

RESETTLEMENT ACTION PLAN
SHALA NEIGHBOURHOOD
HADE PROJECT
KOSOVO



Prepared for:
Kosovo Energy Corporation

Prepared by:
***Project Hade Office, Ministry of Environment and Spatial Planning
rePlan Inc.***

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TABLE OF CONTENTS

| | Page # |
|---|---------------|
| PREAMBLE | iv |
| TERMINOLOGY | v |
| SUMMARY | 1 |
| CHAPTER 1: INTRODUCTION | 14 |
| CHAPTER 2: INSTITUTIONAL AND LEGAL FRAMEWORK..... | 18 |
| CHAPTER 3: EXISTING CONDITIONS | 26 |
| CHAPTER 4: IMPACTS OF LAND ACQUISITION..... | 33 |
| CHAPTER 5: STAKEHOLDER ENGAGEMENT | 37 |
| CHAPTER 6: COMPENSATION FRAMEWORK..... | 41 |
| CHAPTER 7: REPLACEMENT ASSETS..... | 51 |
| CHAPTER 8: LIVELIHOOD RESTORATION AND COMMUNITY DEVELOPMENT | 56 |
| CHAPTER 9: VULNERABLES ASSISTANCE..... | 57 |
| CHAPTER 10: GRIEVANCE MANAGEMENT..... | 59 |
| CHAPTER 11: MONITORING AND EVALUATING..... | 61 |
| CHAPTER 12: ORGANISATION | 64 |
| CHAPTER 13: SCHEDULE | 65 |
| CHAPTER 14: BUDGET..... | 66 |

ANNEXES

A. Asset Inventory and Valuation Forms

| LIST OF TABLES | | Page # |
|-----------------------|--|---------------|
| S.1 | Sources of Income | 4 |
| S.2 | Entitlement Matrix | 6 |
| 3.1 | Age Distribution in Project Affected Households..... | 29 |
| 3.2 | Sources of Income | 29 |
| 3.3 | Employment Status..... | 30 |
| 3.4 | Monthly Household Income..... | 30 |
| 3.5 | Educational Attainment | 31 |
| 4.1 | Impact Matrix..... | 34 |
| 5.1 | Resettlement Stakeholders | 37 |
| 6.1 | Entitlement Matrix | 43 |

| LIST OF FIGURES | | Page # |
|------------------------|--|---------------|
| 1.1 | Project Area | 14 |
| 3.1 | View of Shala Neighbourhood and Bardh Mine, Looking West | 28 |
| 7.1 | Community Plan for the Resettlement Village..... | 52 |

PREAMBLE

This document constitutes the Resettlement Action Plan for the Shala Resettlement Project in Kosovo. This Resettlement Action Plan has been prepared in close collaboration with Project Affected People and the Government of Kosovo. The Resettlement Action Plan describes the results of a detailed and extended resettlement planning program and records the commitments, procedures, and actions that will be taken to resettle and compensate the people, households and communities affected by the development of Kosovo's New Mining Field in the Shala neighbourhood, consistent with the International Finance Corporation standards (i.e., Policy on Social and Environmental Sustainability and Performance Standard 5: Land Acquisition and Involuntary Resettlement) and in compliance with Kosovo law.

The Kosovo Energy Corporation endorses the Resettlement Action Plan presented in this document and commits to administer its complete and timely implementation.

The data presented in this Resettlement Action Plan are current as of December 2011. The RAP is a working document and will be updated as progress is made during the planning, implementation and consultation processes.

TERMINOLOGY

Compensation: Payment in cash or in kind for an asset or resource affected by the **Project**.

Economic Displacement: The loss of definable income streams or means of livelihood resulting from Project-related land acquisition in the **Project Footprint** and/or obstructed access to the resources (land, water, or forest) located therein for which a recognized right of access exists.

Entitlement: The compensation, rights and assistance measures offered by this **Resettlement Action Plan**.

Entitlement Cut-Off Date: Date disclosed and legally certified as the deadline for entitlement eligibility (in the case of the Shala project, the date in 2011 upon which the survey teams administered the asset inventory for the relevant household). Up to and including that date, immovable assets in the **Project Footprint** are eligible for entitlement compensation. Immoveable assets established in the **Project Footprint** after that date are not eligible for entitlement compensation.

Household: A group of persons living together who share the same cooking and eating facilities, otherwise pool their resources, and form a basic socio-economic and decision making unit.

International Best Practice: Performance Standards on Social and Environmental Sustainability, produced by the International Finance Corporation, in particular Performance Standard 5 on Land Acquisition and Involuntary Resettlement.

Involuntary Resettlement: **Resettlement** is involuntary when it occurs without the informed consent of the displaced persons or if they give their consent without having the power to refuse resettlement.

Livelihoods Restoration: Programs that will provide **Project Affected Households** with a viable opportunity to restore their livelihoods to pre-Project levels.

Non-Resident Households: Those households with ownership rights to assets other than **primary residential structures** located in the **Project Footprint** as of the **entitlement cut-off date**. These households will be economically displaced.

Non-Residential Structure: An unfinished, incomplete house or set of structures that cannot be used as an independent, inhabitable residence.

Physical Displacement: A loss of primary residential structures and related non-residential structures and physical assets because such structures / assets are located in the **Project Footprint**.

Project: The phase of development of the New Mining Field comprising lands in the Shala neighbourhood, Obiliq / Kastriot Municipality, Kosovo.

Project Affected Household: A household made up of one or more **Project Affected Persons**.

Project Affected Person: Any person who, as a result of the **Project**, loses an existing recognized right to own, use, or otherwise benefit from a built structure, land (residential, agricultural, or pasture), annual or perennial crops and trees, or any other fixed or moveable asset, either in full or in part, permanently or temporarily.

Project Footprint. As currently defined, an area of approximately 14.2 hectares, namely Shala neighbourhood and adjacent publicly and privately-held lands, that will be affected by Project construction, operation and land acquisition activities.

Replacement Cost: The amount of cash compensation sufficient to replace assets or resources affected by the Project according to market rates and cover transaction costs, without taking into account depreciation or salvage value.

Resettlement. A compensation process through which physically displaced households are provided with replacement plots and residential structures at a resettlement community in the area. Resettlement includes initiatives to restore and improve the living standards of those being resettled.

Resettlement Action Plan (RAP): The public document in which the Kosovo Energy Corporation specifies the procedures it will follow and the actions it will take to mitigate adverse effects, compensate losses, and provide development benefits to **Project Affected Households**.

Resident Households: Those households with ownership rights to primary residential structures in the **Project Footprint** as of the **entitlement cut-off date**. These households will be physically displaced.

Stakeholders: Persons or groups who are affected by or can affect the outcome of the **Project**. Stakeholders may be individuals, interest groups, government agencies, or corporate organizations.

Vulnerables: Project Affected People who, by virtue of gender, ethnicity, age, physical or mental disability, economic disadvantage, or social status, may be more adversely affected by **resettlement** than others and who may be limited in their ability to claim or take advantage of resettlement assistance and related development benefits.

SUMMARY

S.1 INTRODUCTION

S.1.1 Description of the Project

The Kosovo Energy Corporation (KEK) is expanding lignite mining operations to Kosovo's New Mining Field. The first phase in the development of the New Mining Field will result in the physical and economic displacement of part of Hade village, specifically the Shala neighbourhood.

Background

Hade village is located in central Kosovo in the Obiliq Municipality, approximately 10 kilometers west of capital, Prishtinë. Hade is situated directly adjacent to the existing and depleting Bardh and Mirash lignite mines in the undeveloped New Mining Field mining concession area.

Expansion into the New Mining Field is intended to ensure a secure supply of coal over the life of existing and proposed power plants. The New Mining Field will be developed through surface mining. Development of the field is planned to begin to the southwest of Hade village and will extend to the Shala area immediately after.

In total, 63 resident households and 320 full-time residents will be physically displaced as result of this phase of the mine development plan, according to the 2011 survey of the Project Footprint. The Project Footprint also includes the properties and immovable assets of approximately 30 non-resident landholding households who will also be economically displaced. All of the neighbourhood's homes, residential plots and other properties in the Hade area will be acquired, along with all barns, outbuildings, commercial buildings and public rights-of-way.

In 2008, KEK applied for the initiation of expropriation proceedings for lands in the Shala neighbourhood. Government Decision No. 08/66 from 29 May 2009 launched the expropriation planning process, to be coordinated by the Hade Project Office in Kosovo's Ministry of Environment and Spatial Planning (MESP).

In late 2009, subsequent to Decision No. 08/66, the Government of Kosovo committed to undertake the land acquisition process in a manner that is compliant with international standards, namely the World Bank's Operational Policy on Involuntary Resettlement 4.12 and International Finance Corporation's (IFC) Performance Standards on Social and Environmental Sustainability. In parallel, the Government initiated the preparation of a Resettlement Policy Framework (RPF) applicable to projects in the New Mining Field. The RPF was adopted by Government on 6 July 2011.

This RAP document pertains exclusively to the displacement and compensation of households, assets and activities in the Shala neighbourhood. However, the Shala resettlement project is significant beyond its immediate purpose as it will establish exemplary standards and systems for resettlement as the coalfield is developed in the future.

S.1.2 Principles

The following principles have guided the resettlement planning process for the Shala neighbourhood:

1. Kosovo Law and International Best Practice guide the process
2. Implement a world-class resettlement process to serve as an example for future resettlement processes in Kosovo.
3. Process should be driven by consultation and participative planning
4. Compensate with replacement value and restore livelihoods, at a minimum
5. Design compensation framework, replacement assets and livelihoods restoration to ensure sustainable benefits
6. Provide modern replacement assets and enable community continuity

S.2 INSTITUTIONAL AND LEGAL FRAMEWORK

S.2.1 Kosovo

Expropriation

Law No. 03/L-205, amending the Law on Expropriation of Immovable Property (Law No. 03/L-139) includes mines and other works involving the exploitation of mineral resources among projects of potential public purpose. If a mining license holder is unable to enter into a Surface Rights Agreement with a relevant third party for lands related to its mining program, the Company may apply to the Government for the expropriation of the required surface rights

Article 15 of the Law on Expropriation states that “compensation shall be paid on the basis of the market value of the property as determined in accordance with the further provisions of the present law” including the methodology for calculating compensation established by the Ministry of Finance (MF). No compensation shall be owed or paid for the loss of any building, other structure or improvements to land if it:

- Occurred after the adoption of the decision authorizing preparatory activities on such property or the initial submission of the application for expropriation requesting the expropriation of such property, whichever occurred earlier; or
- Was constructed in violation of any applicable law or regulation

The use of expropriation is considered to be an action of last resort by KEK and the objective is to negotiate with all members of the Shala community in a cooperative and satisfactory manner as developed in this RAP – always recognizing that this is an involuntary resettlement.

Resettlement Policy Framework

The Resettlement Policy Framework of the Republic of Kosovo for New Mining Field, adopted by the Government of Kosovo on 6 July 2011 (Decision No. 10/22), establishes the Government’s policies and best practice procedures concerning displacement impacts related to the development of the New Mining Field.

The RPF sets out an entitlement matrix that identifies the compensation and resettlement options that shall be offered to the different categories of persons affected by the Project. The RPF upholds the principle of replacement valuation for all affected assets, regardless of age or depreciation. A detailed RAP shall be prepared for each project that causes expropriation of land, physical displacement of population, or loss of income through the acquisition of land and changes in land use and/or access to resources.

S.2.2 World Bank Group

International Finance Corporation Performance Standards on Social and Environmental Sustainability

Key requirements of Performance Standard 1 include:

- Ensuring free, prior and informed consultation
- Obtaining broad community support
- Undertaking consultation in an inclusive and culturally appropriate manner

The Performance Standard:

- Introduces the concept of negotiated settlements to avoid forcible removal of people
- Requires that standards for compensation be transparent and consistent within a project, and established with the participation of those impacted.

Project proponents must offer displaced persons and communities compensation for loss of assets at full replacement cost and other assistance to help them improve or at least restore their standards of living or livelihoods.

World Bank Operational Policy 4.12

The World Bank's Operational Policy (OP) 4.12 was updated in March 2007.

According to the OP 4.12, 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.

Under OP 4.12, the 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 provided to the displaced persons.

S.3 EXISTING CONDITIONS

S.3.1 Settlement Patterns

The Shala neighbourhood, forming the western wing of Hade village, is situated on the crest of a hill immediately north of the Bardh and Mirash mines. The neighbourhood is 12.4 ha in size. Nearly all resident families are related and have the last name Shala.

S.3.2 Demography

The Shala neighbourhood is composed of 63 resident households comprising 320 people (as of the 2011 socio-economic survey). In addition, other structures and properties in Shala are owned by 30 non-resident households who reside elsewhere in Kosovo (most commonly Obiliq or Prishtinë) or abroad. In total, the project affected population totals 510 people.

S.3.3 Livelihoods

Households in Shala employ a range of different livelihood strategies, including paid employment, casual labour, government and family supports and complementary subsistence agriculture activities (Table 3.1). No households report earning income from agricultural activities.

Table S.1: Sources of Income

| Source of Income | # of Hhlds | % |
|------------------------|------------|-----|
| Permanent employment | 64 | 69% |
| Remittances only | 10 | 11% |
| Casual employment only | 6 | 6% |
| Pensions only | 4 | 4% |
| Other | 9 | 10% |

Of the total project affected population, 96 people were employed at the time of the 2011 socio-economic survey

S.3.4 Housing

There has been notable new construction since the November 2004 Declaration of Special Interest. Such construction defies the Declaration (new construction was frozen in the zone of special interest) and took place without legal building permits. Nearly all of these structures are uninhabited and not fully inhabitable – most homes lack insulation, foundations are unstable and sinks and pipes installed in the buildings are not connected to the municipal water system or any other water source. In contrast, all legal houses have connections to the electricity system and water piped into the homes from the municipal water system.

S.4 IMPACTS OF LAND ACQUISITION

S.4.1 Efforts to Minimize Resettlement

At present, much of Shala neighbourhood is considered to be at risk of subsidence, due to its proximity to the current Bardh mine edge and operations. Some residential properties are situated less than 200 metres away from the mine edge – in violation of the Law on Mines and Minerals' provisions regarding buffer zones.

Project design alternatives were considered that would minimize first phase land take. KEK's 2008 application for expropriation included the western two-thirds of the Shala neighbourhood, leaving intact the parts of the neighbourhood that do not fall within the zone of first phase mine development. Through consultation with Shala community leaders and members, it was determined that the Shala neighbourhood (defined as a contiguous geographic area occupied by related families) be resettled as a whole.

S.4.2 Scope of Displacement

To develop the first phase of KEK's mine plan, the Project will entail the displacement of the entire Shala neighbourhood, occupied by 63 resident households and 30 non-resident households holding assets in the Project Footprint. All construction and agricultural land within the Project Footprint will be acquired as well as all of the neighbourhood's homes, commercial structures and outbuildings. The Project Footprint totals about 12.4 hectares.

S.5 STAKEHOLDER ENGAGEMENT

KEK and MESP have led frequent public consultation and disclosure activities since the outset of project planning in 2004, in a variety of formats and with various stakeholder groups.

S.5.1 Formal Meetings

Formal meetings have occurred with both Shala community representatives and as open-invitation meetings with the community as a whole. Beginning in 2011, a number of key meetings were held to discuss survey activities and the resettlement planning process. four open house meetings were held summarizing the resettlement planning process and inviting stakeholder input regarding: compensation entitlement packages, resettlement procedures, designs for the resettlement community and replacement housing, options for temporary resettlement and more.

A summary of the Draft RAP was presented at an open house meeting on August 5, 2011.

Subsequent to the finalization of the RAP and signing of individual agreements, regular community meetings will be held providing updates and responding to questions regarding RAP implementation.

S.5.2 Individual Negotiations

In parallel with the disclosure of the Draft RAP, MESP began to meet with project affected households to review an inventory of data pertaining to their assets, entitlements and resettlement options. Households had five days to report any inaccuracies or questions. These conversations form the basis of individual negotiations with eligible households regarding compensation agreements.

Agreement will be certified with a signed document agreeing to the transfer of title to Government, conditional on full payment of cash compensation and transfer of title to land in the resettlement village (if eligible).

