



European Bank
for Reconstruction and Development

Independent
Project
Accountability
Mechanism

Compliance Assessment Report

Main Roads Reconstruction Project

EBRD Project number 49075

Case 2024/03

July 2026

PUBLIC

The **Independent Project Accountability Mechanism (IPAM)** is the project grievance mechanism of the EBRD. It reviews environmental, social, and Project disclosure-related concerns raised by Project-affected people and civil society organisations. IPAM can address concerns through two avenues: i) Problem-solving, which supports dialogue between Requesters and Clients without attributing blame or fault; or ii) Compliance, which determines whether the EBRD has complied with its Environmental and Social Policy and Access to Information Policy in relation to the Project.

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<https://www.ebrd.com/project-finance/ipam.html>

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List of Abbreviations

AESR	Annual Environmental and Social Report
AIP	Access to Information Policy
EBRD	European Bank for Reconstruction and Development
EIA	Environmental Impact Assessment (under national laws of Montenegro)
ESAP	Environmental and Social Action Plan
ESDD	Environmental and Social Due Diligence
ESIA	Environmental and Social Impact Assessment
ESMP	Environmental and Social Management Plan
ESP	2014 Environmental and Social Policy
IPAM	Independent Project Accountability Mechanism
km	kilometre(s)
LARF	Land Acquisition and Resettlement Framework
LARP	Land Acquisition and Resettlement Plan
NTS	Non-Technical Summary
PAP	2019 Project Accountability Policy
PR	Performance Requirement of 2014 Environmental and Social Policy
REA	Real Estate Administration
RSA	Road Safety Audit
SEP	Stakeholder Engagement Plan
TA	Transport Administration of Montenegro (Client)
WBIF	Western Balkans Investment Framework

Executive Summary

In 2016, the Government of Montenegro initiated a programme to upgrade its main road network to improve connectivity, enhance road safety, and support the country's growing tourism sector. The programme involves the rehabilitation and widening of key road sections to alleviate congestion and improve transport efficiency along strategic corridors.

EBRD is financing the Main Roads Reconstruction Project (OP ID 49075) through a sovereign loan of up to EUR 40 million, divided into three tranches, to support the Transport Administration of Montenegro (TA) in implementing these upgrades. The objective is to reconstruct and widen selected road sections, improve drainage systems, and incorporate safety features such as roundabouts, pedestrian crossings, and lighting.

The Tivat–Jaz section, subject of this Request and corresponding to tranche C of the loan, was approved by the Board on 29 June 2021 and classified as Category A under the Bank's 2014 Environmental and Social Policy.

On 7 May 2024, IPAM received a Request from 25 households and one business owner, organised as a registered NGO ("NVO Grbalj Bulevar"). The Requesters allege the following issues linked to the widening of the Tivat–Jaz road from two to four lanes:

- economic displacement;
- impacts on community health and safety, including flooding, pedestrian hazards, deteriorated air and noise pollution;
- lack of adequate alternatives analysis; and
- inadequate stakeholder engagement.

As required by the 2019 Project Accountability Policy (PAP), IPAM reviewed the Request, project documentation, and the Management Response, and engaged with the Requesters, the Client, and Management to determine whether the case meets the two eligibility criteria for a compliance review.

After preliminary analysis (as required by the PAP provisions), IPAM has determined that the case is eligible for Compliance Review, as there is indication of harm and potential non-compliance with the relevant provisions of the 2014 Environmental and Social Policy. The Review will focus on issues related land acquisition and economic displacement (PR5), health and safety (PR4), alternatives assessment (PR1), and stakeholder engagement (PR10).

The scope of the compliance review process is set out in the Terms of Reference presented in Annex 1, which were consulted with the Parties prior to finalising the compliance assessment stage. As next steps, IPAM will disclose this Compliance Assessment Report in its virtual registry under Case 2024/03 after submitting the report to the Board, the President, and the Parties.

The Compliance Review stage is expected to start in July 2026 and be completed by June 2027.

1. The Case and Processing to Date

1.1. The Request

On 7 May 2024, IPAM received a request related to the Main Roads Reconstruction Project located in Montenegro which is funded by the European Bank for Reconstruction and Development (EBRD).

The group of Requesters is formed by 25 households and one business owner with properties along the road in Lastva Grbaljska and Radanovici, in Montenegro. The requesters are members of NVO Grbalj Bulevar, a registered non-governmental organisation created in relation to concerns regarding the road section Tivat – Jaz (Section 3 and Tranche C of the Main Roads Reconstruction Project).¹

The Requesters claim that the Project is adversely impacting their rental properties, as well as at least 3 other residents' restaurant businesses due to loss of access roads, yards and/or parking spaces.

Moreover, in the view of the Requesters, the road is subject to regular flooding, exacerbated by the Project. This section of the road also experiences high levels of traffic and widening it could, according to the Requesters, lead to more road accidents, increased air and noise pollution, resulting in overall higher risks to health and safety of the community.

Finally, the Requesters allege that the alternatives to widening of the Tivat-Jaz boulevard from two to four lanes have not been properly assessed.

In relation to all the abovementioned claims, the Requesters claim to not have been adequately consulted. The specific allegations are listed in Table 1 below.

Table 1. Issues raised in the request and related performance requirements

Issue	Allegations by Requesters	Related PRs
Economic displacement	Holiday rental and restaurant owners losing access roads, yards and/or parking spaces, negatively affecting their businesses.	PR5
Impacts on the safety and health of the community	- Flooding during heavy rainfall caused by the lack of an adequate drainage system along the road. - Community in increased risk when crossing the road or accessing their properties. - Increased air pollution in the area due to increased traffic flows. - Exposure to noise pollution.	PR4
Lack of adequate alternatives analysis	Inadequate alternatives analysis, as the Requesters believe the traffic should have been diverted towards the mountains, and that a different project, the Adriatic-Ionian highway- would have been a better alternative to the Project.	PR1 PR5
Inadequate stakeholder engagement	No sufficient stakeholder engagement in relation to the above issues	PR10

1.2. The Project

The Main Roads Reconstruction Project (OP ID 49075) is a sovereign loan to Montenegro for the benefit of the Transport Administration of Montenegro (the Client).

