some 20 Cadastral Municipalities (CMs) where some form of expropriation will take place. These include the following:

- **Municipality of Budva:** Prijevor I and Prijevor II
- **Municipality of Kotor:** Dub, Glavati, Gorovici, Kavac, Kovaci, Kubasi, Ljesevici, Naljezici, Pelinovo, Pobrđe, Prijeradi, Sisici, Sutvara, Vranovici, Lastva, Privredna zona
- **Municipality of Tivat:** Mrcevac and Djurasevici

¹ SWECO (2019) Climate Resilience in the Montenegrin Road Network: Climate Resilience Strategy and Action Plan.
Client: EBRD

The most densely populated areas in the Project Affected Area (PAA) are Radanovici, Lastva Grbaljska, and Kovacko Polje (please see Figure 2 for a map on the most populated areas in the PAA and Annex 1 for more detailed maps). In most places the road footprint area to be included in the land take extends up to 10 metres beyond the current road footprint, except at roundabouts where additional land will be used. In addition, in the section between Tivat airport and Radanovici a section of the road will deviate from the existing road, though this new road section passes through government-owned land (see ESIA for details). The social impacts of the road expansion will occur in and beyond this footprint area, and will be significant for properties within 50 metres either side of the new road footprint². Currently, around 45% of this Project Affected Area has been subject to heavy human modification (e.g. industrial buildings, agricultural land, orchards etc.). The remainder is mainly Mediterranean shrubland, with areas of deciduous thicket, coastal forest and vegetation along watercourse.

Land take will generally consist of small roadside parcels of land. Some residential houses will be affected, as will their associated land and infrastructure e.g. through loss of parking lots. Agriculture generally has a decreasing importance in the region and only a minority of HH still depend on agricultural production for income and/or subsistence. Relocation of utilities during construction may however cause temporary disruption to PAPs.

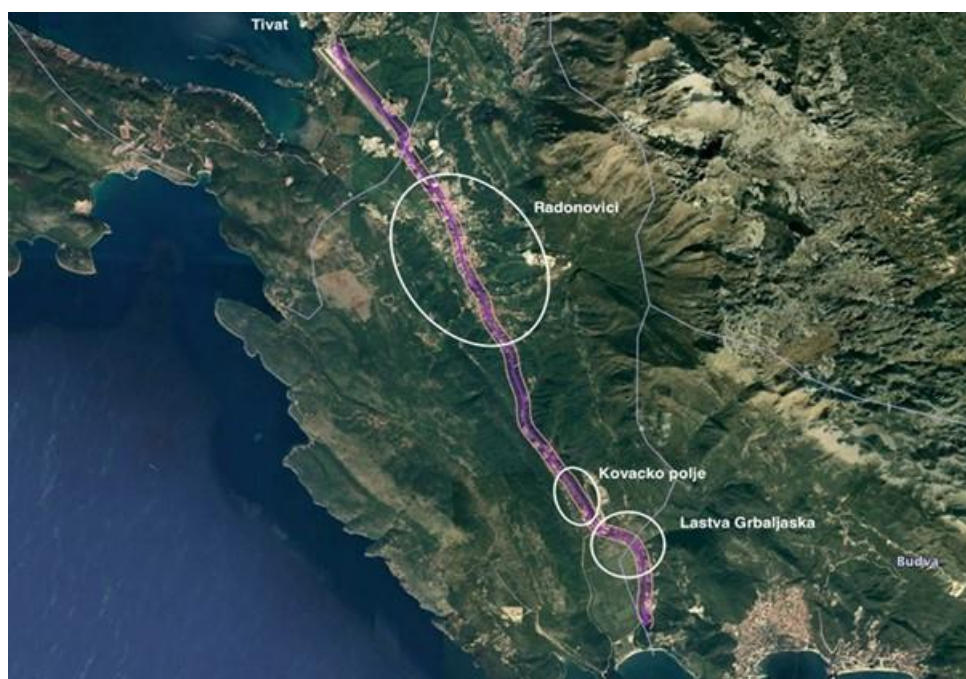


Figure 2: Most populated areas in the PAA

2.4 Status of Land Acquisition Activities

The land acquisition activities commenced in September 2019 and continue at the time of writing, January 2021. The activities completed by the Real Estate Administration and the Transport Administration, and its consultants are summarised in Table 2.

² While the Project Affected Area (PAA) was defined by the ESIA consultants as 150m either side of the road, the social impacts are expected to be significant 50m either side of the road, and thus the social impact studies were based on this narrower corridor.

Table 2: Summary of land acquisition activities

Activity	Carried out by	Scope	Date	Status
Expropriation Study including initial asset inventory	Real Estate Administration (REA)	Identified 661 land plots, 441 private owners and 112 business entities based on cadastral records and aerial photographs.	Sept'19 – Mar'20	Complete
Initial Socio-Economic Study	Transport Administration (TA)	Collected initial socio-economic data and identification of resettlement impacts, based on sample of 102 businesses and 106 households (HH) within 50 metres of the existing road that may be significantly affected by land-take. The study has interviewed 77% of the households and 70% of the business entities situated within this corridor, which is considered representative.	Feb'20	Complete
Follow-up Socio-Economic Study and Supplementary Asset Inventory	TA	Collected additional socio-economic data as well as preliminary asset information based on the same sample used in Feb' 2020 (HH and businesses within 50 metres from the existing road). The study interviewed 65% of the households and 85% of the business entities within this corridor.	Nov'20	Complete
Asset Inventory ground-truthing and Census	REA	Ground-level enumeration of PAPs and their assets, verification of expropriation study with all PAPs related to acquisition of their land or assets	Nov 20 - Ongoing	Ongoing, planned to be completed early 2021

An independent assessor carried out the Expropriation Study on behalf of the REA in accordance with national Law on Expropriation³ and commenced a process of estimating the area of affected land in September 2019, and finalised the study in March 2020. This study formed the initial asset inventory. The formal decision that the Project is in the public interest was made on 23rd July 2020.

As part of the ESIA process and to inform the LARF, an initial Socio-Economic Survey (SES) was conducted in February 2020 to collect initial data and identify resettlement impacts, focusing on houses and businesses located within 50 meters on each side of the road, which were determined to be those most likely to be significantly impacted.

A follow-up SES of the most impacted land plots (again targeting to cover all HH and businesses within 50 metres of the corridor) was conducted in November 2020. It provided socio-economic conditions of the households and businesses that will be physically and economically displaced by the project. The survey included a supplementary asset inventory of the typical impacted assets and properties, providing a representative sample to inform the entitlements and estimated budget. This inventory helped inform this LARP. A final enumeration of PAPs (Census) and the ground-level verification of all assets that is currently being carried out by REA and will determine the final budget.

The next step in the process comprises the completion of the REA's Asset Inventory ground-truthing and Census activities (20% complete as of December 2020), after which REA will move forward with delivering formal notices about compensation to affected households and businesses, and additional compensation and support will be disclosed by the TA, whose commitments to also compensate for informal assets (in line with PR5) are further detailed later on in this report in the section on Entitlements (5.4).

³ A more detailed description of the REA-managed process under Montenegrin law can be found in section 4.2 January 2021

Public consultation processes have occurred regarding the land acquisition process and meetings have included presentation of the maps showing the road corridor. Meetings have mainly occurred at the municipal and cadastral municipal levels and have involved community leaders. In addition, information on the proposed project and the grievance mechanism has been shared with participants via the socio-economic survey at the ESIA/LARF stage in February 2020 and during the most recent survey in November 2020.

Throughout the public consultation period and during the expropriation study the local communities raised a series of concerns about the impacts of the Project. In a petition filed in February 2018, they requested additional roundabouts and a reduction of the road corridor width in their community. They have expressed concerns about the location of the underpass for the road and residents and business owners in Budva municipality also raised concerns over the cadastral basis for the expropriation study. As part of the Grievance mechanism the TA responded to the communities and individuals with initial letters of acknowledgement and later more formal, detailed responses addressing their concerns. All issues raised were been taken into consideration by the TA and addressed where feasible and achievable when finalising the design. For example, the road widths were reduced, and all intersections were reviewed by the engineering team and amended where necessary to ensure pedestrian and road user's safety, and the basis of the Expropriation Study was checked to ensure it is lawful and correct. Such changes and amendments to the scheme have been communicated to those concerned during public consultations or letters of response.

Several residual concerns were reraised and reiterated in a letter submitted to the TA by the Lastva Grbaljska community in November 2020 shortly before the end of the Disclosure Process and the submission of this LARP. The letter focused particularly on the perceived lack of consultation and the apparent weak responses received from the TA. The TA provided a detailed written reply summarising the numerous consultation communications since October 2016, and provided detail on each key discussion point, highlighting where the scheme had been changed in response to the community's earlier concerns. The only material concern raised by the community that could not be changed is the permanent loss of two built assets. While the TA and the engineers sought alternative designs to minimise this impact the safety of the project and the minimum legal design requirements meant the assets could not be avoided. In case the TA's latest response to the Lastva Grbaljska community was insufficient they offered to meet with the community representatives to discuss any residual concerns. Further details are available in the Consultation Report.

3 Legal & Policy Framework for Land Acquisition & Resettlement

This section begins by identifying national laws relevant to the LARP. It then presents an overview of the expropriation process and a summary of the expropriation requirements. The following section outlines the EBRD requirements under PR 5 and a final section identifies the key gaps between Montenegrin Law and the EBRD requirements.

3.1 National Legal and Policy Framework

Several different bodies of legislation are relevant to land acquisition and resettlement in Montenegro. These include:

- Laws and regulations defining requirements for determining that a project is in the Public Interest and the subsequent requirements and processes for expropriation.
- Laws and regulations regarding land tenure and property rights.
- Additional laws and regulations relating to sustainable development and social welfare that provide information on additional entitlements for specific groups under Montenegrin Law.

These laws are outlined in Table and the expropriation requirements and process are outlined in Section 3.2 and Section 3.3 (respectively).

Table 3: Laws addressing physical and economic displacement in Montenegro

Law	Information disclosure and stakeholder engagement requirements
Laws and regulations on Public Interest and Expropriation	
Law on expropriation (Official Gazette No. 055/00, 012/02, 028/06, 021/08, 030/17, 75/18)	Defines the processes and procedures related to property expropriation in the public interest, compensation mechanism, grievance mechanism as well as other issues related to the expropriation process (for details see Section 2.2 and 2.3).
Law on Local Self Government (Official Gazette No. 42/03, 28/04, 75/05, 13/06, 88/09, 03/10, 38/12 and 10/14)	Article 28 states that local municipalities are responsible for defining/announcing that a project has been determined to be in the public interest for the expropriation process, when projects have a great importance at the local level.
Rulebook on Methodology for assessment of property value (Official Gazette No. 64/18)	Defines the methodology used for assessment of the property value and the institutional arrangements for property value assessment and purpose of the assessment.
Laws and regulations on Land Tenure and Property	
The Law on State Survey and Cadastre (Official Gazette of Republic of Montenegro, No. 29/2007, 32/2011, 40/2011 and 43/2015)	Establishes the Real Property Cadastre as a single public record, which contains, inter alia, data on expropriation.
The Law on Spatial Planning and Construction of Structures (Official Gazette of Republic of Montenegro, No. 51/08, 40/10, 34/11, 47/11, 35/13, 39/13 and 33/14)	Regulates the system of spatial planning in Montenegro, the manner and conditions for construction of structures and other issues of significance for spatial planning and construction. The Law does not foresee that structures built without the necessary permits may be legalized and stipulates that such structures must be removed.

