PUBLIC ENTERPRISE FOR STATE ROADS
Republic of Macedonia

Resettlement Policy Framework (RPF)
For the project Construction of state road A2, Section Rankovce – Kriva Palanka

April 2015
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### Abbreviations

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<tr>
<td>ARAP</td>
<td>Abbreviated Resettlement Action Plan</td>
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<td>BP</td>
<td>Bank Procedures</td>
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<tr>
<td>IBRD</td>
<td>International Bank for Reconstruction and Development</td>
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<td>MTC</td>
<td>Ministry of Transport and Communications</td>
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<td>NGO</td>
<td>Non-governmental Organization</td>
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<td>OP</td>
<td>Operational Policies</td>
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<td>PAP</td>
<td>Project Affected People/Persons/Parties</td>
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<td>PESR</td>
<td>Public Enterprise for State Roads</td>
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<td>PIU</td>
<td>Project Implementation Unit</td>
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<td>RAP</td>
<td>Resettlement Action Plan</td>
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<td>RIU</td>
<td>RAP Implementation Unit</td>
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<td>RPF</td>
<td>Resettlement Policy Framework</td>
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<td>RM</td>
<td>Republic of Macedonia</td>
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<td>SEP</td>
<td>Stakeholder Engagement Plan</td>
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<td>WB</td>
<td>World Bank</td>
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GLOSSARY

**Abbreviated Resettlement Action Plan (RAP):** A planning document that describes what will be done to address the direct social and economic impacts associated with involuntary displacement. This term is applicable where the project affected persons are less than 200.

**Census:** Household survey that covers all Project Affected Persons irrespective of entitlement or ownership. It provides a complete inventory of all project affected persons and their assets. It can be used to minimize fraudulent claims made by people who move into the area affected by the project in the hope of being compensated and/or resettled.

**Compensation:** Payment in cash or in kind of the replacement value of the acquired property.

**Involuntary:** Actions that may be taken without the displaced person’s informed consent or power of choice.

**Involuntary Resettlement (IR):** The unavoidable displacement of people and/or impact on their livelihood, assets and common property resulting from development projects that create the need for rebuilding their livelihood, sources of income and asset bases.

**Project Affected Person (PAP):** Includes any person or persons who, on account of the execution of the Program, or any of its Projects, sub-components or parts thereof, will have their right, title, or interest in any house, land (including residential, agricultural and grazing land) or any other fixed or moveable asset acquired or possessed, in full or in part, permanently or temporarily, adversely affected; or business, occupation, work, place of residence or habitat adversely affected; or standard of living adversely affected;

**Public Involvement:** The dialogue encompassing consultation and communication between a project proponent and the public. It includes dissemination, solicitation and presentation of information.

**Resettlement:** General term related to land acquisition and compensation for loss of assets, whether it involves actual relocation, loss of land, shelter, assets or other means of livelihood and includes all the measures taken to mitigate any and all adverse impacts of the Project on PAPs’ property and/or livelihood, including compensation, relocation (where relevant), and rehabilitation;

**Resettlement Action Plan (RAP):** A time-bound action plan with a budget, setting out resettlement strategy, objectives, options, entitlements, actions, approvals, responsibilities, monitoring and evaluation.

**Resettlement Policy Framework (RPF):** Refers to the present document which is the overall Policy Framework for Resettlement of Project Affected Persons (PAPs). The RPF describes the process and methods for carrying out resettlement under the Program, including compensation, relocation and rehabilitation of persons affected by the Program.

**Replacement Value:** Method of valuation of assets that helps determine the amount sufficient to replace lost assets and cover transaction costs. In applying this method of valuation, depreciation of structures and assets should not be taken into account;

**Relocation:** Physical relocation of a PAP or PAPs from their pre-Program place of residence.

**Stakeholders:** Those who have an interest in project development and who will be involved in the consultative process, and includes any individual or group affected by, or that believes it is affected by the project; and any individual or group that can plan a significant role in shaping or affecting the project, either positively or negatively, including the host community/population.

**Vulnerable Groups:** Distinct groups of people who might suffer excessively from resettlement effects, such as, the old, the young, the handicapped, the poor, isolated groups and single parents.
EXECUTIVE SUMMARY

The Public Enterprise for State Roads (PESR) intends to construct a new express road from Kriva Palanka to road interchange Stracin (Kratovo – Kumanovo - Kriva Palanka), a section called “Kriva Palanka – Rankovce” (the ‘Project), a part of the national A2 road network with international importance that connects Republic of Bulgaria with Republic of Albania (Corridor VIII). The road section forms part of the core national transportation network and is categorized as a state road – A2.

The document provides the World Bank’s and Macedonian Regulation for land acquisition and resettlement issues considering the best international practice. The document prepared by Public Enterprise for State Roads is a framework manual to ensure consideration of interests of all involved parties and problematic issues arisen by them and introduction of such an attitude that most strict and reasonable demands of any party be reviewed with due diligence and taken into account.

This Resettlement Policy Framework defines the procedures for involuntary land acquisition, resettlement, also sets out objectives, principles, compensation entitlements, legal frameworks, consultation procedures and grievance redress mechanisms for remaining property that needs to be acquired for successful realization of this Project.

In accordance with the World Bank resettlement policy (OP 4.12), a RPF needs to be prepared if the extent and location of resettlement cannot be known at appraisal because the project has still to determine the exact amount of land that needs to be acquired.
1. Introduction

1.1. Project Background

The road network in the Republic of Macedonia comprises 3,781 km of regional roads and 8,496 km of local roads and is considered to provide adequate coverage for the most part of the country. However, the road network conditions are below the standards of those in the European road networks and in most of the neighboring countries.

The Government of Republic of Macedonia, i.e. Public Enterprises for State Roads (PESR) has requested the World Bank’s support for construction of a new expressway A2, Section Kriva Palanka - Rankovce. The section Kriva Palanka - Rankovce is part of the Corridor VIII (National Road A2, East – West: Kafasan, Kicevo - Gostivar - Kumanovo - Kriva Palanka - Deve Bair), which is one of the two most important international corridors in Republic of Macedonia.

The Project falls under the current National Transport Strategy (2007-2017), PESR’s Annual Program for Construction, Reconstruction, Rehabilitation, Maintenance and Protection of the State Roads for year 2015. The Project has been developed by PESR in response to the Macedonian spatial planning and legislative requirements and those of the World Bank (WB). WB is considering the provision of a loan to finance the Project.