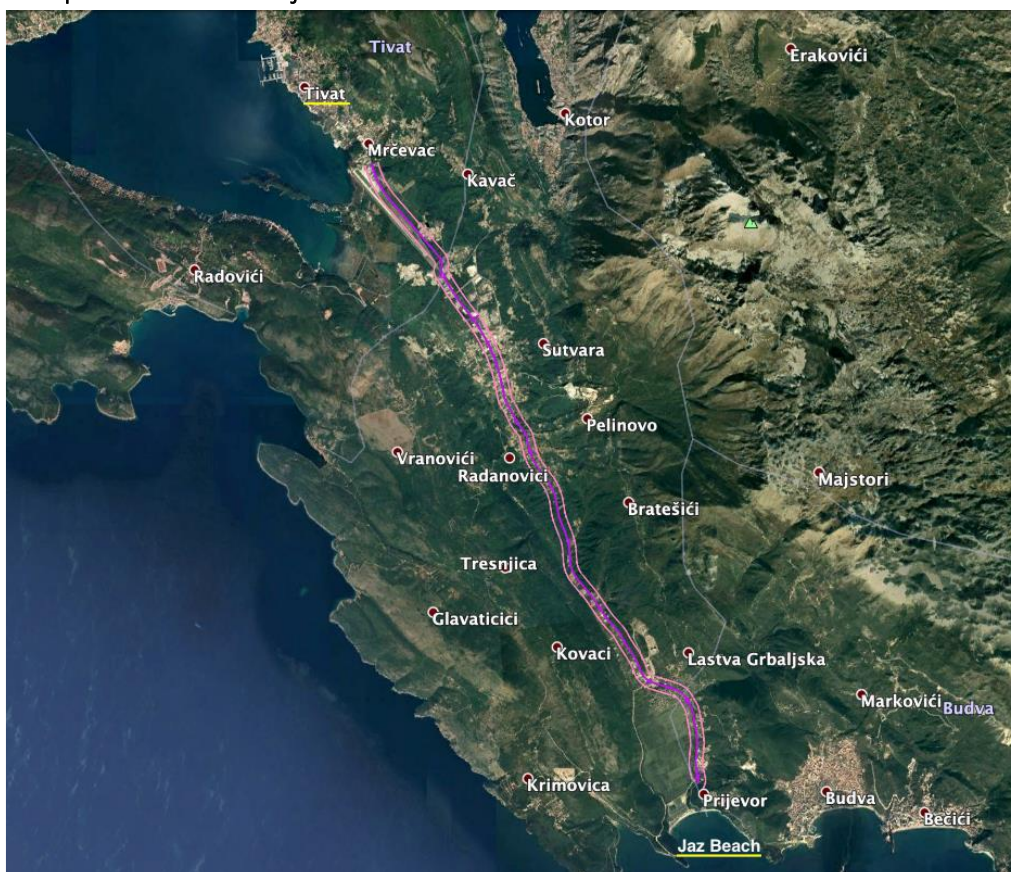
¹ Non-governmental organisation NVO 'Grbalj-Bulevar' was established on 30 November 2021 by Decision of the Ministry of Public Administration, Digital Society and Media no. UPI 08-056/21-1902/.

The loan of up to EUR 40 million was divided into three tranches:

- Tranche A in the amount EUR 10 million was committed on 1 November 2017 to finance the construction and supervision for the rehabilitation of the Rozaje - Špiljani section (Section 1, 20km), categorized B under 2014 Environmental and Social Policy (ESP).
- Tranche B in the amount of EUR 15 million was committed on 13 December 2019 to finance the construction and supervision for the rehabilitation and upgrade of the Danilovgrad - Podgorica section (Section 2, 15km), categorized A under ESP.
- Tranche C in the amount of EUR 15 million was committed on 29 June 2021 to finance the rehabilitation and upgrade of the Tivat-Jaz section (Section 3, 16km), categorized A under ESP.²

The Project is part of a wider programme to rehabilitate twelve main road sections, totalling approximately 216.3 km of Montenegro's main road network, with parallel financing by the European Investment Bank (EIB). EIB financed the reconstruction of nine roads, while EBRD financed three roads, including Tivat-Jaz. The loan is currently being repaid by the Client for all the three tranches.

Figure 1: Proposed route of Project.



Source: Non-technical summary of the ESIA

The M-2 Tivat – Jaz Road (Tranche C and Section 3) is the one relevant to the Request. It is situated at the coastal region of Montenegro and involves reconstruction and widening of the existing two-lane road to create a four-lane road with two-lanes in each direction (approx. 16km). The upgraded road will include a 2m wide central reservation as well as 2m wide sidewalks and a vegetated verge. The construction works began in early 2024 and are ongoing at the time of the writing of this report. The section was planned to be completed by June 2026.

² The section relevant for purposes of Case 2024/03.

The Project ESIA disclosure package includes the local Environmental Impact Assessment (EIA), a Supplementary ESIA, Non-Technical Summary (NTS), Stakeholder Engagement Plan (SEP), Land Acquisition and Resettlement Framework (LARF), Framework Biodiversity Action Plan (F-BAP), Framework Environmental and Social Management Plan (F-ESMP) and Environmental and Social Action Plan (ESAP). These were disclosed on websites of TA and EBRD on 7 August 2020. Hard copies were made available in the Client's local offices and EBRD's Resident Office in Podgorica.

1.3. Processing to Date

The Request was registered by IPAM on 28 June 2024 as Case 2024/03. It met the criteria for Registration established in Section 2.2 (b) of the Project Accountability Policy (PAP), and none of the exclusions set in Section 2.2.(c) of the PAP applied. The registration of a Request is an administrative step establishing that the following criteria have been met:

- all mandatory information was provided.
- issues raised relate to specific obligations of the Bank under the Environmental and Social Policy (2014) and/or the project-specific provisions of the Access to Information Policy (AIP).
- it relates to a Project that the Bank has approved, and
- the Request is related to an active Project or is submitted within 24 months of the date in which the Bank has ceased to have a financial interest in the Project.

Immediately after registration, the Request was transferred to the Assessment stage as established in para. 2.3 of the PAP. In line with the approach established in the PAP, the IPAM team undertook the following activities during the Assessment stage:

- revision of relevant Project documents,
- virtual meetings with the Bank management team responsible for the Project, Requesters, and the Client,
- site visit to Montenegro during 25-27 September 2024 for in-person meetings with Requesters, the Client and the EBRD's Project team in the Bank's Resident Office in Podgorica. Additionally, IPAM toured the section relevant to the Request accompanied by a group of approximately 20 residents and business owners that are affected by the Project.

Based on the activities undertaken during the Assessment stage and given the contrasting views of Requesters and the Client on options to address the issues and the express interest of the Requesters to have their Case considered under Compliance, IPAM determined that a Problem-Solving Initiative was not feasible. The Assessment was finalised in November 2024, and the case was transferred to the Compliance function.

The Compliance Assessment stage has a standard duration of 60 business days.³ In this stage IPAM seeks to determine whether a Case is eligible for a Compliance Review or not. The PAP establishes that two criteria must be met to initiate a Compliance Review:

- i. upon preliminary consideration, it appears that the Project may have caused, or may be likely to cause, direct or indirect and material harm to the Requesters (or, if different, the relevant Project-affected People); and
- ii. there is an indication that the Bank may not have complied with a provision of the ESP (including any provision requiring the Bank to monitor Client commitments); or the Project-specific provisions of the AIP, in force at the time of Project approval.

³ Due to caseload pressures, IPAM required an extended timeframe beyond that prescribed by the PAP.

2. EBRD Management Response

On 22 July 2024, EBRD Management submitted its response. In addition to the expansion to four lanes with roadside kerbs and paved footways, the Project features seven road bridges, four culverts, one footbridge and 11 new roundabouts, additional to the reconstruction of two existing roundabouts.

The Management response highlights the project was categorised as A, requiring a full ESIA and public disclosure for 120 days, given the scope of the works equals to fully reconstructing the road.

The response highlights the road, subject of the project, is the most congested in the country, used by locals and tourists to connect Kotor, Tivat, and Budva, and that the project was needed to carry the increased traffic brought by the tourism sector. Specifically, Management responds that as part of the Environmental and Social Due Diligence (ESDD), a full Road Safety audit was conducted. Furthermore, the project prepared a LARF and a detailed LARP (Land Acquisition and Resettlement Plan) for the Client to manage impacts in compliance with PR5.