<p>The Law on Ownership and Property Relations (Official Gazette of Republic of Montenegro, No. 19/2009)</p>	<p>Regulates ownership rights and other property rights. A significant provision of the Law is the conscientious builder of a structure on land owned by another person is entitled to acquire such land, if the landowner did not oppose to the construction. The landowner is in this case entitled to request to be compensated for the market value of the land, not later than ten years from the date the construction was completed. In case the builder of a structure on land owned by another person was not conscientious, and the land owner opposed to such construction, the land owner may request to acquire the ownership right over the structure (but must pay the structure owner the construction value of the structure) or the removal of the structure from his/her land or to be compensated for the market value of the land.</p>
<p>Laws and regulations relating to social welfare</p>	
<p>The Law on social welfare and child protection (Official Gazette No. 27/13, 01/15, 42/15, 47/15)</p>	<p>The Law on social welfare and child protection enables social welfare payments and social service provision to specific vulnerable groups within Montenegrin society.</p>
<p>Law on social housing (Official Gazette No. 27/13, 01/15, 42/15, 47/15)</p>	<p>The social housing law envisages the provision of social housing for those households whose residential units are in poor conditions or for those who are unable to have residential units due to their low incomes.</p>
<p>Law on adult education (Official Gazette No. 20/11, 47/17)</p>	<p>The adult education law addresses livelihood restoration by providing a legal framework for adult education through programmes and centres for vocational education.</p>
<p>Law on free legal assistance (Official Gazette No. 20/11, 20/15)</p>	<p>The law on free legal assistance provides legal assistance to vulnerable groups through Court departments, where people are able to access free legal advice provided by authorized lawyers.</p>

3.2 Montenegrin Expropriation Process

Public interest is established through a separate law, as a decision of the Government of Montenegro. The proposal for determining public interest, which must include information on properties that are to be affected and their registered owners, is submitted to the Government of Montenegro by the Beneficiary of Expropriation (in this case the TA), through the responsible Administrative Authority, the Real Estate Administration (REA). The Beneficiary of Expropriation can be the state, municipality, state funds and public enterprises, unless otherwise determined by the law. The Government of Montenegro has to decide within 60 days of receiving the proposal. An administrative dispute can be initiated against the decision on public interest of the Government of Montenegro with the Supreme Court of Montenegro. Upon establishing public interest, the proposal for expropriation is submitted by the Beneficiary of Expropriation (in this case the TA), to the responsible Administrative Authority in charge of recording property rights, in the municipality where the affected property is located (in this case the REA).

Certified contractors use a combination of cadastre records, aerial photograph-based approaches and any ground truthing needed to identify landowners and the specific built assets land uses for all areas to be expropriated. Parallel processes disclose maps of the Project and the locations of land to be expropriated. Stakeholders can request changes to the project to limit the impacts of changes on them by submitting written requests, which are accepted or rejected. The proposal for expropriation is submitted together with a set of accompanying documents, including proof that funds / replacement properties needed for compensation are deposited in a special account of the Ministry of Finance.

Owners of affected properties are individually invited to a hearing and notified about the submission of the expropriation proposal. The REA passes a decision on expropriation (first degree) if the documentation is in order. The affected owners can submit an administrative appeal to the Ministry of Finance, which decides in the second degree, after which the decision becomes final. The final agreement can either be accepted or rejected by the owners, however, in either case under the 2018 Expropriation law the expropriation becomes legally binding at this point. Further (judicial) appeal can occur for agreements that have been rejected. However, the expropriation proceeds and the legal proceedings do not delay expropriation. Rather, they tend to concern issues of compensation amount. The Beneficiary of Expropriation proceeds with the payment of compensation or provision of replacement properties, after the signing of a compensation agreement or the decision on compensation becoming legally binding.

3.3 Expropriation Requirements

The Law on Expropriation (Official Gazette No. 055/00, 012/02, 028/06, 021/08, 030/17, 75/18) focuses on providing compensation, or in specific circumstances replacement assets, for any affected property needing to be expropriated in the public interest. It addresses physical and economic displacement for those stakeholders who have formal legal rights according to the law. The expropriation law also defines the requirements and agreements related to expropriation and compensation. The Rulebook on Methodology for assessment of property value (Official Gazette No. 64/18) further regulates expropriation. Key aspects of the Law on Expropriation include:

Compensation and entitlements:

The Law requires fair compensation for land, which is defined on the basis of the market price for the same type of property in the same or similar area, within the municipality. Compensation can be reduced to account for increased property values linked to the implementation of the Project. It envisages providing appropriate cash compensation for those stakeholders that are affected, except in specific circumstances, where income is derived from the land and agricultural assets on it, where replacement land of the same class and land use can be provided. It enables affected stakeholders to request compensation for 'orphaned' land. It does not envisage compensation for those objects that are informally built or for informal incomes. Valuation is carried out through a standardised process defined in the Rulebook on Methodology for assessment of property value.

Process issues and engagement:

The Law allows the beneficiaries of expropriation to request the right to access land/property in cases where compensation has not yet been executed. The Law defines processes for disclosing the area to be expropriated and for receiving requests for changes to the Project to limit impacts. The Rulebook provides guidance on the process of measurement and valuation that is to be used in determining compensation value and any other entitlements. The Law defines processes for informing owners about the compensation assessment and enables them to attend a court hearing to request changes to the compensation amount. The Law provides for administrative and judicial processes to be used in the case of any dispute regarding expropriation and the amount of compensation provided. Those who have formal legal rights are informed throughout the expropriation process (i.e. passing of the decision on public interest; before the decision on expropriation is passed, the municipal office in charge of expropriation has to invite the affected person with formal legal rights to a meeting to present any facts which may be relevant for expropriation). Some resettlement-related issues, including disruption to utilities and providing support for informal housing loss and for assisting where livelihoods may be impacted are not included in the expropriation law but fall under the mandates of different ministries and municipal departments. Clear processes for coordinating these responsibilities are not specified in the law.

3.4 EBRD Requirements

Land acquisition and resettlement issues are defined in the PR5 of the EBRD Environmental and Social Policy (2014). Key PR5 objectives are:

- To avoid or at least minimise involuntary resettlement whenever feasible by exploring alternative project designs;
- To mitigate adverse social and economic impacts from land acquisition or restrictions on affected persons' use of and access to land by:
 - (i) providing compensation for loss of assets at replacement cost,
 - (ii) ensuring that resettlement activities are implemented with appropriate disclosure of information, consultation and the informed participation of those affected;
- To improve or, at a minimum, restore the livelihoods and standards of living of displaced persons to pre-project levels, through measures that can be enterprise-based, wage-based and/or enterprise based, so as to facilitate sustainable improvements to their socio-economic status; To improve living conditions among displaced persons through provision of adequate housing with security of tenure at resettlement sites.
- The standards require well-designed studies to identify the full range of resettlement and livelihood impacts and the identification of groups that may be differentially impacted or may require additional support measures to enable their full participation in the resettlement process. They also require the proponent to consult with affected persons and communities and facilitate their early and informed participation in decision-making processes related to resettlement.
- The grievance mechanism should be established as early as possible in the process in order to timely receive and address specific concern about compensation and relocation that are raised by displaced persons and/or members of host communities, including a resource mechanism designed to resolve disputes in an impartial manner.
- To monitor and, once complete, audit the land acquisition, resettlement and livelihood restoration process.

Detailed requirements are specified in the EBRD Social and Environmental Policy and Performance Requirement 5 (2014), including requirements for consultation, disclosure, grievance management, resettlement studies, and outlining a variety of entitlements that must be provided. Requirements for clients to provide additional guidance and support to government implementation agencies (in this case for TA to support REA) are also outlined.

3.5 Gap Analysis between National Legislation and EBRD Requirements

While some aspects of Montenegrin expropriation law are aligned with the EBRD Policy (2014), there are a number of important areas of divergence, which will require supplementary actions to create alignment. These aspects are analysed and summarised in Table 4.

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Table 4: Gap Analysis between National Legislation and EBRD Requirements

Procedural issues:	<ul style="list-style-type: none"> • The Montenegrin expropriation law does not constitute a negotiated agreement approach in the sense that PR5 proposes; • A socio-economic survey is not required under the law; • The range of assets included in valuation studies and compensation calculations does not include the full range of entitlements under PR5; • Although the valuation criteria seek to identify a fair price, some aspects, including the ability to reduce the value if remaining property value increases may mean that replacement value can be undermined; • The Law on Expropriation provides only for compensation for loss of assets and does not prescribe other types of assistance to displaced persons or communities. However, the Law stipulates that the financial and other personal/family circumstances of the previous owner must be taken into consideration if such circumstances are "of significance to the livelihood of the owner" (large number of household members, number of household members earning income, the health status of the household members, monthly income of the household, etc.); • Impacts specific to women and other groups experiencing differential impacts are not identified in the process; • The implicit cut-off date under Montenegrin law (at the expropriation decision) does not coincide with the EBRD cut-off date and the requirement to specifically disclose the cut-off date is absent
Physical resettlement	<ul style="list-style-type: none"> • Those persons who do not have legal rights or claims on the land are not subject of compensation or assistance under Montenegrin laws, including resettlement to adequate housing and livelihood restoration assistance; • Informal residential structures are not subject of compensation. Some other laws, e.g. the Construction Law include provisions that can fill this gap; • The process focuses on owners and does not adequately identify formal or informal land users and their losses; • Differential impacts on specific groups are not identified.
Economic resettlement	<ul style="list-style-type: none"> • In case of economic displacement affected persons (including those with informal incomes/livelihoods) are not entitled to livelihood restoration assistance. However, there is potential to provide livelihood support under other laws; • Informal business structures are not subject to compensation; • The process focuses on owners and does not adequately identify formal or informal land users and their losses; • National legislation does not require development of resettlement/livelihood restoration framework and plan that will be based on the results of the SES, supplementary data collection and resettlement impact assessment.
Consultation and disclosure:	<ul style="list-style-type: none"> • Consultation and disclosure processes under Montenegrin law do not aim to achieve informed participation in decision-making processes. • National legislation does not require consultations with affected persons regarding compensation principles and processes; • Those persons who do not have legal rights or claims on the land are not included in the consultation process; • Additional support that may be required to enable full participation in the expropriation process are not identified; • There is no requirement for public disclosure of the LARP; • The Law on Expropriation does not foresee provision of special support to vulnerable or differentially affected groups. However, it can be provided in the framework of other national laws; • National legislation does not require establishment of an independent and free project grievance mechanism that will address land acquisition complaints and grievances. Only 8 days are given to lodge a formal appeal against an expropriation decision;
Monitoring and Audit	<ul style="list-style-type: none"> • Resettlement/livelihood restoration process are not monitored and evaluated under Montenegrin law. • An independent audit is not required.

4 Affected People and Assets

4.1 Introduction

Planning a land acquisition and resettlement process in accordance with PR5 requires an understanding of the type, full range and significance of resettlement and livelihood impacts arising from the land acquisition process, so that the full range of impacts can be addressed.

It also requires an understanding of the differential ways that the project will impact on different groups of people. The EBRD requirements refer to these differential impacts on groups in terms of vulnerability that may be either exacerbated by the resettlement process or that can be arise from the resettlement process. PR5 requires targeted support measures to mitigate for differential impacts as well as consideration of targeted support measures that may be required to enable full participation of affected HH and PAPs in consultation and disclosure and compensation and mitigation processes and actions.

Vulnerability is not a helpful term in the local context, so, this document uses the terms 'differential impacts', 'differentially affected group' and 'targeted support'.

4.2 The national process: REA data collection and impact assessment

4.2.1 The REA-managed process under Montenegrin law

The REA-managed expropriation process, overseen by the TA uses a standard methodology for identifying, valuing and compensating the specific sub-set of resettlement impacts linked to loss of land (based on land use and class) and loss of physical assets (e.g. houses, business structures) and improvements to the land (e.g. parking areas)).

Under Montenegrin Law, an Expropriation Study must be carried out as an initial step in the expropriation, in order to identify all landowners potentially affected by the expropriation process. The study was based on existing cadastral records and aerial photographs of the land parcels, and was completed by a certified company in March 2020.

A version of the expropriation study registry containing non-confidential information for affected plots (for individuals, businesses, the church, the monastery, and the Montenegrin government) to be acquired for the Project, is provided in section 4.2.2. Complete land ownership data includes confidential information and shall not be publicly disclosed at any time by EBRD or RWMC.