The Project to be financed is divided into two subsections. The first subsection, named Kriva Palanka - Dlabochica, is with length of 10.34km, while the second subsection, named Dlabochica - Stracin (Chatal), is with length of 14.1km. Overall length of the expressway will be 24.45km.

The Project will be implemented by the Public Enterprise for State Roads (PESR). The PESR has engaged consulting services (an independent expert) for the preparation of the Environmental and Social Impact Assessment (ESIA) and Environmental Management Plan (EMP) for the construction of the state road A2 Section Rankovce – Kriva Palanka.

The development of this project has started more than a decade. Initially it was planned as highway solution. A preparatory works for its realization started, but due to the exaggerated need for such solutions, which is not in line with the traffic demand, the Developer (PESR) has stopped its realization and sets redesign of the project to lower traffic option: an Express road.

Currently, due to the changed goal, a redesign of the previous highway solution into the express road is underway and in a couple of months it will be completed. The realization of the planned express road will require completed expropriation process that will rely on new data set in the Expropriation report. Independent company will do the Expropriation report that will serve as a base for creation of Abbreviated RAP.
Since 2008, there have been expropriation activities regarding the highway solution, particularly in the second subsection.

1.2. Rationale for Preparation of a Resettlement Policy Framework

This document represents the Resettlement Policy Framework (RPF) for the proposed PESR project. It describes the policies, procedures and processes that will be followed throughout the project in the course of mitigation of adverse social impacts due to project activities among the project affected persons, with and without legal title, whose land/properties, businesses and other assets are expropriated for the execution of the construction works.

Resettlement Policy Framework is prepared to guide upcoming land acquisition and potential resettlement for the construction of the road in accordance to the requirements of the World Bank (WB) - International Bank for Reconstruction and Development (IBRD) and its Operational Policy 4.12 and fit with the national legislation.

WB OP 4.12 indicates that a Resettlement Policy Framework (RPF) needs to be prepared at appraisal if the extent and location of resettlement cannot be known because the project has multiple components.

By the time of preparation of this document the final design for the project is not completed and the exact amount of land that needs to be acquired is not still confirmed. Thus framework is being prepared and not Resettlement Action Plan.

1.3. Realized Resettlement Activities and potential impacts

Some of the activities related to realization of this project have already been in advanced phase. For the purpose of this project an expropriation process has been realized since 2008, as a part of previous design for highway, particularly for the second subsection (Dlabochica – Chatal).

Some of the activities related to realization of this project have already been in advanced phase. Since 2008, there have been expropriation activities in the second subsection, but as for highway solution.

In the second subsection 653 plots (owned by PAP) were planned to be acquired with total area of 600.717m². The realization of expropriation process for the second subsection was 73.4% - 474 plots acquired with total area of 440.858m². Some 75% of acquired land are fields (arable land), although less than half of it was actively used.

Almost half of the governmentally owned land that is acquired for this project belongs to roads or waters (tributaries). Fields are some 25%, while pastures and meadows are 15% each. The governmentally owned land in the second subsection, during the process of expropriation was not leased to companies or individuals.

For the realized expropriation in the second subsection (2009-2012), an Expropriation Audit Report has been conducted and it is a separate document. There were no expropriation activities in the first subsection.

The potential impacts from expropriation in the first subsection and the remaining plots in the second subsection range within the frames of loss of agricultural land (some arable land, meadows, pastures and forest).

1.4. Expected impacts

Some 20% of the second subsection and the whole first subsection were not exposed to process of expropriation. Regarding the impacts from expropriation, it is not expected any major impacts to occur.
Better part of the second subsection passes in the plain area and there are numerous fields (arable land) that were affected. The proposed road line of the first subsection passes in area which is rarely populated. Additionally, the first subsection is not plain as it is in the second, but it passes through hilly area.

Considering the data from the land survey made for Highway solution, this subsection was supposed to include mainly forest, followed by meadows and pastures. Orchards and fields are insignificant portion of proposed expropriation line from the previous project design for Highway.

No homes or objects are expected to be acquired for the first subsection of planned express road. Even the land in this subsection is rarely used for agricultural activities.

Since active land use is not common practice in the first subsection, it is hardly expected to see that anyone will require getting land-for-land, with the same quality elsewhere. For acquired property to be compensated in land instead of cash Macedonian law says that both sides have to agree to such option. PESR does not possess any land that can serve in compensation means, and the procedure to obtaining such land is complicated and last long. Best option for both subjects in the process of expropriation (PAPs and PESR) is compensation in cash.

According to initial information there are no active businesses in the first subsection. There are no active businesses on the land in the remaining parts of the second subsection that needs to be acquired.

1.5. Objectives and Principles of the Resettlement Policy

The objective of this RPF is to guide the preparation of Resettlement Action Plans (RAP) that will ensure that, future land acquisition / and potential resettlement issues, all persons affected by it will be properly consulted, made available to affordable and accessible grievance mechanisms and properly and in time compensated at replacement cost or market value (which ever higher) for their losses, and provided with rehabilitation measures so that they are at least as well off as they would have been in the absence of the Program.

The principle is that involuntary resettlement should be avoided where feasible, or minimized, exploring all viable alternatives in project design. If unavoidable, resettlement activities should be conceived and executed as sustainable development Programs, providing sufficient investment resources to enable the person displaced by the project to share in the benefits of the project. Furthermore, displaced persons should be meaningfully consulted and should be involved in planning and implementing resettlement Programs; and be assisted in their efforts to improve their livelihoods and standards of living; or at least to restore them, in real terms, to pre-displacement levels or to levels prevailing prior to the beginning of Program implementation, whichever is higher.

1.6. Process for Preparation and Approval of Resettlement Action Plan

1.6.1. Resettlement Action Plan

This RPF guides the preparation of Abbreviated Resettlement Action Plan (ARAP). Project’s ARAP, consistent with this RPF, will be created and submitted to the World Bank for its approval.

