

AUGUST 2025

# Assessment Report

Regarding Morava Corridor Motorway – 05 in Serbia

IFC/MIGA Project number: 14629

## About CAO

The Office of the Compliance Advisor Ombudsman (CAO) is the independent accountability mechanism of the International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA), members of the World Bank Group. We work to facilitate the resolution of complaints from people affected by IFC and MIGA projects in a fair, objective, and constructive manner, enhance environmental and social project outcomes, and foster public accountability and learning at IFC and MIGA.

CAO is an independent office that reports directly to the IFC and MIGA Boards of Executive Directors. For more information, see <http://www.cao-ombudsman.org/about-us>.



## List of Acronyms

BEJV	Bechtel-Enka Joint Venture
CAO	Office of the Compliance Advisor Ombudsman
CLO	Community Liaison Officers
CoS	Corridors of Serbia
IAM	Independent Accountability Mechanism
IFC	International Finance Corporation
MIGA	Multilateral Investment Guarantee Agency
RAP	Resettlement Action Plan

# 1 Executive Summary

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*On February 12, 2025, a complaint was submitted to CAO by a community member whose property was affected by the construction of a highway project supported by MIGA. The complaint raised concerns related to (1) the process of land expropriation, valuation, and compensation; (2) the adequacy of stakeholder engagement and community outreach; (3) concerns regarding resettlement impacts; and (4) the effectiveness of the company's grievance mechanism. During CAO's assessment, summarized in this report, the parties did not reach agreement to engage in a CAO-facilitated dialogue process. As a result, the case is being transferred to CAO's Compliance function for appraisal of MIGA's environmental and social performance related to the project.*

*CAO's assessment process does not entail a judgment on the merits of the complaint; rather, its purpose is to understand the parties' perspectives and to enable the parties to make informed decisions on how to address the issues raised.*

## 2 Background

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### 2.1 The Project

On March 15, 2022, the Multilateral Investment Guarantee Agency (MIGA), a member of the World Bank Group, signed a contract of guarantee<sup>1</sup> for approximately EUR 411.4 million (c. US\$451.8 million),<sup>2</sup> providing Non-Honoring of a Sovereign Financial Obligation (NHSFO) coverage to (i) JPMorgan Chase Bank, N.A., London Branch, (ii) CaixaBank, S.A., (iii) Banco Santander, S.A., (iv) UBS Switzerland AG, (v) Credit Agricole Corporate and Investment Bank, and (vi) Raiffeisen Bank International AG, acting through J.P. Morgan SE as the agent, for their non-shareholder loans to the Government of Serbia (GoS) for the project. On December 15, 2023, MIGA issued a new contract of guarantee for approximately EUR 901.1 million (c. US\$976.7 million) for an additional loan for the same project.<sup>3</sup>

According to MIGA's Environmental and Social Review Summary, the project consists of a greenfield 112-km dual-carriageway tolled motorway, within a 900-meter right of way, located approximately 200 km south of Belgrade in a low-level flood plain running east/west along the West Morava River Valley. The project also includes (i) aboveground structures such as interchanges, bridges, culverts, and over/under passes; (ii) a telecommunications network (digital corridor) supported by power lines and communication cables to connect the telecom stations within the motorway (at rest areas, parking lots, and near traffic loops) and to manage traffic through various traffic control, surveillance, and tolling systems; and (iii) river regulation works intended to protect the project and its surrounding areas from flooding. Serbia's ministries of finance and construction, transport, and infrastructure are in charge of the project, with Corridors

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<sup>1</sup> Subsequently amended on January 17, 2023, and September 1, 2023, to increase the covered amount.

<sup>2</sup> Following the amendments, increased to approx. EUR511.5 million (c. US\$543.1 million).

