LAND ACQUISITION/EXPROPRIATION POLICY FRAMEWORK

FOR CONSTRUCTION OF ELECTRICAL TRANSMISSION FACILITIES
(TRANSMISSION LINES AND SUBSTATIONS)

July, 200
OBJECTIVE (incorporate project objectives from PCD or PAD)

Project investments will include building two new transmission lines and related substations, reconstructing an existing transmission line, upgrading software, upgrading and rehabilitating substations and improving the financial management system of MDPSO,

In the preliminary stage of selection, the corridor for energy transmission lines designes were instructed to align the line route through an infrastructure corridor, away from settlement areas, around protected zones (national parks), historical-archaeological zones, mines, forests, etc. The sites for substations are selected to be near consumption, transmission lines and to have a clear corridor around them to enable easy access of the lines to the substations.

The new substations will be placed on land already owned by MEPSO and substation rehabilitation will occur entirely within existing facilities.

For the new transmission lines, (12 and 20 km) MEPSO will acquire land for the footprint of towers and obtain permanent rights of way for land under the transmission lines. Rehabilitation of the existing 54 km transmission line will primarily make use of existing footprints and rights of way. In some places, such as eroding river banks, areas of residential encroachment, however, the lines will be re-routed, for which MEPSO will acquire land for footprints and rights of way under the transmission lines.

The rights of way are 15-30 m wide and the tower footprints range from 25-150 m²

LEGAL BASIS FOR ACQUERING THE SITES OF FACILITIES

Prior to starting construction of the transmission lines and substations, MEPSO must have the locations entered into urban plans and the affected land must be expropriated and registered, and rights of way (ROW) must be obtained and registered for the towers and transmission lines, respectively.

Transmission lines and substations are facilities of national interest (public services) and are thus subject to appropriation; the acquisition of the land is in the accordance with Macedonian Legislation:

1. Article 30 from the Constitution of Republic of Macedonia
2. Law on Capital Construction
3. Law of Energy
4. Technical regulations for construction of overhead lines
5. Law for physical and urban planning
6. Law on Land Acquisition and Expropriation
7. Law for forests
8. Law for agricultural land
9. Law for environment
These laws constitute the basis for the realization of investments in construction of transmission lines and substations with national interest (public services) and enable our enterprise to expropriate privately owned properties.

**PRINCIPLES ADHERED TO IN LAND ACQUISITION AND EXPROPRIATION:**

Site selection for transmission lines, and particularly for towers, is in accordance with the following principles:

- Land acquisition is minimized
- Residences and other structures are avoided
- Towers are located on the edge of property lines, to lessen disruption of cropping activities, or straddling property lines to lessen the impact on each owner.

**PERSONS AFFECTED BY THE PROJECT**

The persons affected by the projects (transmission lines or substations) are the owners of immovable properties – lands or forests corresponding to the routes of energy transmission lines.

The procedure for preparing the Elaboration (expropriation plan), in which the land, forests, and object are identified that are affected by the ROW of transmission lines starts after classification of ROW of line routes and tower sites or the location of substations are entered into urban plans. In the Elaboration, specific sites subject to expropriation are identified, owners of the land which are within the ROW of transmission line or location of the towers are identified as well as the specific parts of each parcel that are needed for total expropriation (tower sites and location of substation) and the other parts of land for limited expropriation (the land in ROW)

The Law on Land Acquisition and Expropriation (LAE) regulates Land Acquisition. This Law determines Public Interest as well as the fair compensation for real estate acquisition. The Law defines the expropriation, ownership and duties which are connected with expropriation of land, building and other objects – properties for construction of objects of national interest (public services) and the objectives of payment for expropriation.

In art.4 of the LAE, the type of Land acquisition and expropriation is defined as:

- Expropriation when property rights and other rights arising from it are totally transferred to the promoter (ex: transmission line tower footprint);
- Limited expropriation, when owner's right could be limited by establishing a right of way to the benefit of the promoter, lease/rent, and temporary limitation of land use right and temporary occupation due to execution of construction activities.

Art.5, stipulates that the right of way is applied on estates when constructing a power line and implementing other lines of public interest.

Art.7 defines the limitations of temporary land use related to the construction process (such as temporary site camps for the workers, mechanization, access roads,
etc.) or its maintenance. Those limitations are abolished as soon as the reasons for which they where issued are over or when the works are completed.

