Introduction

1. Under the Kyoto Protocol, industrialized countries have committed to reduce their greenhouse gas (GHG) emissions during 2008–12. Emission reduction commitments are defined as a cap on the volume of GHGs that can be emitted and quantified by Assigned Amount Units (AAUs)\(^1\) allocated to each participating industrial country and economies in transition (EIT). While many of the EU-15, Japan, and other industrialized countries are facing challenges in meeting their Kyoto commitments, a number of EITs, including the Czech Republic, are expected to be left with significant surplus AAUs after meeting their Kyoto commitments. This presents trading opportunities under Article 17 of the Kyoto Protocol (Emissions Trading).

2. Some countries (e.g., Italy, Spain, Japan) have confirmed their interest in acquiring AAUs. These potential buyers have also indicated that support from their domestic constituencies for buying surplus AAUs could be secured only if the proceeds from AAU transactions are used for projects or programs that reduce GHG emissions or have other tangible environmental benefits. Some EITs have proposed establishing a 'Green Investment Scheme' (GIS) to satisfy potential buyers' concerns that AAU proceeds be channeled to prior-identified projects and programs that yield environmental benefits.

3. Under the Kyoto Protocol, the Czech Republic is entitled to emit a total of 900 million tons of GHG during the period 2008-2012. The country could sell around 100 million Assigned Amount Units (AAUs). The GIS developed by the Czech Ministry of the Environment in cooperation with the State Environment Fund will link AAUs with specific programs/projects. The GIS program reflects government priorities, relating primarily to energy savings in the residential housing sector. The proposed measures that will be supported by the GIS will cover those national priorities in increased energy efficiency and environmental protection for which applicants cannot presently obtain support from the EU Structural Funds and that presently cannot be sufficiently funded from national resources.

4. The World Bank Carbon Fund as a trustee of several buyers intends to buy a portion of these AAUs from the Czech Republic. This document outlines social due diligence aspects that will be applied to the GIS transaction between the Czech Republic and the World Bank.

5. The GIS Programme (Project; CZ GIS) will fund energy saving and energy efficiency investments in the country’s housing sector as follows:
   (a) Heat insulation of family and apartment buildings;
   (b) Improvement of energy efficiency by replacing existing equipment with a more efficient one;
   (c) Fuel switch to more environmentally friendly fuels (e.g., switch from coal to renewable energy);
   (d) Support for construction of new passive family houses and apartment buildings;

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\(^1\) One AAU equals one ton of CO\(_2\) equivalent.
(e) Installation of low-emission biomass sources; and,
(f) Installation of solar thermal collectors in family houses and apartment buildings. Subsidies will be provided to owners for the purchase and realization of the above activities.

6. The main objective of the proposed Project is to reduce CO₂ emissions and emissions of air pollutants, to increase the use of renewable energy sources and to improve energy efficiency in the residential sector of the Czech Republic. The objective will be reached through funds allocated to various types of activities identified and agreed upon during the Project preparation and negotiation. The Program will be implemented countrywide based on demand for proposed activities. All of the subprojects to be supported by the CZ GIS will be categorized and screened to identify the environmentally and socially sensitive cases.

7. In accordance with the Bank’s safeguard policies and procedures the CZ GIS is placed into the Bank’s FI Category. For a FI operation, the Bank requires that each FI screens proposed subprojects and ensures that subproject beneficiaries carry out appropriate measures to prevent negative social impacts incl. resettlement issues for each subproject. Before approving a subproject, the FI verifies (through its own staff, outside experts, or existing public institutions and agencies) that the subproject meets the requirements set by the Bank’s OP/BP/GP 4.12.

8. OP/BP/GP 4.12 Involuntary Resettlement covers direct economic and social impacts that both result from Bank-assisted investment projects, and are caused by the involuntary taking of land resulting in:

(i) relocation or loss of shelter;
(ii) loss of assets or access to assets; or
(iii) loss of income sources or means of livelihood, whether or not the affected persons must move to another location; or
(iv) the involuntary restriction of access to legally designated parks and protected areas resulting in adverse impacts on the livelihoods of the displaced persons.

9. The above Bank’s safeguard policies and procedures apply to all components of the project (program) that may result in involuntary resettlement, regardless of the source of financing and to other activities resulting in involuntary resettlement, that in the judgment of the Bank, are among others:

(a) directly and significantly related to the Bank-assisted project,
(b) necessary to achieve its objectives as set forth in the project documents; and
(c) carried out, or planned to be carried out, contemporaneously with the project.