S.6 COMPENSATION FRAMEWORK

S.6.1 Legal Basis

The Resettlement Policy Framework sets out the procedures and compensation policies to be followed by project proponents acquiring land in the New Mining Field.

The Law on Mines and Minerals (03/L-081) provides that mining companies can negotiate with landowners for purchase of surface rights. If the Company and landowner are unable to agree, the Company may initiate governmental expropriation proceedings. At the conclusion of expropriation proceedings, the landowner will be eligible for compensation rates as established by the Courts and will not receive the rates defined below for the transfer of land and/or house title.

S.6.2 Eligibility

Project affected people are eligible for compensation and other assistance if they have a “legitimate interest” in immovable assets or livelihood activities in the Project Footprint that were in place – i.e., planted or constructed – at the time of the 2011 census and asset survey.

Immoveable assets comprise land, structures, crops and roads.

S.6.3 Entitlements

Overview

Through consultation with project affected households and other project stakeholders, MESP has defined a range of appropriate and fair compensation entitlements and assistance for eligible impacts.

The entitlements outlined in **Table 6.1** and the subsequent sections of this chapter represent current policy as applied by MESP and KEK in compensation negotiations with individual households.

Table S.2: Entitlement Matrix

| Impacted Asset | Entitled Parties | Eligibility | Compensation |
|------------------------|--|--|--|
| LAND | | | |
| Rural land | Recognized owner or Registered owner with full legal title | Recognized or registered owner of asset as of entitlement cut-off date | Cash compensation at replacement rates |
| | Tenant | Recognized tenant identified in the asset or socio-economic surveys and/or by MESP | Compensation equivalent to two years of net land-based earnings |
| Urban land | Recognized owner or registered owner with full legal title | Recognized or registered owner of asset as of entitlement cut-off date | Standard replacement plot in new village. If replacement plot is smaller than existing, receive value difference in cash OR Cash compensation at replacement rates |
| Public land | Registered owner (municipal government, Kosovo government) | Registered owner of asset as of entitlement cut-off date | Replacement with like lands in resettlement village OR Cash purchase |
| STRUCTURES | | | |
| Residential structures | Recognized owner of residential structure on construction land | Recognized owner of asset as of entitlement cut-off date | Standard replacement house in new village. If replacement house is smaller than existing, receive value difference. OR Cash compensation at replacement rates |
| | Recognized owner of residential structure on | Recognized owner of asset as of entitlement cut-off date | Cash compensation at replacement rates |

| Impacted Asset | Entitled Parties | Eligibility | Compensation |
|--|--|---|---|
| | agricultural land | | |
| Fences, stonewalls, and outbuildings | Recognized owner | Recognized owner of asset as of entitlement cut-off date | Cash compensation at replacement rates |
| Commercial structures | Recognized owner | Recognized owner of asset as of entitlement cut-off date | Cash compensation at replacement rates |
| LIVELIHOODS | | | |
| Land-based livelihoods | Economically displaced individual or household | Livelihood activities reliant on affected immovable assets or access in Project Footprint | Participation in livelihood restoration and assistance programs, as described in Chapter 8 |
| Business | Business owner | Business owners recorded in survey at time of entitlement cut-off date, regardless of land tenure | Cash compensation equivalent to six months' net income OR Cash compensation equivalent to 12 months' net income if the beneficiary reestablishes a business in the affected municipality Cash compensation equivalent to lost net income during the period of transition |
| Employment | Employees | Full-time and part-time employees | Cash compensation equivalent to six months' salary AND Participation in livelihood restoration and assistance programs |
| TRESS AND CROPS | | | |
| Trees and crops | Planter and/or owner of the crop itself | The planter/ owner of the crop itself (recorded in survey at time of entitlement cut-off date), regardless of land tenure | Compensation in cash at agreed replacement rates |
| PUBLIC ACCESS | | | |
| Access to roads | Customary users | | Maintenance of diversion road |
| OTHER ASSISTANCE AND ALLOWANCES | | | |
| Relocation expenses | Registered owner or tenant | Households displaced from residential structures | Lump sum payment to cover mobilization/relocation expenses to new village location AND Provision of one truckload for moving belongings |
| Structural materials | Recognized owner | Recognized owner of a structure prior to resettlement | Right to salvage prior to resettlement |

| Impacted Asset | Entitled Parties | Eligibility | Compensation |
|----------------|-----------------------------------|--|--|
| Harvest | Planter/ owner of the crop itself | The planter/ owner of the crop itself, regardless of land tenure | Right to harvest prior to resettlement |

Cash compensation rates are designed to provide project affected people with compensation equal to or greater than full replacement value, with no deduction for depreciation. Base rates and the valuation methodology in general (see **Annex A**) were developed by a government work group in 2004. The valuation criteria were reviewed in detail with Shala residents and approved by Government on 3 November 2004 (Decision No. 5/119). The rates have been validated as more than sufficient for the acquisition or construction of replacement assets, according to third party assessments of replacement costs.

Loss of Rural Land

Registered and recognized owners of affected rural land in the Project Footprint are entitled to cash compensation equivalent to the replacement value of their affected landholdings.

Owners of land zoned as agricultural are not entitled to a replacement plot in the resettlement village.

Loss of Urban Land

Landholders of construction land as recorded in the municipal cadastre are entitled to an option of receiving:

1. Legal freehold title to a replacement residential plot in the resettlement village at Shkabaj; or
2. Cash compensation equivalent to the replacement value of the affected parcel.

Households will be provided with a choice of replacement plot sizes – 300-450, 450-550 or 550-700 m². Should the identified plot be smaller than the household's existing plot in Shala, the household will be provided with cash compensation equivalent to the value of the area difference.

Loss of Residential Structures

Recognized owners of residential structures built with building permits on construction land are entitled to an option of receiving:

1. A replacement house on the household's residential plot in the resettlement village to be provided by KEK; or
2. Cash compensation equivalent to the replacement value of the affected residential structure.

All such eligible households will be entitled to receive a standard replacement house built to meet national construction standards, household size and household needs. Homeowners who have houses larger than the standard size will receive a cash payment equal to the replacement value of the area difference.

Homeowners who will receive a residential plot in the resettlement village at Shkabaj may elect to receive cash compensation for the loss of their residential structure and undertake house construction on their own.

Replacement valuation criteria for residential structures are based on the level of finishing and construction for each affected asset.

Loss of Crops

KEK will provide cash compensation for all project impacts on crops and productive trees located in the Project Footprint that were planted prior to the entitlement cut-off date. Compensation for crops and productive trees is based on the valuations made by professional agronomists during the 2011 survey. These valuations take into account age and full productive value calculated over the remaining economic life of the crop.

S.6.4 Temporary Displacement

Resettlement should only proceed once individual agreements are finalized and compensation payments are made. It is possible – given the timelines of this Project – that an alternative to direct relocation to the Shkabaj resettlement village (for eligible households) may be agreed by community members, KEK and MESP. The replacement plots at Shkabaj may not be adequately ready for the commencement of construction at the conclusion of individual negotiations.

The prospect of temporary displacement has been discussed with project affected community members for more than a year. Should temporary displacement occur, all resident households who have elected to move to replacement plots in the resettlement village will receive assistance with the identification of temporary accommodations and be entitled to a rental allowance. This assistance will be available to eligible households up to 4 months after access to replacement plots (for construction) is given, dependent on seasonal conditions. Resident households who elect to receive cash compensation and acquire new accommodations elsewhere will be eligible for a rental allowance up to 4 months.

S.7 REPLACEMENT ASSETS

S.7.1 Site Selection and Design Process

In April 2004, the Shkabaj site was selected by project affected households. The Shkabaj location was chosen, in part, due to the community preference for rural housing and the site's proximity to Prishtinë (5 km). The Urban Regulatory Plan for Shkabaj was developed in 2006.

S.7.2 Community Plan

The 44 ha Shkabaj site will serve as the location for the resettlement of physically displaced households during several phases of mine expansion in the New Mining Field, beginning with the Shala neighbourhood. At full build-out, the new community will comprise approximately 1,000 urban plots, school and kindergarten, health centre, mosque, cemetery and sports and recreation areas. Community development will begin in the site's southeast, adjacent to the existing community of Shkabaj and existing road, electrical and water connections.

S.7.3 Residential Plots

Plot Design

The first phase of the community plan comprises approximately 250 replacement residential plots. Approximately 75 plots will be distributed to eligible Shala households. 105 plots in Shkabaj will be transferred to households displaced in the 2004 emergency evacuation in Hade.

The dimensions and area of the replacement plots (a choice of approximately 300-450, 450-550 or 550-700 m²) are designed to be sufficient to allow for construction of the replacement house, as well as other complementary land use activities.

Plot Distribution

The Shala community will be provided with an opportunity to internally manage the distribution of the replacement plots. MESP will provide maps and necessary background information and will facilitate discussions as necessary. Should the community not be able to internally resolve all eligible cases within 7 days, plot distribution will take place through a lottery administered by MESP. Trading of plots among residents will be allowed for 15 days after the lottery to facilitate relatives or friends to live in proximity to each other.

S.7.4 Houses

MESP will oversee the construction of replacement homes at the Shkabaj site, the majority of which will be constructed by the eligible households themselves – nearly all eligible households have indicated their preference to undertake construction of their replacement houses themselves. Households undertaking their own construction of replacement homes will have to submit architectural plans to the municipality to receive building permits. To ensure that replacement homes are adequate in size, materials and level of finishing and comply with municipal permitting, MESP has prepared a series of house design models.

S.7.5 Community Infrastructure

The overall design of infrastructural systems replaces infrastructure existing in the Project Footprint at an enhanced standard of quality.

Roads and sidewalks will be stabilized with gravel suitable in design for paving (planned for year two of resettlement village construction). All roads will be provided with drains of adequate capacity to transport runoff. The resettlement community will be connected to community-level potable water and waterborne sanitation systems. The system will include domestic connections to a standard sized wastewater sewer connected to a wastewater treatment plant. The resettlement community will be connected to the local electrical grid. Electricity will be distributed via an overhead cable network to each user.

S.7.6 Handover (Operation and Maintenance)

KEK will provide resettling households with legal title to replacement assets at the time of agreement and will permit access to land at Shkabaj once basic infrastructure works and earthworks are complete.

KEK and MESP will work with projected affected households and the Municipality of Obiliq to outline realistic and well-supported operations and maintenance procedures for the new assets in the

resettlement village. The responsibilities of each individual house owner will include those typical of organized towns in Kosovo, such as the payment of property taxes and infrastructure service fees, such as water, sewage and electricity. Households will have to carry these costs themselves independent of this RAP.

S.8 LIVELIHOODS RESTORATION AND COMMUNITY DEVELOPMENT

S.8.1 Objectives

Socio-economic baseline data collected in May and June 2011 forms the basis for planning for livelihoods programs. Employment opportunities have already been extended to a large portion of the Shala population, as agreed with community representatives in 2011. Consultations with project affected households regarding current livelihoods and future prospects are planned for the coming months in order to extend livelihoods restoration activities to different sectors and to all households.

S.9 VULNERABLES ASSISTANCE

S.9.1 Vulnerability in Resettlement

Involuntary resettlement, if not managed well, may lead to project affected households being impoverished. International experience with involuntary resettlement indicates certain categories of person are known to be especially vulnerable to setback:

- The destitute/homeless.
- Tenants/sharecroppers/farm labourers with no lands/fields or buildings of their own.
- Households with handicapped, chronically ill or socially stigmatised persons.
- Single mothers.
- Elderly persons, widows and widowers not living with adult children.

S.9.2 Planning for Vulnerability

In preparation of this RAP, a high-level vulnerability risk assessment of individual project affected households was performed. Vulnerable persons assistance measures are being developed to respond to both pre-existing and transitional risks. Many pre-resettlement and during-resettlement measures have already been built into this RAP, such as those presented in the Compensation Framework relating to replacement housing, reestablishment assistance and temporary displacement.

S.10 GRIEVANCE MANAGEMENT

S.10.1 Applicability

The Project's grievance management mechanism procedure is applicable to all grievances received from Project affected communities and/or individuals.

S.10.2 Grievance Management Mechanism

A grievance commission was established by MESP in 2010 to address grievances relating to the Shala resettlement program.

Grievances may be lodged by any individual or group of individuals who have a concern or grievance regarding the resettlement program, including the impacts of the Project's current or planned activities, asset data accuracy and team member activities. Grievances are reviewed by the commission once 15-20 grievances are amassed or every 15 days, whichever occurs first. At the conclusion of the review process, the record of the decision is provided to the complainant. The decision may prompt corrective action on the part of the Hade Project Office or other relevant departments in MESP or KEK.

In cases where the complainant is not satisfied with the proposed resolution, the complainant is fully within their rights to pursue the case in Kosovo's judicial system.

S.11 MONITORING AND EVALUATION

The Project will conduct monitoring and evaluation to track the implementation of this RAP. Monitoring and evaluation will provide KEK and project affected persons with information on whether:

- Compensation, resettlement and development investments are on track;
- Grievances are responded to and addressed appropriately; and
- Corrective actions are required.

S.12 ORGANISATION

MESP's Hade Project Office has been authorized by Government to lead, in cooperation with KEK and in consultation with project affected households, the day-to-day management of the resettlement program and the preparation of this Resettlement Action Plan. KEK, as the project proponent, is responsible for the implementation of the RAP, with continued assistance from the Hade Project Office. All major decisions on compensation and relocation are reviewed by an inter-ministerial commission including directors from KEK, MESP, MF and Obiliq Municipality.

S.13 SCHEDULE

Planning for resettlement began in 2004 with the establishment of the Hade Project Office in MESP.

Additional milestones over this period have included:

- Declaration of the New Mining Special Interest Zone (November 2004)
- Government Decision No. 08/66 beginning the expropriation planning process (May 2009)
- Implementation of census, socio-economic survey and asset inventory (May-June 2011)
- Adoption by Government of the Resettlement Policy Framework for the New Mining Field (July 2011)
- Disclosure of the Draft Resettlement Action Plan for review and comment (August 2011)
- Meetings with each project affected household to review data pertaining to their assets, entitlements and resettlement options (August 2011)

- Finalization of the Resettlement Action Plan in light of comments received (December 2011)

Implementation of the RAP is ongoing and will extend beyond the relocation of eligible households in the new resettlement village at Shkabaj. Key milestones in the implementation process include the following (planned/anticipated dates are provided where possible):

- Signing and execution of agreements with individual households, including delivery of all cash and in-kind compensation entitlements (September 2011 – ongoing)
- Preparation of the resettlement site for construction, including earthworks, roads, drainage, environmental controls, on-plot services and water and wastewater systems (December 2011 – ongoing)
- Access to land for replacement home construction
- Displacement of all current land uses from the Project Footprint
- Ongoing community-wide consultations as per the implementation-phase stakeholder engagement program.

S.14 BUDGET

All financial costs of resettlement shall be borne by KEK, except in instances where financial responsibility has been assigned to MESP by decree of Government.

All compensation payments shall be made concurrently with transfer of deeds and valid signatures of other required paperwork.