Additionally, in its response, Management asserts there are no significant cases of livelihood or business assets loss, only losses of parking areas, gardens and agro-pastoral assets. It also reports the realisation of a stakeholder engagement process during the national EIA (published in October 2019) preparation and further stakeholder engagement as part of the ESIA (disclosed August 2020). The response claims the stakeholder engagement was adequate, conducted by a consultant during the ESDD phase, and it encompasses interviews, group discussions, survey and community meetings.

The response notes consultations have taken place during the COVID-19 pandemic, and the fact that during the ESIA disclosure, copies of the ESIA package were delivered in the offices of the Radanovici and Lastva Grbaljska local communities, and the municipalities of Budva, Kotor, and Tivat.

Finally, the response underscores that EBRD consultants engaged in stakeholder meetings during the ESIA phase and that EBRD Management's representatives conducted a field visit to monitor the project and meet with the Client and the Contractor about environmental and social management measures, as well as observance of the ESAP and ESMP requirements.

Management responses to the allegations raised in the Request are summarised below in **Table 2**.

Table 2: Management response to issues raised in the request

Issues raised in the Request	Management Response
Economic displacement	- ESIA identified only 2 households requiring physical resettlement. - A LARF was prepared by a qualified team of external social experts and publicly disclosed, followed by detailed LARP to help the Client manage land and livelihood impacts along the reconstructed road corridor. - Per the ESIA, loss of livelihood and business assets are expected to be limited, and access to properties will be maintained. - Announcement of cut-off date and associated publication of data from the Expropriation Study has taken place prior to project approval. - No main buildings are in the expropriation corridor; parking areas, gardens and pastoral assets being the most significant losses. - The LARP is to be monitored and verified by the external consultant supporting the implementation of the Project.
Impacts on the safety and health of the community	- The project due diligence included a full Road Safety Audit (RSA) for the Tivat-Jaz section. The RSA outcomes were shared with the road designers and the recommendations were incorporated into the road sections' final design and would be implemented during the reconstruction of this road. RSA's recommendations, once implemented, will result in improved safety for all road users. - The four-lane road will feature seven road bridges, 4 culverts, 1 footbridge, 11 roundabout junctions, and the reconstruction of 2 existing roundabouts. - Bus stops and pedestrian crossings are to be provided at roundabouts and intersections, as well as road lighting along the route. - The underpass beneath the cited elementary school will be replaced. - A stormwater drainage system along the Budva-Tivat road section will be upgraded.
Lack of adequate alternatives analysis	No specific comments on the issue.
Inadequate stakeholder engagement	- As a Category A Project, a full ESIA and public disclosure of 120 days was conducted. - The Client conducted stakeholder engagement during the design phase and EIA preparation, and as part of the ESIA. - During the due diligence, EBRD made sure communities were aware of the project and that stakeholder engagement activities were conducted. - Engagement activities included one-to-one interviews, group discussions, socio-economic household surveys and community meetings carried out during the development of the Project, with 22 stakeholder engagement meetings, including 4 EIA/ESIA consultation meetings and 1 meeting with representatives of local community Lastva Grbaljska for the purpose of presentation of expropriation study. - ESIA was disclosed, including hard copies, to the local community office Radanovici, local community office Lastva Grbaljska, Municipality Budva, Municipality Kotor and Municipality Tivat.

3. Compliance Assessment Findings

This section compiles the findings made by IPAM during Compliance Assessment stage for Case 2024/03 to determine whether the case is eligible for Compliance Review.

Following the approach established in the PAP, IPAM appraised Case 2024/03 considering the documentation and information collected in consultations with the Parties, and other project-related and publicly available information gathered from June 2024 to date.

Given that the purpose of this Assessment is to determine whether the case meets the criteria to initiate a Compliance Review, the findings here are only of a preliminary nature. They should not be considered as a determination by IPAM of the state of compliance of the Project vis-à-vis the EBRD's 2014 Environmental and Social Policy.

3.1. Background and contextual landscape

The Bank is involved in financing the rehabilitation and extension of the main M-2 road connecting Tivat to Jaz, starting approximately 100 meters before Tivat Airport's entrance and continuing to the conclusion of the current intersection at Jaz, located north of Budva.

Furthermore, the project is reported to include the (re)construction of seven road bridges, four culverts, and one footbridge. It involves the construction of 11 new roundabout junctions and the reconstruction of 2 existing ones. The upgraded road corridor is expected to have a total width of approximately 20 meters, narrowing slightly at bridges. Additional works incorporated into the project encompass:

- Relocating an underpass beneath the M-2 road for Nikola Djurkovic Elementary School.
- Installing bus stops in both directions near local road junctions close to settlements.
- Providing pedestrian crossings, mainly at roundabouts and intersections.
- Implementing road lighting throughout the entire route.
- Upgrading the stormwater drainage system along the section.

The road is expected to be resurfaced and the camber to be enhanced. Due to the scale of these upgrades and the current state of the road, a full reconstruction was deemed necessary.

As the widening of the existing road required additional land, land expropriation was planned in 20 Cadastral Municipalities:

- Prijevor I and Prijevor II (Municipality of Budva),
- Dub, Glavati, Gorovici, Kavac, Kovaci, Kubasi, Ljesevici, Naljezici, Pelinovo, Pobrđe, Prijeradi, Sisici, Sutvara, Vranovici, Lastva, Privredna zona (Municipality of Kotor), and Mrcevac and Djurasevici (Municipality of Tivat).

The construction works began in early 2024; completion was planned for June 2026.

3.2. Project Timeline

Table 3. Project Timeline.

Date	Action
29 Mar 2016	TA submitted planning documentation to Municipality of Budva for Preliminary Design.
Mar 2016 - Dec 2019	Initial stakeholder engagement (over 48 meetings during design phase).
10 Oct 2016	TA informed Local Community Lastva Grbaljska about Preliminary Design.
13 Oct 2016	TA presented Preliminary Design to Municipality Kotor and Grbalj communities.
1 Nov 2017	Main Roads Reconstruction Project approved by the Board.
Nov 2017	Preliminary design Road Safety Audit by IMC Worldwide.
Feb–Mar 2018	Petition submitted by local communities opposing boulevard design; similar requests submitted by businesses.
Oct 2019	National EIA published.
Dec 2019	Four public consultation meetings held in Tivat, Budva, Kotor, and Radanovici to present national EIA and introduce ESIA process; ESIA scoping meetings conducted with municipalities and local communities (Radanovici, Lastva Grbaljska).
Feb 2020	Socio-economic surveys conducted (98 households and 72 businesses in the Project-affected Area). Key informant interviews held with 13 institutions (schools, clinics, municipalities, utilities, tourism orgs). Community meeting held in Radanovici to present Main Design and ESIA summary. Letters received raising flooding concerns and requesting drainage solutions.
April 2020	National EIA approved.
7 Aug – 5 Dec 2020	ESIA 120-day disclosure period; documents made available online and in print.
October 2020	Detailed Design Stage Road Safety Audit by UMC Worldwide.
Nov 2020	LARP surveys completed with 61 households and 62 businesses.
01 Nov 2020	Letter from 9 residents of Lastva Grbaljska expressing strong opposition to road design.
December 2020	Supplementary Traffic and Pedestrian Safety Report for Tivat-Jaz section prepared by independent RSA consultant.
December 2020	Consultation Report finalised.
Jan 2021	LARP disclosed, as part of the addendum to ESIA package.
29 Jun 2021	Tranche C (Tivat-Jaz section) committed by the Board.
2023	Contract for execution of construction works signed.
Early 2024	Construction on Tivat-Jaz section starts at the Tivat Airport end.
7 May 2024	IPAM receives Request.
28 Jun 2024	IPAM registers Request.