<sup>3</sup> This new contract of guarantee has J.P. Morgan SE as the agent and Banco Santander, S.A., Credit Agricole Corporate and Investment Bank, JPMorgan Chase Bank, N.A., London Branch, and ING Bank, a branch of INGDiBa AG., as the guarantee holders.

of Serbia (CoS, referred to as "the company"), a government-owned limited liability company, responsible for construction. Bechtel-Enka Joint Venture (BEJV) is the engineering, procurement and construction (EPC) contractor (referred to as "the subcontractor").

The project was classified as Category A under MIGA's Policy on Environmental and Social Sustainability (2013).

## **2.2 The Complaint**

On February 12, 2025, CAO received a complaint from a community member whose property had been expropriated due to the construction of the Morava Corridor Motorway ("the project"). The complaint was submitted with the support of an advisor and included concerns raised jointly by the complainant and her family members residing with her on the property (together referred to as "the complainants").

The complainants stated that a portion of their land had initially been identified for partial expropriation as part of the construction of the project. They further alleged that, due to ongoing disruption and the hardship they experienced during the construction of the exit road, they submitted a request for full expropriation of their property. The complainants stated that a period of approximately ten months elapsed before receiving a formal decision from the company approving this request. The complainants stated that they did not accept the compensation offered for either the partial or full expropriation of their land.

As they did not accept the compensation offered for their land, the matter was referred to the Serbian judicial process. However, the complainants alleged that the company proceeded to take possession of the land and began construction activities before a final court ruling on the compensation amount was issued. The complainants described the construction as highly disruptive, citing negative impacts on their access to the property, living conditions, and overall well-being.

The complainants alleged that, once the full expropriation decision was issued, they were required to vacate the property on short notice, seven days according to the written agreement and ten days as verbally communicated by the company, during the winter season. They described the relocation process as rushed and difficult.

The complainants raised a range of environmental and social concerns that they believe resulted from the expropriation process and the implementation of the project, including: (1) the process of land expropriation, valuation, and compensation; (2) the adequacy of stakeholder engagement and community outreach; (3) concerns regarding resettlement impacts; and (4) the effectiveness of the company's grievance mechanism.

CAO found the complaint eligible on April 7, 2025, and began its assessment process.

## 3 Assessment Purpose & Methodology

### 3.1 Assessment Purpose

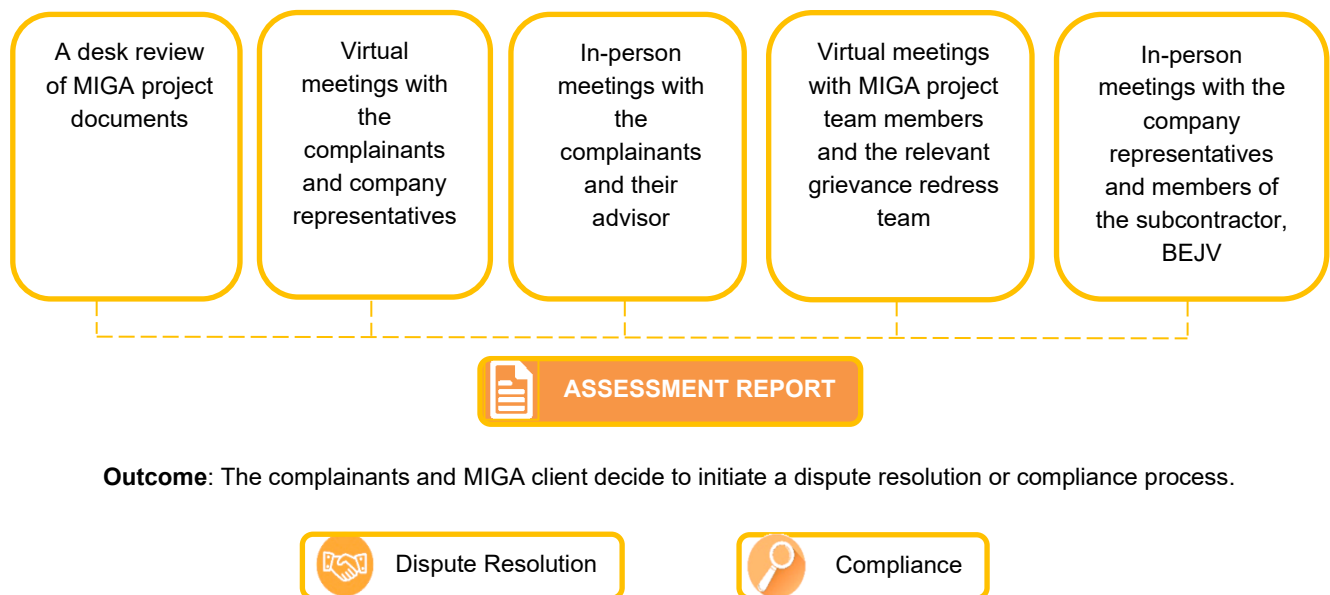
The aim of the CAO assessment process is to develop a thorough understanding of the issues and concerns raised by the complainants, gather information on the views of different stakeholders, and determine whether the complainants and MIGA's client would like to pursue a dispute resolution process facilitated by CAO, or whether the complaint should be handled by CAO's Compliance function for appraisal of MIGA's performance standards (see Appendix A for CAO's complaint-handling process).