1. INTRODUCTION

1.1 Description of the Project

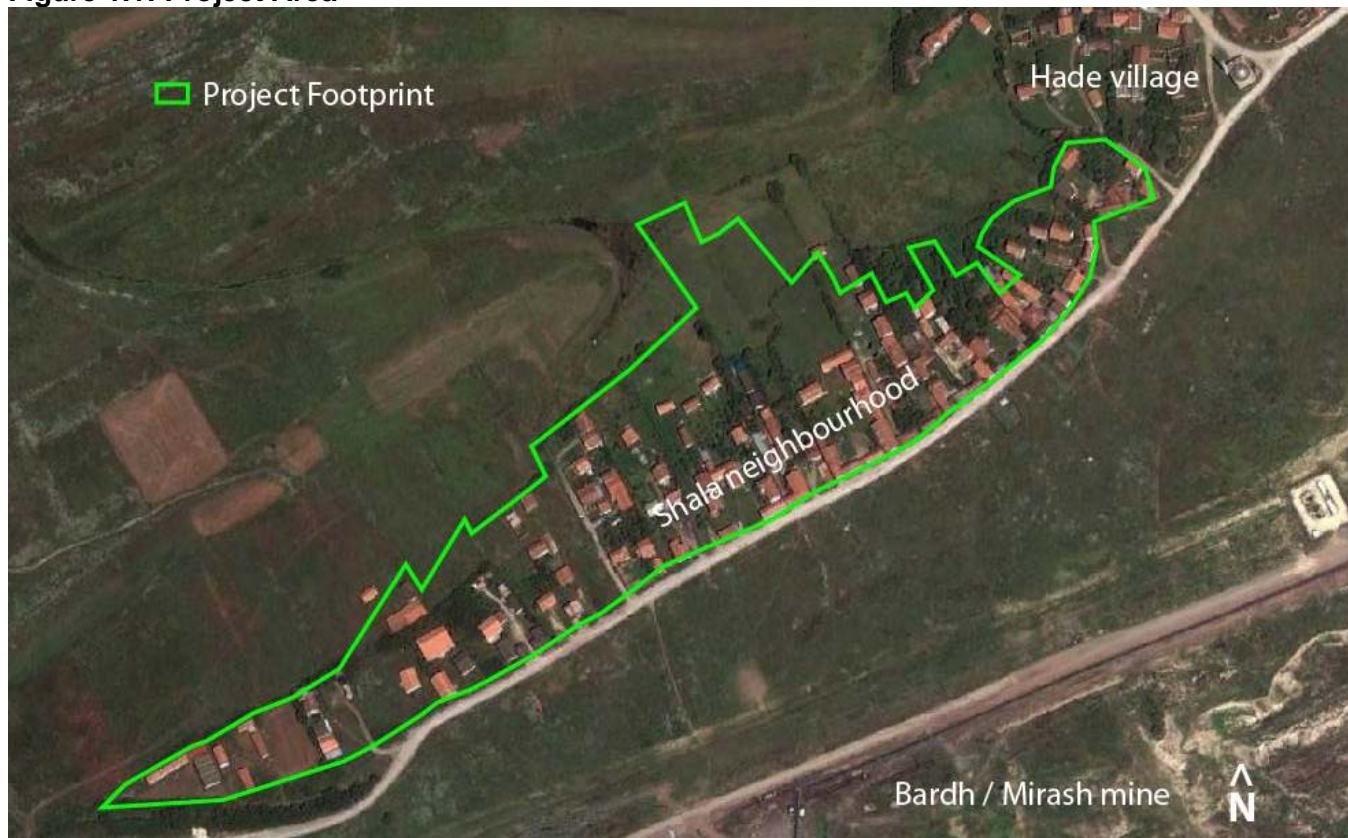
The Kosovo Energy Corporation (KEK), a company owned in full by the Government of Kosovo, is expanding lignite mining operations from the existing and depleting Bardh and Mirash open pit mines to Kosovo's New Mining Field immediately to the north. The first phase in the development of the New Mining Field will result in the physical and economic displacement of part of Hade village, specifically the Shala neighbourhood.

1.1.1 Background

Hade village is located in central Kosovo, approximately 10 kilometers west of capital, Prishtinë. The village is part of the Obiliq Municipality and is closely linked by roads, employment, markets and social networks with Obiliq and Prishtinë.

Hade is situated directly adjacent to the Bardh and Mirash lignite mines in the undeveloped New Mining Field mining concession area. Ongoing operations at the Bardh and Mirash open pit mines occur within 125 meters of Hade's western neighborhood, Shala. KEK's impending development of the New Mining Field is planned to begin with the acquisition and transformation of lands in the Shala area (**Figure 1.1**).

Figure 1.1: Project Area



The development of the New Mining Field takes place within the context of the Government of Kosovo's Kosovo Energy Strategy 2009-2018 and the Kosovo Lignite Power Technical Assistance Project (LPTAP), a World Bank-supported initiative to help the Government of Kosovo to attract private investors to develop lignite mines for continuous supply of existing and new thermal power plants. A Strategic Environmental and Social Assessment (SESA) was prepared for LPTAP in 2007-2008 to identify key strategic issues associated with lignite development in the New Mining Field, including prospective resettlement issues.

KEK and the Government of Kosovo have recognized the pressing need to resettle people from the Hade area. On 3 November 2004, a Special Economic Interest Zone was declared for Hade and adjacent villages in the New Mining Field (Decision No. 2157). 158 families (664 people) were evacuated from a section of Hade – immediately to the south of Shala – in an emergency operation in 2004/2005 because of the danger of land subsidence.

In 2008, KEK applied for the initiation of expropriation proceedings for lands in the Shala neighbourhood. Government Decision No. 08/66 from 29 May 2009 launched the expropriation planning process, to be coordinated by the Hade Project Office in Kosovo's Ministry of Environment and Spatial Planning (MESP).

In late 2009, subsequent to Decision No. 08/66, the Government of Kosovo committed to undertake the land acquisition process in a manner that is compliant with international standards, namely the World Bank's Operational Policy on Involuntary Resettlement 4.12 and International Finance Corporation's (IFC) Performance Standards on Social and Environmental Sustainability. In parallel, the Government began the preparation of a Resettlement Policy Framework (RPF) applicable to projects in the New Mining Field. The RPF was adopted by Government on 6 July 2011.

This Resettlement Action Plan document pertains exclusively to the displacement and compensation of households, assets and activities in the Shala neighbourhood. However, the longer term development of the New Mining Field – anticipated over 20 years – will necessitate resettlement elsewhere in Hade village and, successively, in several nearby communities. Accordingly, the Shala resettlement project is significant beyond its immediate purpose as it will establish exemplary standards and systems for resettlement as the coalfield is developed in the future.

1.1.2 Project Overview

Expansion into the New Mining Field (formerly called the Sibovc Lignite Field) is intended to ensure a secure supply of coal over the life existing and proposed power plants. Development of the New Mining Field will produce approximately 15 million tons per year (EAR 2005), nearly double the output of continued exploitation at the Bardh and Mirash mines.

The New Mining Field will be developed through surface mining while overburden masses will be deposited in the Bardh and Mirash mines. Development of the field is planned to begin to the southwest of Hade village, including on land previously acquired by KEK, and will extend to the Shala area immediately after.

The development of the mine in the Shala area will result in the physical and economic displacement of households and privately held lands in a Project Footprint comprising the entire neighbourhood of Shala.

1.1.3 Scope of this Resettlement Action Plan

This Resettlement Action Plan sets out the policies, procedures, rates, mitigation measures and schedule for the resettlement and compensation of Project Affected People from Shala neighbourhood.

In total, 63 resident households and 320 full-time residents will be physically displaced as result of this phase of the mine development plan, according to the 2011 survey of the Project Footprint. All of the neighbourhood's homes, residential plots and other properties in the Hade area will be acquired, along with all barns, outbuildings, commercial buildings and public rights-of-way.

The Project Footprint also includes the properties and immoveable assets of approximately 30 non-resident landholding households who will also be economically displaced. The public right-of-way, held by the Municipality of Obiliq, will be acquired.

In total, the Project Footprint, including both construction and agricultural lands, comprises 12.4 hectares.

1.2 Principles

The following principles have guided the resettlement planning process for the Shala neighbourhood:

1. **Kosovo Law and International Best Practice guide the process** – KEK and the Government of Kosovo are committed to complying with all Kosovo laws and regulations as they relate to resettlement, land tenure and expropriation, including the Resettlement Policy Framework for the New Mining Field (2011). The resettlement planning process for the Shala neighbourhood is also guided by international best practices, as represented by the Policy and Performance Standards on Social and Environmental Sustainability of the IFC – particularly Performance Standard 5 on Land Acquisition and Involuntary Resettlement – and World Bank Operational Policy (OP) 4.12.
2. **Implement a world-class resettlement process to serve as an example for future resettlement processes in Kosovo.** The resettlement planning process for the Shala neighbourhood documented in this RAP represents a milestone in the implementation of both international best practice and newly-adopted Kosovo regulations, namely the Resettlement Policy Framework for the New Mining Field. Whereas previous displacement in Kosovo was administered according to expropriation measures, the Shala Project is being planned – and will be judged – according to the higher standards applicable to a resettlement. As the first test of this new framework, this RAP's resettlement policies and procedures (e.g. entitlement framework, vulnerables assistance measures) and the related planning practices (e.g. the approach to consultation) will set a reference point and a new standard for future resettlement processes in Kosovo. The importance of this example is especially relevant in light of development plans for the remainder of the New Mining Field and anticipated displacement impacts in several more communities.
3. **Process should be driven by consultation and participative planning** – The RAP is a product of a transparent, consultation-driven resettlement planning process with project affected people. To achieve an adequate level of consultation and participation, MESP and KEK have identified all the people affected by the resettlement and engaged these stakeholders through a variety of engagement forums, including a series of formal open house meetings, focus groups tailored to specific populations and extensive informal dialogue. The policies, procedures, compensation rates, mitigation measures, and schedule contained in this document are the product of these consultations.

4. **Compensate with replacement value and restore livelihoods, at a minimum** – This RAP commits to provide fair values for all types of assets impacted by displacement, achieving, at a minimum, full replacement valuations (including transaction costs) for the loss of use of all assets. Land, crops and built assets are valued at replacement cost, regardless of age and depreciation. The resettlement community and replacement home designs have been designed to improve the living conditions among displaced persons. Similarly, this RAP and related community development activities include programs and resource commitments that endeavour to ensure improvement or at least restoration of the livelihoods and standards of living of displaced persons.
5. **Design compensation framework, replacement assets and livelihoods restoration to ensure sustainable benefits** – The resettlement program is conceived of and implemented as an opportunity for sustainable development. The compensation framework, replacement assets and livelihoods restoration programs in this RAP are designed to mitigate the adverse cultural and social effects of resettlement and ensure that the benefits awarded to the economically and physically displaced are appropriate and sustainable over the long term.
6. **Provide modern replacement assets and enable community continuity** – This RAP endeavours to provide modern improvements in the material lives of affected households while also respecting and valuing traditional ways of life that help define the community's identity. To this end, the resettlement village at Shkabaj should provide infrastructure and housing conditions at a level appropriate to 21st century semi-urban Kosovo. At the same time, the new village should be designed to accommodate community continuity post-resettlement, a household's preferred arrangements for living and growing together and a sense of place and home that is meaningful to all resettled individuals.

2. INSTITUTIONAL AND LEGAL FRAMEWORK

2.1 Kosovo

2.1.1 Institutional

There are two levels of government in the Republic of Kosovo: national and municipal.

National Government

The Constitution of the Republic of Kosovo, adopted by the Kosovo Assembly in April 2008, defines the state as a secular, multi-ethnic, democratic republic.

Executive power rests with the Prime Minister and Cabinet of Ministers. The Prime Minister is the head of government. The President serves as head of state. Both the President and Prime Minister are elected by a vote in the Assembly of Kosovo.

Legislative power is exercised by the Assembly of Kosovo. The Assembly has 120 deputies serving four-year terms. 100 members are directly elected while 20 are reserved for representatives of minority communities according to fixed quotas.

Judiciary power is exercised by an independent judicial system.

Since 2011, following reorganization of the Ministry of Energy and Mining, the Ministry of Economic Development has been responsible for oversight of the energy and mining sector in Kosovo. The Independent Commission for Mines and Minerals (ICMM) is tasked with regulating mining activities in Kosovo, including licensing and enforcement.

The Hade Project Office in the Ministry of Environment and Spatial Planning was established in 2004 to assist with resettlement and emergency evacuation planning at Hade. The Government officially tasked the Hade Office with leading the Shala-specific resettlement process in July 2009 (Decision No. 09/1627/1)

Municipal Government

The territory of Kosovo is organized into municipalities for administrative purposes. At the outset of self-government in 2001, Kosovo comprised 30 municipalities. The Kosovo government has since begun the process of establishing and delineating 8 additional municipalities in accordance with decentralization plans.

Each municipality has an elected mayor and assembly. Administrative functions, such as planning, development and reconstruction, are divided among municipal departments.

International Missions

International support missions continue to play a role in the civilian administration and security of Kosovo, specifically, the United Nations Interim Administration Mission in Kosovo (UNMIK), European Union Rule of Law Mission in Kosovo (EULEX) and the NATO-led Kosovo Force (KFOR).

2.1.2 Legal

Key legislation applicable to the Shala resettlement process includes the Mining Law, Expropriation Law and Resettlement Policy Framework. The resettlement planning process is also informed by regulations governing land tenure, land use, community and building design and construction.

Mining Law

The Law on Mines and Minerals (03/L-081) was adopted by the Kosovo Assembly in June 2008 amending the UNMIK Regulation on Mines and Minerals from 2005. The Law provides that licenses to mine energy minerals may be issued for periods of no more than 30 years and may be extendable for an additional 15 years.

Article 13 of the Law on Mines and Minerals prohibits mining operations from occurring within 200 metres of the boundaries of any village or other legal settlement area or 100 metres of any residential building.

Expropriation

Law No. 03/L-205, amending the Law on Expropriation of Immovable Property (Law No. 03/L-139) includes mines and other works, safety areas and facilities for or relating to activities involving the exploitation of mineral resources among projects of potential public purpose.

If a mining license holder is unable to enter into a Surface Rights Agreement with a relevant third party for lands related to its mining program, the Company may apply – in accordance with the Law on Expropriation of Immovable Property – to the Government for the expropriation of the required surface rights (alternatively, the Law of Mines and Minerals permits the ICMM to apply on behalf of the license holder).

The license holder must commit to provide the required compensation to the expropriated person(s). Article 15 of the Law on Expropriation states that “compensation shall be paid on the basis of the market value of the property as determined in accordance with the further provisions of the present law and the subsidiary legislation issued pursuant to paragraph 6 of this Article”. Paragraph 6 tasks the Ministry of Finance (MF) with establishing through subsidiary legislation the methodology for calculating compensation consistent with, among other requirements, the principles or guidelines on the calculation of compensation issued or suggested by international financial organizations.

No compensation shall be owed or paid for the loss of any building, other structure or improvements to land if it:

- Occurred after the adoption of the decision authorizing preparatory activities on such property or the initial submission of the application for expropriation requesting the expropriation of such property, whichever occurred earlier;
- Was constructed in violation of any applicable law or regulation; and
- Was not capable of being legalized under the law of Kosovo applicable on the date of the Final Decision authorizing its expropriation.

However, it is specifically provided that compensation shall be paid for expropriated buildings that were constructed illegally on privately owned immovable property by the owner of such property if:

- On the date actual construction activity commenced, it was impossible for the owner to obtain the necessary construction permit from the concerned Municipal Authority because, as of such date, no urban or spatial plan covering such property had yet been issued; or
- In all other respects neither the building nor its construction was in violation of any other law or regulation then applicable.

If a Government-led expropriation program requires the expropriation of more than 20 parcels of immovable property, compensation may be offered either as:

- Immovable property having a value that is equal to the compensation owed; or
- A combination of cash and immovable property, which together have a value equal to the compensation owed.

The use of expropriation is considered to be an action of last resort by KEK. The objective is to negotiate with all members of the Shala community in a cooperative and satisfactory manner as developed in this RAP – always recognizing that this is an involuntary resettlement.

Resettlement Policy Framework

The Resettlement Policy Framework of the Republic of Kosovo for the New Mining Field, adopted by the Government of Kosovo on 6 July 2011 (Decision No. 10/22), establishes the Government's policies and best practice procedures concerning displacement impacts related to the development of the New Mining Field.

The RPF is meant to guide the development of the initial RAP for the Lignite Power Project – this RAP – as well as related future RAPs. The objective of the RPF is to ensure, where displacement or the loss of economic assets and means of livelihood are unavoidable, that affected people can improve or at the very least recover their standard of living and livelihoods in the shortest possible time. A detailed RAP shall be prepared for each project that causes physical displacement of population, or loss of income through the acquisition of land and changes in land use and/or access to resources.

The RPF sets out an entitlement matrix that identifies the compensation and resettlement options that shall be offered to the different categories of persons affected by the Project. These entitlement policies directly inform the Compensation Framework established in **Chapter 6** of this RAP, specifically the Entitlement Matrix presented in **Section 6.5**. The RPF upholds the principle of replacement valuation for all affected assets, regardless of age or depreciation.

