CROATIA
RIJEKA GATEWAY PROJECT
LAND ACQUISITION AND RESETTLEMENT PLAN

BACKGROUND

The Rijeka Gateway Project (the Project) will finance the construction of two road components which will help to divert a lot of traffic from the center of Rijeka and housing areas on the mountain slopes down to the city center. The effect of the road components to be constructed is entirely positive for the population along the current narrow and curvy roads leading to a substantial reduction in noise levels, air pollution and number of serious accidents.

However, the road construction requires the acquisition of land, and also the demolition of a number of houses currently occupied as residences. The following plan provides details about land acquisition process and resettlement policy framework in Croatia, the number of lots already acquired and houses to be demolished, as well as the compensation received, and the number of residences which still need to be resettled.

EXPROPRIATION PROCEDURES AND RESETTLEMENT POLICY FRAMEWORK IN CROATIA

In the Republic of Croatia expropriation is the only exception to the principle of inviolability and confinement of private property that is determined in the Constitution of the Republic of Croatia (Article 48). The process of expropriation is determined in detail in the Law on Expropriation (published in Croatian Official Gazette Narodne Novine 9/94, 35/94, 112/00, 114/01), that enable the government institutions to acquire private property for projects that are deemed to be of state interest, while protecting the interests of those whose assets are expropriated. Three principal provisions guide the process, which must be completed before civil works can be carried out on the site:

- Minimize expropriation
- Provide cash compensation according to market price
- Substitute land and residences, if possible, and mutually acceptable.

The entire process is public and transparent, and carried out in compliance with the Law on General Administrative Procedure, the Law on Expropriation, and the Law on Public Roads (Narodne Novine 100/96).

Once an investment is designated as one of State interest, the public or private entity responsible for the investment is given responsibility for carrying out the acquisition according to regulations and for paying compensation. Without the designation of State Interest, there is no expropriation or resettlement, only willing buyer/willing seller arrangements. The entity can also commission another entity to manage the process on its behalf. With respect to the Project, the investments for which land acquisition is required, have been designated as “of State interest” and, therefore, the above-described procedures will apply. Also, Croatian Roads is the responsible entity for road construction to be carried out under the Project and has designated the City of Rijeka to act on its behalf in the land acquisition process, assisted by private lawyers contracted by Croatian Roads.

The process includes the following steps regardless of outcome:

1. Public announcement of plans
2. Notify landowners when tentative alignment is set
3. Compile maps and acquisition needs once alignment is adopted
4. Preliminary value assessment (land and structures)
5. Negotiation with owners, presentation of alternatives, valuation of crops, trees, etc.

If the negotiations are concluded satisfactorily,
   a. For cash compensation, a contract is drafted and signed, payment is concluded and the land transferred and registered
   b. For exchange, a swap site is agreed, purchased and transferred to the new owner, who transfers the expropriated site

If the negotiations are not concluded satisfactorily, (and the deal is not made), then Croatian Roads submits the proposal for expropriation of the real property to the responsible government administration office that enacts the decision on expropriation, which can be disputed by an appeal (within 15 days of the submission of the decision on expropriation to the party involved) that will be decided upon by the ministry in charge as the appellate body. A dissatisfied party can appeal the decision made by the appellate body by initiating a challenge at the responsible County court.

1. If the Decision is not challenged, it becomes final after 15 days and the property can be entered immediately upon payment.
2. If owners are not located, or if co-owners have not agreed among themselves on the compensation, payment is made to an escrow account and the property can be entered immediately.
3. If the owner appeals to the Appellate court, Croatian Roads will make payment to the owner and take possession of the site when court decision is made and the property can be entered once the decision on expropriation becomes final.

EXPROPRIATION RELEVANT TO THE PROJECT

A. ROAD D-8, Section Orehovica - Draga - Sv. Kuzam.

This section is part of the Rijeka Bypass Road allowing the traffic to avoid passing through the congested city center of Rijeka.

Land acquisition. The total land acquired for the road construction is 450,047 m² including 1,030 lots. The land acquisition was completed in December 2002; the offered price was at or above the prevailing market price. However, there are 17 cases where the sellers are not fully satisfied, and they want to sell more land than the land needed for the road construction. These challenges are expected to be settled during 2003/2004.