After the Expropriation Study and before construction can commence the RAE must complete final asset inventory ground-truthing to verify all data collected to date. At the time of drafting this LARP, this ground-truthing was still underway. All relevant landowners in Tivat have been consulted and agreements are being discussed, and the consultation documentation for Budva and Kotor is being prepared but no landowners have yet been contacted. As this process is still ongoing, this LARP uses data from the Expropriation study and the TA lead socio-economic survey conducted in November 2020 which constitutes as sample asset inventory of typical impacted assets to inform the entitlements and budget. It does not include any asset inventory data collected by the REA as part of their ground truthing surveys.

4.2.2 Results of the Expropriation Process

As outlined previously, under Montenegrin Law, an Expropriation Study must be carried out as an initial step to identify all landowners potentially affected by the expropriation process based on existing official records of the properties and their owners. Starting with studies of cadastral records, the expropriation study also include triangulation between the cadastral records and field and aerial photos to identify the land use for each parcel to be expropriated and to assign a specific quality parameter that would be used later for valuation. The initial asset inventory was completed as part of the REA’s Expropriation Study, which was expanded on during the supplementary asset inventory completed by the TA as part of the follow up Socio-economic survey. The final ground-level verification of the expropriation study and asset inventory data has not been completed by the REA and continues.

The expropriation study database created for the purpose of this project contains data on the following:

- Landowner;
- Cadastral Municipality;
- Type of land;
- Land Class;
- Land Parcel number;
- Area subject to expropriation (m²); and
- Remaining land following incomplete expropriation

The Expropriation Study identified some 661 land plots to be expropriated of which 424 are owned by private people and 112 are owned by business entities. In addition, government agencies and municipalities own 125 plots. These involve some **16.89 hectares** of land to be acquired of which 36% is privately owned, 36% is owned by businesses and the remainder is owned by the government. Data from the expropriation study are shown in Table 5. The Expropriation study also provides information about the percentage of land of each type that will be lost by each owner. Landowners will lose on average between 2.0% and 17.2% of their specified land to the road project. The most significant losses appear to be to businesses in Tivat municipality and in Budva municipality, which will lose an average of 12.5% and 17.2% of their land parcels to the Project respectively.

The Expropriation study also provides information about the percentage of land of each type that will be lost by each owner (Table 6). Landowners will lose on average between 2.0% and 17.2% of their specified land to the road project. The most significant losses appear to be to businesses in Tivat municipality and in Budva municipality, which will lose an average of 12.5% and 17.2% of their land parcels to the Project respectively.

Table 6 Error! Reference source not found. Table 5: Expropriation Study summary

Ownership status	Number of parcels	Affected area (m ²)
Kotor Municipality (16 CMs)		
Private individuals	366	40,909
Legal entities (Private Companies)	52	6,066
Government entities	87	33,832
Total in Kotor Municipality	505	80,807
Tivat Municipality (2 CMs)		

Ownership status	Number of parcels	Affected area (m ²)
Private individuals	15	5,089
Legal entities (Private Companies)	58	50,274
Government entities	19	9,242
Total in Tivat Municipality	92	64,605
Budva Municipality (2 CMs)		
Private individuals	43	14,921
Legal entities (Private Companies)	2	3,878
Government entities	19	4,664
Total in Budva Municipality	64	23,463
Total in all municipalities (private + business + government)	661	168,875
Total in all municipalities (private + business)	536	121,137

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The Expropriation study also provides information about the percentage of land of each type that will be lost by each owner (Table 6). Landowners will lose on average between 2.0% and 17.2% of their specified land to the road project. The most significant losses appear to be to businesses in Tivat municipality and in Budva municipality, which will lose an average of 12.5% and 17.2% of their land parcels to the Project respectively.

Table 6: Expropriation Study by land use⁴

Ownership status	Forest	Garden	Hardstand ing	Meadow	Cropland	Orchard	Pasture	Barren land	Road	Water	Vineyard
Kotor Municipality (16 CMs)											
Private individuals	7,609	614	3,477	8,141	7,855	4,377	6,259	655	164	1,186	245
Legal entities (Private Companies)	880	0	133	704	673	0	2,948	619	0	0	0
Government entities	9,405	0	913	237	0	135	13,600	304	5,278	3,958	0
Total in Kotor Municipality	17,894	614	4,524	9,081	8,528	4,513	22,808	1,578	5,441	5,145	245
Tivat Municipality (2 CMs)											
Private individuals	4,539	0	0	117	0	0	66	51	0	321	0
Legal entities (Private Companies)	11,613	905	955	1,709	0	6,988	8,446	0	101	452	19,004
Government entities	6,192	0	0	0	0	0	139	647	1,275	933	0
Total in Tivat Municipality	22,345	905	955	1,826	0	6,988	8,651	698	1,376	1,707	19,004
Budva Municipality (2 CMs)											
Private individuals	2,865	209	60	642	90	612	8,386	313	313	0	1,447
Legal entities (Private Companies)	0	0	589	0	39	74	3,172	0	0	0	0
Government entities	1,604	0	415	0	210	0	1,334	536	502	56	0
Total in Budva Municipality	4,469	209	1,064	642	338	685	12,892	850	815	56	1,447
Total in all municipalities (private + business + government)	44,708	1,727	6,544	11,549	8,866	12,186	44,350	3,125	7,633	6,907	20,696
Total in all municipalities (private + business)	27,506	1,727	5,215	11,313	8,656	12,051	29,277	1,638	578	1,959	20,696

⁴ N.B. This data is from the REA's expropriation study, which is within c.1% of land take data derived from the engineering plans (via GIS), explaining any potential minor discrepancies.
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Physical Resettlement

The expropriation study indicates that two (2) private houses will be physically resettled by the Project and no closure of businesses is anticipated. However, as will be discussed below in the socio-economic survey, the study does not account for situations such as orphaned land (where households are not able to fulfil their needs with the remaining land) or businesses becoming unviable as a result, therefore the actual number of physical resettlement may be higher.

Land Use and Economic Displacement

The Project-Affected Area includes areas on the outskirts of the cities of Tivat and Budva, both cities with important tourism industries. The road passes through undeveloped unplanned areas, characterized by forest and shrubland and a series of linear communities along the road. Approximately 45% of the road corridor includes private housing and businesses and associated land modifications. There is significant construction activity ongoing along the road.

The expropriation study provides details on different land use types as indicated in Table 6. Some larger areas of cropland (7,855 m²) in Kotor will be affected by, expropriation, as well as agricultural activities in Tivat municipality such as Orchards (6,988 m²), and Vineyards (19,004m²)

The expropriation study does not provide details on assets such as the number of fruit/olive trees or auxiliary structures such as garages, warehouses, barns, fences etc. These details are currently being verified as part of the final Asset Inventory ground-truthing and Census led by the REA, although the latest socio-economic survey did capture these details as a representative sample of typical assets lost to more accurately inform this LARP.

4.2.3 Planned REA activities / next steps

After the announcement of the public interest decision was made in July 2020, an asset Inventory and census study was commenced by REA: all relevant landowners in Tivat have been consulted and agreements are being discussed, and the consultation documentation for Budva and Kotor is being prepared but no landowners have yet been contacted. These studies aim to interview 100% of affected businesses and households and will provide a ground-truthing of expropriation data collected to date.

As outlined in section 6.1.2 on future engagements, the TA and REA will also implement additional disclosure, consultation and participation processes to clarify the resettlement principles, further identify impacts and entitlements, and to finalise appropriate supplementary resettlement mitigation measures.

4.3 Socio-Economic Study

4.3.1 Study Approach

A first socio-economic survey (SES) was carried out in February 2020 as part of the ESIA and LARP process, to provide data on the project social context and resettlement impacts anticipated, as well as to identify differentially impacted groups to help identify appropriate targeted support measures. The socio-economic study focused on the businesses and households situated within a 50-metre corridor either side of the existing road as these are the households and businesses most likely to experience significant physical and economic resettlement impacts from land acquisition. The study has interviewed 77% of the households and 70% of the business entities situated within this corridor, which is considered representative⁵.

In November 2020, a second survey was carried out in the same target area (the 50-metre corridor either side of the existing road) gathering a sample of asset inventory and livelihood details to provide the current LARP document with a representative sample informing the entitlements and resettlement budget, particularly given the REA process of collecting a full census and inventory is still underway.



Figure 3: example map disclosure

As due to COVID-19 restrictions it was not possible to conduct face to face surveys, contact details collected during the ESIA stage were used to conduct the November 2020 survey over the phone. Prior to this, along the route the survey was announced through notices with detailed and localised maps highlighting the land plots affected (See Figure 3 as an example and Annex 1 for the full series of maps and disclosure materials).

The sample consisted of 98 households and 73 businesses, which were contacted between the 23rd and the 27th of November. In total, 63 household survey were completed (64% response rate) and 62 businesses surveys (85% responses rate). 19 households could not be reached over the phone and 15 rejected to participate (a complete list of reasons for rejection has been captured, the most frequent reasons cited include a lack of interest, frustration with the project, or illness). As part of the script, interviewees were briefed on the grievance mechanism and availability of disclosed project documentation. The study reported on the following data:

For private households:

- General data on households:
 - Socio-economic data (age, gender, level of education, income, employment, and criteria for differentiated measures such as handicap or reliance on support)
- General data on affected plots, including:
 - Area of land plot (estimated by the interviewee)
 - Type of property and land use
 - Ownership
- Agricultural and livestock breeding activities, including:

⁵ Note: Based on the total number of identified households and businesses in the 50m corridor on the left and right side of the road.
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- Agricultural activities undertaken (crops, orchards, breeding, etc.)
- Yield and income generated (if any)
- Contribution to overall food production of HH.
- Project impact and preferred compensation:
 - Main perceived impacts and preferred compensation method.
 - Details on whether HH have been informed / satisfaction with engagement to date

For businesses:

- General data on affected businesses
 - Type of business, turnover and income, number of employees
- Data on employees
 - Number of employees
 - Socio-economic data on employees (age, gender, level of education, dependents)
- Project impact and preferred compensation.
 - Perceived main issues
 - Preferences for compensation method

4.3.2 Socio-Economic Survey (SES) Findings

Table 77 and Table 8 (below) summarise relevant characteristics of Private Households and Businesses respectively from the socio-economic study. In some cases, supplementary data from the February 2020 Socio-Economic Survey has been cited as that dataset (based on the same sample of most affected households and businesses) provides additional insights in socio-economic status, whilst the emphasis of the November 2020 survey, besides concise socio-economic indicators, was on typically impacted assets and livelihoods.

Table 7: Private Households

<p>Household demographics: Households average 3.9 members who are close relatives and are skewed to older adults (33.3% >50 years and 9.8% >70 years). 23.9% have not completed education beyond Elementary School and may need support with resettlement documents. 4.9% reported as female headed.</p>
<p>Land and ownership: In the majority of cases the type of property belonging to the HH consisted of a residential house with either adjacent agricultural land (65.4%) or other land (19.2%). Land plot areas covered by the survey varied between 452m² and 5800m², with a mean size of just over 2,000 m². In three cases the entire land area was affected. Over 85% of the respondents reported to be owners of the land, in most cases the sole owner, or otherwise co-owned with siblings or other close family members.</p>
<p>Housing and assets: In addition to the main residential house, the HH reported a wide variety of auxiliary structures. 34 respondents (54%) confirmed they had at least one non-property asset on their land. These ranged from relatively small structure such as fences (21.2% of households), to more significant structures such as garages, workshops and warehouses/storage units (10%), although they are often old (50% older than 20 years) or informal (40% built without permit). Some more significant (e.g. large / income generating) structures included a gas station, a rental facility, and a workshop/apartment. The age of the assets ranged from 1 year to 70 years and the mean age was 31 years. 27 respondents (43%) did not provide an answer.</p>
<p>During the February 2020 survey, the consultant team did not identify housing in poor condition, indicating relatively low levels of structural poverty and vulnerability. Approximately 8% of residents did not own their property and were either renting or living in property owned by family members. 1% of HH indicated that they were living informally on government land.</p>

Infrastructure and health: The February 2020 survey indicated that 100% of HH were connected to the national grid, 63% to water supply and none to sewage systems. There were frequent complaints (74%) of inadequacy of electric, water and sewage systems. A new water system is being installed with the road. **Physically resettled HH will be connected to electric, new water and septic tanks.** Most people travel to larger communities for healthcare, **so access will not be impacted by physical resettlement.** 2% stated their participation in expropriation related proceedings could be limited due to infirmity or ill health.