The compensation for the expropriated land is specified in Art.10 of the LAE. This article specifies that the compensation value can not be lower than the market price of the estate at the moment of the acquisition, i.e., at the moment at which the compensation is determined. The beneficiary (the promoter) will cover the compensation and the costs of expropriation-MEPSO.

During the implementation of these procedures, the former owner of the acquired and/or expropriated land has a right to compensation evaluated by the market price of the type of land use:

- Agricultural, forestry and other production (Art.24);
- Urban/building zone (Art. 24);

This evaluation takes also into account the:

- Value of non-amortized portion of investments in preservation and improvement of the estate;
- Compensation for plantations, crops, forests and orchards (Art. 25);
- Building, houses, or other structures;

In case the owner of the estate is a legal entity (company or store) then the compensation takes into consideration the loss suffered due to the interruption of the business activities as well as the loss caused by the change of location. Compensation is also paid for establishing of right-of-way and is up to the reduced value of the estate. The compensation also takes in consideration the eventual losses supported by the owner.

In cases where the owner is the state or someone who uses the state land, compensation takes into consideration non-amortized investment on the land.

RESPONSIBILITY AND FINANCING:

The land acquisition process for the electrical projects (transmission lines and substations) investments is executed by MEPSO – Macedonian Electrical Transmission System Operator.

Expropriation is financed from the budget provided the investments and/or operating costs in the respective activity year and the appraised fees are paid to landowner when an agreement is reached or a court judgment is issued.

EXPROPRIATION PROCESS:

Land acquisition and expropriation procedures are specified in Art.13- 22. The compensation procedure and the evaluation are specified in Art.23-42 of the LAE.

Article 2 of the LAE defines electrical facilities – Substation and Transmission lines - as facilities of public interest for which we can expropriate the land upon payment of compensation.

a) Commencement of Expropriation;

MEPSO applies to the Bureau for legal property as part of Ministry of Finance (agency for expropriation) with a proposal for an expropriation procedure
The framework proposal for the expropriation proposal includes all technical and economical documents: property for expropriation (offer and price); landowner; project for which the expropriation process is started (set in the urban plan) and authorizes expropriation payment for deposit in bank the accounts of owners.

b) Valuation:

A valuation committee consisting of persons from MEPSO and other specialists appointed by our corporation appraises the value of the immovable property to be expropriated, having regard to the information and documents to be obtained from expert persons, institutions and authorities, as per Article 34 -42 of the Law on Land Acquisition and Expropriation (LAE).

MEPSO conveys the valued price of property with proposal for expropriation to the Bureau for legal property as part of Ministry of Finance (agency for expropriation).

When the state is owner of the property, MEPSO makes a proposal for compensation of the non amortized investment which is used for the state property.

c) Announcement:

For Private property

The Bureau for Legal Property sends and makes an announcement of the proposal for expropriation together with valuated price to the owners.

If the price of the property is agreed, procedure of the expropriation and the appropriated price has validity as the completion (decision) of the expropriation. The agreement specifies the form, price and date of the payment.

If the owner of property and MEPSO cannot agree on the expropriation or the compensation, then Bureau for legal property sends this subject to the proper court. The decision of the court will specify the price for the compensation for expropriation.

For State property

The Bureau for Legal Property sends and makes an announcement of a proposal for expropriation together with valuated price of the confirmed non amortised investment to the users of state property.

If there is agreement on the price of the confirmed non amortised investment, procedure of the expropriation and appropriated price has validity as a completion (decision) of the expropriation. With the agreement the right for the use of state property of is transferred from the previous user to MEPSO.

If the user of state property and MEPSO cannot agree, then Bureau for Legal Property sends this subject to the proper court. The decision of the court will specify the price for the non amortised investment on the state land of previous user.

d) Registration of the property:

After an agreement is made between MEPSO and owner of property, MEPSO acquires the right to enter the expropriated property, after MEPSO pays for the property (within 15 days of executing the agreement).

When MEPSO acquires the right to use the expropriated property and when the other documents and agreements are validated, then MEPSO can obtain a
Construction Permit for the project and start with construction in accordance with Law of construction.

REPORTING AND FOLLOW-UP

At the Master Design stage for each transmission line, MEPSO will submit to the Bank a brief report documenting anticipated land acquisition and right of way needs, as indicated in the Master Design. The report will document:

- For each project affected person (PAP) category (see Entitlement Matrix), the number of parcels to be acquired, the amount of land involved and the assessed value of the acquisition
- For each PAP category, the number of parcels on which rights of way will be obtained, the amount of land subject to right of way restrictions
- Any anticipated unusual land holding or land use circumstances, or other factors, that may delay the process of acquiring the land or right of way and the steps MEPSO will take to resolve the problems as they occur.