3.3. Link between the Project and Alleged Harms

The Requesters have raised a series of allegations of actual and potential harm to residents and business owners affected by the reconstruction and widening of the road section Tivat – Jaz, Tranche C of the Main Roads Reconstruction Project. The specific areas of concern are:

- economic displacement;
- impacts on the safety and health of the community;
- inadequate alternatives analysis; and
- inadequate stakeholder engagement.

Table 4 below summarizes the allegations of harm raised in the Request by identified issue, and IPAM's assessment of their plausibility based on the information gathered at this stage.

Table 4. Summary of Preliminary Findings

Issues raised	Allegations by the Requesters	Preliminary Findings by IPAM
Economic displacement	• Holiday rental and restaurant owners losing access roads, yards and/or parking spaces, negatively affecting their businesses.	Project documentation explicitly recognises that tourism-related businesses depend on access roads, yard and parking space, and that ~17% of surveyed businesses near the road expected temporary closure during construction due to loss of such auxiliary assets. The LARP commits to compensate lost revenues during periods when access to assets is compromised and, beyond the Expropriation Law, to provide additional livelihood restoration and transitional support for both temporary and permanent losses (including for informal businesses). However, the LARP does not specify what mitigation would be offered to businesses rendered unviable by partial expropriation or how their pre-project income levels would be restored. The quarterly Periodic Project Reports suggest that, up until Q2 2025, the additional lost-revenue or transitional livelihood assistance envisaged by the LARP, was not provided. After Q2 2025, it appears that formal agreements with some Project Affected Persons may have addressed economic displacement impacts to their satisfaction, but the process is not finalised yet.
Impacts on the safety and health of the community	• Flooding during heavy rainfall caused by the lack of an adequate drainage system along the road. • Community in increased risk when crossing the road or accessing their properties.	Flooding incidents during construction were recorded in Periodic Project Reports, and drainage deficiencies along the alignment continued to be observed as late as in Q4 2025. The required drainage review under ESAP was completed by TA with a delay, and the implementation of certain recommended measures falls outside the direct control of the Client, requiring action by the relevant municipalities. Road Safety Audit identified pedestrian risks ranking “High” and recommended grade-separated crossings, some of which were rejected by designers. In parallel, the Periodic Project Reports for 2025 document several instances of inadequate traffic

	- Increased air pollution in the area due to increased traffic flows. - Exposure to noise pollution.	management practices by the construction contractor, further contributing to general road safety concerns during the construction phase. ESIA air quality modelling is based on Good International Practice and shows only negligible expected changes in pollution levels due to the Project. Baseline noise already exceeds legal limits, and future levels at Lastva Grbaljska and Radanovići are predicted to remain high. The ESIA relies on low-noise surfacing but provides no additional operational mitigation near the road.
Lack of adequate alternatives analysis	Failure to adequately assess alternatives resulting in alleged harms described below (economic displacement and safety and health of the community).	The project documentation acknowledges the presence of other initiatives, such as the Adriatic-Ionian highway, but does not consider them as viable alternatives. While the Project is based on an existing infrastructure, the ESIA's alternatives analysis is short and does not comprise a detailed comparison of technically and financially feasible alternatives. There is no comparative analysis table showing social impacts under different scenarios, nor detailed discussion of alternative designs. Although the ESIA claims a "mitigation by design" approach, it does not explicitly reflect application of the mitigation hierarchy.
Inadequate stakeholder engagement	No sufficient stakeholder engagement in relation to the above issues	Project documentation shows extensive engagement (2016–2019) at concept/design stage, including over 48 meetings with authorities, communities and businesses. However, records of these consultations are incomplete, and it is unclear whether project alternatives were presented and meaningfully consulted with the stakeholders. As to expropriation impacts, consultations during the ESIA phase (2019–2020) identified concerns similar to those raised in the present Request (e.g. road width, proximity to properties, access and business impacts). While 75% of business respondents surveyed were informed about expropriation, some reported insufficient clarity on details. This, together with ongoing grievances regarding access to assets and parking, as well as road safety and drainage, in the Periodic Project Reports, suggest possible gaps in the timeliness and effectiveness of the engagement conducted.

Based on these initial findings (as listed in the table), IPAM finds that upon preliminary consideration, it appears that the Project may have caused, or may be likely to cause, direct or indirect and material harm to the Requesters.

IPAM therefore, notes that the first criterion set in section 2.6 (b) of the PAP 2019 to determine the case eligible for a Compliance Review is met.

3.4. Indication of non-compliance with relevant policies

IPAM assessed Case 2024/03 against the relevant provisions of the 2014 ESP, including applicable Performance Requirements:

- **PR5:** Land Acquisition, Involuntary Resettlement and Economic Displacement;
- **PR4:** Health and Safety;
- **PR1:** Assessment and Management of Environmental and Impacts and Issues; and
- **PR10:** Information Disclosure and Stakeholder Engagement.

The findings of IPAM's preliminary review concerning the specific issues raised are presented in detail in Sections 3.4.1 to 3.4.3 below.

3.4.1. Regarding economic displacement

At the time of the submission of the Request (May 2024), the Requesters alleged that due to the Project, their holiday rentals and restaurants would lose yards, parking lots and/or access roads, which would affect their businesses. IPAM notes that construction began in early 2024 and scheduled for completion by June 2026. By the time of the finalisation of this Report, Requesters claim that for some of them, these harms have materialised, either temporarily during construction or on a permanent basis.

Under PR5, involuntary resettlement refers to, including, "economic displacement (loss of assets or resources, and/or loss of access to assets or resources that leads to loss of income sources or means of livelihood)". PR5 requires clients to provide compensation where a project "causes temporary or permanent loss of income or livelihood". Such compensation should be provided promptly and the "process should be initiated prior to displacement". If land acquisition affects commercial structures, the client must "compensate... the affected business owner for: (i) the cost of re-establishing commercial activities elsewhere; [and/or] (ii) lost net income during the period of transition", as well as "provide additional targeted assistance (for example, credit facilities, training or job opportunities) and opportunities to restore, and where possible improve, their income-earning capacity, production levels and standards of living. In the case of businesses experiencing temporary losses or having to close as a result of project-related displacement, both the owner of the business and employees losing pay or employment are eligible for such assistance".

Under the LARP (dated Jan 2021), the Project is not expected to lead to the loss of main business structures, however, it acknowledges that "business will be disrupted during construction, and most businesses are expected to close temporarily while parking lots, lost auxiliary structures and business activities are reconfigured."⁴ The LARP further states that "disruption should be limited for most businesses, because construction will be during the low season"⁵. Nevertheless, in the surveys undertaken by TA in January and February 2020, tourism-related businesses (hospitality/catering/restaurants constituting ~20% of interviewed businesses; rental services constituting ~15%) reported income dependence on customer access to parking and expressed concerns that losing parking space would harm their businesses, particularly in the April–October season. Furthermore, approximately 17% of interviewed businesses expected to close temporarily during construction due to such constraints.

⁴ LARP, January 2021, page 30.

⁵ Ibidem.

Importantly, the LARP contains certain inconsistencies on this issue: in some sections, income losses are described as temporary and limited to the construction phase, while elsewhere permanent business losses are referenced. Regarding the latter, the LARP does not clarify mitigation measures in case the expropriated auxiliary structures render the entire businesses unviable or where a permanent reduction of income might take place and attributable to the Project. Nor does the LARP analyse whether tourism-dependent households and businesses can realistically restore their income without the auxiliary structures that may be subject to expropriation, or if full expropriation would be offered to those unable to recover their businesses to pre-project levels.