10. Of the subprojects under the CZ GIS project, the small or medium scale construction works connected to construction of new low-energy buildings (greenfield or brownfield projects) are those which may require land acquisition. As the project is demand-driven, the specific impacts of construction works are not known at this time.

11. To address these issues the FI (SEF) has prepared following Resettlement Policy Framework (RPF), which includes the following elements:

(i) an overview of national policies and regulations governing land expropriation and issues related to adverse social impacts;
(ii) a framework for screening of the subprojects to prevent adverse social impacts;
(iii) details on the public information, consultation and participation related to identified negative social impacts and grievance redress mechanisms applicable during CZ GIS implementation;
(iv) supervision, monitoring and evaluation of adverse social impacts related issues.


12. To avoid negative social impacts related to land acquisitions, minimum measures to be taken based on World Bank policies include: compensation for the loss of property, livelihood or income, and help with resettlement, including of a provision of resettlement place, and help with improving living standards in order to reach the same quality of living which was enjoyed prior to the commencement of the project. All these requirements are included and sufficiently covered by the Czech legal system, and the socially deprived people are protected by law and courts, as stipulated by the international obligations which are observed by the CR (e.g., Article 6 of the European Convention on Human rights).


14. As the construction of private or municipal residential buildings does not meet the abovementioned legal preconditions for an expropriation of private land, the support of construction/reconstruction defined in CZ GIS Programme document will not lead to involuntary resettlement. However common property owned by a municipality and rented/used by other natural or legal persons can be sold to a private owner as stipulated by para 39, Act 128/2000 Coll., on municipalities. Municipal property incl. land can be sold if so decided by a simple majority in municipal council. Such transaction must be publicly announced at municipal information desk at least 15 days prior to the final decision. It is possible to raise a complaint to the Ministry of Interior or to court. A precedent decision of Regional Court (Krajský soud Ústí, 15 Co 132/2005, April 21, 2005) sustained a right of citizens to proper management of municipal property executed by elected municipal council.

15. All CZ GIS applications will be therefore screened to prevent any case of municipal land mismanagement. Ownership of each construction plot is registered in Cadastre of realty (Katastr nemovitostí; land and buildings) and the subsidies will be granted only to properly registered owners. Moreover, any complains and grievances will be consulted with NGOs active in this area (e.g. Ekologický právní servis, www.eps.cz).

Zoning:

16. The suitability of the construction site is established under the land use plan / spatial development plan which every municipality in CZ is required to produce. The land use plan
designates specific uses for land zones, construction land is subdivided into sub-types along criteria such as dimensions of structures, use, ration of green to built-up area etc. The zoning and its subdivisions will be based on an environmental impact assessment in which environmental conditions are captured and mainstreamed into zoning, and special conditions and provisions for land use types defined.

17. With regards to the issue of restriction of construction works in certain areas / plots of land, the restrictions are based on their own merits and the qualitative and quantitative criteria set for the land fund in CR. The Institute of Zone Planning and Purpose Classification of Land helps to protect the land fund in terms of sustainable development. In principle, no building work can be carried out on plots of land which belong to the Fund of Agricultural Land. For non-agricultural land, only non-agricultural land must be used, in particular plots of land in built-up areas, which are still free or which have not been sufficiently used, or plots of land allocated outside the built-up areas, vacant building lots, and areas acquired after demolishing of obsolete buildings and facilities. The same applies to plots of land which are classified as woodlands.

18. In terms of negative impacts of the project regarding a limited access to some restricted areas, it is clear that despite the fact that the freedom of movement and stay is guaranteed by the Constitution, it cannot be unrestricted. Considering the fact that freedom of movement is one of the undisputable human rights, it can only be restricted providing some very strict conditions are complied with, and only by the law. This restriction must apply to all instances which fall under the stipulated conditions. When applying provisions restricting basic human rights and freedoms, the merit of the case and its purposes must be examined. The restrictions cannot be used for any other purposes than allocated. The freedom of movement may be restricted for example for the reason of protection of the environment.

Expropriation:

19. With regards to requirement to prevent the negative impact of loss of property, i.e., expropriation, the legal regulations provide a sufficient protection to the expropriated, for example, in terms of strict conditions set for initiating the expropriation, the legal review of the decision to expropriate, the limited number of expropriation deeds, and provision of compensation for the owners of expropriated property.