Entitlements and compensation agreements with affected households may be incorporated into secondary legislation (for approval by the Ministry of Economic Development) and/or may take the form of a civil contract or formal agreement between the Project Company and the representatives of the affected households.

The RPF requires that an independent grievance mechanism shall be established to cover all aspects of the project. In addition, if any owner or interest holder of immovable property reasonably believes his/her rights are violated, then that person may file a timely complaint in front of a competent court.

Land Tenure and Transactions

Cadastral surveys of the Hade area were undertaken in 2009. Land is registered at the municipal cadastral office, for which individual or partial land owners hold land tenure certificates.

The transfer of title in the Hade area typically takes place through formal sale or as a donation. Inheritance of lands registered under the names of deceased persons is resolved through a judicial process (including in cases where the deceased has prepared a will).

Land Use and Community Planning

Lands in Kosovo are classified according to land use categories: in case of Shala neighbourhood, construction and agricultural. Agricultural land is subdivided into eight subcategories based on land fertility (I to VIII). Agricultural land categories I to IV (higher fertility land) are protected by the Law of Agricultural Land, whereas the construction of houses is permitted on land designated as categories V to VIII.

Land use categories are determined by the municipal Department of Geodetics, Property, Cadastre, Urbanism and Environmental Protection and may be changed with approval of the Department.

Development and Parcelization Plans are approved by the municipal authorities in Kosovo. In the case of the resettlement village at Shkabaj, the relevant authority is the Municipality of Obiliq. Development Plan approval for the new village was received in 2010; Parcel Plan approval was received in 2011. Construction Permits and Building Use Permits must also be obtained from the municipal authorities.

Building Standards

Building designs are submitted to relevant municipal authorities for review and permitting. Kosovo regulations do not clearly state area requirements (including minimum room sizes) and occupancy requirements.

2.2 World Bank Group

2.2.1 International Finance Corporation Performance Standards on Social and Environmental Sustainability

The International Finance Corporation adopted new Performance Standards on Social and Environmental Sustainability in April 2006. The outcome-based Performance Standards (PS) updated existing IFC safeguard policies, strengthening social and environmental policy, and prescribing more comprehensive and integrated impact assessments. The IFC has also published Guidance Notes to help explain the requirements of the Performance Standards.

The IFC approved updated Performance Standards on Social and Environmental Sustainability in May 2011, effective January 2012.

The standards are divided into the following issue-specific sections:

- Performance Standard 1: Social and Environmental Assessment and Management System
- Performance Standard 2: Labour and Working Conditions
- Performance Standard 3: Pollution Prevention and Abatement
- Performance Standard 4: Community Health, Safety and Security
- Performance Standard 5: Land Acquisition and Involuntary Resettlement
- Performance Standard 6: Biodiversity Conservation and Sustainable Natural Resource Management
- Performance Standard 7: Indigenous Peoples

- Performance Standard 8: Cultural Heritage.

Performance Standard 1, Social and Environmental Assessment and Management System, and Performance Standard 5, Land Acquisition and Involuntary Resettlement, are most directly relevant to this Resettlement Action Plan.

Performance Standard 1

Performance Standard 1 structures the way in which environmental and social issues are to be handled and serves as the core around which the other Standards are framed. Performance Standard 1 requires that affected communities be appropriately engaged on issues that could potentially affect them. Key requirements include:

- Ensuring free, prior and informed consultation and facilitating informed participation
- Obtaining broad community support
- Focusing on risks and adverse impacts, and proposed measures and actions to address these
- Undertaking consultation in an inclusive and culturally appropriate manner
- Tailoring the process to address the needs of disadvantaged or vulnerable groups.

Performance Standard 5

Performance Standard 5 refers to the management of physical displacement (i.e. relocation or loss of shelter) and economic displacement (i.e. loss of assets or access to assets that leads to loss of income sources or means of livelihood) as the result of project-related land acquisition.

Involuntary resettlement relates to transactions where the buyer can resort to government authority to gain access to land or impose limits on land use.

The Performance Standard defines displaced persons broadly as:

- Those who have formal legal rights to the land they occupy
- Those who do not have formal legal rights to land, but have claim to land that is recognized or recognizable under the national laws
- Those who have a recognizable legal right or claim to the land they occupy, such as opportunistic squatters and recently-arrived economic migrants who occupy land prior to the cut-off date.

The objectives of Performance Standard 5 include:

- To avoid or at least minimize involuntary resettlement by exploring alternative project designs
- To mitigate impacts from land acquisition by providing compensation for loss of assets at full replacement cost and ensuring that resettlement activities are implemented with appropriate stakeholder engagement
- To improve or at least restore the livelihoods and standards of living of displaced persons
- To improve living conditions among displaced persons through provision of adequate housing with security of tenure.

Performance Standard 5:

- Requires that the project proponent identify, via a census, those persons who be displaced and establish a cut-off date to establish eligibility for compensation

- Requires project proponent to offer land-based compensation, where feasible, where livelihoods of displaced persons are land-based, or where land is collectively owned
- Suggests application of the Performance Standard in situations where displacement unrelated to land acquisition has occurred because of the adverse economic, social or environmental impacts of project activities
- Introduces the concept of negotiated settlements to avoid forcible removal of people
- Requires private sector companies to “bridge the gap” between domestic legal requirements and the requirements of the Performance Standard
- Encourages collaboration to minimize risks and requires project proponents to close compensation gaps where government takes the lead
- Requires preparation of a Resettlement Action Plan, which demonstrates how displacement will be managed in accordance with the Performance Standard.

Performance Standard 5 further requires that standards for compensation be transparent and consistent within a project, and established with the participation of those impacted.

Project proponents must, according to the Performance Standard, offer displaced persons and communities compensation for loss of assets at full replacement cost and other assistance to help them improve or at least restore their standards of living or livelihoods. Replacement value is defined as follows:

- **Agricultural Land:** The market value of land of equal productive use or potential located in the vicinity of the affected land, plus the cost of preparation to levels similar to or better than those of the affected land, plus the cost of any registration and transfer taxes;
- **Land in Urban Areas:** The market value of land of equal size and use, with similar or improved public infrastructure facilities and services preferably located in the vicinity of the affected land, plus the cost of any registration and transfer taxes;
- **Household and Public Structures:** The cost of purchasing or building a new structure, with an area and quality similar to or better than those of the affected structure, or of repairing a partially affected structure, including labor and contractors’ fees and any registration and transfer taxes.

In determining the replacement cost, 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 national law or policy does not provide for compensation at full replacement cost, or where other gaps exist between national law or policy and the requirements with respect to displaced people, the Performance Standard advises that project proponents consider alternative measures to achieve outcomes consistent with the objectives of Performance Standard (e.g. supplementary allowances in cash or in kind).

In the case of physically displaced persons, the Performance Standard requires that project proponents offer the choice of replacement property of equal or higher value, equivalent or better characteristics and advantages of location, and security of tenure, or cash compensation at full replacement value where appropriate.

If land acquisition for the project causes loss of income or livelihood, regardless of whether or not the affected people are physically displaced, project proponents are required to:

- Promptly compensate economically displaced persons for loss of assets or access to assets at full replacement cost
- In cases where land acquisition affects commercial structures, compensate the affected business owner for the cost of re-establishing commercial activities elsewhere, for lost net income during the period of transition, and for the costs of the transfer and reinstallation of the plant, machinery or other equipment
- Provide replacement property (e.g., agricultural or commercial sites) of equal or greater value, or cash compensation at full replacement cost where appropriate, to persons with legal rights or claims to land which are recognized or recognizable under the national laws
- Compensate economically displaced persons who are without legally recognizable claims to land for lost assets (such as crops, irrigation infrastructure and other improvements made to the land) other than land, at full replacement cost
- Provide additional targeted assistance (e.g., credit facilities, training, or job opportunities) and opportunities to improve or at least restore their income-earning capacity, production levels, and standards of living to economically displaced persons whose livelihoods or income levels are adversely affected
- Provide transitional support to economically displaced persons, as necessary, based on a reasonable estimate of the time required to restore their income-earning capacity, production levels, and standards of living.

2.2.2 World Bank Operational Policy 4.12

The World Bank's Operational Policy 4.12 was updated in March 2007. The OP includes safeguards to address and mitigate impoverishment risks related to project development and involuntary resettlement.

OP 4.12 addresses direct economic and social impacts that both result from Bank-assisted investment projects and are caused by the involuntary taking of land (resulting in relocation or loss of shelter, loss of assets or access to assets and/or loss of income sources or means of livelihood) or the involuntary restriction of access to legally designated protected areas resulting in adverse impacts on the livelihoods.

The OP establishes three overall objectives:

- 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.

The project proponent is responsible for preparing, implementing, and monitoring a resettlement plan (or a resettlement policy framework) that adequately documents the resettlement planning process and agreed procedures.

Under OP 4.12, the implementation of resettlement activities is linked to the implementation of the investment component of the project to ensure that displacement or restriction of access does not occur before necessary measures for resettlement are in place. Specifically, the 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 provided to the displaced persons.

3. EXISTING CONDITIONS

This Chapter presents existing conditions in and around the Project Area, with specific emphasis on the Project Footprint of Shala neighbourhood.

3.1 Methodology

In 2011, the Ministry of Environment and Spatial Planning undertook, with the assistance of municipal authorities and consultants, a comprehensive census, socio-economic survey and inventory of immovable assets to inform its understanding of baseline conditions in the Project Footprint. In addition, the immovable asset survey served as the initial foundation for household compensation negotiations.

During the field survey, the survey team met with every head of household or designated representative. The survey team organized a phased but flexible schedule of survey activities to ensure participation. Census and survey documents were signed by the person who provided the information. Records of the asset and socio-economic data were subsequently reviewed and validated with the household heads (and other members). Copies of the data records were provided to them.

The purpose of the census and survey was to:

- Identify all affected household members, including residents, at the time of the survey;
- To learn the number, age, sex, relationships, income and occupation of every person in every household, to assist in developing baseline socioeconomic data to monitor and evaluate the status of affected persons in the future;
- To assess the economic situation of every household in order to identify income sources that may be impacted by project development and opportunities for new income sources and, as well, help identify those vulnerable groups needing special assistance;
- To inventory the real and personal assets of the affected households that will be affected by resettlement and establish a budget for the compensation costs thereof;
- To assess the size, conditions, construction materials, and design of village structures to establish design criteria for a new resettlement community that would meet the affected households' needs and wants in a culturally appropriate manner.

The review of socio-economic conditions in Shala was supported by quantitative and qualitative data collected for the Strategic Environmental and Social Assessment (SESA) prepared in 2008 for LPTAP for the development of new generation and transmission capacity and the development of the New Mining Field.

3.2 National Context

The Republic of Kosovo is a self-declared independent state in southeastern Europe. Landlocked and bordering Albania, Montenegro, Serbia and Macedonia, Kosovo comprises broad plains and high mountains, internationally-oriented cities and remote rural villages, totaling 10,887 km².

Politically and administratively, Kosovo remains in transition. Increasingly self-governing since the end of conflict in 1999, the Government of Kosovo declared independence 17 February 2008 and has been

recognized by over 80 United Nations member states. Kosovo is also a member of the World Bank and IFC.

Kosovo's population, approximately 2 million people, ranks as one of the youngest and fastest growing in Europe (the median age is 27) (CIA 2011). High levels of emigration and declining birth rates suggest a gradual slowing of this growth. Furthermore, an evolution is also taking place in the urban-rural balance of the population – the cities of Kosovo, principally Prishtinë, are expanding, due in part to influx from rural communities and investment from donors and Kosovars abroad.

The country's population includes an ethnic Albanian majority and minority communities, with specific electoral rights, including Ashkali, Bosniaks, Egyptians, Gorans, Roma, Serbians and Turks.

Although tens of thousands have returned, many Kosovars from all communities who fled during past conflicts remain outside Kosovo yet retain rights within the country (including to land and buildings). Internal displacement also remains unresolved for some households, with serious housing, social service and economic consequences, and is especially acute in certain minority communities.

Although Kosovo has experienced solid macroeconomic growth since the end of conflict in 1999 – including through the recent global economic crisis – unemployment and poverty remain as challenges in what is still one of the poorest countries in Europe. Employment and labour participation are low – only 53 percent of the working age population is actively involved in the labour market and only 29 percent are employed (World Bank 2011). In contrast, 45 percent live below the national poverty line and an estimated 17 percent are extremely poor (i.e., unable to meet basic nutritional needs) (World Bank 2011).

The Kosovo economy remains reliant on public expenditures, donor activity and remittances, with only a minimal contribution from exports. The World Bank identifies the mining and energy sectors as potential key sources of future growth, given Kosovo's abundant resources of lignite, lead, zinc, ferronickel, magnetite, and crushed stone, as well as duty-free and relatively low-cost access to European markets (World Bank 2011).

Kosovo's exploitable lignite reserves total approximately 10,000 million tons, one of the largest deposits in the world. At present, 97% of domestic electricity production is provided by lignite combustion in the Kosovo A and Kosovo B power plants near Obiliq; the rest is sourced from hydro power plants. With these thermal power plants nearing the end of their operating life (anticipated in 2017 and 2030 respectively), KEK is undertaking a concerted expansion and renewal of national energy infrastructure, including construction of a new thermal plant, the New Kosovo plant, and expansion of existing lignite mine field into the New Mining Field.

3.3 Municipal Context

Shala neighbourhood is located in Obiliq / Kastriot Municipality in central Kosovo. The municipality, divided from Prishtinë in 1989, is one of the smallest in area in the country. The municipal population, approximately 30,000 people, is one of the most densely concentrated.

The municipality is characterized by the rolling plains of the Kosovo Basin, traversed by the Sitnica River in the centre and bordered by forested hills in the west. Much of the municipality is dedicated to agrarian uses, primarily the cultivation of wheat, corn and potatoes (MESP 2010). However, a significant industrial presence – including the Bardh and Mirash mines, overburden dumps, a municipal

landfill and the country's principal power plants, Kosovo A and B – and an expanding urban footprint contribute to a mixed semi-urban, semi-rural landscape.

The municipal centre, Obiliq, is located on Kosovo's major railroad corridor and is host to Kosovo A and B as well as the proposed New Kosovo plant. Health services, secondary education and other public and professional services for the region are centred in Obiliq. Road and transport connections to rural villages are improving. However, many outlying villages continue to lack adequate water supply and sewage systems.

Lignite mining has taken place in Obiliq since the 1920s. Large-scale surface mining and the construction of Kosovo A were initiated in the 1960s. Today, KEK is the primary employer in the municipality (OSCE 2002). Accordingly, the economic fortunes of the municipality have followed changes in KEK's operations, including past reductions to the workforce and future expansion plans. Environmental and health conditions in the area are similarly impacted by the two power plants and mining operations extended across the municipality.

3.4 Project Footprint

3.4.1 Settlement Patterns

The Shala neighbourhood, forming the western wing of Hade village, is situated on the crest of a hill immediately north of the Bardh and Mirash mines.

The neighbourhood is 12.4 ha in size. It is comprised of narrow residential lots, extending east-west along a single unpaved roadway (**Figure 3.1**). Houses, often grouped in walled compounds, are located closest to the road with residential extensions, outbuildings, gardens and agricultural and grazing lands further north. Over time, properties have subdivided within families. Nearly all resident families are related and have the last name Shala.

Figure 3.1: View of Shala Neighbourhood and Bardh Mine, Looking West



The now-vacant lands of the 'Emergency Zone' neighbourhood evacuated in 2004/2005 lie directly south of Shala. The local mosque and primary school are located to the east in Hade village and do not lie within the Project Footprint. The vast majority of residents purchase supplies in Obiliq centre.

3.4.2 Demography

The Shala neighbourhood is composed of 63 resident households comprising 320 people (as of the 2011 socio-economic survey). In addition, other structures and properties in Shala are owned by 30 non-resident households identified in the 2011 socio-economic survey who reside elsewhere in Kosovo (most commonly Obiliq or Prishtinë) or abroad. Some in this group retain residential structures as secondary homes or places to stay while visiting relatives in the area. In total, the project affected population totals 510 people (as of the 2011 socio-economic survey).