According to OP 4.12, all projects that entail land acquisition or/and resettlement require a RAP. The scope and level of detail of the resettlement plan vary with the magnitude and complexity of land acquisition or/and resettlement impact, i.e. a full RAP is required whenever land acquisition in a project affects more than 200 people, takes more than 10 percent of any holding, and involves physical relocation of population. An abbreviated RAP is acceptable if fewer than 200 people are displaced. Even if more than 200 people are affected, if all land acquisition is minor (10 percent or less of all holdings...
is taken) and no physical relocation is involved, an abbreviated RAP is acceptable. This project does not include displacement of any PAPs.

An Abbreviated RAP will include the following elements:

- a census survey of affected PAP and valuation of assets
- description of compensation and other resettlement assistance to be provided;
- consultations with affected PAPs about acceptable alternatives;
- institutional responsibility for implementation and procedures for grievance redress;
- arrangements for monitoring and implementation; and
- a timetable and budget.

In case some of the affected PAPs lose more than 10% of their productive assets or require physical relocation the plan will also covers a socioeconomic survey to determine the livelihood provision impact and, if needed, income restoration measures.

First, draft version will be shared with WB for no objection before disclosure and than last version of Abbreviated RAP will be submitted by PESR to WB in order to obtain no objection and afterwards implementation will start. ARAP implementation will be completed prior to commencement of the works. After no objection has been obtained, compensation, resettlement and rehabilitation activities will be initiated, and will be completed before awarding contracts of civil works.

1.6.2. Resettlement (Land expropriation) Screening Process

The following steps describe the Resettlement process.

1. Completing the final design of the project (Civil engineering design company)
2. After completing the final design PESR will engage external company for conducting Expropriation Report which will serve as a cut-off date
3. PESR informs general public on the period for conducting of Geodetic survey (Land Survey) for the Expropriation Report
4. After completed Expropriation report is delivered to PESR, it will engage external company to prepare the draft ARAP and determine the magnitude of the potential impacts on PAPs.
5. Draft ARAP is prepared and send to WB for review
6. WB will review and provide no objection draft ARAP
7. PESR will disclose draft ARAP and organize consultations with impacted PAPs to determine the magnitude of impacted PAPs, means of compensation and the proposed mitigation and compensation measures
8. Conclusions implemented in draft ARAP
9. Final ARAP send to WB for no objection
10. Disclosure of ARAP
11. Completing the expropriation process

2. Institutional and Legal Framework

2.1. Institutional Framework

Following institutions, each with different roles and responsibilities, are main actors in the process of expropriation. are.
State Attorney's Office of the Republic of Macedonia is an Governmental institution which takes a measures and legal means for legal protection of property rights and interests of the Republic of Macedonia and performs other duties prescribed by law.

Ministry for Transport and Connections is the governmental body responsible for issuing permits for construction and monitoring the process of expropriation in means of completion of the process of expropriation.

The Real Estate Cadaster Agency of the Republic of Macedonia holds and registers the information on ownership rights of the land in Republic of Macedonia. It can be consulted during the process of obtaining valuable and valid information on ownership and current land use/leasing.

Ministry of Agriculture, Forestry and Water Supply conducts transformation of agricultural land into construction land.

The following institutions offer wide spectrum of assistance that can enable, support and facilitate the consultation process for implementation of RAP.

National level:

Ministry of Agriculture, Forestry and Water Supply It can be consulted during the process of creation of packages for compensation. Also it can be consulted in the process of estimating compensation for lost crops.

Ombudsman can be consulted on various legal advices related to litigations of PAPs with the governmental bodies.

Local level:

The Inter-municipal Centre for Social Work established by the Government that can be consulted during the process of realization of RAP. The Center can give valuable input into identification, communicating and addressing of the vulnerable social groups, thus giving appropriate direction for setting compensation means/packages for such groups.

Local community level (Village): Official representatives of the local villages be consulted for and actively involved in the preparation and execution of resettlement processes in their area of jurisdiction. They might be consulted and involved as mediators in the processes of redressing the complaints/grievances, before those are deposited with the Grievance Redress Committee.

Funds for the resettlement (expropriation) will be provided by PESR.

2.2. Legal Framework

In the Republic of Macedonia, the legislative acts given below regulate the issues of obtaining State ownership rights to privately owned land parcels based on the necessary public needs caused due to road constructions activities:

- Expropriation Law (Official Gazette of Republic of Macedonia No. 95/12, 131/12, 24/13, 27/14);
- Law on Public Roads (Official Gazette of the Republic of Macedonia No. 84/08; 52/09; 114/09; 124/10; 23/11; 53/11; 44/12; 168/12; 163/13; 39/14; 42/14; 166/14 and 44/15);
- Law on Construction (Official Gazette of Republic of Macedonia No. 130/09, 124/10, 18/11, 36/11, 54/11, 13/12, 144/12, 25/13, 79/13, 137/13, 163/13, 27/14, 28/14, 42/14, 115/14, 149/14, 187/14 and 44/15).
- Law on Assessment (Official Gazette of the Republic of Macedonia No. 115/10, 158/11, 185/11, 64/12, 188/14)
- Methodology for assessment of the market value of the real estate (Official Gazette of the Republic of Macedonia No. 54/12)
2.2.1. Expropriation Process

Macedonian legislation deals with involuntary resettlement and livelihood restoration under its legal framework for expropriation, with the basic notion that owners of properties are to be compensated for their losses, most often in monetary terms.

The Law on expropriation ("Official Gazette of Republic of Macedonia" No. 95/12, 131/12, 24/13, 27/14) regulates the procedure for the expropriation of property for projects that are of public interest and the connected rights for real estates (immovable properties). Construction of linear infrastructure, in this case Express road, falls under a project of national/public interest. The legal justification of why the project is believed to be in the public interest is submitted together with the request for expropriation (as part of the same process), to the State Attorney, by the expropriation beneficiary. The State Attorney of the Republic of Macedonia also represents public companies, funds, agencies, departments, public institutions, trade companies and other institutions established by the Government. For this project, the Government of Republic of Macedonia accepts the initiative for expropriation, the State Attorney conducts it.

Expropriation Authority, upon the proposal for expropriation, schedules debate where owner of the property or the holders of other property rights of the property that is subject to expropriation and Proposer of the expropriation are invited. At the hearing the existence of public interest is determined, than the right of ownership and other property rights, as well as the type and amount of compensation and other facts and circumstances relevant to the process of expropriation.