Livelihoods:

The two main sources of income mentioned by respondents are salaries from employment and pensions respectively. Three households mentioned receiving income from agriculture and another two from small businesses. **This should limit the impact of the land take on the households' main source of income.**

However, **the impact on livelihoods such as own food production may be significant and require livelihood restoration measures:** of those households whose affected plot constitutes agricultural land (21%), in 44% of the cases the harvest makes up half of their total food production. Likewise, orchards, vineyards and olive yards make up an important part of the households' food production, and in some cases (7), their main source of income as they sell their produce.

Income and poverty:

Only 30% provided income information. Of these 33% earn <500 EUR/month, 33% 500-1000 EUR/month and 33% >1000 EUR/Month. The Montenegrin average of gross income is 781 EUR/month (December 2019), while absolute poverty line was 192.4EUR per equivalent adult (Monstat, 2017).

In addition to the above figures, the February 2020 socio-economic survey found that 5% of HH reported receiving social protection payments. 2% reported ineligibility for or inadequate pensions. 8% of household members were unemployed. 7% of HH considered that they would suffer additional impacts from the land acquisition due to their income generation. **These figures suggest that between 5 and 7% of affected HH probably qualify as relatively poor and may require additional livelihood restoration and transaction support.**

Differentially impacted groups: The following groups have been identified during the February 2020 survey, who may have the potential to be impacted differentially by the Project:

- Households receiving social transfers from the government (5%)
- Female headed households (4.9%)
- Roma households living opposite the airport (2%)
- Households receiving pensions (33%)
- Households with > 7 members (6%)
- Households where the Head of Household did not start secondary school (25%)
- Households which are living in rented houses/apartments (2%) or who live on family-owned land (6%)
- Households with informal housing (1%)
- Households with members who are ill or having bad health conditions (2%)

Differential impacts of the Project on poor HH are expected to be temporary issues with achieving effective participation in consultations and hearings and with adapting livelihoods. They may require additional livelihood restoration and support with participation.

Table 8 Businesses

<p>Business characteristics and assessment of impacts: A wide variety of businesses was reported, though the most prominent were those related to the tourism industry such as hospitality, catering and restaurants (20%) which will be reliant on the April to October tourist season, and are concerned about decline in business. Another prominent group is those consisting of car repair shops, dealers, and rental services (around 15%) and retail / trade (around 20%). Together with the tourism businesses, these businesses are reliant on parking space and road access and respondents raised concerns over parking impacts.</p>
<p>Land and Ownership: The total land size of affected businesses is less than 1000m² in 48% of interviewed businesses. 16.3% of the businesses lose their entire land plot, though in other cases the majority of estimated land take is proportionally small, between 51-100 m² in 31.3% of the cases.</p> <p>Further to this, the February 2020 socio-economic survey indicated that sixty percent (60%) of businesses operate in premises they own, while 39% rent the business premises. 14% of owners sublet part of their business premises to someone else.</p>
<p>Employees: Neary half the businesses employ less than 5, while 38.8% have between 5 and 20 employees. Employees may lose income while business assets are reconfigured. Over 80% of employees have secondary education or higher. 57.7% is between the age of 18 to 39 and 37.9% between 40 and 49. 72.5% of reported employees earn up to EUR 500 per month and 23% between EUR 500 and EUR 1000, which also covers dependents (91.1 provide for between 1-5 dependents).</p> <p>Further to this, the February 2020 survey indicated that eighteen percent (18%) of businesses have some employees who live on the business premises, who could be physically resettled, if their employer closes business.</p>

4.4 Summary of Affected Land, Assets and Persons

The expropriation study and socio-economic surveys provide a representative sample providing quantitative information about the numbers of affected HH and their assets, and information on the scale and types of resettlement impacts that can be anticipated for the Project, and were used to calculate the estimated budget. The final Asset Inventory ground-truthing and Census verification is currently being carried out by REA. Table 9 provides a summary of the resettlement impacts of the Project.

Table 9: Land acquisition impacts

Phase/Type of Loss	Summary of Losses/Impacts
PRE-CONSTRUCTION - Prior to Construction	
Permanent Land Take	Households:

Phase/Type of Loss	Summary of Losses/Impacts
	<ul style="list-style-type: none"> • Loss of land (predominantly covered by forest and scrub, orchards, pastureland, gardens, subsidiary structures and building plots). This includes residential small holdings with garden plots. Areas of trees will be affected by the land acquisition along with some meadows and pasture. These will be compensated according to the land use, land improvements (e.g. irrigation), and land quality. The TA has informed affected communities that compensation will include compensation for informal assets (i.e. those on government land or that have not been formally permitted). • Loss of annual/perennial crops and trees – Where possible, the TA will allow farmers and gardeners to harvest crops, and where crops are lost, compensation will be provided. See also temporary supports. See also temporary losses. • Loss of Residential Structures (physical displacement): A very limited numbers of residential structures are likely to affected by the Project and result in physical displacement. Currently 2 houses have been identified that will be physically resettled. Compensation at replacement cost will enable owners to purchase a similar property nearby or a replacement property elsewhere. Despite the small number of households to be physically displaced, during the February 2020 socio-economic survey almost 50% of households interviewed stated that they would be physically displaced. During the socio-economic survey conducted in November 2020, 74% of respondents indicated they had not been informed about the planned expropriation, indicating further consultations/communications are still necessary to improve perceptions. In February, 7% also stated that they would ask the government to buy all of their land, due to orphaned land issues, which could trigger further physical resettlement; similar comments were made in November 2020 as several HH mentioned they were planning to sell the remaining part of the land. See also temporary losses (below). • Loss of Non-Residential Structures (e.g. sheds, workshops, animal houses, fences, etc.) Most houses have non-residential/auxiliary structures, some of these will be affected. They will be compensated at replacement value. The November 2020 survey indeed indicated 54% of interviewed private landowners had at least one assets, in the majority of cases smaller structures such as fences and storage units, though in some case more significant and formal (built with a licence) structures were reported such as second houses or business objects such as a car wash or holiday rentals.

Phase/Type of Loss	Summary of Losses/Impacts
	<ul style="list-style-type: none"> • Loss of sources of income and/or livelihoods associated with any of the above losses: A few households in the local villages are largely dependent on land-based livelihood activities such as crop growing, orchards, vineyards or animal rearing, which could be affected by loss of land or access to land they use. For example, of those households whose affected plot constitutes agricultural land (21%), in 44% of the cases the harvest makes up half of their total food production. • Orphan Land: (i.e. part of an affected land plot which remains after expropriation and for which the owner has no more economic interest in using and/or is an economically unviable plot). Orphan land is often a small part of land that remains after expropriation of land which is split by the construction of the road into two or more economically unviable plots etc. Some respondents of the socio-economic survey already indicated they would intend to sell the remainder of their land. During the census and asset inventory engagement process, the total occurrence of orphan plots will be confirmed. (Under the Montenegrin legal framework, affected owners can request where the orphaned land is uneconomic to use etc. that their whole plot is expropriated). <p>Businesses:</p> <ul style="list-style-type: none"> • Loss of Business Structures: No main business structures are expected to be lost to the land take. However, during the socio-economic survey among private landowners some income-generating auxiliary structures were listed such as a car wash or rental facility. Should it become necessary to acquire a business structure, compensation will be at replacement cost for the structure, including improvements. • Loss of land (predominantly business land includes parking lots, access roads, subsidiary structures, scrub, planted or forest land and building plots). These will be compensated according to the land use and type. The TA has informed affected businesses that compensation will include compensation for informal assets (i.e. those on government land or that have not been formally permitted). For some businesses loss of subsidiary land may result in critical impacts to the business, for example:

Phase/Type of Loss	Summary of Losses/Impacts
	<ul style="list-style-type: none"> • Loss of sources of income and/or livelihoods associated with either of the above losses: Business will be disrupted during construction and most businesses are expected to close temporarily while parking lots, lost auxiliary structures and business activities are reconfigured. Disruption should be limited for most businesses, because construction will be during the low season. In February 2020, 17% of businesses indicated they expected to close due to these losses, especially to their parking areas, however this figure is expected to reduce once the businesses have access to detailed information in asset inventories and consultations regarding mitigation measures. Employees may also be impacted by temporary or permanent business closures. See also temporary losses. • Orphan Land: (i.e. part of an affected land plot which remains after expropriation and for which the owner has no more economic interest in using and/or is an economically unviable plot). Orphan land is often a small part of land that remains after expropriation of land which is split by the construction of the road into two or more economically unviable plots etc. During the census and asset inventory, the total occurrence of orphan plots will be confirmed. (Under the Montenegrin legal framework, affected owners can request where the orphaned land is uneconomic to use etc. that their whole plot is expropriated). The issue is expected to be limited for businesses in the Project area.
DURING CONSTRUCTION:	
Temporary Effects:	<p>Households:</p> <ul style="list-style-type: none"> • Temporary loss of land – temporary loss of land is not anticipated for the Project, because laydown and storage areas are expected to be within the expanded road area and hence within the existing expropriation zone. • Loss/damage to annual/perennial crops and trees (e.g. vegetables, orchard and forest trees). Annual crops will be compensated for the lost harvest and perennial crops will be compensated for replacement plants and for the lost years of harvest, as plants reach maturity. • Damage/temporary disruptions to any agricultural or home business structures, will be repaired in kind or provided with replacement compensation. • Temporary loss of and/or more difficult access to land for businesses, orchards, rental accommodation or other livelihood related land uses and disturbance to agricultural vehicles/livestock etc. existing routes to land. • Loss of sources of income and/or livelihoods associated with any of the above losses. <p>Businesses:</p>

Phase/Type of Loss	Summary of Losses/Impacts
	<ul style="list-style-type: none"> • Temporary loss of and/or more difficult access to commercial facilities or for businesses: Businesses will be eligible for compensation for lost revenues during periods that access is compromised. • Loss of sources of income and/or livelihoods associated with any of the above losses.
DURING OPERATION:	
Permanent Access Effects	<ul style="list-style-type: none"> • Loss of and/or more difficult access to land, commercial facilities and/or the road network. No significant permanent effects on access are anticipated from the Project. All businesses and HH will have access to one carriageway of the road and a number of additional roundabouts and access roads have been added to the design, as a result of public consultation to optimise access. Overall, with the faster new road, journey times should decrease.

5 Compensation Principles and Eligibility

5.1 Introduction

This section consolidates the quantitative understanding of resettlement impacts presented in the previous chapter in sections 4.2.2 (expropriation study) and 4.3.2 (socio-economic surveys), in the context of the Montenegrin legislation and the LARF, to present a framework of entitlements that need to be provided to affected households and businesses in order to meet the requirements of PR5.

The chapter begins with a presentation of the key compensation and assistance principles under PR5 which are required to bring the Project up to PR5-compliant standards. It then describes the progress of the expropriation process to date and presents the entitlement matrix. Calculations on compensation for land loss, auxiliary structures, crops, and other cash compensation items are provided in Section 8.