CAO's assessment process does not entail a judgment on the merits of the complaint; rather, it seeks to understand the parties' perspectives and empower those involved to make informed decisions on how to address the issues raised.

### 3.2 Assessment Methodology

Figure 1 shows the approach and methodology to be applied in CAO's assessment process.

Through the assessment process, CAO aims to get a better understanding of the issues and determine whether the parties wish to address the complaint through a dispute resolution or compliance process. This assessment involved:



**Outcome:** The complainants and MIGA client decide to initiate a dispute resolution or compliance process.

**Figure 1. CAO Assessment Process**

The assessment was conducted by the CAO team with the support of a local interpreter based in Belgrade. The CAO team and the interpreter communicated with the complainants and the company (together referred to as “the parties”) and collected information through in-depth online and in-person conversations.

This report summarizes the views heard by the CAO team from the parties and describes the next steps, based on the decisions made by the complainant and the company.

## 4 Complainants' Perspective

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The complainant raised a number of concerns regarding the impacts of the Morava Corridor motorway project on herself and her family. These concerns, as articulated by the complainants, are summarized below.

### Land Expropriation, Valuation, and Compensation Process

The expropriation process involved the acquisition of the complainants' land, along with two structures and vegetation located on the property. They emphasized that while they had accepted compensation for vegetation and the two structures, they had not accepted the compensation offer for either the initial partial or the subsequent full expropriation of their land itself.

The complainants alleged that CoS and its subcontractor, BEJV, attempted to access their land before an agreement on compensation had been reached. They stated that they rejected the compensation offered for both the partial and full expropriation of their land, as the amounts proposed were significantly below market value. The complainants further indicated that their land was incorrectly categorized as "agricultural" rather than "residential," which further contributed to the lower valuation. As a result of their refusal, they mentioned that court proceedings were automatically triggered to resolve the dispute. While they acknowledged this process, the complainants expressed that fair and adequate compensation should have been offered from the outset.

According to the complainants, the valuation of the land remained in dispute, and legal proceedings were ongoing as of the date of this report. They alleged that despite being required to vacate the property and having it demolished, no final agreement had been reached regarding compensation for the land. They expressed concern that these unresolved issues resulted in prolonged legal and financial uncertainty which, in their view, prevented them from securing and constructing a suitable replacement property pending receipt of the outstanding compensation for their land.