There are no expected implications of these challenges on the Project. If the challenge regards the price, and the County and the Appellate court takes a decision, Croatian Roads makes payment and can expropriate. This does not preclude additional challenge. If the challenge is the amount of land taken, once the County Court takes a decision, Croatian Roads makes payment and can expropriate. The landowner can continue to appeal and, if judgment is ultimately favorable, payment and expropriation follow.

No secondary encroachers are impacted by the land acquisition and planned construction works.

Resettlement. The construction of the junction between this section with the next section Sv. Kuzam - Krizisce, and Road D-40 includes two plots with residences, thus the expropriation will also result in resettlement. Negotiations for procurement of the land were completed satisfactorily and both families indicated in interviews that they are satisfied with the price offered by Croatian Roads, which at or above
market price. In one case a family of four will buy a new place when they receive payment, expected in the very near future. In the other case, the owner is a 84 year-old woman, who will move to the residence of her son after receiving compensation. Croatian Roads will cover the moving costs for both families. In both cases, compensation includes the market cost of land and structures, as well as crops and productive trees, and other assets.

B. ROAD D-404

Road D-404 will connect the Port of Rijeka with road D-8, starting at the part of the port area called Brajdica. The connector road, 3.5 km, will be constructed partly in tunnels (1552.5 m) partly on viaducts (534.5 m). The part of the road passing the important reservoir for drinking water, close to the Draga junction, is to be built entirely as a viaduct, and the road is to be about 15-20 m above the ground and will have no impact on the water resource as all run-off water from the road surface will be collected and diverted to a treatment plant. This also implies that eventual spillage of fluids in case of an accident will be collected and any impact on the water resource can be fully avoided.

Land acquisition. The construction of the road requires the procurement of 60 uninhabited plots, comprising 32,000 m². The acquisition is currently ongoing and is handled by an independent solicitor agency contracted by the City of Rijeka, which is carrying out all the land acquisition on behalf of Croatian Roads. The price being offered, and subject to negotiation between the landowner and the City, is market price plus 10%. The negotiated prices will be submitted to the World Bank and subject to review during project supervision. A list of the plots including also the owners is available in the Annex to this Plan.

Resettlement. Within the port area (Brajdica), the construction requires the demolition of a number of buildings (14). Most of these buildings are warehouses for storing lumber or used as office space. However, among the buildings are also two buildings currently used for residential purposes; building #8 (6 families), #12 (4 families). These two buildings, and several others that will not be demolished, appear to have been constructed for other purposes (one old station, one station master's office complex, several storage buildings, and others). Several decades ago they were converted into residences by the Railways to house employees of the railway. The residences were privatized, although some residents are still paying them off on a long-term basis. Current residents are either railroad employees or retired employees.

Two similar buildings, #13 and #14, one of which was called the "Barracks," were demolished about two years ago. Before demolition, owners of the flats were provided with substitute flats in the city. According to residents who will be moved, their former neighbors were satisfied with the options they were given and have settled satisfactorily in their new homes.

The ten families who own flats in the two buildings to be demolished (#8 and #12), were notified three years ago that they would also be relocated and given substitute housing. They were given no details regarding the timing of the relocation or specific provisions at the time of the announcement, however, but they expect action to be taken in the near future. The families involved are listed in the Annex to this Plan.

The resettlement process is being handled by Croatian Roads directly or through an authorized representative, and a lawyer engaged for land acquisition. A lawyer from the Croatian Roads recently met with residents to ask about their preferences and requirements, which will guide the search for housing to be purchased for them. The procedures include the following steps:

(a) Residents are requested to express the preferred areas in Rijeka to be considered for their new home, as well as number of rooms they need.
(b) Authorized lawyer helps the City of Rijeka search for suitable alternative apartments in the desired areas, or nearby.

(c) Residents are offered a selection of options, which they visit themselves.

(d) When a resident decides to accept one of the options (or others, if the initial selection is unacceptable to them), the City of Rijeka buys the apartment and transfers ownership to the residents in exchange for their current flats.

(e) The transfer is made without payment, unless a family agrees to pay a supplement for housing that is significantly more expensive than a reasonable exchange entitlement.

(f) The City covers the cost of moving and disconnecting and reconnecting utilities.