The majority of the full-time population is under 29, with the largest two 10-year cohort populations being 10-19 and 20-29 (see **Table 3.1**). Overall, the population exhibits a balance between genders, though there is a notable imbalance among young adults: females outnumber males in the 20-29 year cohort by nearly 3-to-2.

Table 3.1: Age Distribution in Project Affected Households

| Age Cohort | Male | Female | Total |
|--------------|------------|------------|------------|
| 0-9 | 50 | 41 | 91 |
| 10-19 | 50 | 48 | 98 |
| 20-29 | 46 | 68 | 114 |
| 30-39 | 41 | 36 | 77 |
| 40-49 | 29 | 27 | 56 |
| 50-59 | 22 | 15 | 37 |
| 60-69 | 8 | 12 | 20 |
| 70+ | 12 | 5 | 17 |
| Total | 258 | 252 | 510 |

3.4.3 Livelihoods

Households in Shala employ a range of different livelihood strategies, including paid employment, casual labour, government and family supports and complementary subsistence agriculture activities (**Table 3.2**). In most cases, households benefit from more than one income source. In keeping with the semi-urban economy and limited land base of the Hade area, no households report earning income from agricultural activities.

Table 3.2: Sources of Income

| Source of Income | # of Hhlds | % |
|------------------------|------------|-----|
| Permanent employment | 64 | 69% |
| Remittances only | 10 | 11% |
| Casual employment only | 6 | 6% |
| Pensions only | 4 | 4% |
| Other | 9 | 10% |

Paid employment, namely permanent employment, is the largest source of income in the majority of households. In total, 64 of the 93 surveyed households reported earning most or all of their income from salaried employment. The average earnings from permanent employment equaled over 600 euros per month. Casual or intermittent employment was less frequently relied upon but was cited as the sole source of income by 6 households.

Of the total project affected population, 96 people were employed at the time of the 2011 socio-economic survey (**Table 3.3**). 39 men and 5 women were employed by KEK, representing 46% of all employed persons in Shala neighbourhood.

Table 3.3: Employment Status

| Employment Status | Male | Female | Total |
|----------------------------|------|--------|-------|
| Active in labour market | 115 | 22 | 135 |
| Participation rate (18-65) | 96% | 17% | 55% |
| Employed | 79 | 19 | 96 |
| Permanently employed | 67 | 19 | 86 |
| Self-employed | 4 | 0 | 4 |
| Intermittently employed | 6 | 0 | 6 |
| Unemployed | 36 | 3 | 39 |
| Unemployment rate | 31% | 14% | 28% |

An additional 39 people identified themselves as unemployed and actively seeking work. The low participation rate and high unemployment rate – 28% – is not out of line with the generally depressed state of employment in Kosovo.

Of 130 women between 18 and 65 years of age not in school, only 22 reported being active in the labour market (employed or unemployed) and only 19 reported being permanently employed.

Other income sources play a crucial role in livelihoods of Shala households, specifically remittances from family members abroad, pensions and social assistance payments. 19 households (20%) reported receiving financial assistance via remittances from family members abroad. Notably, 10 households identified remittances as their sole source of income. Remittances for households that received them averaged 200 euros per month.

No households in Shala take part in agriculture for profit. Instead, agricultural activities are dedicated to supplementing the household food supply. 66 households reported growing fruits or vegetables on their land, all for household consumption, according to the 2011 socio-economic survey. Only 10 households cultivate other crops outside the household garden or orchard.

Incomes vary notably within the community, with 34% reporting an income of less than €250 per month (**Table 3.4**).

Table 3.4: Monthly Household Income

| Monthly Household Income | Total | % |
|--------------------------|-------|-----|
| More than 750 euros | 19 | 20% |
| 500 – 750 euros | 6 | 6% |
| 250 – 500 euros | 36 | 39% |
| 100 – 250 euros | 25 | 27% |
| Less than 100 euros | 7 | 8% |

3.4.4 Social Conditions

Health

There is no medical clinic or pharmacy in the Project Footprint or in Hade village. Residents are required to use the public health centre or private clinics in Obiliq or, in cases of more specialized treatment, in Prishtinë.

Education

Most of the project affected adult population in Shala has at least eight years of primary education (95%), including 93% of women (**Table 3.5**). Fewer women continued on to complete secondary school (59%) as compared with men (89%). 98% of the population defines themselves as literate.

Table 3.5: Educational Attainment

| Educational Attainment | Male | Female | Total |
|-----------------------------------|------|--------|-------|
| No formal education | 3% | 7% | 5% |
| Completed primary (5-8 years) | 97% | 93% | 95% |
| Completed secondary (10-13 years) | 89% | 59% | 73% |
| University degree | 2% | 3% | 3% |

The primary school in Hade (outside the Project Footprint) serves Shala students through their primary education. Students must travel to Obiliq to attend secondary school.

3.4.5 Housing

The majority of housing in the Project Footprint is clay-brick construction with plastered or stuccoed interior and exterior walls.

There has been notable new construction since the November 2004 Declaration of Special Interest. Such construction defies the Declaration (new construction was frozen in the zone of special interest) and took place without legal building permits from the municipality. New construction mainly takes the form of structures built on agricultural land – 40 structures in total. These new structures appear to have been constructed for speculative purposes. Nearly all of these structures are uninhabited and not fully inhabitable – most homes lack insulation, foundations are unstable and sinks and pipes installed in many of the buildings are not connected to the municipal water system or any other water source.

In contrast, all legal houses have connections to the electricity system and water piped into the homes from the municipal water system.

More than half of the houses have attached gardens and small orchards for growing table fruits and vegetables. Some homes have adjacent pens for animals.

3.4.6 Infrastructure and Facilities

Every inhabited house in Shala is connected to the electrical network. All receive running water through the municipal water system, though water pressure issues in the system sometimes restrict the supply. The municipality reports that households in Shala are not charged for their water consumption, unlike more urban communities in the area. Approximately half have connections to some form of sewage and wastewater treatment, typically septic fields.

95% of houses have refrigeration and 89% have washing machines. Only 11% have telephones in the home, whereas nearly 55% have internet access.

No households have a furnace for central heating. Instead, heating is performed with stoves or space heaters.

3.4.7 Environment

The living environment in Shala is affected by adjacent mining operations, whether in terms of visible impacts, dust, noise or air pollution. As with other small settlements in the region, Shala also suffers from some pollution resulting from untreated sewage and solid waste.

4. IMPACTS OF LAND ACQUISITION

4.1 IFC Guidance

IFC guidance notes that “resettlement planning involves more than simple cadastral surveys or inventories of affected assets”. A key initial task in planning resettlement is to “identify a project’s adverse impacts and the populations that will be affected”.

4.2 Efforts to Minimize Resettlement

The Kosovo Energy Strategy 2009-2018 supports the development of new energy generation capacities based on lignite combustion. KEK’s exploration studies have identified significant lignite reserves in the New Mining Field. The village of Hade and Shala neighbourhood are located on the southern edge of the New Mining Field, immediately adjacent to the existing Bardh/Mirash mine. The majority of the Shala neighbourhood, as well as rural lands to the north and west (previously acquired by KEK), lies within the area proposed for the first phase of the field’s development.

At present, much of Shala neighbourhood is considered to be at risk of subsidence, due to its proximity to the current Bardh mine edge and operations. Some residential properties are situated less than 200 metres away from the mine edge – in violation of the Law on Mines and Minerals’ provisions regarding buffer zones.

For Shala neighbourhood as a whole, project design alternatives were considered that would minimize first phase land take. KEK’s 2008 application for expropriation included the western two-thirds of the Shala neighbourhood, leaving intact the parts of the neighbourhood that do not fall within the zone of first phase mine development. However, this initial development of the ore body would leave the remaining resident population immediately adjacent to mining operations (less than one kilometer away) and potentially impacted in terms of disturbance and safety – a condition similar to that experienced today in Shala neighbourhood.

In addition, through consultation with Shala community leaders and members, it was determined that the Shala neighbourhood be resettled as a whole (see **Section 5.4.1**). Community leaders and members identified what they consider to be the extent of the Shala neighbourhood, a contiguous geographic area occupied by related families. The request was formally accepted by KEK and MESP.

Shala residents – in cooperation with KEK and MESP – have approved a relocation site at Shkabaj that is located less than 10 km from the existing village (see **Section 7.2**). This proximity should allow, as much as possible, for the retention of existing social, commercial and work patterns without the necessity to travel long distances. The new location also provides improved and more immediate access to both Obiliq and Prishtinë.

In order to minimize the occupants’ exposure to mine construction operations, relocation of the village will begin as soon as possible. Community plans and parcelization plans for the resettlement village at Shkabaj have received approval from Obiliq municipality. Tenders have been invited from qualified contractors to undertake infrastructure works. Once plot distribution and title transfer are complete, MESP will coordinate the submittal of applications for individual construction permits.

Access to the replacement plots at Shkabaj and house construction – by individual households or on their behalf by MESP – will proceed once earthworks and basic infrastructure are in place (see **Section 7.8**). Provisions have been made through extended consultation with the community to plan for temporary displacement (see **Section 6.6**) should KEK's project schedule or subsidence risks necessitate displacement in advance of replacement homes being fully constructed.

4.3 Scope of Displacement

To develop the first phase of KEK's mine plan, the Project will entail the displacement of the entire Shala neighbourhood, occupied by 63 resident households and 30 non-resident households holding assets in the Project Footprint. All construction and agricultural land within the Project Footprint will be acquired as well as all of the neighbourhood's homes, commercial structures and outbuildings.

The Project Footprint comprising Shala neighbourhood and its roads, fields, pastures and uncultivated lands totals about 12.4 hectares.

The identified impacts of the Project include:

Table 4.1: Impact Matrix

| Impacted Element | Type of Impact | Chapter Section |
|--------------------------------------|--|-----------------|
| Asset-holding Households | Physical displacement 63 resident households | 4.4.1 |
| | Economic displacement 30 non-resident households owning assets in the Project Footprint | 4.4.2 |
| Public facilities | Physical Displacement Public roadway | 4.5 |
| Livelihoods | Economic Displacement Commercial activities Subsistence agriculture Market gardens Livestock | 4.6 |
| Public Access | Social Impact Road and pathway access through Shala | 4.7 |
| Adjacent Communities (Hade, Shkabaj) | Social and environmental impacts Dust, noise and sight impacts Traffic Shared public facilities | 4.8 |

4.4 Impacts to Households

4.4.1 Resident Households

As of the 2011 census and socio-economic baseline study, the Project Footprint was occupied by 320 full-time residents, residing in 63 households, all of whom will be physically displaced by project development.

The 63 resident households have ownership rights to a primary residential structure and residential plot (construction land) in the Project Footprint. The residential plot typically includes residential structures,

non-residential outbuildings and structures and a small garden area. Some resident households also have ownership rights to an area of agricultural land.

No homes or units were occupied by separate tenant households as of the census.

4.4.2 Non-Resident Households

30 additional families have ownership rights to structures and/or plots in the Project Footprint but reside in primary residences in Obiliq, Prishtinë or abroad. These households are classified as non-resident households.

These non-resident landowners will be economically displaced by the Project and are therefore eligible for compensation.

4.5 Impacts to Public Facilities

Public facilities located in the Project Footprint are limited to the public roadway on the southern edge of the settlement area. The roadway is owned and managed by the Obiliq Municipality.

The primary school and mosque used by Shala residents are located outside the Project Footprint elsewhere in Hade village. All secondary education, health and other public facilities used by Shala residents are located in Obiliq or other urban centres in the region.

4.6 Impacts to Livelihoods

As the primary economic activity in the Project Footprint is paid employment, the impact on land-based livelihoods is limited and mainly relates to small-scale agriculture for household consumption.

None of the 93 households reported using their land within the Project Footprint for income-generating commercial agriculture. 66 households reported growing fruits or vegetables on their land for their own consumption. Ten households reported growing other crops.

Six households stated that they raise livestock. Some grazing occurs on agricultural lands at the northern edge of the Project Footprint as well as on adjacent lands outside the Project Footprint.

There is one commercial enterprise in the Project Footprint, a billiards hall that sells tea and other drinks.

4.7 Impacts to Public Access

As noted above, project development will impact the public roadway through the Shala neighbourhood. Due to recent mine development, the primary road no longer continues west of Shala to connect with nearby communities. Road access to the west and south is available to the public but is controlled at key access points by KEK to manage the impact of operations and mine traffic. This will remain the case during exploitation of the New Mining Field.

4.8 Impacts to Adjacent Communities

Mine operations and resettlement activities will affect not only Shala neighbourhood but also households elsewhere in Hade and in Shkabaj.

The operational realities of open pit mining and its environmental and social outcomes will continue to impact households elsewhere in Hade. Infrastructure may be impacted by traffic and, potentially, further land take. The prospect of future resettlement will have a social impact on Hade households, as they wait for realization of proposed plans. The prohibition of new construction, due to the 2004 Declaration of Special Interest, may affect the capacity of households to grow and accommodate newly-married couples and children.

Resettlement will also have a particular influence on the existing village of Shkabaj given its proximity to the new resettlement site. During the initial phase of construction at the resettlement site, road access will be limited to roadways through the Shkabaj urban area. Some utility connections will be made through existing networks in Shkabaj. Resettled households will likely send primary-school-aged children to area schools, though Shkabaj currently lacks such facility and is part of the Obiliq catchment area.

Ultimately, development of the resettlement site will provide several new public facilities closer to Shkabaj than exist today as well as a second highway interchange.

5. STAKEHOLDER ENGAGEMENT

5.1 IFC Guidance

The IFC Guidelines state that “Effective resettlement planning requires regular consultation with a wide range of Project stakeholders. Early consultation helps to manage public expectations concerning impacts of a project and expected benefits. Subsequent consultations provide opportunities for the Project proponent and representatives of affected populations to negotiate compensation packages and eligibility requirements, resettlement assistance, and the timing of resettlement activities”.

5.2 Objectives

KEK and MESP have led frequent public consultation and disclosure activities since the outset of project planning in 2004, in a variety of formats and with various stakeholder groups. Such stakeholder engagement endeavours to:

:

- Provide continuous information flow to the project affected households about the progress of planning, construction and other project activities and receive feedback;
- Ensure stakeholders contribute to the identification and assessment of potential impacts;
- Ensure stakeholders contribute to the planning of a resettlement plan that effectively mitigates impacts, provides benefits to eligible persons and reflects the lifestyles, choices and aspirations of the project affected community;
- Set up a formal grievance mechanism to enable any complaints to be made and to ensure that the complaints are resolved as soon as possible; and
- Identify and solve any problems as soon as possible through open dialogue and engagement.

The objective of consultation, disclosure and engagement during present and forthcoming phases of the Project is to establish broad community support and employ the principles of free (free of intimidation or coercion), prior (timely disclosure of information) and informed (relevant, understandable and accessible information) consultation.

This approach and the principles of respect for local communities, transparency, fairness and consistency in communication with stakeholders guide the development and implementation of engagement activities relating to this RAP.

5.3 Stakeholder Identification

Resettlement stakeholders are individuals, groups and organizations with a legitimate interest in the resettlement process, including in particular project affected people, households, and communities, relevant political authorities, responsible government agencies, and interested civil society organizations. **Table 5.1** lists identified key stakeholders.

Table 5.1: Resettlement Stakeholders

| Stakeholder Group | Individual Stakeholders |
|-------------------|--|
| Project Proponent | <ul style="list-style-type: none"> • Kosovo Energy Corporation • Lignite Power Technical Assistance Program • Employees |

| Stakeholder Group | Individual Stakeholders |
|----------------------------------|---|
| Project Footprint | <ul style="list-style-type: none"> • Contractors • Community Members <ul style="list-style-type: none"> • Resident Homeowners • Non-resident Homeowners • Renters • Landowners • Business owners and employees |
| Adjacent Communities | <ul style="list-style-type: none"> • Shkabaj • Hade • Other Communities in Obiliq Municipality |
| Government and Local Authorities | <ul style="list-style-type: none"> • Local <ul style="list-style-type: none"> • Obiliq Municipality • Educational Authority • National <ul style="list-style-type: none"> • Ministry of Environment and Spatial Planning • Ministry of Economic Development • Ministry of Finance • Independent Commission for Mines and Minerals |

5.4 Methodology

Engagement between KEK, MESP and resettlement stakeholders occurs in a variety of forums and formats, including:

- Formal meetings with project affected community members and representatives in Shala;
- One-on-one meetings;
- Individual land acquisition and compensation negotiations; and
- Additional stakeholder engagement activities.