The complainants further alleged that the valuation methodology used by the company was inconsistent with international standards, particularly MIGA Performance Standard 5 (PS5). They claimed that CoS applied a cost-based approach that included deductions for depreciation when calculating compensation for the house, thereby reducing the overall cost. The complainants indicated that this approach did not reflect the full cost of constructing a new house and associated structures. In their view, this approach contradicted PS5, which, in their understanding, requires compensation based on full replacement cost without deductions for depreciation. The complainants also referred to the Resettlement Action Plan (RAP), which they stated provides that depreciation should not be factored into compensation calculations and that replacement cost should be based on the market value of comparable second hand property. They alleged that this methodology was not applied in their case. Additionally, the complainants indicated that they noted inconsistencies between the information they received and the valuer's report, including an indication that depreciation would be applied in the final compensation calculation.

Following their rejection of the land compensation offer, the complainants stated that they informed the subcontractor that access would not be permitted until a settlement was reached. However, they alleged that the company later contacted them and asserted their legal rights to the land, and, under pressure, the complainants reluctantly allowed construction to proceed. They maintained that no work should have commenced without prior settlement of the compensation dispute.

## **Stakeholder Engagement and Community Outreach**

The complainants alleged that there was no meaningful community engagement or adequate information shared regarding the project and its potential impact on their property. They stated that they first learned about the project not through official channels, but through rumors circulating within the town. According to the complainants, unidentified individuals were seen entering private lands and placing flags without explanation, aside from vague indications that a highway might pass through certain areas. They further indicated that the first formal communication they received was a written notice sent by mail informing them that their land had been identified for expropriation. The complainants stated that, prior to this notification, there had been no consultation, outreach, or engagement by the company regarding the planned expropriation which included a portion of their property.

The complainants further stated that, although the company occasionally held public meetings, these engagements failed to provide clarity or a sense of certainty. For example, during one of the meetings they attended, the complainants inquired about how they would access the main road from their home after construction of the roundabout near their property. In response, they allege, the company informed them that an access road would be built. However, the complainants claimed that the location of the proposed access road was repeatedly changed without explanation or follow-up, and that revised plans were never communicated in a consistent or reliable manner.

The complainants stated that they were not provided with technical plans or blueprints illustrating how the construction would affect their property, particularly regarding the location and elevation of the planned roundabout. In the absence of this information, they found it difficult to assess the potential implications of the project. They further alleged that the company frequently modified its plans and failed to keep them informed of these changes. When they observed that the roundabout was being constructed on raised ground, they became concerned about the potential flooding risk on their land. The complainants stated that this perceived flood risk, combined with ongoing uncertainty and lack of clear communication, led them to conclude that the property would no longer be safe for residential use. As a result, they requested full expropriation of their property. They also expressed frustration that they had to repeatedly seek out information from CoS, rather than receiving regular updates through community outreach meetings or direct communication.

Additionally, the complainants expressed that they were never informed that MIGA Performance Standards were applicable to the project. They alleged that the company failed to disclose the existence of these standards, explain their relevance, or outline what rights community members might have under them. The complainants stated that, had they been aware of this information earlier, they would have approached the expropriation process differently.

## **Resettlement Impacts**

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The complainants shared that the timeline provided for vacating their property was unreasonably short and caused significant hardship. According to the notification of full expropriation received on September 24, 2024, the decision indicated that possession of their land could be taken after seven days. They considered this timeline to be inadequate for securing new housing or preparing for relocation and questioned how the company could even allow such a notice to be issued in line with the Performance Standards. They also noted that no specific agreement was reached regarding a vacancy deadline, in particular because the valuation and compensation for the land was still pending. They further alleged that subsequent verbal communication from CoS advised them to leave “as soon as possible,” which they found vague and unhelpful.

They further stated that they received an offer for compensation related to the two structures on their land and accepted it reluctantly on September 27, 2024, fearing that contesting the offer would result in lengthy legal delays. Additionally, the complainants alleged that they were informed during their discussions with the company that the compensation would only allow for a prefabricated house of equivalent size, but not of the same quality as their original home. They viewed this as inconsistent with PS5, which in their understanding requires compensation at full new build cost of property, including comparable quality.