The World Bank mission met with some of the inhabitants (4 families) and learned that they were willing to accept the move. In particular two of the families expressed a positive attitude toward moving, in principle, and were happy to move as soon as possible from the area, which actually is an industrial area with a lot of train traffic on one side and warehouses on the other side. Nonetheless, the families expressed some concern about their options, especially regarding the number of rooms in the new flats, indicating some uncertainty about the extent to which they can actually negotiate. The authorized lawyer gave assurances, however, each family is advised of their rights and that the specific needs of each family will be honored in the final selection and purchase of the substitute residence.

This process is expected to be completed before the end of 2003. Lawyers have met with each family to discuss preferences and needs and the search is underway for housing. City officials are confident that there is a large enough supply of flats on the market to obtain suitable housing for each family. The City is committed to locate units that are similar in size and number of rooms to the units being vacated. The City offers options, and each family has the final say in making a choice; there is no forced relocation. Cash compensation is an option, but the value of new housing is much higher than the units being vacated, thus there is little expectation that a family would exercise the option. One of the families has a tiny kitchen garden, and wants to move to a place that also has a garden. The other families have no productive assets to lose in the relocation process. Relocation will not affect employment. It is expected that families will factor commuting time and costs when they decide which housing alternative to accept. This is not perceived by affected families to be a burden.

The resettlement process of the ten families will be carried out in accordance with a timetable [to be finalized at negotiations] attached to this plan. The results of the process (location and cost of new housing) will be transmitted to the World Bank and subject to review during project supervision. As in the case with land acquisition, owners of vacated flats can appeal the actions of administrative bodies (e.g. Municipality of Rijeka, Croatian Roads) in court.

The amount of resettlement was kept to a minimum, leaving a number of other residential buildings along the road alignment that will not be expropriated. During a visit to the site, residents of the remaining units expressed disappointment that their buildings were not be demolished, as they would also like the opportunity to move elsewhere.

C. Black Spot and Bridge Rehabilitation

None of the works related to removing black stops and rehabilitating the bridge are expected to involve either land acquisition or affect third parties. If any need for land acquisition is identified during project implementation, however, the PIU will assess the situation, develop a plan and request the Bank's no objection prior to initiating the work.
Resettlement schedule for residents in buildings #8

<table>
<thead>
<tr>
<th>Household (names of all family members, and their age)</th>
<th>Current address, description of the apartment(s) (No. of rooms, sq.m, etc.)</th>
<th>Property agreed for relocation (address, number of rooms, sq.m, etc.)*</th>
<th>Contract signing*</th>
<th>Relocation date*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Mijat Pribanić</td>
<td>74,25 m²</td>
<td></td>
<td>-</td>
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<tr>
<td>2. Nikola Dujmešić</td>
<td>50,65 m²</td>
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<td>-</td>
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<tr>
<td>3. Marijan Jurković</td>
<td>66,71 m²</td>
<td></td>
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<tr>
<td>4. Željko Tomičić</td>
<td>50,88 m²</td>
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<td>-</td>
<td>-</td>
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<tr>
<td>5. Ružica Blagojić</td>
<td>62,88 m²</td>
<td></td>
<td>-</td>
<td>-</td>
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<tr>
<td>6. Milan Jelovac</td>
<td>63,52 m²</td>
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</tbody>
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* information in these columns to be provided as it becomes available. The table will be updated by Croatian Roads on a [monthly][bi-monthly] basis and provided to the Bank for its review.
Resettlement schedule for residents in buildings #12

<table>
<thead>
<tr>
<th>Household (names of all family members, and their age)</th>
<th>Current address, description of the apartment(s) (No. of rooms, sq.m, etc.)</th>
<th>Property agreed for relocation (address, number of rooms, sq.m, etc.)*</th>
<th>Contract signing*</th>
<th>Relocation date*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Stjepan Cindrić</td>
<td>36,57 m²</td>
<td>-</td>
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<tr>
<td>2. Vlado Božičević</td>
<td>30,65 m²</td>
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<td>-</td>
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<tr>
<td>3. Petar Ličina</td>
<td>36,37 m²</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>4. Ivan Cindrić</td>
<td>53,14 m²</td>
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* information in these columns to be provided as it becomes available. The table will be updated by Croatian Roads on a [monthly][bi-monthly] basis and provided to the Bank for its review.