Instead, the LARP contains general statements that businesses would be eligible for compensation for lost revenues when access to assets is compromised. Although Montenegro law does not mandate compensation for livelihood losses, the LARP (p.37) states that TA committed to bridge this gap with PR5: certified appraisers would assess business income losses, temporary *and permanent* (emphasis by IPAM), with estimation methods for informal businesses lacking records; permanent losses would trigger livelihood restoration support, and affected employees would receive transitional support commensurate with displacement.

LARP provides that the type and value of compensation would be negotiated between the Real Estate Administration (REA) and each affected household/business. Livelihood restoration assistance (e.g., replacement salaries, compensation or assistance to transport equipment/machinery) would be provided “in supplemental compensation agreed through consultation and negotiated settlements, rather than as a part of the REA compensation process”. However, unlike the clearer methodologies for crops and forestry land, the LARP does not set out a method to calculate income losses for specific impacts such as loss of parking, access roads, or yard space. It does not specify evidentiary standards for “lost revenues”, the duration of coverage, or a clear process for determining which households/businesses receive which assistance.

For purposes of preliminarily determining if there could be an indication that the Bank may not have complied with the relevant provisions of the ESP, IPAM reviewed some internal reports that inform about grievances raised related to land/parking. Thus, while the LARP recognises economic displacement and commits to compensating income losses and providing livelihood restoration assistance in line with PR5, the extent to which these commitments have been implemented consistently across all Project Affected Persons remains unclear. Although IPAM has reviewed documentation that provides evidence that additional measures have been introduced since Q2 2025, it is uncertain whether these have been comprehensive. IPAM has also reviewed documents where unresolved access to plot/parking grievances are still reported.

At this stage, further information is necessary to ascertain whether economic displacement, either temporary or permanent, as alleged by the Requesters has been or is in the process of being addressed in line with the PR5 requirements.

Based on these initial findings, IPAM finds an indication that the Bank may not have complied with a provision of the Environmental and Social Policy (including any provision requiring the Bank to monitor Client commitments), in force at the time of Project approval.

IPAM therefore notes that, on the issue of economic displacement, the second criterion set in section 2.6 (b) of the 2019 PAP for determining the eligibility of the Request for a Compliance Review is met.

3.4.2. Regarding impact on the community health and safety

i) Flooding

The Requesters allege that their properties are at risk of damage due to flooding caused by the lack of an adequate drainage system along the road.

Under PR4, the client must identify and assess potential impacts and risks caused by natural hazards, including floods, as well as avoid and/or minimise the exacerbation of hazard impacts to which the project may contribute.

The NTS reported that the existing M-2 road is already subject to regular and extensive flooding, rendering it impassable at times, and that this is expected to worsen with climate change. The Consultation Report also documents that the communities raised the issue of flooding in a meeting with municipality of Tivat (23 December 2019), as well as in a letter by Arcadia Academy & M Club (27 Feb 2020). The TA responses had been that the flooding problem would be solved through construction of a closed stormwater sewage system with separators.

Similarly, the ESIA mentions the following baseline conditions: undersized/poorly maintained culverts and drainage, surface flooding near Grbaljsko/Radanovići, and the drainage network being too small and poorly maintained. In response to this, the ESIA notes that an upgraded stormwater drainage system along the Budva–Tivat road section would be part of the works. Action 3.4 – “Drainage Design” in ESAP requires the TA to conduct an additional technical (engineering) review/design audit of the detailed drainage to confirm: (i) adequate protection of Tivat Saline under normal and spill conditions; and (ii) that drainage measures address community flood-risk concerns – actions to be completed prior to construction and shared with EBRD.

The 2024 Q3 Periodic Project Report records that heavy rainfall in September 2024 caused flooding on the stretch of the main road between Tivat Airport and Kotor, stopping works. The report states flooding in this area is a known legacy issue, attributing it to illegal construction that had filled and clogged existing drainage network and drainage trenches not being maintained adequately, noting these issues lie outside the Project’s scope and are municipality’s responsibility (the TA is noted to have nevertheless started preparing design documentation for clearing and restoration of these trenches).

The 2024 Q4 Periodic Project Report records another heavy rain in December 2024 which flooded Section 6 due to a blocked drain, disrupting traffic and stopping construction. The Periodic Project Reports up to Q3 2025 record that the ESAP 3.4 action (performing an additional drainage review/design audit to confirm Tivat Salina protection and to address community flood-risk concerns) had not yet been implemented. The Annual Environmental and Social Report (AESR) 2025 records ESAP Action 3.4 as only ‘partially implemented’ noting that TA has conducted an internal technical review concluding that proposed measures are adequate. However, the report also notes that the existing drainage channels have been non-functional for many years due to obstruction and lack of maintenance, which is under municipalities’ responsibility. The AESR further acknowledges that this situation has remained a significant and ongoing issue, contributing to repeated flooding following heavy rainfall events.

Finally, the last quarterly report available to IPAM (Q4 2025) recorded evidence of inadequate drainage during the site visit conducted by the monitoring consultant in November 2025, including accumulated surface water and ponding along the road alignment and adjacent construction zones, which indicates insufficient temporary drainage and limited infiltration capacity. In addition, evidence

of incomplete drainage infrastructure was noted at this stage of the works, including partially installed culverts and pipes, as well as retaining wall sections lacking visible drainage outlets.

Project documents acknowledge systemic pre-existing flood risk in the area and commitment to upgrading stormwater drainage, an undertaking that was also reaffirmed during stakeholder consultations. The repeated flooding incidents during construction, the delayed completion of ESAP Action 3.4, and the continued evidence of incomplete drainage infrastructure during the 2025 reporting period suggest that the project may not have fully met the PR4 requirement to avoid or minimise the exacerbation of flood risks.

Based on these initial findings, IPAM finds an indication that the Bank may not have complied with a provision of the Environmental and Social Policy (including any provision requiring the Bank to monitor Client commitments), in force at the time of Project approval.

IPAM therefore notes that, on the issue of the risk of flooding, the second criterion set in section 2.6 (b) of the 2019 PAP for determining the eligibility of the Request for a Compliance Review is met.

ii) Pedestrian safety

The Requesters allege that the expansion of the road compromises the safety of students at a local school, which is located at the side of said road and lacks safe pedestrian crossings. In addition, they raise concerns regarding pedestrian safety during the construction phase, including inadequate traffic management and unsafe conditions for road users.

Under PR4, the client must “identify, evaluate and monitor the potential traffic and road safety risks to workers and potentially affected communities throughout the project life cycle” and, where appropriate, “develop measures and plans to address them.” For projects operating moving equipment on public roads, the client will “seek to prevent the occurrence of incidents and injuries to members of the public”.

The ESIA acknowledges that the introduction of four lanes increases risks for pedestrians if no mitigation measures are implemented, noting that additional bridges/underpasses or push buttons, signalised pedestrian crossings may be required to avoid adverse impacts on pedestrians.

During the consultations, the stakeholders repeatedly raised pedestrian safety, especially at the Nikola Đurković Elementary School in Radanovići and through settlements. The TA responses include assurances that the road would include 2m sidewalks, ≥2m refuge medians, barriers, 50km/h speed limit in settlements, and two roundabouts flanking the school to slow traffic and enable safer crossing.