The complainants indicated that, on November 26, 2024, and in the absence of an agreed-upon date for vacating the property, they were verbally informed that they would need to vacate their land within ten days due to impending construction activity in the area. At that time, they were still finalizing renovations on the house they had purchased as their new residence and felt compelled to relocate before it was in acceptable living conditions. The complainant stated that the relocation took place on December 6, 2024, during the winter and under difficult circumstances. Moreover, the complainant, a pensioner over the age of 65, indicated that she considers herself a vulnerable person under PS5. The complainants further alleged that the transitional support provided was inadequate to cover the costs of relocation and to and to facilitate a proper and smooth resettlement process.

Additionally, the complainants described the relocation process as emotionally and psychologically distressing. They shared that the land in question had been a family inheritance, gifted by the complainant’s father, and that they had invested significant time and resources into building their home there. They expressed a strong emotional attachment to the land and property and stated that the loss of their home was a deeply traumatic experience.

They further shared that the stress associated with the expropriation, uncertainty around compensation, and the difficult relocation process had negatively affected the health of the female head of the household, who had to seek medical treatment.

### **Company’s Grievance Mechanism**

The complainants expressed frustration with the company’s grievance mechanism and the prolonged delays in resolving key aspects of the expropriation process. They stated that they submitted formal communication through the grievance mechanism on January 28, 2025, but received no responses to their complaint and observed no action taken to address their concerns.

The complainants also indicated that they requested full expropriation of their property on November 16, 2023, but they did not receive a response until September 24, 2024, more than ten

months later. They viewed this delay as unreasonable given the prolonged uncertainty they experienced during that period.

Likewise, the complainants described the construction activities near their property as highly disruptive and lacking in adequate mitigation measures. They shared that after presenting these complaints to the company, their main interactions were with the subcontractor, BEJV, and that the construction phase was marked by excessive dust, noise, and heavy machinery. They alleged that the levels of dust made it difficult to breathe and that, despite repeated requests to the subcontractor to use water to control the dust, the situation remained unresolved and had a severe impact on their daily lives.

The complainants recalled an incident during which they invited company representatives to their property to demonstrate the safety risks created by the ongoing construction. At that time, they were particularly concerned about safely accessing the road from their home. The complainants shared that CoS acknowledged the issue and, within a few hours, sent a truck to lay down asphalt to provide temporary access. While they appreciated the prompt response, they expressed frustration that the risks had not been anticipated or proactively addressed.

## **5 MIGA Client's Perspective**

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The company's views of the issues raised in the complaint are expressed below.

### **Land Expropriation, Valuation, and Compensation Process**

The company explained that land acquisition for the project was carried out in accordance with national legislation and Performance Standards and described the process as both systematic and fair. According to CoS, compensation offers were developed based on valuation data provided by the local tax administration, which maintains records of historical land sales and market values. The company emphasized that depreciation was not applied in the calculation of land compensation. Instead, CoS indicated that valuations were based on current market value, aimed at enabling the replacement of lost assets, and that this principle was applied consistently across all cases.

In each case, an independent, court-certified expert was appointed by the municipality to conduct a property assessment. A detailed valuation report was then shared with the affected owners, outlining the methodology, assumptions, and findings. Property owners were given an opportunity to review and discuss the proposed compensation before any decision was finalized.

The company indicated that, when a compensation offer was not accepted, it was automatically referred to the judicial system. In such cases, landowners who disagreed with the valuation had the opportunity to appoint their own court-certified expert to provide a second opinion – an option that, according to the company, was made available in every case. They added that the final determination of compensation in disputed cases rests with the court, which has the authority to approve, amend, or replace the original valuation.