5.4.1 Formal Meetings

Formal Meetings to Date

KEK and MESP have held an ongoing series of formal meetings with stakeholders regarding the resettlement planning process.

As part of a broader Project Area consultation agenda, MESP's Hade Project Office staff present updates and field questions regarding the resettlement planning progress, compensation entitlements and individual land acquisition negotiations, resettlement procedures and project scheduling. These updates are central to the Project's consultation with stakeholders in Shala.

In general, these meetings have served to:

- Provide information about the Project to project affected people and other stakeholders;
- Provide information regarding the resettlement planning process, including international best practice and the Company's compliance commitments;
- Provide updates of key decisions made in the resettlement planning process; and
- Respond to questions and record concerns.

Formal meetings have occurred with both Shala community representatives and as open-invitation meetings with the community as a whole. Community meetings were conducted in 2004 to identify a preferred resettlement site and in 2006 to integrate the input of project affected households into the preparation of an Urban Regulatory Plan for the resettlement site (see **Section 7.2**).

In autumn 2010, Shala community representatives presented an agenda of pressing issues for discussion and agreement in advance of baseline survey activities. Consultations between KEK, MESP and Shala representatives resulted in the inclusion of four additional households considered part of the Shala community within the scope of displacement and the provision of employment with KEK to twenty Shala households.

Beginning in 2011, a number of key meetings were held to discuss survey activities and the resettlement planning process. A series of four open house meetings were held at the Hade schoolhouse (June 28, July 1, July 6 and July 20) summarizing the resettlement planning process and inviting stakeholder input regarding a full range of issues set out in a formal agenda: compensation entitlement packages, resettlement procedures, designs for the resettlement community and replacement housing (see **Section 7.2**), options for temporary resettlement and more.

Focus groups specific to female members of affected households were held but poorly attended. In response, project personnel undertook dedicated informal consultation and disclosure with women in Shala.

A summary of the Draft RAP was presented at an open house meeting at the Hade schoolhouse on August 5, 2011. Next steps, including the plan for future formal meetings outlined below, were also discussed.

The Hade Project Office team records the minutes of all formal meetings.

Future Formal Meetings

Open house meetings will also take place to address specific planning issues during the Draft RAP disclosure period and prior to finalization of the RAP and individual agreements.

Subsequent to the finalization of the RAP and signing of individual agreements, KEK and MESP will continue to consult with Shala stakeholders. Regular community meetings will be held providing updates and responding to questions regarding RAP implementation – on a monthly basis up to six months after displacement, at a minimum, and once every two months up to 18 months after displacement.

Community meetings will also be held in advance of access to replacement land being given to eligible households (e.g. to review on-site servicing features, construction procedures and timelines).

5.4.2 One-on-One Meetings

In addition to the formal meetings described above, MESP and KEK personnel, in particular members of the Hade Project Office, engage with the affected communities on a daily basis and consult on a broad range of issues with local political leadership (i.e. Obiliq Municipality), project affected people, and members of the general public. These activities typically take the form of one-on-one meetings, either in the field or in the Hade Project Office. Contractors and consultants working on the Project also interact with project affected people, including during baseline survey activities.

This ongoing dialogue has facilitated open information exchange and built trust in the MESP and KEK's personnel, the resettlement planning process and commitments made.

5.4.3 Individual Negotiations

In parallel with the disclosure of the Draft RAP in August 2011, MESP began to meet with project affected households in the Project Hade office to review an inventory of data pertaining to their assets, entitlements and resettlement options. Households were provided with copies of the data records and had five days to report any inaccuracies or questions.

These conversations form the basis of individual negotiations with eligible households regarding compensation agreements. The individual negotiations are led by MESP staff with support from KEK and the resettlement consultant, rePlan. The negotiations are premised on respectful and informed dialogue. Affected households are briefed on their rights within the land acquisition process and available entitlement options. The scheduling of meetings is largely at the discretion of the affected household.

As of 7 December 2011, 52 households had participated in individual negotiations with project staff, resulting in formal agreements.

Agreement will be certified with a signed document agreeing to the transfer of title (to affected assets in Hade) to Government, conditional on full payment of cash compensation and transfer of title to land in the resettlement village (if eligible).

6. COMPENSATION FRAMEWORK

6.1 IFC Guidance

A RAP Compensation Framework, according to the IFC, should specify “all forms of asset ownership or use rights among the population affected by the project and the project’s strategy for compensating them for the partial or complete loss of those assets.”

In addition, the IFC recommends that project sponsors undertake the following actions on behalf of Project-Affected People:

“Inform affected people of their options and rights concerning resettlement; provide technically and economically feasible options for resettlement based on consultation with affected people; provide assistance with relocation expenses, transitional financial support; and provide affected people with development assistance”.

6.2 Objectives

Planning of the compensation framework has been guided by the following objectives:

- Restore and improve the livelihoods and welfare of physically or economically displaced peoples and households such that they are equal to or better off than before the resettlement;
- Provide fair and timely compensation that equals or surpasses the replacement cost of impacted assets and activities and includes equal or higher quality housing and infrastructure;
- Establish mutually acceptable and fair policies, procedures, compensation rates and mitigation measures processes through consultation with project affected people and their representatives;
- Address impacts of the project and the well-being of project affected people in a comprehensive manner – short term and long term;
- Reward self-reliance, encourage self-help and respect, and build upon the socioeconomic and cultural strengths of the area; and
- Implement a world-class resettlement process in accordance with Kosovo law and international best practice that will serve as an example for future resettlement processes in Kosovo.

6.3 Legal Basis

The Resettlement Policy Framework of the Republic of Kosovo for New Mining Field, adopted by the Government of Kosovo in July 2011, sets out the procedures and compensation policies to be followed by project proponents acquiring land in the New Mining Field.

Resettlement Action Plans shall be prepared for each project component in compliance with the RPF, the World Bank’s OP 4.12 and the IFC’s Performance Standard 5. The RPF identifies eligibility criteria and entitlement options that shall be presented to project affected persons in a transparent, participative planning process.

The Law on Mines and Minerals (03/L-081), adopted in June 2008, provides that mining companies can negotiate with landowners for purchase of surface rights. The law allows for amicable and voluntary land acquisition agreements between the Company and landowner.

If the Company and landowner are unable to agree, the Company may initiate governmental expropriation proceedings as per the Law on Expropriation of Immoveable Property. At the conclusion of expropriation proceedings, the landowner will be eligible for just compensation rates as established by the Courts and will not receive the rates defined below for the transfer of land and/or house title.

6.4 Eligibility

Project affected people are eligible for compensation and other assistance if they have a “legitimate interest” in immoveable assets or livelihood activities in the Project Footprint that were in place – i.e., planted or constructed – at the time of the 2011 census and asset survey, in accordance with the Resettlement Policy Framework. (In practice, the entitlement cut-off date as applied to each project affected household is the date in 2011 upon which the survey teams administered the census, survey and asset inventory for that household.)

Legitimate interest in immoveable assets at the household level is usually held by a single member: the household head. In some cases the legitimate interest may be held jointly, i.e. by the household head and his/her spouse, or with other members of the extended family.

Immoveable assets comprise:

- Land – cultivated land, grazing land and residential plots;
- Structures – household residential structures (for living, sleeping, cooking, storing of personal effects) and non-residential structures (barns/pens, stonewalls/fences, garages and outbuildings), as well as commercial buildings;
- Crops – food, cash and tree crops; and
- Roads – all government recognized roads.

Further eligibility criteria specific to each entitlement are set out in **Section 6.5** and **Table 6.1** below.

6.5 Entitlements

6.5.1 Overview

Through consultation with project affected households and other project stakeholders, MESP has defined a range of appropriate and fair compensation entitlements and assistance for eligible impacts. This section outlines the compensation entitlements available for loss of land, loss of structures, loss of crops and loss of business. These entitlements are summarized in **Table 6.1**.

The entitlements outlined in **Table 6.1** and the subsequent sections of this chapter represent current policy as applied by MESP and KEK in compensation negotiations with individual households.

With respect to compensation in cash, all compensation rates, compensation calculations, and compensation payments are in the legal currency of Kosovo, the Euro.

Table 6.1: Entitlement Matrix

| Impacted Asset | Entitled Parties | Eligibility | Compensation | Chapter Section |
|--------------------------------------|--|--|---|------------------------|
| LAND | | | | |
| Rural land | Recognized owner or Registered owner with full legal title Tenant | Recognized or registered owner of asset as of entitlement cut-off date Recognized tenant identified in the asset or socio-economic surveys and/or by MESP | Cash compensation at replacement rates Compensation equivalent to two years of net land-based earnings | 6.5.3 |
| Urban land | Recognized owner or registered owner with full legal title | Recognized or registered owner of asset as of entitlement cut-off date | Standard replacement plot in new village. If replacement plot is smaller than existing, receive value difference in cash OR Cash compensation at replacement rates | 6.5.4 |
| Public land | Registered owner (municipal government, Kosovo government) | Registered owner of asset as of entitlement cut-off date | Replacement with like lands in resettlement village OR Cash purchase | 6.5.5 |
| STRUCTURES | | | | |
| Residential structures | Recognized owner of residential structure on construction land Recognized owner of residential structure on agricultural land | Recognized owner of asset as of entitlement cut-off date Recognized owner of asset as of entitlement cut-off date | Standard replacement house in new village. If replacement house is smaller than existing, receive value difference. OR Cash compensation at replacement rates Cash compensation at replacement rates | 6.5.6 |
| Fences, stonewalls, and outbuildings | Recognized owner | Recognized owner of asset as of entitlement cut-off date | Cash compensation at replacement rates | 6.5.7 |
| Commercial structures | Recognized owner | Recognized owner of asset as of entitlement cut-off date | Cash compensation at replacement rates | 6.5.8 |
| LIVELIHOODS | | | | |
| Land-based livelihoods | Economically displaced | Livelihood activities reliant on | Participation in livelihood restoration and assistance | 8 |

| Impacted Asset | Entitled Parties | Eligibility | Compensation | Chapter Section |
|--|---|---|---|-----------------|
| | individual or household | affected immoveable assets or access in Project Footprint | programs, as described in Chapter 8 | |
| Business | Business owner | Business owners recorded in survey at time of entitlement cut-off date, regardless of land tenure | Cash compensation equivalent to six months' net income OR Cash compensation equivalent to 12 months' net income if the beneficiary reestablishes a business in the affected municipality Cash compensation equivalent to lost net income during the period of transition | 6.5.9 |
| Employment | Employees | Full-time and part-time employees | Cash compensation equivalent to six months' salary AND Participation in livelihood restoration and assistance programs | 6.5.9 |
| TREES AND CROPS | | | | |
| Trees and crops | Planter and/or owner of the crop itself | The planter/ owner of the crop itself (recorded in survey at time of entitlement cut-off date), regardless of land tenure | Compensation in cash at agreed replacement rates | 6.5.10 |
| PUBLIC ACCESS | | | | |
| Access to roads | Customary users | | Maintenance of diversion road | 6.5.11 |
| OTHER ASSISTANCE AND ALLOWANCES | | | | |
| Relocation expenses | Registered owner or tenant | Households displaced from residential structures | Lump sum payment to cover mobilization/relocation expenses to new village location AND Provision of one truckload for moving belongings | 6.5.12 |
| Structural materials | Recognized owner | Recognized owner of a structure prior to resettlement | Right to salvage prior to resettlement | 6.5.12 |
| Harvest | Planter/ owner of the crop itself | The planter/ owner of the crop itself, regardless of land tenure | Right to harvest prior to resettlement | 6.5.12 |

As part of all compensation agreements, the Company will pay for all transaction costs, filing fees, legal fees, etc. required to pass legal title of land and homes to the relevant household.

6.5.2 Entitlement Planning Process

The entitlement planning process has entailed three primary tasks:

- Establishment of cash compensation rates to compensate for specific impacts to eligible households, including land, structure and crop compensation rates;
- Planning and design of replacement assets to compensate for specific impacts to eligible households, including houses and residential plots (see **Chapter 7**);
- Design of complementary compensation initiatives to further mitigate against the risks of resettlement, including relocation assistance, livelihoods restoration initiatives (see **Chapter 8**), vulnerable persons assistance measures (see **Chapter 9**).

Cash compensation rates for the various impacted assets described in this chapter are designed to provide project affected people with compensation equal to or greater than full replacement value, with no deduction for depreciation.

Three different coefficients are applied to the replacement value of a built asset depending on the level and quality of construction. These base rates and the valuation methodology in general (see **Annex A**) were developed in 2004 by a government work group composed of officials from MESP, MEF, Ministry of Agriculture, KEK and Obiliq municipality. The valuation criteria take direction from previous compensation processes and prevailing construction and real estate costs. The criteria were reviewed in detail with Shala residents and approved by Government on 3 November 2004 (Decision No. 5/119). The rates have been validated as more than sufficient for the acquisition or construction of replacement assets, according to third party assessments of replacement costs.

A 10% premium is applied to all valuations in recognition of the impacts of displacement and the cooperation of affected households.

Beginning in mid-2011, MESP consulted with the project affected households to present, review and debate proposed rates and entitlements and assess their adequacy in light of the impacts of resettlement. MESP has incorporated stakeholder input into final project designs in order to standardize and finalize the compensation framework.

Household-specific compensation packages were reviewed with each eligible household beginning in August 2011.

6.5.3 Loss of Rural Land

Rural lands in the Project Footprint are held privately by individuals and households.

Rural lands in Shala are designated as agricultural lands and are classified according to eight valuation categories based on land fertility (I to VIII). This categorization is used in the determination of the value for affected lands, as well as the value of replacement rural land, when applicable.

Registered and recognized owners of affected rural land in the Project Footprint are entitled to Cash compensation equivalent to the replacement value of their affected landholdings, using the compensation rates defined in **Annex A**.

Landowners who can demonstrate a commercial or subsistence dependence on the affected property may be eligible to receive rehabilitated land (on overburden dump areas presently owned by KEK) equivalent to the replacement value of their affected landholdings in lieu of cash.

Owners of land zoned as agricultural are not entitled to a replacement plot in the resettlement village.

Tenants occupying rural lands as the 2011 survey are entitled to cash compensation equivalent to two years of net land-based earnings.

Where landowners and tenants are involved in productive land-based livelihoods, in Shala principally subsistence agriculture, KEK is also committed to providing these households with access to alternative lands and resources sufficient to restore or improve livelihood activities.

All project affected households are eligible to participate in the Project's Livelihood Restoration and Community Development Program, currently in development (see **Chapter 8**).

6.5.4 Loss of Urban Land

Urban lands in the Project Footprint comprise privately held residential plots designated as construction land.

In exchange for the transfer of title of their existing plot, landholders of construction land as recorded in the municipal cadastre are entitled to an option of receiving:

1. Legal freehold title to a replacement residential plot of approximately 300, 500 or 700 m² in the resettlement village at Shkabaj; or
2. Cash compensation equivalent to the replacement value of the affected parcel, using the compensation rates defined in **Annex A**.

Households will be provided with a choice of replacement plot sizes – 300-450, 450-550 or 550-700 m². Variations in plot size will result due to site topography and design constraints. Should the identified plot be smaller than the household's existing plot in Shala, the household will be provided with cash compensation equivalent to the value of the area difference (using the compensation rates defined in **Annex A**). The replacement plots are large enough to accommodate a replacement house as well as a variety of associated land use activities (e.g., market gardening, workshops).

For lands that include contiguous construction and agricultural zones within one titled parcel, agricultural zones may be reclassified as construction land for compensation purposes, up to a total of 500 m² construction land per parcel subdivision

6.5.5 Loss of Public Land

Public lands in the Project Footprint are limited to public road rights-of-way. These lands are held by Obiliq municipal authorities.

KEK will compensate for the loss of these lands by providing in-kind replacement land in the new village to accommodate replacement and new facilities (see **Chapter 7**). Title to new public rights-of-way will be transferred to the municipal authorities once infrastructure and other basic works are complete in the resettlement village.