The Authority must, after submission of the proposal for expropriation to the owner of the property or the holders of other property rights of the property, to schedule and hold a hearing on the proposal within 15 days of submission of the proposal to the owner of the property or the holders of other property rights of the property.

The hearing may end up with an agreement for compensation (payment in money or providing other suitable property), and for the amount of the fee if it is determined in money, as well as timeframes for payment. This agreement as an executive document and by signing of the agreement is considered the expropriation process and procedure for the determination of compensation as completed and final.

If agreement is not reached the expropriation authority, relying on the facts set out in the procedure will issue a decision on expropriation. The decision on expropriation can be appealed to the Administrative Court within 15 days of receipt of the decision.

Ministry of agriculture, forestry and water economy leased the governmentally owned agricultural land to the tenants. This ministry terminates the existing contract with the tenant and sign a new one with the same terms as before, but without the amount of land that will be acquired. PESR will compensate these tenants, by using the same compensation methodology as for the land owners, but without compensation for land.

Other key aspects of the Expropriation Law are shown below:
Compensation - Article 18 “for the expropriated property there is a fair compensation that cannot be lower than the market value of the property. The market value of the property shall be established under conditions determined by this law, according to the methodology, rules and standards pursuant to the Law on Assessment. The right to seek compensation for expropriated property cannot become obsolete”. Article 37 states that the market value of expropriated property and property that is given as compensation shall be determined by a qualified appraiser, pursuant to the Law on Assessment. Compensation for expropriated property usually is determined in financial means if the former owner or the possessor of other property rights and proposer of expropriation agree otherwise.

The owner of expropriated property shall also be entitled to compensation for crops, seeds, forests on the land and fruits, if they were not incorporated in the market value of the land. The owner of the property shall not be entitled to compensation for investments made after the date of submission of the proposal for expropriation.

If economic activity is performed in a property which is to be expropriated, the effect of interruption of this activity should be taken into account when determining the compensation due for expropriation. This amount shall be determined by an expert, pursuant to the Law on Assessment.

Proposal for expropriation, separate for each individual property, contains information on:

- The proposer of the expropriation;
- The property for which expropriation is proposed;
- The owner of the property (personal name or title, residence, main office);
- The holders of other real property rights (personal name or title, residence, main office);
- The type of facility or performing works for which expropriation is proposed.

The Proposal for expropriation is accompanied by the following documentation:

- An extract of the spatial planning act or approved project for infrastructure;
- A geodesic report with numerical data for the property which is proposed for expropriation;
- An offer of compensation equivalent to the market value of the property determined by a qualified appraiser pursuant to the Law on Assessment;
- A list of property under proposal for expropriation;
- Proof the funds for compensation are in place.

In addition to the Expropriation Law, provisions of the Constitution and the Law on Property and Other Real Property Rights are also relevant to land acquisition and resettlement:

- The Constitution of the Republic of Macedonia guarantees legal protection of ownership and states that no person may be deprived of his/her property or of the rights deriving from it, except in cases concerning the public interest determined by law. If property is expropriated or restricted, rightful compensation not lower than its market value is guaranteed.
- According to the Law on Property and Other Real Property Rights, no person may be deprived of his/her property or of the rights deriving from it, except in cases concerning the public interest determined by law and the acts for spatial planning. In case of deprivation (complete expropriation) or restriction (incomplete expropriation), rightful compensation for the property not lower than its market value at the time of expropriation is guaranteed.
2.3. WB Principles and Procedures of Resettlement adopted in this RPF

Requirements of World Bank in regards with the Involuntary Resettlement is covered with OP 4.12 Involuntary Resettlement. This policy includes safeguards to address and mitigate impoverishment risks: people face impoverishment when their productive assets or income sources are lost; people are relocated to environments where their productive skills may be less applicable and the competition for resources greater; community institutions and social networks are weakened; kin groups are dispersed; and cultural identity, traditional authority, and the potential for mutual help are diminished or lost.

The main objectives of OP 4.12 are the following:

- Involuntary resettlement should be avoided where feasible, or minimized, exploring all viable alternative project designs;
- Where it is not feasible to avoid resettlement, resettlement activities should be conceived and executed as sustainable development programs, providing sufficient investment resources to enable the persons displaced by the project to share in project benefits. Displaced persons should be meaningfully consulted and should have opportunities to participate in planning and implementing resettlement programs;
- Displaced persons should be assisted in their efforts to improve their livelihoods and standards of living or at least to restore them, in real terms, to pre-displacement levels or to levels prevailing prior to the beginning of project implementation, whichever is higher.

To achieve the objectives of this policy, particular attention is paid to the needs of vulnerable groups among those displaced, especially those below the poverty line, the landless, the elderly, women and children, indigenous peoples, ethnic minorities, or other displaced persons who may not be protected through national land compensation legislation.

2.4. Gap analysis – Macedonian legislation for expropriation and World Bank Safeguard Policies

The main gaps between the national legal expropriation framework in the Republic of Macedonia and World Bank Safeguard Policies are described below. A Gap Analysis is presented in Table 2.

Table 2: Differences between Macedonian law/regulation and WB policy

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<tr>
<th>Macedonian legislation</th>
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<th>Conclusion on gaps</th>
<th>Actions to address the gaps</th>
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<td>Eligibility</td>
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<td>Macedonian law does not recognize persons who do not have formal legal title</td>
<td>a) those who have formal legal rights to land (including customary and traditional rights recognized under the laws of the country); b) those who do not have formal legal rights to land at the time the census begins but have a claim to such land or assets provided that such claims are</td>
<td>In general the provisions of the Macedonian legislation and WB's OP 4.12 are the same, except of provision on persons lacking the formal legal right over the property.</td>
<td>It is recommended WB OP 4.12 is followed although it is not expected (c) category PAPs.</td>
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<td>recognized under the laws of the country or become recognized through a process identified in the resettlement plan c) those who have no recognizable legal right or claim to the land they are occupying.</td>
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**Entitlements**

Macedonian laws does not include socio-economic assessment in order to determine the real magnitude of impact to the PAP

Implementation of a census and a social-economic assessment within an affected area, to identify the persons who will be displaced and determine who will be eligible for compensation and assistance.

The difference between OP 4.12 practice and national legislation is that by OP 4.12 apart from inventory of loses, a socio-economic assessment is done to determine how and whether the losses are impacting the livelihood of project affected person.