5.2 Key compensation and Assistance Principles

Actions to help ensure that the existing process meets EBRD requirements during implementation will focus on:

- Building on and verifying existing data to create a reliable and comprehensive census and asset inventory, and to identify all affected HH, inventory their affected assets and their full range of resettlement and livelihood impacts and entitlements (PR5 Paras 14 and 15);
- Implementing a negotiated approach prior to the REA expropriation, so that expropriation mechanisms are employed as a last resort, rather than the preliminary mechanism, as recommended in PR5 para 10;
- Maintain a consultation and engagement process with PAPs that involves transparent disclosure regarding entitlements and supports, and enables participation in developing effective mitigation of resettlement impacts and livelihood restoration (PR5 Para 12);
- Maintain consultation and engagement mechanisms and supports that enable obstacles to full participation to be overcome (PR5 Para 13);
- Ensuring that an accessible and effective grievance process continues to be available that provides responses in a timely manner, while still enabling access to legal remedy. This will include recourse to an impartial resolution mechanism (PR 5 Para 12); and
- Reviewing all payments and entitlements so that compensation, livelihood restoration and support follows the principles of compensation at full replacement cost, the principles of impact mitigation and the specific requirements of PR5 paras 17-20 and 25-40.
- Designing and implementing monitoring, reporting and an external completion audit per PR5 Paras 23 and 24

5.3 Eligibility

Project-Affected People (PAPs) are defined as all individuals and legal entities who will be physically and/or economically displaced, as a result of Project-related land acquisition. Many PAPs were recorded in the expropriation study and are therefore eligible for compensation through the REA expropriation process. The few categories of PAPs who are not fully represented in the REA process have been identified through the TA's socio-economic surveys and incorporated in the entitlement matrix within this LARP. Their inclusion in this report ensures that their eligibility is included in the land acquisition process and conforms with PR5 requirements.

Overall, in the municipalities of Budva, Tivat and Kotor, according to the expropriation study, 16,8875 square metres of land, approximating 16,89ha will be acquired for the Project. This land is distributed in 661 land plots, of which 424 belong to private individuals (HH), 112 belong to businesses and 125 belong to municipalities and government agencies. Municipal land acquisition will take place at the government level and is outside the scope of this study, although one HH was identified during the socio-economic survey (SES) in February 2020 as having informal housing and living on government-owned land. Of the home and business-owners the majority of significant impacts are expected to be concentrated in the 106 HH and 102 businesses with the main structure situated within a 50m corridor either side of the road. In addition to landowners, Table 10 details the categories of eligible people that were identified in the SES:

Table 10: categories of eligible people (besides landowners)

Household heads: (includes formal & informal owners and renters / occupiers)	<ul style="list-style-type: none"> • House renters (estimated at 2% of most affected = 2 HH) • Living in family-owned home (estimated at 5% of most affected = 5 HH) • HH living in informal housing on government-owned land (estimated at 1% of most affected = 1 HH)
Businesses owners:	<ul style="list-style-type: none"> • Businesses operating in rented premises (estimated at 39% of the most affected businesses = 40 HH) • Employees of most affected businesses (unknown overall number) • Live-in employees of most affected businesses that close due to the Project (unknown overall number).
Employees	<ul style="list-style-type: none"> • Many employees will be temporarily impacted by temporary disruption of the business where they work. • In addition, some employees may lose their job, if the business where they work is closed. • Some employees live on the business premises and could potentially lose their home, if the business closes.

All individuals or households who own, occupy or use Project-affected land (formal and informal users) are entitled to compensation and/or livelihood restoration or other kind of assistance, per their specific characteristics according to PR5. The following Table 21 describes different categories of PAPs and the processes that have been / will be used to identify them:

Table 21: Categories of PAPs

1.	Persons and businesses with formal legal rights and with rights which are recognizable under national law (owners)	Persons with formal legal rights are recorded in the expropriation study. In the case where land with formal legal rights is absent from the cadaster (e.g. the case of the house identified as informally constructed on private land) the owner can initiate a claim for compensation. They will then be invited to a hearing and the REA census and asset inventory are updated.
1b	Persons and businesses with formal legal rights and with rights which are recognizable under national law (owners), who cannot be located	These individuals will be identified in the census. Their compensation will be calculated, and documents produced. The compensation payment will be held in escrow, according to the requirements of Montenegro Expropriation Law.
2.	Persons and businesses with no formal legal rights to the land they occupy at the time of the census (informal users)	1% of HH state that they occupy land that they have no legal right to occupy. No HH informally occupying land are expected to be physically resettled. No informal businesses have yet been identified. Any HH and businesses in this category will be compensated at replacement value for losses to crops, and structures and improvements to land that they have built. In addition, if they experience livelihood impacts they will be eligible for livelihood support.

3.	Persons who occupy or use land legally, but are not landowners.	In Montenegro it is common for land to be owned by an extended family head and shared informally among close relatives. The SES identified several instances of land being used by people other than the registered owner. In addition, many businesses occupied rented premises. Data from the SES suggests that 2 of the most-affected houses are occupied by people renting the house. 6 of the most-affected houses are occupied by people who are using a house that belongs either to a family member or is jointly owned by a group of family members. If a similar proportion of informal residents occupy less-impacted houses then another 22 renting HH and HH occupying family property would be anticipated. In addition 39% of businesses were renting their business premises. HH and businesses in this category will be compensated at replacement value for losses to crops, and structures and improvements to land that they have built. In addition, if they experience livelihood impacts they will be eligible for livelihood support.
4.	Differentially impacted groups⁶	<p>The February 2020 SES identified the following differentially impacted groups and individuals that may require targeted support due to access, educational language barriers, cultural or other requirements:</p> <ul style="list-style-type: none"> • Households receiving social transfers from the government (5%) • Female headed households (1%) • Roma households living opposite the airport (2%) • Households receiving pensions (33%) • Households with > 7 members (6%) • Households where the Head of Household did not start secondary school (25%) • Households which are living in rented houses/apartments (2%) or who live on family-owned land (6%) • Households with informal housing (1%)
5.	Other Project Affected People (PAP)	Employees of businesses are also expected to be PAPs: The SES identified that 50% of the most-affected businesses were small having 5 employees or less while 20% had 20 or more employees. Only employees of the most-affected businesses are expected to be PAPs, due to temporary or permanent closure of the business. 18% of businesses have live-in employees, who would need to be physically resettled in the case that the business needed to close due to land acquisition for the Project.

5.4 Entitlements

This section describes different entitlements, suggested by the SES data. These are then presented in a framework entitlement matrix in the following section. Disclosure and final consultation is needed before entitlements can be finalised. These processes are described in implementation section.

5.4.1 Cash Compensation for Assets

Under the national expropriation law, certified appraisers from REA and the Commission for value assessment will appraise the value of different types of land and physical assets using the following approach:

⁶ This term is used instead of vulnerable groups.
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- **Land Assets**

- Compensation is calculated as the market value of all formal assets plus any transaction costs associated with restoring such assets (transfer taxes, registration costs). The market value of assets (land and structures) is defined based on recent market transactions in the affected area (or in a relevant nearby area). Replacement cost of land will correspond to the market value of land with similar characteristics in the vicinity of the affected land including transaction costs.
- There are provisions for landowners to request inclusion of orphaned lands in compensation and there is also the ability for compensation to be reduced to reflect increased property value derived from the Project.
- Assets associated with agricultural production e.g. orchards and vineyards will be compensated. Appraisal of plants and trees takes into account features such as their age or the resources and amount of time that would be needed to grow new tree/plant.

- **Built assets:**

- Replacement cost of formal structures that are registered in the asset inventory will be based on the market value of structures with similar characteristics in the affected area including possible transaction costs. Informally built structures are not required to be compensated under the national Law on expropriation, although the TA has committed in writing and in engagement with HH and businesses to compensate both formal and informal assets through the REA process. This will include informal houses, and any informal household or business assets e.g. parking areas, and non-housing structures that are not permitted and are therefore included in this category.

This approach broadly conforms with the EBRD requirement to compensate for assets at full replacement cost, providing that costs are truly representative of replacement costs, and assets are identified correctly.

Replacement cost of informal residential or business structures (those which are built without construction permit or not registered in REA) as well as non-residential structures will be calculated as the cost of rebuilding a structure of similar characteristics in another location including materials, costs of labour and any transaction costs (construction value of structures).

Table 12: Compensation types and processes

Compensation type	Process
Compensation for immovable property (includes housing, built structures and built improvements e.g. parking areas, fences)	Compensation fee for expropriated residential building, apartment or business premises is determined at the level of fair compensation for such immovable property. The expropriation beneficiary may (in case if all conditions are met) provide similar residential land/building/apartment in compensation. Another property will be provided to the owner before the demolition of an expropriated object. Informally used land will not be compensated in cash.
Compensation for residential land	According to the Law on Expropriation, land-owners whose land will be subject of expropriation will require fair cash compensation which will be determined in the amount of market prices of the same type of real estate in the same or similar area of the municipality, increased for the eventual lost profit during the period of relocation. In case market price cannot be determined it will be considered the municipality with the same or similar income per capita according to the law which is regulating equalization fund. The TA has agreed that informal built objects will also be compensated.

Compensation for agricultural land	Compensation fee for expropriated agricultural land will be determined in cash at the level of the fair remuneration of such land. The fee for expropriated agricultural land to the person whose income from that land is a condition for existence, upon his request and if conditions are met, is determined on the way that it will be given to the owner another appropriate land of the same culture and class or the corresponding value in the same place or the surrounding environment. The former owner of an expropriated facility used for cattle breeding and housing or processing of agricultural products of the product whose income from these activities is a condition for existence, upon his request and if they are fulfilled all conditions, the fee shall be determined by giving in the ownership of another facility in which it will be able to continue performing activities on place proposed by the previous owner within his agricultural property, and in accordance with applicable regulations.
Compensation for vineyard or orchard	Compensation fee for an expropriated vineyard or fruit orchard shall be determined on the same way as it is determined for the land as defined above, whereas it will be added value of non-depreciable investments invested in raising and maintaining such vineyards or orchards and the amount of net yield that this vineyard would have given as long as it takes to build up and take on the fullness of a new vineyard or orchard. The fee for an expropriated young vineyard or orchard that does not give fruit is determined by firstly determining the fee for the land under the provisions of Article 36 of the Expropriation Law, and to this is added the value of the investments invested for its raising and the amount of net yield that would have been realized for as long as the vineyard or orchard is old until the moment expropriation.
Compensation for Forests	Compensation fee for expropriated mature or approximately mature forest represents the value of forest assortments and other forest products determined at market prices on the truck or other loading, or purchase place reduced with production costs. Compensation fee for expropriated young forests is determined by the costs of raising such a forest, increased by value space factor where such forest can reach value of the mature forest. The fee determined shall be increased for the amount of land compensation determined by the provisions of Article 36 of the Law on Expropriation. The costs of production include the costs of cutting, making and transporting forest assortments from the forest to the truck or other loading or redeeming place. The costs of raising the young forests by artificial means are determined at the level of the costs of afforestation.

5.4.2 Cash compensation for lost net income and other economic/livelihood losses

All individuals/households/businesses, who will be permanently economically displaced or partially displaced are entitled to cash compensation for lost net income during the period of transition (until re-establishment of business/economic activities in another location) under PR5.

In line with the Expropriation Law the REA process will confirm a valuation for all built assets, formal and informal, and all crops, and trees, including orchards and vineyards. The methodologies for calculating the entitlements for agricultural land are outlined in 33.