The ESIA sets out the intended safety infrastructure: 7 road bridges, 4 culverts and 1 footbridge (to be reconstructed), 11 new roundabout junctions, as well as reconstruction of 2 existing roundabouts, a replacement underpass for Nikola Đurković Elementary School, bus stops in both directions at local junctions near settlements, pedestrian crossings principally at roundabouts and intersections, and road lighting along the entire route. On the other hand, the ESIA acknowledges that only uncontrolled pedestrian crossings have been considered under the current design and notes the need to consider bridges/underpasses, push buttons, or signalised crossings.

The 2020 Road Safety Audit (RSA) attaches a “high” risk rating to uncontrolled crossings and recommends the introduction of grade-separated or signalised crossings at multiple locations. However, IPAM has seen communications where these proposals are rejected by the Project designers.

A subsequent Traffic & Pedestrian Assessment (December 2020) revisited RSA findings and recommended controlled junctions at 2 of 8 sites and push-button signalised crossings at 5 of 8 sites.

The ESAP required the Client to ensure that the Construction Traffic Management Plan considers measures addressing the Traffic & Pedestrian Assessment. In this regard, Management has informed IPAM that they had received assurances that some of the proposed risk mitigation measures were to be incorporated in the design but had no actual evidence of it to share with IPAM at the time.

The preliminary findings by IPAM confirm that pedestrian safety risks have been identified at the design stage and mitigation measures proposed. However, no evidence has been made available to IPAM to inform to which extent they have been incorporated into the final design and the Construction Traffic Management Plan. On this basis, there is an indication that the requirement under PR4 to systematically identify, assess, and effectively mitigate traffic and pedestrian safety risks throughout the project lifecycle, including for vulnerable groups such as schoolchildren, may not have been fully met.

Based on these initial findings, IPAM finds an indication that the Bank may not have complied with a provision of the Environmental and Social Policy (including any provision requiring the Bank to monitor Client commitments), in force at the time of Project approval.

IPAM therefore notes that, on the issue of pedestrian safety, the second criterion set in section 2.6 (b) of the 2019 PAP for determining the eligibility of the Request for a Compliance Review is met.

iii) Air pollution

The Requesters allege that health of the community could be compromised by an increase in traffic, and an ensuing rise in air pollution.

Under PR4, the client must “identify and assess project-related risks and adverse impacts to the health and safety of the potentially affected communities and [...] develop protection, prevention and mitigation measures proportionate to the impacts and risks, and appropriate to the stage, size and nature of the project”.

The ESIA concludes that, assuming a 4% annual traffic growth, the Project will not result in any significant residual operational impact on air quality. Predicted concentrations of NO₂ and PM₁₀ within 20–150 m of the road show only negligible increases compared to the 2018 baseline in both the 2021 and 2031 scenarios, regardless of whether the Project is implemented. These increases are either similar with or without the Project or slightly lower with the Project, as higher and smoother average speeds help reduce emissions. For example, in summer 2021 the predicted PM₁₀ concentration was 13.7 µg/m³ with the Project compared to 14.1 µg/m³ without, while in summer 2031 it was 14.3 µg/m³ with the Project versus 13.8 µg/m³ without.

Publicly available research supports the ESIA's claim that a steady-state velocity gives much lower emissions and fuel consumption compared to a stop-and-go driving pattern as idling 10% of the time because of traffic stops or congestion can be responsible for as high as 45% of the Nitrogen Oxide emissions.^{6,7} Even if freeing capacity through traffic management would induce additional traffic, emissions may still be less than before if operating speeds are steadier, or only not materially higher.

⁶ [Real-World Carbon Dioxide Impacts of Traffic Congestion - Matthew Barth, Kanok Boriboonsomsin, 2008.](#)

⁷ [Impact of driving conditions and driving behaviour - ULEV - EC Public Wiki.](#)

Based on these initial findings, IPAM finds no indication that the Bank may not have complied with a provision of the Environmental and Social Policy (including any provision requiring the Bank to monitor Client commitments) or the Project specific provisions of the Access to Information Policy, in force at the time of Project approval.

IPAM therefore notes that, on the issue of air pollution, the second criterion set in section 2.6 (b) of the 2019 PAP for determining the eligibility of the Request for a Compliance Review is not met.

iv) Noise pollution

The Requesters allege that widening of the road will increase noise levels close to the road.

Under PR4, the client must “identify and assess project-related risks and adverse impacts to the health and safety of the potentially affected communities and [...] develop protection, prevention and mitigation measures proportionate to the impacts and risks, and appropriate to the stage, size and nature of the project”.

The ESIA indicates that baseline noise levels in the project area were already above Montenegrin legal thresholds for residential zones prior to construction. For example, monitoring at Lastva Grbaljska (approx. 40 m from the road) recorded 60–61 dB Lday, while Radanovići school (20 m) showed 58.5 dB. These values surpass the 55 dB limit for residential areas and even exceed the 60 dB threshold for zones heavily influenced by road traffic.

During operation, the ESIA predicts that noise will remain high and even increase slightly in summer months because the upgraded road will allow faster, freer-flowing traffic. At Lastva Grbaljska and Radanovići, projected levels for 2031 are around 65–68 dB, which is well above the legal thresholds. The ESIA acknowledges these breaches but argues they would occur with or without the Project, due to the annual 4% traffic growth. However, the ESIA does not account for the fact that the Project facilitates higher speeds and capacity, which can worsen noise exposure for homes located very close to the road.

The ESIA relies heavily on mitigation through low-noise surfacing but admits that other measures like noise barriers are limited due to space constraints. Moreover, baseline measurements and predictions were done for properties 20–40 meters away, where levels already breach legal limits. This indicates that residents living much closer to the road might be exposed to even higher noise levels than predicted. Despite this, the ESIA does not propose any additional mitigation measures for the operational phase.

Based on these initial findings, IPAM finds an indication that the Bank may not have complied with a provision of the Environmental and Social Policy (including any provision requiring the Bank to monitor Client commitments), in force at the time of Project approval.

IPAM therefore notes that, on the issue of noise pollution, the second criterion set in section 2.6 (b) of the 2019 PAP for determining the eligibility of the Request for a Compliance Review is met.

3.4.3. Regarding lack of adequate alternatives assessment

The Request alleges that a different route, diverting traffic away from the village of Lastva Grbaljska and the town of Radanovići (via e.g. the Adriatic–Ionian highway), would have been a better option than widening the existing Tivat–Jaz road (M2). Requesters argue this alternative would have improved regional connectivity while reducing the abovementioned alleged harms.

Under PR1, “the ESIA [for Category A projects] will include an examination of technically and financially feasible alternatives [...] including the non-project alternative, and document the rationale for selecting the particular course of action proposed [...] and recommend any measures needed to avoid, or where avoidance is not possible, minimise and mitigate adverse impacts.” PR5 requires clients to “consider feasible alternative project designs to avoid or at least minimise physical and/or economic displacement, while balancing environmental, social, and economic costs and benefits.”

Project documentation acknowledges the existence of other initiatives which will likely have impact on traffic flows along the M-2 road, including the Adriatic-Ionian highway. The NTS states that available information on how such initiatives will alter traffic flows, as well as if-and-when they may come to fruition, is inconclusive because the proposed Adriatic-Ionian highway might either reduce through-traffic or, conversely, draw additional traffic to coastal destinations as accessibility improves.