Law does not forbid getting more information from all affected persons those with and without title. Thus not only the lost assets will be surveyed but also other features that will help in profiling of the affected persons. WB OP 4.12 to be followed

Compensation under the Expropriation law is determined in accordance with the prevailing market price after taking into account the value of land, cost of structures (residential and business) & installations, crops, forest land and timber, also it covers compensation for transaction costs.

Compensation levels should be sufficient to replace the lost land and other assets at full replacement cost in local markets.

The difference between OP 4.12 practice and national legislation is that by OP 4.12 gives beneficiary to the PAP in means of improvement of quality of life or restoration to a previous condition.

Compensation will be at replacement value.

**Timing of Compensation Payment**

According to paragraph 48 of the law Compensation has to be paid/provided within 30 days from the day when a compensation agreement has been signed or the court decision

Taking of land and related assets may take place only after compensation has been paid and, where applicable, resettlement sites and moving allowances have been acquired before it is paid.

There is a gap of 15 days where the land can be acquired before it is paid.

PESR must deposit funds equal to the offered amount in a secure form of escrow or other interest bearing deposit acceptable to the Bank in case where affected person does not
### Macedonian legislation

<table>
<thead>
<tr>
<th>Macedonian legislation</th>
<th>WB Involuntary Resettlement Policy</th>
<th>Conclusion on gaps</th>
<th>Actions to address the gaps</th>
</tr>
</thead>
<tbody>
<tr>
<td>on compensation has become final.</td>
<td>provided to the displaced persons.</td>
<td>accept proposed compensation and if compensation is equivalent to at least replacement value. Compensation of land and assets must be fully paid prior to taking of land.</td>
<td></td>
</tr>
</tbody>
</table>

**Information and consultation**

Those who have formal legal rights are informed throughout the expropriation process (i.e. that a request for expropriation has been submitted), 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. Information related to quantification and costing of land, structures and other assets, entitlements, and amounts of compensation and financial assistance are to be disclosed in full to the affected persons. Displaced persons and their communities are provided timely and relevant information, consulted on resettlement options, and offered opportunities to participate in planning, implementation and monitoring of resettlement. There is no legal obligation for PESR to conduct early Information dissemination and consultation with PAPs prior to the process of expropriation. PAPs are not consulted or offered opportunity to participate in planning, implementation and monitoring of resettlement. Plans for consultations with all project affected people, including host communities should be incorporated in the ARAP. Also, the draft ARAP itself must be subject to public consultation.

### 3. Eligibility and Entitlements

#### 3.1. Eligibility

The basic principle followed in this RPF is that PAPs should be assisted in their efforts to improve their former living standards, income earning capacity, and production levels, or at least to restore them to pre-Program level whereby lack of legal title does not exclude individuals from the eligibility to receive compensation and/or rehabilitation assistance.

PAPs eligible for compensation will include those who have formal legal rights to land or other assets, and those who initially do not have formal legal rights to land or other assets but have a claim to legal rights based upon the laws of the
country; upon the possession of documents such as land tax receipts and residence certificates; or upon the permission of local authorities to occupy or use the project affected plots.

Those who have no recognizable legal right or claim to the land they are occupying are also eligible for compensation for immoveable assets. It is not anticipated that there will be any such PAPs.

Affected items could include, but may not be limited to, the following:

- Permanently or temporarily affected land;
- Houses or other structures, crops, trees, or other assets;
- Business and production; and/or,
- Suffered income losses as a result of the Project.

The WB’s OP 4.12 recognizes that individuals and households who occupy project-affected areas after the cut-off date are not eligible for compensation. All people moving into the project area and/or people conducting construction works, planting trees, etc. after the cut-off date are non-eligible PAPs and thus will not receive any compensation. Advance notice will be given, requesting them to vacate their premises and dismantle affected structures prior to project implementation.

3.2. Entitlements

Land acquisition and resettlement will be implemented according to a compensation and entitlements framework in line with Macedonian laws and regulations and WB OP 4.12. Where they are different, the entitlements most favorable to the PAPs will apply, as set out in the Entitlement Matrix below. During compensation identification at Project preparation, the entitlement matrix and description of compensation entitlements shall be revised and updated accordingly.

The entitlement matrix is based on the premise that resettlement, rehabilitation and compensation programs should improve or, at a minimum, maintain the PAPs pre-Project living standards and ensure their participation in Project benefits. This is reflected in the following principles of compensation:

**Eligibility**

- All PAPs living in the Project area before the cut-off date will be considered for compensation for their losses and/or rehabilitation assistance. Lack of legal rights or titles do not make them ineligible for entitlements;

**Compensation**

- PAPs will be compensated at full replacement and substitution costs without depreciation, and relocated or resettled in and after due consultation with them. The preliminary compensation rates for replacement and substitution cost will be proposed to the PAPs to give them an opportunity to compare those with the prevailing market rates;
- All fees and taxes on land and/or house transfers will be waived or otherwise fees and taxes will be included in a compensation package for land and/or house. The competent government authorities will give preferential treatment to PAPs reconstructing their houses on their own, and to obtain the necessary property titles and official certificates; This in case there are cases for displacement of homes.

**Cash compensation**
• Payment of cash compensation for lost assets may be appropriate where (a) livelihoods are land-based but the land taken for the project is a small fraction\(^1\) of the affected asset and the residual is economically viable; (b) active markets for land, housing, and labor exist, PAPs use such markets, and there is sufficient supply of land and housing; or (c) livelihoods are not land-based. Cash compensation levels should be sufficient to replace the lost land and other assets at full replacement cost in local markets, calculated as of the cut-off date.

• Compensation in cash for all residential, commercial or other structures will be paid at replacement cost of these structures, without any depreciation of the structure and without deduction for salvageable materials;

Consultation and Planning

• Resettlement plan will be developed and implemented in consultation with the PAPs.

• Effective and timely design, planning and implementation of resettlement and rehabilitation measures will be conducted to avoid unnecessary delays and consequent inconveniences to the PAPs.

Relocation

• PAPs will be provided full assistance for transportation of personal belongings, household inventory and salvaged material, and will be given a relocation allowance in addition to the compensation at replacement cost of their houses, lands and other properties, if there is such a case.