33. Methodology for estimating compensation for crops

Type of Entitlement	Calculation Methodology
Compensation for unrealized annual crops production	<p>To the extent possible land acquisition will be scheduled for after a harvest. If this is not possible the following methodology can be used to compensate for the loss of or damage to annual crops. The data will be provided by the independent assessor procured by the TA who will confirm recent crop prices at the municipal level. The compensation will be calculated per crop based on the following formula:</p> $C = A \times AProd \times APr$ <p>where:</p> <ul style="list-style-type: none"> C = compensation value A = impacted area (ha) AProd = average production of crop kg / ha (across 3 years of data) APr = average price per kg / type of crop <p>Annual crops that are harvested before land acquisition shall not be compensated for.</p>

<p>Compensation for unrealized perennial crops production (i.e. the cost of replacing the crop, plant or tree over time)</p>	<p>This will be calculated for all impacted lands that are currently being used as orchards or vineyards and any perennial arable crops. To the extent possible land acquisition will be scheduled for after a harvest. If this is not possible the following methodology can be used to compensate for the loss of or damage to annual crops. The data will be provided by the independent assessor procured by the TA who will confirm recent crop prices at the municipal level.</p> <p>The determination of the full replacement cost requires consideration not only of the yield of the crop over one year, but also of the cost of re-establishing the crop. And the lost income during the period needed to re-establish the crop. The compensation will be calculated per crop based on the following formula:</p> $C = V \times R + C1 + C2$ <p>Where:</p> <ul style="list-style-type: none"> C = compensation value V = average market value of crop per annum R = number of years to re-establish the crop to equal value C1 = cost of planting and tending to the new crop (seedlings, soil preparation, water etc.) C2 = cost of labor required to maintain the crop to equal value <p>The calculated compensation (C) should then be applied to the whole plot (ha) assuming either an average density or based on the precise count of all standing crops.</p>
<p>Compensation for forestry land (lifetime production + cut-off wood)</p>	<p>This type of compensation will be calculated based on a specific evaluation report prepared by independent evaluation, which will confirm the current market value for the wood represented, inclusive of species and quality, the associated transport, on sale costs.</p>

The Expropriation Law does not include the requirement to compensate for livelihood losses, which will therefore not be included in the REA process. However, an approach has been agreed by the TA, as follows:

- Certified appraisers will appraise business losses (net income loss), based on all available documents, this will occur for both permanent and temporary losses.
- Permanent losses will also be accompanied by (as yet unspecified) livelihood restoration support (see below).
- If the business is completely informal and if there is no record available, an estimation of net income and/or loss is prepared.
- Any affected employees will be entitled to compensation in the form of transitional support, depending on the time period and the nature of displacement and livelihood restoration assistance.

The TA has agreed to ensure businesses and households are compensated for such losses. The type and value of compensation will be agreed during contract negotiation between the REA and the business or HH.

5.4.3 Resettlement Assistance

Resettlement assistance will be defined based on initial indications from the SES and additional information from the asset inventory and census, and in discussion with PAPs in consultation and disclosure processes. Resettlement assistance will be designed in accordance with the specific needs of affected people. This type of assistance is very often provided to differentially impacted HH, which are physically or economically displaced by a project and can include the following:

Assistance to resettle to appropriate accommodation with security of tenure. For example, a differentially impacted household that has no other place of residence than the affected informal residential structure, may be assisted to resettle to a municipal social apartment, with a long-term contract to ensure security of tenure;

- Moving allowance;
- Support with completion of and understanding of documentation for those who are illiterate or do not understand Montenegrin;
- Legal aid;
- Assistance to obtain personal documents, to help with accessing services available under national legislation;
- Assistance to access social welfare;
- Assistance to enrol children in school; and
- Assistance to access health care, etc.

The TA has agreed to cooperate with institutions and organisations that can provide needed services, such as the municipal centre for social welfare or local organisations, which work with differentially impacted groups to assist them in accessing appropriate services.

The TA, together with the competent national authorities, will provide alternative accommodation for those who will lose housing as a result of this Project, until their new home is ready for them to live in (if they choose to build a new house) or until they buy a new house/apartment. Costs for alternative accommodation will be provided for a maximum of a year. All costs in regards of resettlement assistance, either provided by other Ministries and Agencies or by third parties, will be channelled through the TA.

5.4.4 Livelihood Restoration Assistance

In cases where implementation of the Project and loss of land and other assets or access to assets, leads to loss of income sources or means of livelihood (economic displacement) of Project-Affected People and businesses, the TA Project Implementation Unit (PIU) will implement livelihood restoration measures. This assistance will be provided in addition to cash compensation for affected land and assets and in additional support. Employees of the most-affected businesses may be temporarily laid off while business premises are reconfigured. In addition, some may lose their jobs, if businesses close and others may lose their job and their home if the business closes and they are live-in workers.

Livelihood support may include:

- Compensation for the cost of re-establishing business activities elsewhere;
- Compensation for the cost of reconfiguring business or livelihood assets to enable continued operation;
- Access to employment opportunities created by the Project;
- Assistance to identify and access other income/livelihood generation activities;
- Replacement of salary for employees if the business closes temporarily;
- Replacement of salary for a fixed term and with job search and/or training for employees if the business closes permanently;
- Support with rent and with job search and/or training for a fixed term for live-in employees who lose their job and home;
- Assistance to access training, skill development, job opportunities;
- Assistance to access credit facilities;
- Provision of transitional support (see above);

- Compensation for or assistance to transport equipment or machinery.

Livelihood restoration assistance will be provided to those identified as needing it, following the asset inventory / impact study. This support will be provided in supplemental compensation agreed through consultation and negotiated settlements, rather than as a part of the REA compensation process. The TA PIU will cooperate with institutions and organisations that can provide this assistance, such as the local Employment Bureau or local organisations which implement job training, adult education, access to credit facilities, etc

5.5 Entitlement Matrix

Compensation entitlements for different categories of eligible persons and assets are summarized in the matrix below (Table 44), which is the EBRD-approved version that was part of the LARF⁷.

Note: The entitlements below have been defined in line with the result of the socio-economic survey which show that:

- 536 land plots will be acquired from households (424) and businesses (112) by the Project.
- 2 registered residential structures will be lost as per current data (physical displacement)
- 102 businesses own or rent property within 50 metres of the road corridor.
- 39% of the most affected businesses rent their business premises
- 17% of the 102 most affected businesses stated that they would close their business.
- 18% of the most affected businesses have live-in employees.

⁷ <https://www.ebrd.com/work-with-us/projects/esia/main-roads-reconstruction-project.html>
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Table 44: Entitlement Matrix

TYPE OF LOSS/IMPACT	CATEGORY OF AFFECTED PERSON	ENTITLEMENTS
Permanent loss of privately owned agricultural, commercial and residential land	Owner of the land	Cash compensation for land at “topped up” replacement cost and taking into account changes in value as per EBRD PR5 requirements. In cases where orphaned land will remain after expropriation, landowners can request expropriation of the entire plot or the orphaned plot to avoid orphaning. OR Replacement land of equal or better value (combination of size and quality) in cases where land-based livelihoods exist.
Loss of annual / perennial crops and trees and of other livelihood resources (e.g. business structures, parking lots, animal stalls, building plots).	Owner of crops, plants, trees (can also be the owner of the land or the formal or informal user of the land)	The right to harvest crops, plants for annual crops OR Cash compensation for lost annual / perennial crops / and trees at full replacement cost. OR and on their request, the loss of crops and land can be mitigated by provision of land with crops of the same culture and class, on land of at least the same value. OR Where crops are relied upon for income by a HH other livelihood restoration / transition support may be provided.
Loss of registered residential structures (physical displacement)	Owner of the affected structure	Cash compensation for the residential structure at full replacement cost, including land at replacement cost. AND Transitional support to assist with moving expenses. AND Temporary support, if house is demolished prior to completion of a new house, or purchase of replacement. Paid accommodation until construction of new home, but no longer than 1 year.
Loss of registered residential structures (physical displacement)	Non-owner occupier of the affected structure	Appropriate replacement housing under equivalent conditions. AND Temporary support to HH while suitable replacement accommodation is found and they need to move before they have a house to move to. AND In the case that the house currently lived in is provided as part of employment, assistance with finding new equivalent employment and/or training and temporary salary during training (see loss of employment) AND Transitional support for any transactions. AND Transitional support for moving expenses.
Loss of unregistered / informal structures (houses) (physical displacement)	Owner of the affected structure	Appropriate replacement housing with secure title can be provided through the sustainable development ministry in some cases. AND Transitional support to assist with moving expenses. AND Temporary support (rent), if house is demolished prior to completion of a new house, or purchase of replacement. Paid accommodation until construction of new home, but no longer than 1 year.

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Loss of registered and unregistered commercial structures (commercial objects, concrete and hard fences, parking lots, asphalt coated access, auxiliary premises and other structures)	Owner of the commercial structure	Cash compensation for the commercial structure at full replacement cost, with or without land value depending on whether land is owned. AND Livelihood restoration, if this is indicated.
Loss of registered and unregistered commercial structures (commercial objects, concrete and hard fences, parking lots, asphalt coated access, auxiliary premises and other structures)	Non – owner users of the commercial structure.	Appropriate replacement business premises under equivalent conditions. AND Compensation for all improvements and upgrades and adaptations to property at replacement cost. AND Temporary assistance for moving expenses and lost income during transition to new premises AND Transitional support for all transactions (e.g. business re-registration, certifications etc.). OR Compensation for all improvements and upgrades and adaptations to property at replacement cost. AND Tailored livelihood restoration support. OR Reconfiguration of existing premises to maintain business viability after loss of structures. AND Tailored temporary and transitional support
Loss of income from loss of crops and or informal assets used to generate income for households, where these activities are significant contributors to income.	User of the livelihood resource	Tailored livelihood restoration measures designed to improve or at minimum maintain standard of living and income.
Loss of non-residential structures (auxiliary structures and improvements on land)	Owner of the non-residential structure	Cash compensation for the non-residential structure at full replacement cost
Permanent or temporary loss of employment as a result of affected businesses closing or re-locating	Employees of affected businesses	Transitional allowance (monthly salary) during the period of re-location of business for temporary loss. AND In the case of business closing transitional allowance (3 months wages) and livelihood restoration assistance AND In the case of business closing and loss of accommodation transitional allowance (3 months wages) and livelihood restoration assistance and tailored physical resettlement, temporary and transitional assistance.

6 Consultation, Disclosure and Grievance Management

6.1 Consultation & Disclosure

PR 5 requires participation of affected persons in informed decision-making processes from the earliest stages of resettlement through the end of monitoring and auditing. They are expected to participate in identifying eligibility, entitlements, design of resettlement and livelihood assistance and timing decisions, as well as in negotiations.

6.1.1 Engagement to date

The Project design and disclosure process started with the introduction of the Project in 2016. Details of engagement to date are included in the Project’s Stakeholder Engagement Plan and summarised in Table 15. Engagement will continue throughout the implementation of compensation and support measures and monitoring and evaluation of the resettlement process.

Table 55 Engagement to date

Phase	Engagement Undertaken
Design	<p>The TA has been maintaining continuous communication and engagement with all the relevant stakeholders in the Project Affected Area since 2016. The total number of meetings and official communication with representatives of the relevant municipalities, public utility companies, local communities and business entities in the period from 2016 until 2019, i.e. during the design and revision phase is 48. Stakeholder engagement has been ongoing since submission of the planning documentation for development of the Preliminary Design, which was delivered to Budva Municipality in 2016. After finalisation of the Preliminary Design, the TA presented the suggested road layout to all three municipalities during 2016. The initial stage of stakeholder engagement included meeting with representatives of all three municipalities traversed by the road, i.e. Budva, Kotor and Tivat. Additionally, representatives of the Local Community Lastva Grbaljska were officially informed about the stage of development of the Preliminary Design during 2016. The Preliminary Design was submitted to the relevant municipalities in 2017 for the purpose of approval of the road layout.</p> <p>During 2017, stakeholder engagement included a number of meetings and official communication with representatives of the affected municipalities and local communities, whereby the representatives of the local communities expressed their requests regarding the Preliminary Design and road layout. The requests which were made by the local communities during this phase were shared with representatives of the municipalities, for the purpose of ensuring duly and conformant development and update of the Preliminary Design. During the stage of development of the Preliminary Design, representatives of the local communities submitted a petition in 2018, through which they expressed disagreement with construction of the Tivat-Jaz Main Road, and requested a number of changes to the Preliminary Design so that the Project itself would allow them to have better and more efficient conditions for their everyday activities. The petition was subsequently submitted to the EBRD, and some of the requests made through the petition were related to reduction of the width of traffic lanes, reduction of the width of the separating island and construction of additional roundabouts. Additionally, the TA received complaints and requests for amendments from representatives of business entities in Lastva Grbaljska, who opposed the requests which were defined in the petition signed by the representatives of the local communities. Business entities submitted their requests during 2018, whereby one specific business entity opposed construction of a roundabout at one of the intersections at which the local communities had already requested an additional roundabout through the Petition. The TA provided official responses to the Petition and all requests made by the local communities and business entities throughout the Design Phase.</p>