The company noted that the complainants accepted the compensation offer for the house and additional structure on September 27, 2024, without raising any objections or reservations regarding the process or the terms of the agreement at that time. However, the complainants

disputed the offer for the land, which was subsequently referred to judicial proceedings. Following legal procedure, the company stated that the compensation amount for the land was deposited into an escrow account with the company, which enabled CoS to access the land and continue project activities. The company further stated that the local administration maintains records of land classifications, and the complainant's land was categorized as "agricultural" rather than "residential." Consequently, the initial compensation offer was based on the agricultural classification. Nonetheless the offer was later increased to reflect the "residential" classification value, the complainants also rejected it.

## **Stakeholder Engagement and Community Outreach**

The company indicated that community engagement was a core component of the project's planning and implementation. According to CoS, outreach activities began well before any expropriation decisions were made, starting with initial visits to all affected towns to explain the scope and objectives of the project. These were followed by meetings with individual landowners, often conducted directly on their property, to provide personalized explanations of how the project might impact them.

According to the company, the project placed strong emphasis on coordination among various teams involved in land acquisition, engineering, and community relations. Community liaison officers (CLOs), particularly those deployed by the subcontractor, BEJV, played a central role in this engagement process. Each CLO was assigned to a specific sector and maintained regular contact with a wide network of community stakeholders, including local village presidents, municipal authorities, and non-governmental organizations.

As described by the subcontractor BEJV, the CLOs were fluent in both Serbian and English and used multiple tools to communicate with stakeholders. These tools ranged from printed materials and forms to visual aids such as maps and diagrams. CLOs provided contact information to stakeholders, responded to inquiries, and provided updates in both languages. The company emphasized that monthly and quarterly meetings were held with local community presidents, especially in areas where construction activity was intensifying, and that quarterly summaries of community concerns were shared with the company and submitted to MIGA for review.

CoS and its subcontractor BEJV also highlighted their collaboration with local organizations that were already trusted within the communities to support project outreach. These partners helped disseminate project information through various communication channels, including in-person outreach and online updates posted to the CoS website. According to the company, they believed that this approach contributed to ensuring that communities viewed the engagement process as credible and responsive.

## **Resettlement Impacts**

The company stated that, as a general principle, they tried to avoid physical displacement of households whenever possible. CoS explained that the original plan was to allow the family to remain on their land while providing improved access to the newly constructed roundabout. According to the company, this approach would have enabled the household to continue residing at their house while benefiting from enhanced connectivity.

However, the company reported that the complainants formally requested full expropriation of their property on 16 November 2023. They noted that this request was made despite CoS's willingness to invest in constructing a dedicated access road to accommodate the family's continued residence. In light of the complainants' stated preference, the company indicated that they proceeded with full expropriation. The company added that other families in similar situations, but different locations, remained on their land and were provided with access roads, thus avoiding relocation.

The company also clarified that no formal request for an extension of the vacate deadline was received from the complainants, either at the time the agreement was reached or thereafter. They stated that in other cases where additional time was needed, families submitted such requests and were granted extensions. According to the company, this flexibility is built into their process and regularly exercised when requested.

Finally, the company confirmed that transitional support and moving costs were included in the compensation package provided to the complainants. They considered this to be in line with both national standards and Performance Standard 5, which calls for transitional assistance in cases involving economic displacement.

### **Company's Grievance Mechanism**

The company stated that all disputes related to compensation for expropriation were handled through its own grievance mechanism, while other project-related issues, particularly those associated with construction activities, were addressed through BEJV's grievance mechanism. In terms of the grievances received related to expropriation and compensation, CoS stated that all affected property owners were formally notified of expropriation decisions and were given the opportunity to review, contest, or accept compensation offers through a clearly defined legal framework.

The company acknowledged that delays had occurred in some judicial proceedings but attributed these to broader challenges within the national legal and political context, including recent disruptions affecting court operations. The company stressed that all affected individuals, including the complainants from the Morava 05 case, had access to legal recourse, the opportunity to challenge valuations, and the ability to engage independent experts. In CoS's view, the safeguards in place were adequate to protect the rights of landowners while enabling the timely implementation of the project. Specifically, the company indicated that all issues related to the expropriation in the Morava 05 case had been addressed directly with the complainants.