Timing

• Resettlement, compensation and rehabilitation Programs for PAPs will be timed so as to guarantee the availability of new land and residences, prior to commencement of project or construction activities;

• Land clearance will not be started before the PAPs have received compensation and rehabilitation assistance.

Monitoring

• Institutional arrangements will be made for internal and external monitoring of all important land acquisition activities\(^2\).

3.3. Valuing Affected Assets

During RAP preparation, PESR will engage the services of a competent and certified independent assessor, responsible for determining replacement cost of affected properties and assets. The methodology of assessment of non-movable assets is described in the Methodology for assessment of the market value of the real estate (Official Gazette of the Republic of Macedonia No. 54/12)

The Market Value of agricultural land, forests and pastures is determined in accordance with the average price of conducted purchases of land during the previous year. If no purchases are made in the concrete municipality in the previous year, as a market value is considered the average compensation for m\(^2\) expropriated agricultural land in the municipality. If there is still lack of information on the purchased and expropriated land in the previous year, in the concrete municipality, than the prices of neighbouring municipalities will be taken into consideration.

During the valuation process, PAPs, local officials and relevant government offices (such as the Cadaster) will be consulted. Subsequently, compensation and rehabilitation measures will be developed by PESR based on the valuations thus established. The following guiding principles for the valuation will be taken into account:

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\(^1\) As a general principle, this applies if the land taken constitutes less than 20% of the total productive area; see also WB OP 4.12, point 12, footnote 17.

\(^2\) For further details see section 5.3 below
Replacement valuation

With regard to land and structures, the replacement value is defined as follows:

(i) For agricultural land, it is the pre-project or pre-displacement, whichever is higher, market value of land of equal productive potential or use located in the vicinity of the affected land, plus the cost of preparing the land to levels similar to those of the affected land, plus the cost of any registration and transfer taxes.

(ii) For land near settlement areas, it is the pre-displacement market value of land of equal size and use, with similar or improved public infrastructure facilities and services and located in the vicinity of the affected land, plus the cost of any registration and transfer taxes.

(iii) For houses and other structures, it is the market cost of the materials to build a replacement structure with an area and quality similar to or better than those of the affected structure, or to repair a partially affected structure, plus the cost of transporting building materials to the construction site, plus the cost of any labor and contractors’ fees, plus the cost of any registration and transfer taxes.

In determining the replacement cost to be compensated to the PAP, depreciation of the asset and the value of salvage materials are not taken into account, nor is the value of benefits to be derived from the project deducted from the valuation of an affected asset. Where domestic law does not meet the standard of compensation at full replacement cost, World Bank guidelines and technical specifications for compensation at replacement cost will be applied.

Compensation for land, structures, business, fixed improvements and other temporary assets will be based on market valuation, productivity valuation, negotiated settlements, material and labor valuation, disposition of salvage materials and other fees paid. It should be noted that lack of title, license or permit is not a bar to compensation.

4. ARAP Information Requirements

4.1. Census and Inventory of Project Affected Persons

After completed institutional procedures for start of a Census and Inventory of Project Affected Persons, a cut-off date will be publicly announced and, where applicable, a census of families and persons adversely affected by the Project or sub-component will be undertaken. The census will include a complete inventory of all losses to be incurred by each PAP. This information will include as a minimum: (a) number of persons, main occupation and level of income; (b) number, type, and dimension of the houses; (c) number, quality, and area of all the residential plots; (d) number, category, type, and area of agricultural land held and to be lost by each PAP; (e) tenure status of agricultural land and amount of rent paid by tenant/lessee, where applicable; (e) quantity, category, and dimension of all rent of other fixed assets adversely affected; (g) productive assets lost as a percentage of total productive assets; (h) temporary damage to productive assets; (i) quantity, category, and quality of non-agricultural livelihood adversely affected; (j) quantity, type, and quality of community resources to be acquired.

4.2. Identification of Losses

If the Projects involve physical relocation of PAPs, data will be collected on the location, area, type, and category of the replacement land available for residential and/or agricultural purposes. Care will be taken to ensure that the relocation

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3 See also (i) Annex 2: Checklist for Census Information; and (ii) Annex 3: List of Data for Census Survey
site or replacement land is in the vicinity of the PAPs previous location to avoid social dislocation and unrealistic division of the PAPs economic livelihood.

4.3. Baseline Survey

The baseline survey will provide data on the existing social structure, tenure arrangements and resource use, access to common property resources, social services and infrastructure facilities by different social groups in the project area, and for the host population at the proposed resettlement site (if relevant), clearly identifying all special interest groups, particularly those who are poor and vulnerable (e.g. tenants, landless laborers, and female-headed households), and describing their special characteristics in relation to the project.

5. Implementation Arrangements

5.1. ARAP Development and Approval Process

ARAPs, as needed, will be developed by the PESR. ARAP preparation will commence immediately after a cut-off date has been declared and main activities to be undertaken include – but may not be limited to – the following:

- Identification of and consultation with PAPs;
- Census survey and inventory of losses of PAPs;
- Valuation of lost assets
- Development of compensation matrix;
- Preparation of indicative budget for implementation;

Draft ARAP will be submitted to WB for review and clearance, after which it can be disclosed by PESR for public consultation. After its finalization, final ARAP will be submitted to WB. When approved by WB it will be disclosed by PESR.

5.2. RAP Implementation Process

RAP Implementation Unit

A RAP Implementation Unit (RIU) within PESR will be established to implement approved RAPs. All activities indicated in the RAP shall be covered from PESR funds and be completed prior to commencing the construction activities. PESR Project Implementation Unit PIU will be responsible for preparing and implementing approved RAPs, under the supervision of the World Bank.

Major responsibilities and activities of the RIU/ PIU include – but may not be limited to – the following:

- Verify the RAP census and asset inventory data on the demarcated parcel;
- Undertake cadastral and topographic surveys and ensure correction of data of measuring and inventory as required by possible design changes;
- Closely consult with PAPS and settlements representatives;

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4 See also Annex 4: List of Data for Inventory of Losses
5 See also Annex 5: Data for Baseline Survey
6 Responsible person for social aspects from the Environmental and Social Aspects Unit within in Development Department and a person from the Legal Department
• Prepare documentation for registration of new land plots;
• Provide the public with necessary information;
• Negotiations and agreement with PAPs;
• Delivery of compensation and, as needed, implementation and supervision of rehabilitation measures. Cash compensations will be paid on bank transaction account.
• Observe grievance procedures;
• Court processing of cases where no agreement is reached;
• Expropriation proceedings through the court, as required;
• Construction of infrastructure (in case resettlement is necessary) and arrangement of relocation of PAPs;
• Prepare quarterly reports
• Satisfactory completion of the RAP is a condition for any (physical) works to start.