The “Project Alternatives” section of the ESIA is notably scarce in detail. The “do nothing” alternative is dismissed in the ESIA as non-viable due to the absence of other upgradeable roads between Tivat and Jaz. The document raises the complex landscape a new road would traverse, including Natura 2000 areas, a UNESCO World Heritage site, numerous settlements, and challenging topography, which would likely result in greater adverse environmental and social impacts than the chosen Project. However, beyond stating this, there is no detailed technical or financial comparison of alternatives, nor sufficient clarity on what the environmental and social impacts of each one would be. In sum, the ESIA states that alternative designs were considered, but provide very limited evidence to support this.

Finally, the ESIA mentions that the Client has adopted a “mitigation by design” approach to the Project, however it is not explicit if mitigation hierarchy prioritizing avoidance of impacts before minimization and compensation, was applied. As such, it remains unclear whether the alternative alignment analysis meets the requirements of the 2014 ESP under PR1 and PR5.

Based on these initial findings, IPAM finds an indication that the Bank may not have complied with provisions of the Environmental and Social Policy (including any provision requiring the Bank to monitor Client commitments), in force at the time of Project approval.

IPAM therefore notes that, on the allegation of inadequate alternatives analysis, the second criterion set in section 2.6 (b) of the 2019 PAP for determining the eligibility of the Request for a Compliance Review is met.

3.4.4. Regarding inadequate stakeholder engagement

In relation to the abovementioned issues (Sections 3.4.1 - 3.4.3), the Requesters allege that their concerns were not adequately addressed through the stakeholder engagement process.

Under, PR10, Category A projects require “organised and iterative consultation, leading to the client’s incorporating into its decision-making process the views of the affected parties on matters that affect them directly”.

The Project documents show that, in relation to the alignment, there was a multi-year engagement process beginning at concept/design stage. From 2016 to 2019, the TA held over 48 meetings with relevant municipalities, public utility companies, local communities and business entities. However, due a lack of systematic recording, there is no documentary evidence of how this engagement was considered in the final design, nor is there any information on what information was shared regarding alternatives nor, how concerns were responded to during these consultations.

As regards economic displacement, in addition to the above PR10 requirement, PR5 requires “the information contained in the LRP” to be summarised “for public disclosure to ensure that affected people understand the compensation procedures and know what to expect at the various stages of the project” and that “affected persons shall be given the opportunity to participate in the eligibility requirements, negotiation of the compensation packages, resettlement assistance, suitability of proposed resettlement sites and proposed timing”.

Specifically for the Project, formal engagement took place in the context of the national EIA and the supplementary ESIA during the winter 2019–spring 2020 period. At that time, nine residents of Lastva Grbaljska sent a letter raising similar concerns to the ones presented in the Request.

Socio-economic surveys (May–December 2020) targeted Project Affected Persons within 50m of the centreline; among business respondents surveyed in November 2020, 75% reported they had been informed about expropriation (some also referred to media/TV announcements), though several still felt poorly informed about the specifics of the expropriation process.

From the start of construction, stakeholder engagement has been largely managed through the grievance mechanism set up by the TA, which has become the primary means of addressing community concerns, including concerns raised in this Request.

Project reporting indicates that grievances have been actively received and processed by the TA, as well as resulted in formal agreements with some of the affected parties. However, some grievances related to expropriation impacts, lack of access roads and parking, and stormwater drainage remain unresolved (“in progress”) as of the latest report available to IPAM (Q4 2025).

While the resolution of grievances during the construction phase is evidenced, the recurring nature of grievances, particularly those related to the issues raised in this Request, warrants a more detailed review of the timeliness and effectiveness of stakeholder engagement, including a closer examination of how grievances raised by the Requesters have been addressed.

Based on these initial findings, IPAM finds an indication that the Bank may not have complied with a provision of the Environmental and Social Policy (including any provision requiring the Bank to monitor Client commitments), in force at the time of Project approval.

IPAM therefore notes that, on the issue inadequate stakeholder engagement, the second criterion set in section 2.6 (b) of the 2019 PAP for determining the eligibility of the Request for a Compliance Review is met.

4. Conclusion and Next Steps

The conclusion of the Compliance Assessment is that Case 2024/03 meets the criteria established in Paragraph 2.6(b) of the 2019 Project Accountability Policy to initiate a compliance review for all claims raised in the Request, except for allegations of deteriorated air quality. The Terms of Reference are presented in **Annex 1** of this report.

The Compliance Review will focus on how the Bank, through its actions has ensured compliance of the Project with the relevant obligations set in the 2014 ESP.

It is expected that the draft Compliance Review Report will be completed by IPAM by the end of December 2026. This timeframe is subject to the availability of the Parties and other stakeholders, as well as the promptness with which Management responds to IPAM's request for relevant documentation.

Annex 1. Compliance Review Terms of Reference

Introduction

The Compliance function determines whether EBRD has complied with its Environmental and Social Policy or the Project-specific provisions of its Access to Information Policy in respect of a Project. As such, the Compliance function only deals with the compliance of the Bank, rather than the compliance of the Client. IPAM engages with Project-affected People, Bank staff, Clients and other stakeholders in order to determine whether the Bank, through its actions or inactions, has failed to comply with any provision of the Environmental and Social Policy (including any provision requiring the Bank to monitor Client commitments), or the Project-specific provisions of the Access to Information Policy.

This Compliance Review will be undertaken by the IPAM team in line with the mandate established in the 2019 PAP and guided by the principles of independence, impartiality, transparency, predictability, proportionality, and equitability. Depending on the Compliance Review findings made, there are two alternative outcomes:

- If the Bank has been found compliant, the Compliance Review Report will provide an account of how the determinations was made with no further actions to be recommended. The Compliance Review Report is sent to the Board for information, disclosed in the IPAM case registry and the case deemed closed.
- If the Bank has been found not in compliance with the policies, IPAM includes, in the report, recommendations at the Project and Systemic level. These trigger a series of actions as follows:
 - Bank Management will be asked to draft a Management Action Plan (MAP) to address the recommendations.
 - The draft Management Action Plan is sent to the Requesters for Comments.
 - Management reviews the Requesters' comments and adjusts the Plan if deemed relevant.
 - IPAM sends the Compliance Review Report and the Management-proposed Action Plan to the Board for consideration and approval.
 - After Board approval, IPAM discloses the Compliance Review Report and the MAP in the public registry and initiates the MAP Monitoring Stage.

Scope of the Compliance Review

These Terms of Reference (ToRs) were prepared on the basis of the issues raised in the Request for Case 2024/03 and apply to any inquiry, action or review process undertaken by IPAM as part of the Compliance Review, with a view toward determining, as per paragraph 2.7 (a) and (b) of the **2019 PAP**, whether the Bank, through its actions or inactions, has failed to comply with the **2014 ESP**.

The scope of the Compliance Review is outlined below in an issue-based format. In view of the information already assessed by IPAM, the Compliance Review will focus on determining whether EBRD ensured that the Project (as related to Tranche 3 covering Tivat-Jaz section) is being implemented in accordance with **PRs 1, 4, 5, and 10**, as well as the ESP requirements on appraisal and monitoring by EBRD.

In considering the adequacy of EBRD's approach to appraisal and monitoring in relation to this Project, care will be taken not to expect performance at a level that requires the benefit of hindsight. Rather, the focus has to be on whether there is evidence that the Bank required the application of the relevant PR provisions considering sources of information available at the time and whether the due diligence process was sufficiently comprehensive.