Regarding the complainants' other grievances, the company indicated that its subcontractor BEJV operated a dedicated grievance mechanism to handle construction-related complaints, including those related to dust, noise, and temporary access. The company stated that CLOs were present on-site daily and were authorized to respond to complaints promptly, often within the same day. When necessary, complaints could be escalated to BEJV's construction managers, the deputy project manager, or the project manager. All grievances were logged and tracked through an internal monitoring system. In the case of the Morava 05 complainant, the company reported that five complaints related to dust, access, and other construction impacts had been received and were all resolved.

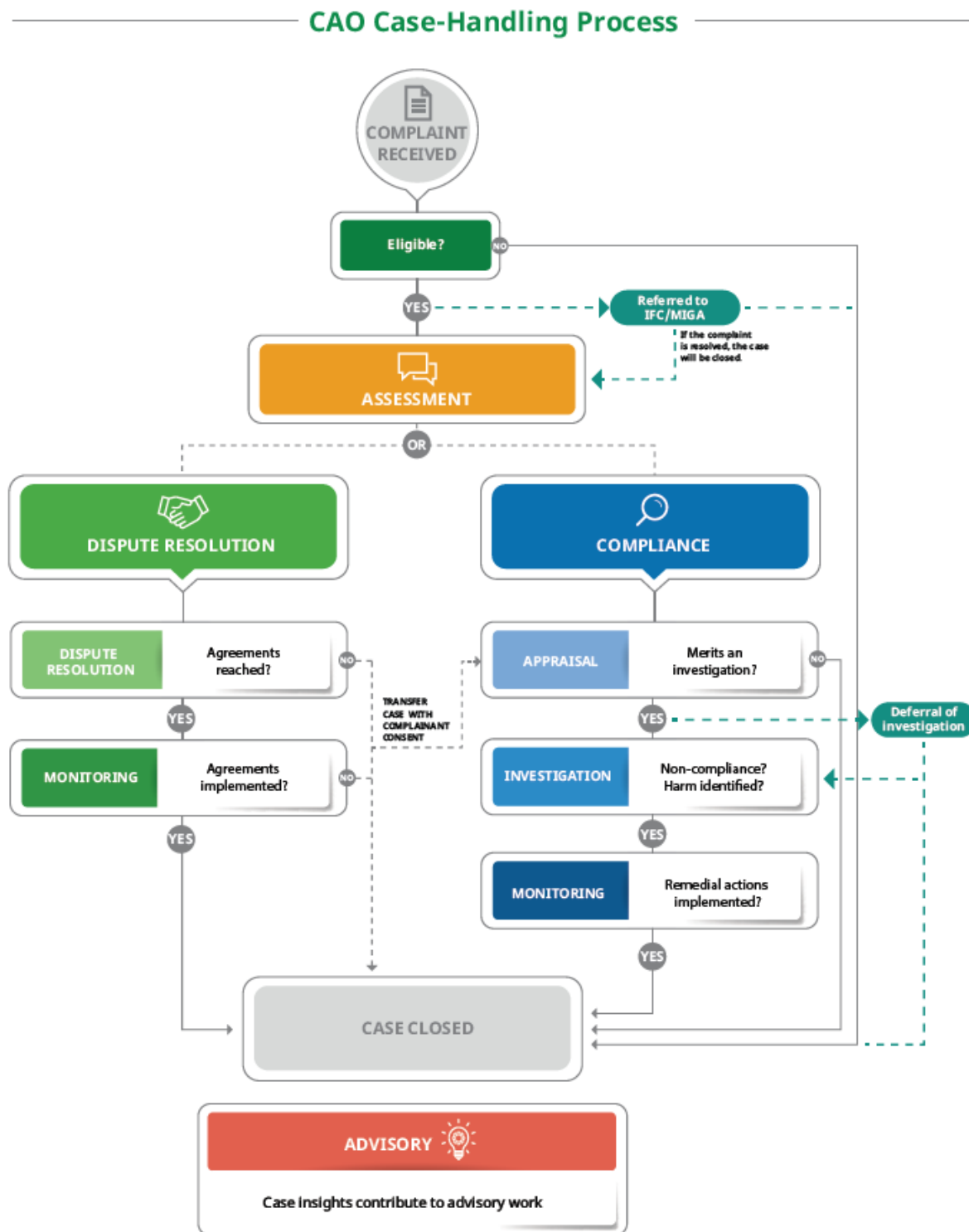
## **6 Conclusion & Next Steps**

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The complainants opted to proceed with CAO's dispute resolution process, while the company indicated a preference for the complaint to be addressed through CAO's Compliance function. In accordance with CAO's policy, when the parties are unable to agree to participate in a CAO-facilitated dialogue process, the case is transferred to the Compliance function. As such, the complaint is now being transferred to CAO's Compliance function for appraisal of MIGA's environmental and social performance related to the project.

CAO's compliance appraisal will determine whether further investigation of MIGA is warranted or whether CAO closes the case.

## Appendix A: CAO Complaint-Handling Process



As per the IFC/MIGA Independent Accountability Mechanism (CAO) Policy, the following steps are typically followed in response to a complaint that is received:

- Step 1: **Acknowledgment** of receipt of the complaint.
- Step 2: **Eligibility:** A determination of the complaint's eligibility for assessment under the mandate of CAO (no more than 15 business days).
- Step 3: **Assessment:** Assessing the issues and providing support to stakeholders in understanding and determining whether they would like to pursue a consensual solution through a collaborative process convened by CAO's Dispute Resolution function or whether the case should be handled by CAO's Compliance function to review IFC's/MIGA's environmental and social due diligence. The assessment time can take up to a maximum of 90 business days, with the possibility of extension for a maximum of 30 additional business days if after the 90-business day period (1) the parties confirm that resolution of the complaint is likely or (2) either party expresses interest in dispute resolution, and there is potential that the other party will agree.
