

[External]

Dear Sir/Madam,

I hope you are well.

I would like to bring to your attention the non-adherence to the International Finance Corporation Performance Standards (IFC PSs) in relation to the Morava Corridor Project (Serbia).

I owned the land that was taken for Morava Corridor Project.

The main issue is that Valuer from Corridors of Serbia is not using the valuation prescribed by IFC PS 5. Morava Corridor started in 2020 and the IFC PS 5 and RAP state that valuation of the land should be pre-project valuation adjusted by inflation. Now is 2026, the Valuer is using the figures from 2022 and 2023. He also discriminates as the figure for Cadastral Municipality [REDACTED] was **RSD3134/m2** in 2020 and he offered RSD553.3/m2 (Serbian court offered RSD1000/m2 also not in line with IFC PS5). We know from previous, [REDACTED] case valuation that inflation was 300% over 3 years therefore we are asking You to teach the Valuer how to apply this inflation to the pre-project valuation price of RSD3134 (RSD 3134 X 300%).

Below is detail description of my case:

1. Cadastral Municipality [REDACTED] – Issues: Valuation Expert from Cos is not using valuation method prescribed by IFC PSs and RAP, he discriminates in comparison to other people and inflation was not applied in determining market value of the land.

Cadastral Municipality [REDACTED] consists of 4389m2. It was initially expropriated as agriculture land at 215.24 RSD/m2. The solicitor was hired as according to the Serbian law this land should have been expropriated as development land with much higher value. The Valuation Expert from Corridors of Serbia agreed that this represents Development land and he compared two “recent” sale deals from Aug 2022 (EUR1.94/m2) and Feb 2023 (EUR7.51/m2) thus concluding that average price for the development land in May 2024 should be EUR4.72 or RSD553.30/m2.

The Judge verbally offered just over RSD 1000/m2 which was rejected.

This all contradicts to the offer for the development land in the Cadastral Municipality of [REDACTED] that was RSD3134/m2 in **Oct 2020** for the same type of land. Also this is not in line with IFC PS 5 that requires inflation to be included in the calculation, and that is 5+ years of inflation.

IFC PS requirements:

A. Valuation method should be documented in RAP.

"The valuation method for determining replacement cost should be documented and included in applicable Resettlement and/or Livelihood Restoration plans (see paragraphs 18 and 25). (pg26/50 01 01 IFC PS.pdf)"

B. RAP stated that replacement cost of the land should be pre-project value and adjusted by inflation.

In the Resettlement Action Plan it was clearly stated that replacement cost of the land should be pre-project value and adjusted by inflation:

"**REPLACEMENT COST.** For agricultural land, replacement cost is the pre-project market value of land of equal productive potential or use located in the vicinity of the affected land, plus the cost of preparing the land to levels similar to those of the affected land, plus the cost of any registration and transfer taxes. For land in urban areas, it is the pre-project market value of land of equal size and use, with similar or improved public infrastructure facilities and services and located in the vicinity of the affected land, plus the cost of any registration and transfer taxes... Costs are calculated based on the time at which the asset is being replaced, if not, inflation is considered in calculating costs. (RAP pg2)

Rate should be adjusted for inflation at least annually!

GN22. The rate of compensation for lost assets should be calculated at full replacement cost, (i.e., the market value of the assets plus transaction costs). The process used for determining compensation values should be transparent and easily comprehensible to project-affected people. Rates should be adjusted for inflation annually, at a minimum. For losses that cannot easily be valued or compensated for in monetary terms, in-kind compensation may be appropriate. However, this compensation should be made in goods or resources that are of equivalent or greater value, are culturally appropriate and which can be sustainably maintained by the community. With regard to land and assets, replacement costs are defined as follows (p9 37 ifc performance standards guidance.pdf)

C. Finally, standards require valuation methodology to be applied consistently.

9. Compensation standards will be transparent and applied consistently to all communities and persons affected by the displacement. (*Compensation and Benefits for Displaced Persons* 9. IFC PS5)

To Summarise, IFC PS requirements:

- **A. Valuation method should be documented in RAP.**
- **B. RAP stated that replacement cost of the land should be pre-project value and adjusted by inflation.**
- **C. Finally, standards require valuation methodology to be applied consistently.**

CoS Valuation expert was using the market figures for development land from Aug 2022 (EUR1.94/m²) and Feb 2023 (EUR 7.51/m²) to come to the figure of EUR4.72 or RSD553.30/m² for the Cadastral Municipality [REDACTED]

The valuation of the land for [REDACTED], clearly states that value for the development land in Oct 2020 was RSD3134/m², which represents pre-project value of the land.

Furthermore it is clear from [REDACTED] case that inflation over 3 years was 300%.

It is obvious that CoS valuation expert is not aware of valuation methodology prescribed by IFC PS as he is not using the pre-project value of RSD 3134/m² and he did not adjust it by 5+ years worth of inflation. Therefore methodology used was also not consistently applied which is against the requirements of IFC PSs.

This was brought to MIGA's attention in Jul 2023 by [REDACTED] and this is still the issue in 2026 which is disappointing.

We were informed that MIGA is aware of the issue but we can still see that CoS are not applying these standards both in [REDACTED] case (depreciation is included in calculation and inflation was not included in calculation) , [REDACTED] case (Depreciation was included in calculation), and now My case, the rate used for development land value is even lower than that of 2020, so we have non consistency, discrimination and inflation that was not included in the calculation.

Could you please rectify these issues and teach CoS how to exclude depreciation and include inflation in the replacement cost as required by IFC PS5, and correct past, present and future valuation errors in order for the project would comply with IFC PSs, please?

As and evidence of this non adherence to IFC PS5 I am enclosing the valuation for the same type of land (Development land) and the same Municipality [REDACTED] from October 2020 where land was valued at RSD 3134/m² (Valuation for Sibak family 03 Sibak Novo Selo RSD 3134 per sqm in 2020.pdf) and my valuation for the same type of land and same municipality, [REDACTED] offering RSD553.30 per sqm from May 2024 05 Corridors of Serbia Expert Valuation RSD 553.30 per sqm.pdf

It would be also great for somebody from the World bank to explain why the standard stated that valuation of the land should be the pre-project price, why it should be consistent and why the value should be adjusted by inflation at least annually.

Should You require any additional information feel free to contact me.

Kind Regards,

[REDACTED]