	<p>Additional stakeholder engagement that was carried out by the TA on an ongoing basis during the Design phase included official communication and meetings with representatives of the public utility companies. These meetings were held for the purpose of aligning the Project Design with all the activities and projects which would be implemented by the public utility companies in the upcoming period, as well as during the phase of reconstruction and upgrade of the Tivat-Jaz road section, i.e. any projects related to public water supply, public electricity supply, etc. As a result of these meetings, the TA was provided with information about the existing locations and capacities of the public utility companies, such as the current capacities and locations of substations in the PAA. Considering the fact that this Project is going to be implemented along with the project of construction and reconstruction of the Regional Water Supply System, the TA maintained continuous communication and engagement with representatives of the Regional Water Supply Company throughout the Design phase.</p> <p>The TA as the main Project proponent has met with local community stakeholders throughout this period in order to ensure that community feedback, concerns and suggestions have been noted and taken into account in the finalisation of the design. Engagement during this phase has not been systemically recorded, the methods of communication have been varied (including telephone calls), and the TA continues to meet and hear stakeholder queries and concerns Further details are included in SEP Annex 2 provided by the TA.</p>
National EIA	<p>The national EIA process commenced in 2019. Engagement during this phase included four (4) public consultation meetings in Radanovici, and Budva, Kotor and Tivat municipalities in December 2019, where the draft EIA report was disclosed.</p> <p>There were also four (4) public announcements (on the Nature and Environmental Protection Agency of Montenegro's (NEPA) website and in the national newspaper) about the process of development of the EIA related to the 1) Request for development of EIA; 2) Decision on development of EIA; 3) Announcement about completion of the EIA; 4) Announcement about the public consultation meetings for the purpose of presentation of EIA.</p>
ESIA Scoping	<p>The ESIA team visited the Project-Affected Area (PAA) 2-6 December 2019, and engaged with representatives of Tivat and Kotor municipalities, and representatives from Radanovici and Lastva Gbraljska communities, so that key stakeholders were aware of the parallel EIA and ESIA processes. Budva municipality was also contacted with a request for a meeting.</p>
ESIA Study	<p>As the national EIA and ESIA processes have been conducted very close to each other, and to prevent confusion or fatigue amongst stakeholders, some of the public consultation meetings initially planned for the international ESIA study phase were pushed back to the draft ESIA disclosure phase instead. The ESIA study phase consisted of 13 meetings with key informants, which also functioned in part as engagement meetings. There was also one focus group discussion with youth from Radanovici school, one community meeting in Radanovici, and one-to-one interviews with 98 households and 72 businesses in the PAA. Ahead of the studies, information notices were posted in locations in the PAA informing local residents about the Project and the ESIA process, and sent out by email to all businesses operating in the area. Every respondent to the survey questionnaire was given a leaflet explaining the study process and purposes as reference material to ensure that they were fully informed. The announcements of the studies, the leaflets shared, and photographs showing the locations of the posters are included in the Annexes (both the originals in Montenegrin and the English translations)</p>
Socio-Economic Survey (Nov '20)	<p>A Socio-Economic Survey was conducted in November 2020 as part of the LARP process, covering 61 households and 62 businesses within 50 metres of the main corridor. Every respondent (interviewed over the phone, maps posted along the route) to the survey questionnaire was given a briefing on the availability of disclosure documents, the grievance mechanism, and given the opportunity to comment on the project.</p>

6.1.2 Current and Future Engagements

Following the Announcement that the Project is in the Public Interest, and the communication of the cut-off date to PAPs for the establishment of eligibility, specific expropriation-related actions and communication have commenced. These include the following:

- Completion of the on-going asset inventory ground-truthing and census by the REA , which includes the identification of any owners and users, assets and land not registered in the cadastre and hence not included in the expropriation study.
- Valuation by a court certified expert / body for any assets not valued in the expropriation study
- The REA will inform PAPs of a proposed compensation price based on a full identification of household assets to be expropriated. This should include informally held assets and transaction costs (if any).
- The households will then be invited to attend a hearing regarding this amount.
- After the hearing there will be an opportunity to accept or request review of the proposed compensation amount.
- If review is requested, then a recalculation is produced.
- A second hearing invitation will be provided if a PAP does not attend the first hearing.
- Once a final compensation agreement is produced, the owner has 8 days to lodge a formal complaint regarding the amount.
- Legal recourse is also available, however, after the 8 days from the final compensation agreement the expropriation is final, even if payment is refused.

In addition to the actions under the national expropriation process, the TA will also continue to regularly inform and consult PAPs, and will consult with HH and businesses about supplementary compensation and support that falls outside the REA process mainly to meet EBRD PR5 requirements that are not addressed through the national law. All meetings and consultations will be documented by the TA and the documentation will include the date when the meeting/ consultation was held, list of attendees, and a summary of the discussions. The TA will also organize public meeting with the PAPs to present:

- The Project;
- The Legal procedure for Expropriation;
- The EBRD PR 5 principles and requirements;
- The Grievance redress mechanism;
- The Methodology for Assessment Valuation;
- Additional entitlements required under PR5;
- Other project related documents.

6.1.3 Document disclosure

Disclosure of project documents enables interested PAPs to understand the resettlement process in greater detail. It is also important in enabling local government, NGO and advocate oversight and support of the resettlement process. The LARP will be available on the TA official website (http://www.uzs.gov.me/projekat-ebrd/Tivat_Jaz) and the EBRD website (<https://www.ebrd.com/esia.html>), in Montenegrin and English versions. In addition, hard copies of the LARP will be available at the following locations:

- TA premises in Podgorica [IV Proleterske 19, 81000 Podgorica]
- Municipalities of Budva (Trg Sunca 3, 85310, Budva), Kotor (Trg Sunca 3, 85310, Budva) and Tivat (Magnolija 85 320 Tivat),

The Stakeholder Engagement Plan (SEP) was also disclosed on the TA and EBRD websites and deposited at the above locations. This describes the engagement activities for the Project and includes the engagements with affected owners and users of land and assets (including those with legal and no legal rights or claims to land they occupy or use).

COVID-19 Restrictions on Stakeholder Engagement

The briefing note emphasises the importance of information disclosure and stakeholder engagement in managing the social impacts of projects and that mandatory restrictions and social distancing measures imposed by COVID-19 will rule out some traditional consultation approaches in the short term. A number of alternative approaches are proposed including:

- Information disclosure:
 - Leaflets
 - Email campaigns
 - Text-based messaging
 - Traditional media
 - Engagement through local actors
 - Signage
- Stakeholder engagement:
 - Surveys and questionnaires
 - Online engagement
 - Social media
 - Radio call-in shows / telephone engagement

The alternative approaches were incorporated into the proposed disclosure and engagement measures for the Project as appropriate and as set out in Section 5.5 (Future Engagement) of the SEP, with further detail provided in the Consultation Report.

6.2 Grievance Mechanism

As defined in the SEP, the TA has responsibility to notify, manage and record all potential comments and complaints related to the Project and land acquisition. Persons and businesses affected by the Project can submit any comments, complaints and requests by post, telephone or e-mail addressing the TA contact person and/or a designated representative of construction contractor. The TA contact person is responsible for collection of all grievances related to the Project.

Grievances have been processed 'by the Grievance Management and Redress Committee consisting of TA legal expert, TA technical expert, representatives of the local community and the relevant REA'. Grievances were noted and registered within 7 days and responded to within 30 days period by the TA. However, in case when affected persons submitted grievances to the Construction Contractor, communication will be responsibility of the Construction Contractor's representative who will be monitored by the TA contact person. In cases where grievances required or require more time for solving, the TA informs the person who submitted grievance about the timeframe for its completion, within the 30-day grievance response period.

The following grievance contact details have been provided:

Contact person: Nikola Arnaut
Transport Administration of Montenegro
IV Proleterske 19
81000 Podgorica
Montenegro
Tel: +382 20 655 095, 655 364
E-mail: upravazasaobracaj@uzs.gov.me
Website: www.uzs.gov.me

Further details are provided in Appendix 5.

7 Monitoring, Evaluation & Reporting

7.1 Monitoring

The TA is responsible for monitoring of the LARP which will include both progress monitoring (timeliness) of inputs and outputs, and periodic measurement of outcome indicators (comparing with baseline conditions gained through the SES). Table 16 summarises the indicators that are proposed:

Table 16: Monitoring input, output and outcome indicators

INDICATOR	SOURCE OF INFORMATION	FREQUENCY
Input indicators		
% of affected HH completing census asset inventory % of affected businesses completing asset inventory and resettlement survey.	Consultant survey team	Monthly during national asset inventory implementation
Number and purpose of engagement meetings and consultations. Attendee lists and any agreements reached	Meeting minutes and meeting database	Monthly
Number of affected people/households and businesses by category (formal or informal, owners or users, differentially impacted groups (including gender and ethnicity-based difference), employees) and types of impacts (physical displacement, temporary or permanent economic displacement, other).	TA resettlement database and grievance management records	Monthly
Number and type of affected assets (land, houses, non-residential structures, crops, trees, etc)	TA resettlement database	Monthly
Overall spending on compensation, resettlement and livelihood restoration	TA financial records	Monthly
Number of staff dedicated to resettlement and compensation, with distribution in-house outsourced	TA legal department (HR officer)	Monthly
Reinstatement of land – number of plots complete	Construction contractors' reports and grievance management records	Monthly
Timing of implemented activities in comparison to LARF implementation schedule	Compare status of implementation to LARF schedule	Monthly
Output indicators		
Number of expropriation compensation contracts signed Number of valuations rejected Number of hearings attended. Number of no-shows and number of HH and businesses requesting changes to compensation. Number and % of compensation payments executed	TA resettlement data base and financial records TA resettlement database TA resettlement database TA resettlement database	Monthly

Number of supplementary compensation and support agreements, documented and provided to PAPs, finalised and paid / implemented.	TA resettlement database	Monthly
Number of HH requesting and authorised for acquisition of entire lot	TA resettlement database	Monthly
Number and types of assets fully compensated	TA resettlement database	Monthly
Number and types of temporary assistance provided	TA resettlement database	Monthly
Number and types of transitional assistance provided	TA resettlement database	Monthly
Physical displacement – Number of people/households resettled	TA resettlement database	Quarterly
Livelihood restoration measures – types of measures implemented, implementation progress, number of beneficiaries	TA resettlement database	Quarterly
Number of additional supports provided to differentially impacted HH and businesses by support type.	TA resettlement database	Monthly
Outcome indicators		
Number and type of grievances lodged, resolved and outstanding or unresolved and trends	Grievance management records	Monthly
Average time for payment of compensation through REA expropriation and for supplementary payments by TA / other agencies	Measure time between compensation agreement and payment	Quarterly
Verification that compensation represents full replacement cost?	Investigate whether recipients of cash compensation were able to purchase a similar property	Prior to payments, Annually
Use of compensation	Investigate how recipients of cash compensation spent/invested it	Annually
Physical displacement – satisfaction with new homes/assets Comparison with pre-resettlement data from SES and asset inventory / resettlement impact study.	Investigate whether physically displaced people/households are satisfied with their accommodation, location, etc. TA resettlement database	Annually
Income/livelihoods: Changes in income level (maintained, increased, decreased) Reinvestment in livelihood activities (purchase of land, equipment, skill training, etc) Specific focus on differentially impacted groups	Individual meetings with people/households who have been economically displaced TA resettlement database TA resettlement database TA resettlement database	Annually

The indicators aim to incorporate an acceptable frequency for monitoring, monitoring of both the REA expropriation process and the parallel EBRD compliant additions. The presence of annual indicators suggests that an annual outcome survey is anticipated for the resettlement. This will not be the external completion audit, which is scheduled for 24 months from commencement of resettlement.

7.2 Reporting

7.2.1 Current process

The TA is responsible for maintaining and regularly updating the database of persons and businesses whose land and objects will be subject to acquiring and affected by the Project. Moreover, TA is responsible for the implementation of the compensation process, resettlement and livelihood restoration measures. TA will keep all information confidential about persons/businesses and their compensation payments. Based on the indicators listed in Table 1, TA will prepare quarterly progress reports presenting implementation of the LARP and submit these to EBRD. Reports will contain information about compensation and resettlement/livelihood restoration measures, consultation processes, information on negotiation processes and achieved results, assistance to vulnerable groups and grievance management. Additionally, TA, with potential support from consultants will be responsible for the documentation of all consultations and meetings which will be included into progress reports with additional information (i.e. attendance sheets, photos). TA will submit the final report to EBRD upon completion of all land acquisition process and implementation of all pre-defined mitigation measures.