Designs for the resettlement village will provide greater accessibility with all residential properties benefiting from frontage on roadways.

6.5.6 Loss of Residential Structures

KEK will compensate for the loss of residential structures recorded and present at the time of the 2011 survey.

Recognized owners of residential structures built with building permits on construction land are entitled to an option of receiving:

1. A replacement house on the household's residential plot in the resettlement village to be provided by KEK; or
2. Cash compensation equivalent to the replacement value of the affected residential structure (using the compensation rates defined in **Annex A**).

All such eligible households will be entitled to receive a standard replacement house built to meet national construction standards, household size and household needs. Homeowners who have houses larger than the standard size will receive a cash payment equal to the replacement value of the area difference (using the compensation rates defined in **Annex A**).

Replacement houses will comply with Kosovo legal requirements and standards and are designed in a culturally appropriate manner to cater to the household needs and lifestyles of affected people.

Homeowners who will receive a residential plot in the resettlement village at Shkabaj may elect to receive cash compensation for the loss of their residential structure and undertake house construction on their own. Such households will have to submit applications for building permits based on the replacement house models developed in the Project's public consultations (see **Section 7.5**). The standard size and designs were agreed through consultations between MESP, KEK and the project affected people.

Recognized owners of residential structures built without building permits and/or on agricultural land will receive cash compensation equivalent to the replacement value of the affected structure, using the compensation rates defined in **Annex A**.

Homeowners who receive cash compensation for their residential structures but elect not to resettle in the Shkabaj resettlement site should be able to demonstrate to the Hade Project Office that they either already have access to a new residence or have identified a new home (e.g. they have a purchase agreement) to which they will be able to move before or at the time of relocation. MESP will also undertake a specific monitoring program to ensure that households settling outside the resettlement village have attained (and continue to have) access to adequate housing with security of tenure, retain access to viable livelihoods and have not experienced high levels of social, familial and community disruption as a result of relocation.

6.5.7 Loss of Other Structures

Registered and recognized owners of additional immovable structures, including barns and animal pens, fences, stonewalls, garages and outbuildings will receive cash compensation for their assets. The value of these assets is equivalent to replacement cost and is defined in **Annex A**.

6.5.8 Loss of Commercial Structures

Registered and recognized owners of commercial structures are entitled to an option of receiving cash compensation equivalent to the replacement value of the affected commercial structure (using the compensation rates defined in **Annex A**).

6.5.9 Loss of Business and Employment

Owners of project affected businesses reliant on immovable improvements (structures, store furnishings, etc.) located in the Project Footprint are entitled to an option of receiving:

1. Cash compensation equivalent to six months' net income; or
2. Cash compensation equivalent to 12 months' net income if the beneficiary reestablishes a legal business within the boundaries of Obiliq municipality.

Business owners must provide notarized documentation of their income and revenue or similar records.

Employees of project affected businesses are entitled to cash compensation equivalent to six months' salary. Like other project affected households, employees are eligible to participate in the Project's Livelihood Restoration and Community Development Program.

6.5.10 Loss of Crops

KEK will provide cash compensation for all project impacts on crops and productive trees located in the Project Footprint that were planted prior to the entitlement cut-off date. Payment is made to the user/planter of the crop or tree, who is either the registered owner of the property on which the crop or tree is cultivated or a user recognized by the landowner.

Compensation for crops and productive trees is based on the valuations made by professional agronomists during the 2011 survey. These valuations take into account age and full productive value calculated over the remaining economic life of the crop.

Impacted households will have a right to harvest all crops in advance of displacement, as described in **Section 6.5.12**.

6.5.11 Loss of Public Access

Development of the mine site will impact existing access roads and informal footpaths, including those formerly linking Hade and the Shala neighbourhood district to areas to the west. Due to recent mine development, this road no longer continues west of Shala. Instead, vehicles must follow informal tracks or roads maintained and controlled by KEK.

Public access to roads maintained by KEK will continue to be available, with only momentary restrictions to local residents. New roads will be developed as the exploitation of the New Mining Field and related backfilling advance north.

6.5.12 Other Assistance and Allowances

KEK will provide the following additional rights and allowances to project affected households.

Mobilization / Re-establishment Allowance

Households displaced from residential structures are entitled to a mobilization and re-establishment allowance at the time of relocation, to be calculated by MESP and presented for discussion during public consultations. This allowance is intended to cover some of the costs associated with mobilization (packing, salvaging, etc.) and reestablishment (unpacking, building).

Transportation Allowance

Households displaced from residential structures are entitled to transportation from their Shala location to their new home, whether in the Shkabaj resettlement village or one purchased elsewhere (up to 20 km from Hade). Transportation will be provided for household members, plus 1 large truckload for their moveable assets, including household goods, salvaged materials and domestic animals.

Right of Salvage

All project affected people will be entitled to all salvage material off their own property prior to resettlement, provided it is removed within 15 days' notice in advance of resettlement, as announced by KEK and MESP. Thereafter, demolition of structures and other immovable assets will be conducted by KEK. All costs and risks of salvage shall be borne by the party removing the material.

Right of Harvest

All project affected people will be entitled to harvest crops and productive trees to which they have a recognized claim prior to resettlement. As with the right of salvage, households will be provided with 15 days' notice in advance of resettlement to harvest crops.

6.6 Temporary Displacement

Resettlement should only proceed once individual agreements are finalized and compensation payments are made. It is possible – given the timelines of this Project – that an alternative to direct relocation to the Shkabaj resettlement village (for eligible households) may be agreed by community members, KEK and MESP. Given delays in resettlement planning and implementation, project affected households are anxious to conclude the wait for resettlement and reestablish themselves in new homes and properties. However, the replacement plots at Shkabaj may not be adequately ready for the commencement of construction at the conclusion of individual negotiations. In addition, house construction will take several weeks or months and may be impacted by the onset of winter weather. KEK is similarly in an uneasy position of requiring land in the Project Footprint to continue mining operations past late 2011.

The prospect of temporary displacement has been discussed with project affected community members for more than a year. In anticipation of the potential impact, project affected households were asked their preferences in terms of temporary accommodations during the 2011 survey: – accommodation in MESP-owned apartments in Obiliq; new accommodations identified by households on their own; or accommodation with family (responses were not binding).

Should temporary displacement occur, all resident households who have elected to move to replacement plots in the resettlement village will receive assistance with the identification of temporary accommodations and be entitled to a rental allowance (the value of the allowances are calculated by MESP). This assistance will be available to eligible households up to 4 months after access to

replacement plots (for construction) is given, dependent on seasonal conditions. Resident households who elect to receive cash compensation and acquire new accommodations elsewhere will be eligible for a rental allowance up to 4 months total.

Planning for temporary resettlement has taken place during individual negotiations between MESP and eligible households. In advance of concluding final compensation agreements, MESP and KEK will work with all community members, collectively and individually, to provide a broad range of options for accommodation, confirm individual arrangements and ensure issues relating to temporary displacement are adequately planned for – including not only accommodation but also transportation and schooling.

Households eligible for a replacement plot in the resettlement village but residing in alternative temporary accommodations (not those provided by MESP) must demonstrate that they have formal arrangements ensuring their adequate accommodation.

All households who have elected to move to replacement plots in the resettlement village will also be entitled to store a limited amount of materials – specifically salvaged materials and construction-related materials – at a storage site near the Shkabaj location.

7. REPLACEMENT ASSETS

7.1 Objectives

The replacement assets presented in this section have been designed in consultation with project affected people with the aim to provide eligible project affected people with assets that enable an improved standard of living.

All the replacement assets represent improvements over affected assets and meet Kosovo regulations and standards. In addition, as required by international best practice, this plan includes measures seeking to ensure adequate housing and improved living conditions by taking into account safety, affordability, habitability, accessibility and improved infrastructure and services.

The location of the Shkabaj resettlement site will provide continued access to present livelihoods and local social and economic networks and improved access to employment options, markets and basic infrastructure such as water, electricity, sanitation, health-care, and education.

7.2 Site Selection and Design Process

KEK and MESP worked in close collaboration with project affected households and Obiliq Municipality to identify a favourable site for the development of the new resettlement community and prepare community and infrastructure plans for the site.

To determine the most appropriate location for resettlement, KEK, MESP, the Municipality and Shala residents considered four possible sites. The sites included Llazareva, Millosheva and Shkabaj (for rural housing) and Obiliq (for apartment housing). All sites were situated in Obiliq municipality and were located either adjacent to the new Prishtinë-Mitrovice highway or in the urban centre of Obiliq itself. In April 2004, the Shkabaj site was selected by project affected households and approved by the Obiliq Municipal Assembly and (in May 2004) by the Special Representative of the UN Secretary General. The Shkabaj location was chosen, in part, due to the community preference for rural housing and the site's proximity to Prishtinë (5 km).

The Urban Regulatory Plan for the resettlement site was developed in 2006. The plan included a block and parcel layout, roadways and pedestrian circulation, public spaces and public facilities. The plan, developed by the MESP, the Municipality and consultant planners, was reviewed with Shala residents and representatives during a series of meetings in early and mid-2006. Subsequently, an infrastructure plan was completed in 2007. Both the Urban Regulatory Plan and Infrastructure Plan were reviewed and approved by Obiliq Municipality.

Community designs were again reviewed with community members in mid-2011 with reference to the plans for phase 1, site selection and resettlement and construction procedures.

In parallel, in the summer of 2011, MESP contracted a Kosovo architecture firm to assist with the design of replacement home models. A large majority of eligible households had expressed a preference for constructing their replacement homes. Housing schematics were developed to enable the acquisition of building permits and ensure coherent and high-quality design in the new community. Draft architectural plans were presented and discussed in July 2011, including internally within the affected community. Stakeholder feedback resulted in the definition of revised designs.

7.3 Community Plan

Community plans for the resettlement village at Shkabaj are shown in **Figure 7.1**.

Figure 7.1: Community Plan for the Resettlement Village



The 44 ha Shkabaj site, as identified by KEK, MESP and the Municipality of Obiliq, will serve as the location for the resettlement of physically displaced households during several phases of mine expansion in the New Mining Field, beginning with the Shala neighbourhood resettlement program. Approximately 250 plots will be developed as part of this first phase. At full build-out, the new community at Shkabaj will comprise approximately 1,000 urban plots, school and kindergarten, health centre, mosque, cemetery and sports and recreation areas.

Community development will begin in the site’s southeast, adjacent to the existing community of Shkabaj and existing road, electrical and water connections.

7.4 Residential Plots

7.4.1 Plot Design

The first phase of the community plan comprises approximately 250 replacement residential plots. Approximately 75 plots will be distributed to eligible Shala households (to be determined through individual household consultations in August 2011). In addition, 105 plots in Shkabaj will be transferred to households displaced in the 2004 emergency evacuation in Hade. Plots will be distributed to eligible households as defined in **Section 7.4.2**.

The dimensions and area of the replacement plots (a choice of approximately 300-450, 450-550 or 550-700 m²) are similar to recently-developed plots in Shkabaj and on the periphery of Obiliq and Prishtinë. The plots are designed to be sufficient to allow for construction of the replacement house, as well as other complementary land use activities, including gardening, storage and residential intensification as desired by the resettled landowner. Variations in plot size will result due to site topography and design constraints, although the majority of plots are between 500 m² and 700 m².

These replacement plot dimensions compare favourably with existing conditions in Shala, including in terms of its advantageous location and associated land value. Existing residential plots in Shala average approximately 450 m² of construction land (many parcels in Shala combine construction and agricultural lands on one title, as defined in the current cadastre). Although the typical linear plots in Shala formerly possessed 15 to 20 meter roadway frontages, intensification and subdivision has left many properties (and households) without direct road access. In Shkabaj, all new plots will enjoy street frontage and direct access.

7.4.2 Plot Distribution

During individual negotiations, eligible households identify their preference of replacement plot size (300-450, 450-550 or 550-700 m²).

Subsequently, the Shala community will be provided with an opportunity to internally manage the distribution of the replacement plots. MESP will provide maps and necessary background information and will facilitate discussions as necessary.

Should the community not be able to internally resolve all eligible cases within 7 days, plot distribution will take place through a lottery administered by MESP.

Resettling households will be organized into three pools grouped by the dimensions of their preferred replacement plot. Through a draw, the lottery will distribute replacement plots to households in the matching pool.

Trading of plots among residents will be allowed for 15 days after the lottery to facilitate relatives or friends to live in proximity to each other.

7.5 Houses

MESP will oversee the construction of replacement homes at the Shkabaj site, the majority of which will be constructed by the eligible households themselves.

Nearly all eligible households have indicated their preference to undertake construction of their replacement houses themselves. Eligible households have been presented with the alternative of receiving logistical assistance with replacement home construction, in which case MESP will manage and contract out the necessary construction services. Individual households will confirm their preferred approach to construction during individual negotiations.

Households undertaking their own construction of replacement homes will have to submit architectural plans to the municipality to receive building permits. To ensure that replacement homes are adequate in size, materials and level of finishing and comply with municipal permitting, MESP has prepared a series of house design models. The models have been subject to extensive consultation with (and within) the community and have been revised to best fit the living arrangements of resettled households. As part of individual negotiations, eligible households will select their preferred building model in advance of applying for a building permit and commencing construction.

Replacement houses will comprise two levels with, alternatively, a finished main floor or at-grade basement.

The replacement homes to be built in the resettlement village will have advantages over the existing ones. All homes will comprise insulated construction; wiring to Code standards or better; a reliable, chlorinated and gravity-pressurized water supply; and a toilet connected to a full community sewage treatment system.

7.6 Commercial Buildings

As with residential buildings, the construction of replacement commercial buildings will be led by eligible households themselves or by MESP, depending on the preference and means of the household.

The layout and location of commercial buildings must receive building permit from the Municipality of Obiliq and must comply with the Urban Regulatory Plan for Shkabaj.

7.7 Institutional Buildings

No institutional buildings are located in the Project Footprint in Shala at present. The new community at Shkabaj will include a school and kindergarten, health centre, mosque and cemetery as well as public open spaces and parks.

These facilities will be constructed in conjunction with the phased development of the site and are designed to adequately serve the community's population at full build-out.

7.8 Community Infrastructure

KEK and MESP will provide appropriate infrastructure for the Shkabaj resettlement community. The overall design of infrastructural systems replaces infrastructure existing in the Project Footprint at an enhanced standard of quality.

The infrastructure designs comply with Kosovo standards and practices, improving on these wherever possible.

Roads and sidewalks will be stabilized with gravel suitable in design for paving (planned for year two of resettlement village construction). Roads in the resettlement community will connect with the existing road network in Shkabaj and, eventually, with the Prishtinë-Mitrovice highway. All roads will be provided with drains of adequate capacity to transport runoff from the roads and plots.

The resettlement community will be connected to community-level potable water and waterborne sanitation systems. The system will include domestic connections to a standard sized wastewater sewer connected to a wastewater treatment plant. Households will be expected to pay the utility company for their water consumption in Shkabaj, unlike the present arrangement in Shala.

Finally, with respect to electricity, the resettlement community will be connected to the local electrical grid. KEK will provide this connection via a new substation. Electricity will be distributed via an overhead cable network to each user.

7.9 Handover (Operation and Maintenance)

Operation and maintenance of replacement assets are critical to the long-term sustainability of the resettlement village.

KEK will provide resettling households with legal title to replacement assets at the time of agreement and will permit access to land at Shkabaj once basic infrastructure works and earthworks are complete.

KEK and MESP will work with projected affected households and the Municipality of Obiliq to outline realistic and well-supported operations and maintenance procedures for the new assets in the resettlement village, including roads, potable water systems, sewers and waste treatment plants. Similar discussions will address issues relating to education and access to other community facilities and social services. Construction and operation of the school, health centre and mosque will be planned in cooperation with the relevant ministries, agencies and organizations. These procedures must identify financial responsibilities and relevant timeframes of all partners, including KEK.

This handover plan should be designed to meet the following objectives:

- Avoid any kind of dependency on either KEK or Government following construction;
- Ensure that the operating and maintenance costs of replacement assets are sustainable for resettlement households.