Complaints and Grievances

Grievance Redress Committee: Tasks and composition

A Grievance Redress Committee at Program level will be established to address complaints and grievances pertaining to resettlement and to pre-empt all disagreements being referred to the court. The Committee will include PESR staff, a representative of each affected municipality and representatives of the local communities affected by the Project. A similar grievance redress committee composed of representatives from the PIU, local NGOs and Communities, as well as an independent expert will be convened by the PESR PIU on a case by case basis, to address complaints and grievances pertaining to any resettlement.

Procedure

Under the supervision of the PESR, the RIU/ PIU will make every effort to achieve an amicable settlement of all identified resettlement issues under the RAP at the Project. If this attempt fails, the PAP may at his/her discretion, deposit a complaint either with the court or Grievance Redress Committee. The proposed redress procedure and mechanisms will be presented to and discussed with the PAPs at the early stages of the RAP preparation process. In order to effectively collect all grievances from the potential PAPs, a specific site(s) may be designated for timely depositing and collection of all complaints. The PAPs can deposit complains orally (these shall be properly documented at the moment of depositing complain at the designated site) or in written. The response will be provided within a period of two weeks after receiving the complaint. If the case is not resolved at the level of the Grievance Redress Committee, it may be submitted by either party to the Court. Any fees required for this purpose will be paid by PESR after verifying that the PAP is a recipient of Social Cash benefits. All other PAPs will be responsible for their own costs.

Expropriation Proceedings

If the RIU and the PAP fail to reach an agreement on the acquisition of private properties, PESR will pursue the expropriation proceedings in accordance with the Expropriation Law.
Court

The Court shall be the last resort for issues and concerns regarding the implementation of the RAP. In case of failure in the negotiation between the PESR and the PAP concerning the acquisition of private properties, General Attorney (on request of PESR) with the mandate for expropriation based on existing legislations will submit to the Court a request for expropriation. Upon Court approval and following prescribed procedures, the PESR will take over the concerned property after having been given the right of Expropriator by the Court.

In cases where complaints and grievances regarding the RAP implementation and compensation are not amicably settled and mediation by the Grievance Redress Committee remains also unsuccessful, the PAP will also have the right to appeal the case to the Court as a last resort. The Courts’ decision shall be final and be executed.

5.3. Supervision and Monitoring

Resettlement activities in will be regularly supervised and monitored by personnel of PESR (the PIU). Reporting on internal monitoring will be carried out quarterly by PIU and at the end of each RAP completion, a RAP completion report will be submitted to World Bank. Internal monitoring and supervision will:

(a) verify that the census of all PAPs has been carried out;

(b) verify that the RAP and baseline survey (as appropriate) has been prepared for Project;

(c) verify that property valuation and resettlement has been carried out in accordance with the provisions of this RPF and the respective RAP;

(d) oversee that all resettlement measures are implemented as approved;

(e) ensure that funds for implementing resettlement activities are provided in a timely manner, are sufficient for their purposes, and are spent in accordance with the provisions of this RPF and the respective RAP.

The World Bank will perform external monitoring from time to time. In addition to verifying the reports generated by internal monitoring, external monitoring will:

(a) evaluate the social and economic impact of resettlement on the PAPs;

(b) verify if the objective of enhancement or at least restoration of income levels and standards of living of the PAPs has been met; and

(c) as needed, provide suggestions for improvement of resettlement implementation to ensure achievement of the principles and objectives set forth in this RPF and respective RAPs.

6. People’s Participation

As indicated in the above sections, PAPs will participate throughout the development and implementation process of resettlement activities and in the land acquisition process. They will be consulted by the PESR and the RIU and will be invited to participate in public meetings held by PESR in the early stages of the process, as indicated above. The PAPs will be provided with reliable information on the project, its impacts and the proposed mitigation strategies and economic
rehabilitation activities. The information made public and provided to each affected household will also include cut-off dates for each sub-project, eligibility criteria and entitlements, modalities of compensation, complaints and grievance redress procedures. The affected parties will be provided with an opportunity of presenting their ideas and suggestions as inputs into the planning and implementation of the resettlement activities. These will be achieved through a series of participatory exercises and focused discussions with the PAPs, thus ensuring that the affected parties have a stake in the outcomes of the process.

PAPs will be also involved in the committees to be established, which will ensure their participation in the decision-making process in various stages of the RAP process: preparation and implementation.

After completion of RAP, a brief survey will be undertaken by the RIU amongst PAPs to assess their satisfaction with the process and results of the RAP.

7. Costs and Budgets

Based on the completed RAP, PESR will submit to the World Bank a detailed cost of resettlement, with a breakdown by agricultural land, residential land, houses, other assets, and livelihood to be affected. The cost estimates will make adequate provision for monitoring and supervision and for contingencies. All costs for resettlement will be funded through PESR funds.
### Annex 1: Provisional Entitlement and Compensation Matrix