- Step 4: **Facilitating settlement:** If the parties choose to pursue a collaborative process, CAO's Dispute Resolution function is initiated. The dispute resolution process is typically based on or initiated by a Memorandum of Understanding and/or mutually agreed-upon ground rules between the parties. It may involve facilitation/mediation, joint fact finding, or other agreed resolution approaches leading to a settlement agreement or other mutually agreed and appropriate goals. The major objective of these types of problem-solving approaches will be to address the issues raised in the complaint, and any other significant issues relevant to the complaint that were identified during the assessment or the dispute resolution process, in a way that is acceptable to the parties affected.

OR

**Compliance Appraisal/Investigation:** If the parties opt for an investigative process, the complaint is transferred to CAO's Compliance function. The complaint is also transferred to the Compliance function when a dispute resolution process results in partial or no agreement. At least one affected community member must provide explicit consent for the transfer, unless CAO is aware of concerns about threats and reprisals. CAO's Compliance function reviews IFC/MIGA's compliance with environmental and social policies, assesses related harm, and recommends remedial actions where appropriate, following a three-step process. First, a compliance appraisal determines whether further investigation is warranted. The appraisal can take up to 45 business days, with the possibility of extending by 20 business days in exceptional circumstances. Second, if an investigation is warranted, the appraisal is followed by an in-depth compliance investigation of IFC/MIGA's performance. An investigation report will be made public, along with IFC/MIGA's response and an action plan to remediate findings of noncompliance and related harm. Third, in cases where noncompliance and related harm are found, CAO will monitor the effective implementation of the action plan.

- Step 5: **Monitoring and Follow-up**
- Step 6: **Conclusion/Case Closure**