The responsibilities of each individual house owner will include those typical of organized towns in Kosovo, such as the payment of property taxes and infrastructure service fees, such as water, sewage and electricity. Households will have to carry these costs themselves independent of this RAP.

8. LIVELIHOODS RESTORATION AND COMMUNITY DEVELOPMENT

8.1 IFC Guidance

IFC Guidance notes that “simple restoration of livelihood may be insufficient to protect affected populations from adverse project impacts, especially *induced* effects such as competition for resources and employment, inflation, and the breakdown of social support networks. For this reason, IFC seeks to promote the *improvement* of the living standards of people affected by the project”.

8.2 Objectives

Socio-economic baseline data collected in May and June 2011 forms the basis for planning for livelihoods programs.

In 2011, employment opportunities have already been extended to a large portion of the Shala population (20 households), as agreed with community representatives.

Consultations with project affected households regarding current livelihoods and future prospects are planned for the coming months in order to extend livelihoods restoration activities to different sectors and to all households.

The Livelihoods Restoration and Community Development initiatives to be developed will aim to help Project Affected Households re-establish their livelihoods – or create new ones – and improve their overall quality of life in the form of long term development benefits.

More specific objectives include the following:

- Assist members of Project Affected Households re-establish their livelihoods or create new ones;
- Promote the participation of Project Affected Households in the employment opportunities that will be available during the RAP implementation and during the development and operation of the Project;
- Ensure long-term development benefits for those receiving cash compensation;
- Enhance educational attainment of Project Affected People, including adults and children;
- Improve conditions as a means to promote a better general health status of Project Affected People;
- Assist resettling households in establishing, operating and maintaining their replacement assets and the resettlement community as a whole.

9. VULNERABLES ASSISTANCE

9.1 Vulnerability

IFC defines vulnerable persons as those who, “by virtue of gender, ethnicity, age, physical or mental disability, economic disadvantage, or social status, may be more adversely affected by resettlement than others and who may be limited in their ability to claim or take advantage of resettlement assistance and related development benefits”.

Vulnerability may be viewed in the context of two stages:

- Pre-existing vulnerability; and
- Transitional hardship vulnerability caused by project related physical and economic displacement.

Pre-existing vulnerability is vulnerability that occurs with or without the Project development. Vulnerability caused by project-related physical and economic displacement occurs as a result of those directly affected by the Project being unable to adjust to new conditions caused by negative impacts related to Project activities. This type of vulnerability may affect people who were not previously vulnerable; however, those with pre-existing vulnerability are much more likely to be further disadvantaged by Project impacts.

For the purposes of this RAP, vulnerable persons are defined in accordance with the above IFC definition.

9.2 Vulnerability in Resettlement

Involuntary resettlement, if not managed well, may lead to project affected households being impoverished. International experience with involuntary resettlement indicates that the main risks leading to impoverishment as a direct result of the resettlement process are:

- Landlessness – irreplaceable loss of land assets, including common property;
- Joblessness – loss of workplaces and markets;
- Homelessness – loss of shelter;
- Marginalization – loss of economic power and social standing resulting in decline in socio-economic status;
- Food insecurity;
- Increased morbidity and mortality;
- Loss of access to common property resources;
- Social disarticulation – disrupted social networks and loss of social capital; and
- Interruption of education.

A reality with resettlement is that several of the above risks are often realized simultaneously, thereby exacerbating existing hardship and creating new poverty.

Certain categories of person are known to be especially vulnerable to setback:

- The destitute/homeless.

- Tenants/sharecroppers/farm labourers with no lands/fields or buildings of their own.
- Households with handicapped, chronically ill or socially stigmatised persons.
- Single mothers.
- Elderly persons, widows and widowers not living with adult children.

9.3 Planning for Vulnerability

In preparation of this RAP, a high-level vulnerability risk assessment of individual project affected households was performed, informed by identified vulnerability indicators, the socio-economic baseline data collected in the 2011 surveys, community-level consultations and one-on-one consultations.

Identified risks were identified related to pre-existing vulnerability (resulting from existing socio-economic dynamics or household conditions) as well as transitional hardship (resulting from the displacement process itself). Specifically, vulnerable groups in Shala were identified to include destitute households, households with handicapped or chronically ill persons and widows and widowers not living with adult children.

In consultation with vulnerable households, vulnerable persons assistance measures are being developed to respond to both pre-existing and transitional risks. These measures will include pre-resettlement measures (e.g. extra attention in the review of entitlements and resettlement options), measures during resettlement (e.g. assistance with logistics of relocation; assistance with new house construction, including contracting and construction management; assistance with banking and savings) and post-resettlement measures. Many pre-resettlement and during-resettlement measures have already been built into this RAP, such as those presented in the Compensation Framework relating to replacement housing, reestablishment assistance and temporary displacement.

Implementation of vulnerable persons assistance measures will also include the monitoring, evaluation and reporting of vulnerability issues during the post-resettlement phase. Vulnerability indicators for individual households – and the community as a whole – will be tracked for changes against the 2011 baseline. Corrective measures and/or new assistance measures may follow.

10. GRIEVANCE MANAGEMENT

10.1 IFC Guidance

IFC Guidance notes that “regardless of scale and level of planning, involuntary resettlement inevitably gives rise to grievances among the affected population. Timely redress of such grievances is vital to the satisfactory implementation of resettlement and to completion of the project on schedule”.

10.2 Applicability

The Project’s grievance management mechanism procedure is applicable to all grievances received from Project affected communities and/or individuals and will be used by the MESP project team to manage the resolution of such grievances.

Complainants will be treated in a fair and respectful manner. The Complainant has all rights under Kosovo Law to appeal to any avenue allowed by the Constitution for resolution.

10.3 Grievance Management Mechanism

A grievance commission was established by MESP in 2010 to address grievances relating to the Shala resettlement program. The commission is headed by MESP's legal head and includes a lawyer and an engineer from the Hade Project Office, an adviser to the Minister and a gender equality and human rights officer.

Grievances may be lodged by any individual or group of individuals who have a concern or grievance regarding the resettlement program, including the impacts of the Project’s current or planned activities, asset data accuracy and team member activities.

Grievances may be lodged in one of three ways: in person, in writing, or over the phone. Grievances may be received by MESP personnel in the field or in their offices in Prishtinë. Grievances are entered by the Hade Project Office personnel into a log and assigned a file number.

Grievances are reviewed by the commission once 15-20 grievances are amassed or every 15 days, whichever occurs first. Additional information is sought in advance of a decision, as necessary. At the conclusion of the review process, the record of the decision is provided to the complainant.

The decision may prompt corrective action on the part of the Hade Project Office or other relevant departments in MESP or KEK. The Hade Project Office is responsible for seeing that the decision is fully implemented.

In cases where the complainant is not satisfied with the proposed resolution, the complainant is fully within their rights to pursue the case in Kosovo's judicial system.

10.4 Summary of Grievances Filed to Date

The grievance management mechanism has been actively used by project affected households throughout the course of the Project. As of September 2011, over 50 applicable grievances had been registered by MESP's grievance commission. Nearly all grievances relate to asset survey data and compensation valuations. The most recent round of grievances was reviewed by the commission during the week of 5 September 2011.

11. MONITORING AND EVALUATION

11.1 IFC Guidance

The IFC requires project sponsors to “monitor and report on the effectiveness of RAP implementation. The objective should be to provide the [project sponsor] with feedback and to identify problems and successes as early as possible to allow timely adjustment to implementation arrangements”.

Monitoring and evaluation activities should be “integrated into the overall project management process, and the RAP must provide a coherent monitoring plan that identifies the organizational responsibilities, methodology, and the schedule for monitoring and reporting”.

11.2 Overview

The Project will conduct monitoring and evaluation to track the implementation of this RAP. The monitoring and evaluation will give particular attention to changes in socio-economic and living conditions among project affected households, especially vulnerable groups. Monitoring will be carried out by both KEK and an independent consultant who will work closely with the project-affected persons. Evaluation will be conducted by an independent resettlement consultant.

Monitoring and evaluation will provide KEK and project affected persons with timely, concise, indicative and relevant information on whether:

- Compensation, resettlement and development investments are on track;
- Grievances are responded to and addressed appropriately; and
- Corrective actions are required.

11.3 Monitoring

Monitoring will be done by:

- Internal monitoring by KEK as a regular part of its business management, such as cost and budget management, and;
- External monitoring by third party/independent experts working directly with the impacted communities.

Project affected households will participate in monitoring and evaluation activities, including on a monthly basis during construction of and relocation to the resettlement village.

A variety of indicators will be used to track and monitor the resettlement process. These include:

- Input indicators measuring time and resources used to carry out the RAP (i.e. costs of the resettlement, training or economic development programs);
- Process indicators measuring how well the process is going (i.e. timeliness of activities; effectiveness of engagement mechanisms); and
- Impact indicators measuring the final impacts of the RAP and mining activities.

Key performance indicators will be identified by KEK and MESP in consultation with project affected households. The indicators to be monitored monthly may include:

- Consultation activities and participation:
 - Number of formal consultation activities held
 - Number of attendees at consultation activities
 - Number of women attending consultation activities;
- Grievance management:
 - Number of grievances recorded by KEK or MESP;
 - Number of grievances resolved or closed;
 - Percentage of grievances outstanding;
- Livelihoods restoration and community development program participation
 - Number of individuals and households participating in community development programs;
- Health and safety;
- Housing;
 - Number of plots made accessible to home construction;
 - Number of new homes completed and occupied;
- New house maintenance costs;
- Community cohesion; and
- Level of satisfaction of project affected people.

Additional key performance indicators to be monitored biannually may include:

- Financial capital (incomes and expenses):
 - Primary sources of income by household;
 - Monthly household income, by category;
 - Monthly household expenses, by category;
- Levels of and access to employment:
 - Participation rate;
 - Unemployment rate;
 - Percentage of households with no members in employment;
 - Number of project affected persons employed by KEK;
- Land-based livelihoods and land access;
 - Percentage of households using land for commercial or subsistence agriculture;
- Generation of small business enterprise;
 - Number of small businesses operated by project affected persons;
- Housing and infrastructure conditions;
 - Number of people residing in resettlement community (including per unit);
 - Number of homes with connections to both community potable water and sewage networks.

External consultant impact monitoring will focus on the degree to which affected people's livelihoods, standard of living, and general welfare are being impacted, restored or improved as a result of the project.

11.4 Evaluation

Quarterly evaluations will be conducted to determine:

- Compliance of RAP implementation with the laws, regulations, and applicable international best practices; and
- Resettlement impact on project affected households' standard of living.

The evaluations will be accomplished by an independent resettlement consultant carefully chosen on the basis of hands-on experience and proven ability to make useful recommendations.

12. ORGANISATION

MESP's Hade Project Office has been authorized by Government to lead, in cooperation with KEK and in consultation with project affected households, the day-to-day management of the resettlement program and the preparation of this Resettlement Action Plan. KEK, as the project proponent, is responsible for the implementation of the RAP, with continued assistance from the Hade Project Office. Together with external consultants, KEK and MESP form the resettlement team.

All major decisions on compensation and relocation are reviewed by an inter-ministerial commission including directors from KEK, MESP, MF and Obiliq Municipality.

KEK's Legal Department will be responsible for overseeing and managing implementation of this plan, with assistance from additional departments of KEK, relevant government ministries and external consultants.

The resettlement team includes the following personnel:

- Hade Project Office Project Manager, who is responsible for overseeing preparation of the RAP, as well as presentations to the project affected community, individual negotiations and specific implementation activities.
- Hade Project Office engineers, lawyers and agronomists, who lead RAP preparation activities including survey activities, valuations, grievance management and local community relations.
- Resettlement consultants (rePlan), who, alongside the Hade Project Office, are responsible for the preparation of the RAP document, its compliance with national regulations and international best practice and initial monitoring and evaluation activities.
- KEK Legal Department, who is responsible for concluding and fulfilling agreements with project affected households as relate to compensation, housing and other assistance measures.
- LPTAP office, who will oversee the resettlement program and advise on compliance with national regulations and international best practice.

KEK will collaborate with qualified consultants, as needed, to complete monitoring and evaluation activities, including household surveys and focus groups. Architectural and engineering consultants and construction contractors will play a role in implementation as it relates to village construction.

13. SCHEDULE

The resettlement program for Shala can be divided into two components:

- Planning and RAP Preparation; and
- RAP Implementation.

Planning for resettlement began in 2004 with the establishment of the Hade Project Office in MESP.

Additional milestones over this period have included:

- Declaration of the Special Economic Interest Zone (November 2004)
- Selection by project affected households of the Shkabaj site for construction of the resettlement village (April 2004)
- Approval of the Urban Regulatory Plan for the resettlement village (2006)
- Application by KEK for initiation of expropriation proceedings (2008)
- Government Decision No. 08/66 beginning the expropriation planning process (May 2009)
- Establishment of grievance management commission (2010)
- Transfer of resettlement village site to MESP (2011)
- Implementation of census, socio-economic survey and asset inventory (May-June 2011)
- Open-house consultations reviewing entitlement framework, technical drawings for the resettlement village and the timeline and procedures for resettlement (June-August 2011)
- Adoption by Government of the Resettlement Policy Framework for the New Mining Field (July 2011)
- Disclosure of the Draft Resettlement Action Plan for review and comment (August 2011)
- Meetings with each project affected household to review data pertaining to their assets, entitlements and resettlement options (August 2011)
- Finalization of the Resettlement Action Plan in light of comments received (December 2011)

Implementation of the RAP is ongoing and will extend beyond the relocation of eligible households in the new resettlement village at Shkabaj. Key milestones in the implementation process include the following (planned/anticipated dates are provided where possible):

- Signing and execution of agreements with individual households, including delivery of all cash and in-kind compensation entitlements (September 2011 – ongoing)
- Preparation of the resettlement site for construction, including earthworks, roads, drainage, environmental controls, on-plot services and water and wastewater systems (December 2011 – ongoing)
- Access to land for replacement home construction
- Displacement of all current land uses from the Project Footprint
- Implementation of livelihood restoration and community development initiatives
- Implementation of monitoring and evaluation program
- Implementation of vulnerables assistance measures
- Ongoing community-wide consultations as per the implementation-phase stakeholder engagement program (see **Chapter 5**).

14. BUDGET

All financial costs of resettlement shall be borne by KEK, except in instances where financial responsibility has been assigned to MESP by decree of Government.

All compensation payments shall be made concurrently with transfer of deeds and valid signatures of other required paperwork.

All resettlement cost estimates shall be adjusted quarterly for inflation and currency fluctuations. Funds shall be set aside at the beginning of the Project to allow for the payment of all monitoring costs throughout the term of the resettlement monitoring process.

The total budget associated with RAP Implementation is **€13,313,300**.

The total budget includes the following items.

“Compensation for Land” includes the costs associated with the compensation for loss of land in-kind and in-cash. Specifically, it includes the costs of in-kind compensation (i.e., purchasing replacement lands) as well as in-cash compensation for those eligible (i.e., purchasing and compensating project affected lands with cash). The line item covers the costs associated with the acquisition of additional lands required by an urban resettlement community for infrastructure and facilities (i.e. the Shkabaj resettlement site).

“Compensation for Crops” refers to cash compensation for loss of crops.

“Compensation for Structures” includes the costs associated with compensation for loss of structures in-kind and in-cash. Specifically, it includes the costs of in-cash compensation for those eligible (i.e., purchasing affected structures with cash) as well as in-kind compensation (i.e., constructing replacement structures in the resettlement community), if applicable.

“Other Benefits” consist of the costs of a mobilization and reestablishment allowance for all physically displaced households, the transportation costs for all project affected households, the costs of temporary displacement (if applicable), the costs of the livelihood restoration and community development initiatives and the costs of the vulnerables assistance measures.

“Construction of Resettlement Site” covers the costs associated with the preparation of land and construction of infrastructure and facilities required in the first phase of the resettlement village.

“Administration” refers to the fees for undertaking all implementation activities, including signing of individual household agreements, permitting of housing, management of infrastructure and housing construction at the resettlement site, monitoring and evaluation activities and implementation of the plans for the various components described above.

The contingency line item covers any future budget overruns. It has been estimated at 10% of the sum of the above line items.