The ToRs set out the key lines of investigation and the main topics (economic displacement; impacts on the safety and health of the community; lack of adequate alternatives analysis; and inadequate stakeholder

engagement) to be addressed as part of the Compliance Review in reference to the allegations of actual and/or potential harm, to the exception of air pollution-related aspects as criteria for investigating this issue are not met (see 3.4.2 supra). The guiding questions below provide an investigative framework for IPAM based on the alleged harms and the Environmental and Social Policy requirements.

Table A1: Key Lines of Investigation

Issues raised in the Request	Key Investigative Questions
Economic displacement	Has the Bank appraised whether the LARP adequately addresses impacts (temporary or permanent) of partial expropriation on livelihoods of affected businesses, in line with PR5 (para 37 in particular)?
	Has the Bank assessed whether the mitigation measures of the LARP applicable to the project-affected businesses, are in line with PR5 (para 37 in particular), as well as implemented by the Client in a timely manner?
Impacts on the safety and health of the community	Has EBRD ensured that the Client addresses the flooding-related impacts, in line with PR4 (para 32 in particular) to avoid and/or minimise the exacerbation of flooding impacts on project-affected people?
	Has the Bank ensured that the Client addresses the potential road safety risks to communities in a timely manner, as requested by PR4 (para 29)?
	Has the Bank ensured that the assessment of noise impacts, as far as they may constitute a risk to the health and safety of the potentially affected communities, is done by the Client in line with PR4 (para 17) and GIP, and mitigations measures planned accordingly?
Lack of adequate alternatives analysis	Did the Bank seek to ensure that the Client conducted a full alternatives assessment in accordance with PR1 (para 10) and PR5 (para 11), with due consideration of no-project option or alternative project designs?
Inadequate stakeholder engagement	Did the Bank seek to ensure that the Client conducted an organised and iterative stakeholder consultation, where the alternatives to the project were transparently presented and discussed, and feedback of the community taken into consideration and addressed, in line with PR1 (para 10), and PR10 (para 21)?
	Has the Bank ensured that the project-affected businesses have been adequately identified by the Client, as well as informed about the expropriation process and consulted on the LARP's mitigation measures, in line with PR5 (para 12, 13 and 38 in particular) and PR 10 (para 21)?
	Has the Bank ensured that the Client developed and implemented, in line with PR10 (para 28), PR5 (para 21) and PR1 (para 25), a Grievance Mechanism to address stakeholders' concerns on economic displacement and community health and safety?

Proposed Methodology

The Review will involve a combination of document review, relevant stakeholder interviews and a site visit.

The document review will encompass Project documentation, memos and email communications seeking to assess the process and evidence used by the Bank to assess the compliance of the Project vis-à-vis the 2014 ESP and relevant PRs.

Virtual and in-person interviews will be conducted to gather information from Project staff, local authorities, consultants, residents, contractor and others involved at relevant stages of the Project.

A site-visit to the project will take place during which the IPAM team intends to have meetings with the Client, relevant authorities, the Requesters, EBRD Resident Office staff, contractor and other third parties that can provide their perspective of the Project and the issues raised. The exact timing of the visit will be coordinated with both the Client and the Requesters with due consideration to minimising disruption of their activities.

In considering the adequacy of the steps EBRD has taken during the appraisal, approval and supervision stages of the Project to ensure compliance with the 2014 ESP, care will be taken not to expect performance at a level that requires the benefit of hindsight.

Technical experts and consultants

This Case will require the use of interpreters and translators. It will not require the use external technical experts.

Access to information

In order to ensure timely completion of this Compliance Review, IPAM shall require from Bank Management full, unrestricted access to relevant Bank staff and files.

The PAP establishes a maximum 10 business day period for complying with requests for information and documents. All relevant Parties are encouraged to comply with requests from IPAM for obtaining access to sites, submission of written materials, provision of information and attendance at meetings. Any situations where the actions or lack of action by any Party hinders or delays the conduct of the Compliance Review may be referenced in the Compliance Review Report.

Parties are also encouraged to inform IPAM if any of the information shared with IPAM is deemed as confidential as per the Bank's Access to Information Policy or because of a risk of retaliation.

Access to use and disclosure of any information gathered by IPAM during the Compliance Review process shall be subject to the Bank's Access to Information Policy and any other applicable requirements to maintain sensitive commercial and/or other information confidential. IPAM will not release any document or information that has been provided on a confidential basis without the express written consent of the party who owns such document.

Timeframe

The Project Accountability Policy establishes that the Draft Compliance Review Report shall be completed within 140 Business days of the publication of the Compliance Assessment Report. After that, the Policy provisions establish a series of interactions with Parties to allow for comments and, if the Bank is found non-compliant, several actions are related to the preparation of a Management Action Plan by the Bank's Management.

For Case 2024/03, the Compliance Review process timeframe is expected to start in July 2026 and be submitted to the Audit and Risk Committee of the Board by June 2027 (if a MAP is required) and is divided into four main stages:

- Stage 1: Information and documentation procurement.
- Stage 2: Document review, interviews, field visit.
- Stage 3: Report drafting.
- Stage 4: Parties' comments, and Report finalisation.

Table A.2. below provides further detail on activities, milestones, and tentative schedule.

Table A.2. Tentative Schedule

Activity	Estimated timeframe
Stage 1: Information and documentation procurement	July - August 2026
IPAM planning process and introductory engagement with Management, Client and Requesters	
Identification and request of documents and information required for Review	
Translation of documents as needed	
Identification of relevant stakeholders for interviewing	
Stage 2: Document review, interviews, field visit	August – November 2026
Desk review of documents	
Consultations and interviews (virtual or in person as appropriate)	
Site visit – project visit and in-person interviews	
Identification and request of further documents and information as needed	
Desk work and fact checking (further engagement with Parties as needed)	
Stage 3: Report drafting	November – December 2026
Drafting of the Compliance Review Report	
Circulation of the draft Compliance Review Report to Parties (for comments and development of Management Action Plan)	
Stage 4: Parties' comments, and Report finalisation	January – June 2027
Comment period by Parties (Policy timeframe – 10 business days)	
Development of Management Action Plan (Policy timeframe – 30 business days from receipt of Compliance Review Report)	
Submission of draft Management Action Plan to IPAM	
Circulation of draft Management Action Plan to Requesters for comments on the draft MAP (Policy timeframe – 20 business days from date of IPAM circulation)	
Submission of comments on MAP by Requesters to IPAM	
Finalisation of Compliance Review Report by IPAM based on Requesters' comments if relevant (Policy timeframe – 10 business days from date of receipt of comments)	
Circulation of final Compliance Review Report and Requesters comments on MAP to Management	
Revised Management Action Plan (Policy timeframe – 15 days from date of receipt of Compliance Review Report and Requesters' comments)	
Submission of the compliance review package to the EBRD Board of Directors	
Board meeting on Compliance Review and consideration of Management Action Plan	

Extensions

If IPAM requires an extension of this timeframe, Parties will be promptly notified, and the case registry updated to reflect the new deadlines. Please note that if the Requesters, Client or Management require an extension on any specific deadline, they should inform IPAM along with the proposed extended deadline. IPAM will seek to accommodate those requests and inform all Parties of its decision in a prompt fashion.

All Parties to the Case will be updated regularly on the status of the Review process and formal notifications on extensions will be issued by IPAM if needed.