<table>
<thead>
<tr>
<th>Category of PAP</th>
<th>Property</th>
<th>Type of Project affected right or property or loss</th>
<th>Entitlement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner (1)</td>
<td>Land</td>
<td>Loss of fraction of agricultural land and the rest of the parcel is viable</td>
<td>Registration of land parcels according to Macedonian legislation, prior to expropriation, free of costs. Cash compensation for affected land at replacement cost (equivalent to the market value of the property, sufficient to replace the lost assets and cover transaction costs)</td>
</tr>
<tr>
<td>Owner (1)</td>
<td>Land</td>
<td>Loss of fraction of agricultural land rest of the parcel is not usable</td>
<td>Registration of land parcels according to Macedonian legislation, prior to expropriation, free of costs. Cash compensation for all affected land at a replacement cost, or Land plot of similar size and characteristics, with a secure tenure status</td>
</tr>
<tr>
<td>Tenant (1)</td>
<td></td>
<td></td>
<td>Assistance in lease of alternative land/property to re-establish use</td>
</tr>
<tr>
<td>Owner (1)</td>
<td>Commercial Property</td>
<td>Loss of business and/or rent</td>
<td>Compensation for loss of income incurred as a result of relocation including any discrepancies in livelihood</td>
</tr>
<tr>
<td>Owner /Tenant (1)</td>
<td>Standing Crops</td>
<td>Loss of annual Crops</td>
<td>The right to harvest crops or Cash compensation for annual crops at replacement value</td>
</tr>
<tr>
<td>Claim to ownership (2)</td>
<td>Land</td>
<td>Loss of land</td>
<td>Cash compensation for affected land at replacement cost</td>
</tr>
<tr>
<td>No recognizable legal right or claim (3)</td>
<td>Land and other assets</td>
<td>Loss of land and assets</td>
<td>No cash compensation for affected land at replacement cost. Cash compensation for assets at replacement costs.</td>
</tr>
</tbody>
</table>
Annex 2: Checklist for Census Information

Persons:

- Aggregate number of individuals and households in each affected category;
- Age, gender, occupation of every individual.

Property:

Personal property including details of ownership of

- structures: houses, farm buildings, shops, industrial structures, grain drying area, latrines;
- land and type: irrigated or non irrigated, woodlots, grassland, wasteland, etc.;
- description and estimate of the value of standing crops on land;
- other: livestock, wells, trees.

Public and common property:

- land: village common lands, gathering and foraging areas, fishing areas, etc.;
- structures and facilities: schools, health facilities, burial grounds, temples, community centres, public transport, banks, co-ops;
- infrastructure: drinking and other water systems, access and internal roads, electricity and other power sources;

PAP incomes from other sources, including:

- farm-based income;
- off-farm labor;
- informal sector activities.
Annex 3: List of Data for Census Survey

1. Background Information
   (a) Questionnaire code and date of survey
   (b) Name of interviewer
   (c) Name of province, district and village/hamlet

2. Household Census
   (a) Name of household head and all household members
   (b) Relationship of household members to the household head
   (c) Age and sex of each household member
   (d) Information on ethnicity
   (e) Education level of each member
   (f) Primary occupation and monthly income of each member
   (g) Incomes from secondary sources for each member
   (h) Location of job or businesses as the case may be
   (i) Length of stay on present location

3. Tenure Status
   (a) Category of land
   (b) Type of land ownership and the name of the owner/HH member
   (c) Type of document possessed to certify ownership type
   (d) If not owned, name and address of owner
   (e) If informal use right, type of agreement
   (f) Number of years used
   (g) Rent per month paid by tenant
   (h) Deposits made by lessee

Note: In case census and inventory are conducted as separate exercises, some information on land use, affected structures and other fixed assets, and affected businesses should also be collected as part of census surveys.
Annex 4: List of Data for Inventory of Losses

1. Land Use
   a. Existing use of land
   b. Areas under different land usages, where applicable
   c. Total and affected area of land with breakdown by usages, if applicable
   d. Estimate whether the remaining area is viable for continued use
   e. Total area of land by type for compensation purposes

2. Structures
   a. Type of structure
   b. Number of floors
   c. Area by floor
   d. Name of owner of structure
   e. Year of construction
   f. Whether permit obtained for structure
   g. Use of structure and areas by usages, if applicable
   h. Description of building material used for roof, walls and floors by surface areas
   i. Type of foundation
   j. Description of any special features of structure
   k. Utility connections (electric meter, water supply, etc.)
   l. Charges paid for utility connections
   m. Affected area of structure
   n. Estimate whether the remaining structure is viable for continued use
   o. Total area of building for compensation purposes

3. Other Structures
   a. Types of structures (wells, boundary wall, fence, warehouse, etc.)
   b. Area of fish pond affected
   c. Average household income from fish pond
d. Description of areas and construction material of affected structures  
e. Use of other structures

4. Agricultural Products  
a. Type of crops affected  
b. Owner of affected crops  
c. Total yearly production of crop on affected land  
d. Average yield of crop  
e. Any products that are sold at the market  
f. Number of employees/labour used for crop production  
g. Average value of crop  
h. Average yearly household income from agriculture

5. Trees  
a. Number and types of affected trees  
b. Age of trees  
c. Name of owner of trees  
d. Average yield of fruit bearing trees  
e. Average yearly income from fruit trees

6. Business  
a. Type of business affected  
b. Name of owner of business  
c. Registration/permit number of business (check document)  
d. Total yearly household income from business  
e. Average operating expenditure of business  
f. Number of employees in business  
g. Number of permanent and temporary employees  
h. Average income and profit as reported for income tax (check document)
i. Whether the business needs to be relocated

7. Affected Public Utilities and Facilities
   a. Description of affected community infrastructure
   b. Description of affected facilities by area & building material used
   c. Estimated number of population adversely affected by the facilities/infrastructure

8. Preference for Relocation
   a. Whether there is a need for relocation or reorganization
   b. Preferred mode of compensation (cash or kind) for land
   c. Preferred mode of compensation for structure
   d. Preferred type of assistance for income rehabilitation
Annex 5: Data for Baseline Survey

Note: The background information, household status and land use information would be same as in ANNEX 4 above:
List of Data for Census Survey

Additional information would include the following:

1. Access to Facilities
   a. Access to electricity
   b. Type of water supply available
   c. Type of sanitation facilities within the building
   d. Distance to school
   e. Distance to health facilities
   f. Distance to market

2. Household Assets
   a. Type and number of farm equipment and implements owned by the household
   b. Type of other business equipment owned by household
   c. Estimated value of affected equipment
   d. Type of transport owned (bike, motorcycle, truck, animal cart, car, other)
   e. Major kitchen equipment owned (stove, cooker, etc.)
   f. Ownership of fridge, radio, TV, etc.
   g. General condition of building (excellent, good, average, poor)
   h. General condition of household furnishing (furniture, cupboards, etc.)

3. Household Income and Expenditure
   a. Average annual household income from all sources
   b. Average expenditure on major items: food, transport, health, education
   c. Any loans taken from bank, friends or relatives
   d. Approximate savings, if any

4. Skills Possessed
   a. Skills of each household member
   b. Types of training or skills preferred for further upgrading