When the Construction Permit is issued for each transmission line, which signals the end of the process of acquiring land or rights of way, MEPSO will submit to the Bank a report of the actual results of the process, comparing outcomes with projections. Comparing actual results with projections, where relevant, the report will include the following information:

- For each PAP category, the number of parcels acquired, the amount of land acquired and the amount of compensation paid
- For each PAP category, the number of parcels on which rights of way were obtained, the amount of land on which rights of way restrictions were imposed and the amount of compensation paid for the decreased value of the property due to the restrictions
- For each PAP category, the number of parcels subject to temporary rights of way for construction, the amount of land involved and the amount of compensation paid for disturbance, crop damage and reduced land value, respectively
- For each PAP category, the amount of land abandoned by MEPSO due to re-routing the transmission lines, and final status of the lands, and the number of parcels on which the right of way restrictions were removed from the land title and the amount of land previously acquired that is returned to previous owners.
<table>
<thead>
<tr>
<th>Project Component</th>
<th>Element</th>
<th>Project Impact</th>
<th>Category of Project Affected Persons (PAPs)</th>
<th>Entitlement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Build New Transmission Lines</td>
<td>Tower</td>
<td>Land Acquisition/Expropriation</td>
<td>Private Owner</td>
<td>Compensation, at least market value</td>
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<td></td>
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<td></td>
<td>Owner of state property</td>
<td>Compensation only on confirmed non amortized investment</td>
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<td></td>
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<td></td>
<td>State Entity</td>
<td>Compensation only on confirmed non amortized investment</td>
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<td></td>
<td>Transmission Lines</td>
<td>Permanent Right of Way</td>
<td>Private Owner</td>
<td>Compensation up to reduced value of property</td>
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<td></td>
<td></td>
<td></td>
<td>Owner of state property</td>
<td>Limited right of use</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>State Entity</td>
<td>Limited right of use</td>
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<tr>
<td></td>
<td></td>
<td>Temporary Right of Way (Construction)</td>
<td>Private Owner</td>
<td>Compensation for disruption; compensation for crop damage; land returned to original physical condition for handover</td>
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<tr>
<td></td>
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<td></td>
<td>Owner of state property</td>
<td>Return land to original physical condition for handover</td>
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<td></td>
<td>State Entity</td>
<td>Return land to original physical condition for handover</td>
</tr>
<tr>
<td>Reconstruct Existing Transmission Line</td>
<td>Within existing rights of way</td>
<td>Temporary Right of Way (Construction)</td>
<td>Private Owner</td>
<td>Compensation for disruption; compensation for crop damage; return land to original physical condition for handover</td>
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<td>Return land to original physical condition for handover</td>
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<td></td>
<td>State Entity</td>
<td>Return land to original physical condition for handover</td>
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<td>At Existing Tower Footprints</td>
<td>Land Acquisition to Expand Footprint</td>
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<td>Private Owner</td>
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<td></td>
<td></td>
<td>Owner of state property</td>
<td>Same as above</td>
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<td>State Entity</td>
<td>Same as above</td>
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<tr>
<td>New Alignment</td>
<td>Land Acquisition/Expropriation</td>
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<td>Permanent Right of Way</td>
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<td>Same as above</td>
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<tr>
<td></td>
<td>Temporary Right of Way (Construction)</td>
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<td>Same as above</td>
<td>Same as above</td>
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<tr>
<td>Abandoned Old Alignment</td>
<td>Removal of Lines, Towers and Foundations</td>
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<td>Private Owner</td>
<td>Return land to original physical condition for handover</td>
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<td>State Entity</td>
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<td></td>
<td>Cancellation of of Right of Way</td>
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<td>Private Owner</td>
<td>Removal of restriction clauses in land title after recording it the cadastral record</td>
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<td></td>
<td>Restrictions</td>
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<td>Owner of state property</td>
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<td></td>
<td>State Entity</td>
<td>No action</td>
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<tr>
<td>Build new Substations</td>
<td>Location of substation</td>
<td>Land Acquisition/Expropriation</td>
<td>Private Owner</td>
<td>Compensation, at least market value</td>
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<tr>
<td>Restructure/rehabilitation existing Substations</td>
<td>On existing location of substation</td>
<td>Land Acquisition/Expropriation</td>
<td>Not applicable</td>
<td>Not applicable</td>
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