7.3 Completion Audit

A Completion Audit will be undertaken once all LARP measures have been implemented for this tranche of the Montenegro Main Roads Improvement Project. The audit will also occur after sufficient time has passed to establish stable resettlement and livelihood outcomes. The completion audit is expected to occur approximately 24 months after completion of all physical relocation of households and/or businesses, at a minimum. The audit will be carried out by independent resettlement experts and as agreed with the EBRD. The audit will determine whether measures to restore standard of living and livelihoods of affected people were well conceived, properly implemented and effective in achieving the required outcomes. In the event that the audit identifies significant deficiencies or non-conformances with PR5, the auditors will recommend corrective actions, including an implementation schedule and budget. The audit will include a review of all related documentation, compensation rates and amounts, consultation and disclosure records, grievance records, results of internal monitoring and external monitoring/evaluation reports. The auditors will also conduct evaluation surveys of and consultation with a sample group of affected people and other relevant stakeholders.

8 Implementation Responsibilities and Costs

8.1 Implementation Responsibilities

Whilst the TA is responsible for overall Project implementation through its Project Implementation Unit (PIU), processes related to land acquisition are also the responsibility of other institutions as shown in the Table below (Table 17).

Table 17: Implementation responsibilities

INSTITUTION/ORGANIZATION	ROLES AND RESPONSIBILITIES
TA PIU	General responsibility related to implementation of LARP with consultants' support Beneficiary of expropriation process including by not limited to the procurement and management of an independent crop inventory assessor.
Government of Montenegro	Proclamation of the public interest
Ministry of Finance	Securing funds for land acquisition. Responsible authority for matters related to land ownership and corresponding compensation which is defined in the process of land expropriation. Its competency in this process is related to the right of owners of expropriated land to file complaints to the Ministry of Finance against the decision on expropriation and the defined amount of compensation. In case the owners do not accept the decision of the Ministry of Finance, they have the right to initiating legal procedure in the competent courts in Montenegro.
Real Estate Administration (REA)	Establishing the Commission for Value Assessment which is responsible for appraising affected land and assets with its Cadastre Units established in municipalities, REA is acting as public institution which is facilitating process of expropriation in the municipalities of Budva, Kotor and Tivat.
Municipalities on whose territories Project will be carried out (Budva, Kotor, Tivat)	Municipalities will cooperate with TA PIU in various activities related to identification of affected owners/users of land, organizing meetings with affected persons (public discussions, start of expropriation process, construction, traffic management, grievances).
Designer	Organizing meetings with community in cooperation with municipalities regarding design matters. Revision of the design in order to ensure that physical and economic displacement either avoided or minimized to the possible extent.
Construction contractors	To inform owners and land users in the area where construction activities will be carried out regarding plan and start of construction activities. To take all necessary measures to secure construction sites, minimize construction nuisances and ensure uninterrupted access to properties along the footprint of the road section being constructed/reconstructed as well as complete reinstatement of the land after use where it is applicable.
Project Consultants	Support implementation of LARP.

Independent consultant	An independent external consultant will be hired to implement the completion audit of the resettlement.
Service providers (municipal centre for social welfare, employment bureau, training organizations)	Provision of supplemental resettlement and/or livelihood restoration assistance in cooperation with TA PIU.

8.2 Implementation Schedule

The implementation schedule below (Table 68) is indicative only and assumes separate expropriation compensation and resettlement/livelihood compensation and support processes. The schedule may also be delayed due to the current COVID-19 Pandemic. The indicative schedule for land acquisition and resettlement activities includes actions to (i) implement the LARP and (ii) monitor activities. Timing is necessarily speculative at this point and needs to be confirmed.

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Table 68: Implementation Schedule

Ref.	Activities	Responsible Entity	Schedule
Implementation of LARP			
1	Disclose LARP	TA with consultant support	Q2 2021
2	Continued consultation and disclosure: <ul style="list-style-type: none"> Ongoing engagement to inform of impending actions and processes throughout the resettlement. Additional grievance management consultations. 	TA with consultant support	Q4 2020 / throughout 2021
3a	Ongoing REA expropriation letters and hearings	REA	Q4 2020 and 2021
3b	Negotiation and (written) agreement with PAPs for non-expropriation compensation and support	TA with consultant support	In parallel with REA process
4a	Payment of expropriation compensation	TA	As above
4b	Payment of additional compensation and provision of additional support measures.	TA with others	As above
5	Implementation of livelihood restoration measures.	TA with consultants and additional agencies	As above
6	Land transfers and registration.	REA	As above
7	Construction	TA contractors	Should not commence until full compensation and support received / being delivered to HH or business.
LARP Monitoring			
1	Continued consultation and disclosure including consultation on monitoring.	TA with consultant support	At least monthly through compensation and key resettlement and livelihood restoration actions.
2	Socio-economic monitoring.	TA with consultant support	Annually starting Q1 2021 until completion audit
3	Progress reports.	TA with consultant support	Within 4 weeks of completion of socio-economic monitoring surveys.

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4	Prepare RfP for completion audit and select external consultants.	TA with consultant support	TBD. At the earliest (estimated for at least 2 years after resettlement)
5	Consultation on completion audit.	TA social manager with support from consultants	In parallel with selection of audit consultants
6	LARP Completion Audit.	External consultants	Begins within 4 weeks of selection
7	Final monitoring report.	External consultants	Within 8 weeks of completion of fieldwork
8	Implementation of any required rehabilitation actions for the resettlement from the Audit.	TA social manager	TBD

8.3 Implementation Costs

This section consolidates information on compensation amounts, the indicative costs of support actions to be implemented, as well as implementation, monitoring and evaluation costs for the LARP.

8.3.1 Cash compensation for land and structures

The asset valuation prices will be included once valuation by REA is complete. These are expected to include:

1. Replacement cost for all assets, per EBRD requirements.
2. Compensation for informally held assets and improvements, per assurances by the TA.
3. Transaction costs, per assurances by the TA.

Under the Expropriation law, certified appraisers from REA and the Commission for Value assessment will appraise the value of different types of physical land and assets. The approach is for land assets is as follows.

Under Montenegro Law, the compensation is calculated as the market value of assets plus any transaction costs associated with restoring such assets (transfer taxes, registration costs). The market value of assets (land and structures) is defined based on recent market transactions in the affected area (or in a relevant nearby area). Replacement cost of land will correspond to the market value of land with similar characteristics in the vicinity of the affected land including transaction costs. Appraisal of plants and trees takes into account various important features such as their age or the resources and amount of time that would be needed to grow new trees/plants. There are provisions for landowners to request inclusion of orphaned lands in compensation and there is also the ability for compensation to be reduced to reflect increased property value derived from the Project.

To inform the indicative land values several recent and reliable sources were consulted, including the REA expropriation valuation of land for a water main replacement near the main Tivat-Jaz Road (carried out in 2020)⁸, which considered **€100/m²** as a fair price for land in the area. This rate was indicated irrespective of land type, which included a mixture of forest, pasture, and construction. It therefore acknowledges lower costs for less desirable (e.g. bare ground) and higher cost for more valuable land (e.g. agricultural or construction related).

For the recently completed Tranche 3 Danilovgrad-Podgorica road development the REA differentiated compensation values by land type and land class. Indicative land values ranged from €35/m² for Class 3 fields to €13/m² for class 1 rocky land. Most land was valued between €20/m² and €30/m².

Desk-based research carried out in December 2020 shows that the rate of €100/m² conforms with recent real estate sales in the project area in 2020, especially if factoring in that additional transactional costs will need to be covered as well, see Table 79.

Table 79: Benchmark figures land prices in project area⁹

Location	Price/m ²
Tivat (Kavač)	€86.68
Tivat (Bogdašići)	€52.38
Budva (Krimovica)	€97.43
Kotor (Radanovici)	€85.71

⁸ Source: LARP for the Systems Expansion Project: Sub-Component 2/Budva to Tivat Water Main – section: PK Prijedor to Jaz-Tivat Road in Lastva Grbaljska; Regional Waterworks for Montenegro Coast, September 2020.

⁹ Source: <https://tranio.com/montenegro/land/>

Based on the location of this project and the dates of the various data reviewed this estimation uses **€100/m²** as a realistic representation of current land values in the region.

The LARP for Tranche 3 Danilovgrad-Podgorica also provides indicative market prices for structures such as auxiliary objects (300/m²), hotels and dwellings (800/m²), and other structures (250/m²), which are applied over and above the land acquisition for this indicative estimation. Market value costs for properties and other structures will be re-confirmed when this estimate is compared with the REA compensation estimation.

The Expropriation Study costs are likely to have underestimated the cost of land to be acquired because HH are able to request expropriation of larger areas of land to avoid orphaned land parcels. About 3% of respondents of the SES indicate they plan to sell the remaining part of the land. Requests for change are only likely to increase the cost. Prior to the contract negotiation between the TA and the PAPs the extent of requests for orphaned land compensation is not known. For the purposes of this estimation a contingency of 5% of the total land compensation is included to accommodate likely and legitimate requests.

Based on this indicative benchmark, the total cost for land compensation is provided in Table 20.

Table 20: Indicative budget for land acquisition (N.B. indicative costs for agricultural and production compensation and transitional and support are additional).

Ownership status	Number of parcels	Affected area (m ²)	Land compensation (assuming €100/m ²)
Kotor Municipality (16 CMs)			
Private individuals	366	40,909	€4,909,000
Legal entities (Private Companies)	52	6,066	€606,600
Government entities	87	33,832	€3,383,200
Total in Kotor Municipality	505	80,807	€8,080,700
Tivat Municipality (2 CMs)			
Private individuals	15	5,089	€508,900
Legal entities (Private Companies)	58	50,274	€5,027,400
Government entities	19	9,242	€924,200
Total in Tivat Municipality	92	64,605	6,560,500
Budva Municipality (2 CMs)			
Private individuals	43	14,921	€1,492,100
Legal entities (Private Companies)	2	3,878	€387,800
Government entities	19	4,664	€466,400
Total in Budva Municipality	64	23,463	2,346,300
Total in all municipalities (private + business + government)	661	168,875	€16,887,500
Total in all municipalities (private + business)	536	121,137	€12,113,700

8.3.2 Additional costs for the compensation for unrealised productivity of crops

The cost of the LARP implementation will also include a budget allocation to compensate for the loss in income associated with the unrealised productivity of agricultural land, vineyards, orchards and managed forestry.

Land should be expropriated after an annual harvest to minimise the disruption of the PAP and less the economic impact. Where compensation is required it will be informed by the independent crop inventory data and the methodologies set out in Section 5.

8.3.3 Additional costs for transitional and temporary compensation and support and livelihood restoration.

The cost of the LARP implementation will also include a budget allocation for:

- Cash compensation for lost net income and other economic/livelihood losses
- Resettlement Assistance
- Livelihood Restoration Assistance
- Support for differentially impacted groups
- Human resource engaged in the land acquisition process
- External audit for LARP completion

Compensation costs will be calculated using the guidance and parameters set out in Section 5 and /or current market rates e.g. for the cost of moving home or legal aid.

8.3.4 Additional Costs

In addition to the acquisition of land, compensation for unrealised crops and transitional support the Project must include an estimate for the following items:

- Independent evaluator to assess the crop yields and values.
- Compensation for orphaned land (c.5% of land acquisition - €605,685
- Annual resettlement studies
- Annual LARP audit
- Completion LARP audit

The overall budget allocation for compensation should be confirmed by the TA once the REA's work is completed.

9 Appendices

The following Appendices are included in this section.

Appendix 1. Detailed maps

Appendix 2. Disclosure materials for SES

Appendix 3. SES survey for households

Appendix 4. SES for businesses

Appendix 5: Grievance process/forms