19. According to the Czech Expropriation Act, expropriation is withdrawal or limitation of ownership rights (or equivalent to an easement in land or a building) to achieve the purpose of expropriation as stipulated in a special law (i.e., it can be done in public interest only). Expropriated is a person who has the legal right of ownership of a land or building (incl. easement). Expropriator is a person who seeks transfer of the legal right of ownership of a land or building from the expropriated. In the view of law both expropriated and expropriator can involve private persons or entities, and public entities.

20. According to Expropriation Act, compensation will be determined at the level of market price, and shall thus correspond to the price which the expropriated would obtain and the expropriator would pay in the event of a contract-based transfer. Compensation shall be provided in cash; in the case of transfer of title, compensation in the form of other land or another structure may be provided on the basis of an agreement between the petitioner and expropriatee. In addition, the expropriated shall be compensated for moving costs or costs stemming from reallocation of business activities. In addition, any potential disputes will be
governed by the relevant provisions of the Civil Code regarding the compensation of damages (Ss 415-459 of the Civil Code)

21. All efforts in the Czech Republic are made to provide alternative accommodation even in the case of illegal tenancy. For example, in June 2009, squatters were evicted from the Milada villa in Prague in which they had lived for about ten years. The Ministry of Human Rights provided alternative accommodation for them in Prague.2

22. Another likely negative social impacts relates to increase of rents in rented apartments. Rent increase is regulated by Act No. 107/2006 Coll., on ex-parte (one-sided) increase of rents related to apartments and on amending of Act No. 40/1964 Coll., Civic Code in wording of later regulations. Accordingly para 711a(1), Civic Code, the renting contract can be changed or cancelled legally in reasoned cases, e.g. in a case of reconstruction, which extent prevents using of the apartment for a longer time. In such a case, the court can order owner to provide tenants with a permanent substitute apartment of comparable quality or with a temporary shelter for the period of reconstruction.

23. In many cases referred to in the Czech media, owners try to expel tenants illegally by connecting off drinking water and/or electricity, removing windows etc. The Union for Tenants Protection (Svaz pro ochranu nájemníků), ombudsman and courts deal with legal actions related to the violation of rights of tenants. Association of Civic Advisory Centres (Asociace Oběanských Poraden) is another NGO dealing with the whole spectrum of discrimination and social exclusion issues3.

24. In the case of rent increase, there is a legal possibility to apply for rental subsidies at the municipal labour (social) office. Accordingly to the family income and number of dependants, the subsidy covers a substantial part of the current rent. There is however a growing group of tenants unable or unwilling to pay their rents; a substantial share of the group belongs to the Roma minority.

25. Careful screening will be focused on elimination of all cases of residential buildings reconstructions that may lead to impairment of living conditions of socially vulnerable tenants. CZ GIS will not supply any reconstruction subprojects if the protection of tenants is not respected by the owner of the building. Abovementioned subprojects will be treated on case-by-case basis by SEF. 7.

**Resettlement Policy Framework**

26. This Policy framework seeks to address the gaps between the existing legal provisions discussed in the previous section. This policy is based on the philosophy that the project must serve the needs of society and ensure that project affected people (PAPs) are at least as well off due to the project. This can be ensured through the following basic objectives:

   (i) Avoid involuntary resettlement where feasible and minimize resettlement where population displacement is unavoidable,

   (ii) Ensure that displaced people receive compensation, assistance and rehabilitation so that they would be at least as well off as they would have been in the absence of the project,


3 This network has 36 advisory centres in 39 municipalities across the whole country. One of their projects supported by the EU funds is focussed on the rental contracts,
(iii) PAPs will benefit from the project, and
(iv) Project stakeholders (which includes PAPs) are consulted and given the opportunity to participate, as practicable, in the design, implementation, and operation of the project.

27. Three important elements of involuntary resettlement are: (i) compensation for loss of assets, loss of livelihood and income, (ii) assistance for relocation, including provision of relocation sites with appropriate facilities and services, and (iii) assistance for rehabilitation to improve, or at least restoration of incomes and living standards to the pre-project level.

**Principles on Compensation and Entitlements**

28. The overriding principle for all development projects is that people unavoidably affected should be compensated and assisted, so that their economic and social future would be at least as favorable as it would have been in the absence of the project. This will be accomplished using the following specific principles.

(1) Acquisition of land and other assets and shifting of people will be avoided and minimized as much as possible.

(2) Only PAPs who are found to be living in, doing business, or cultivating land, or having rights over resources within, the project area as the date of the census (cut-off date) are eligible for compensation for loss of assets, other assistance and rehabilitation for social and economic losses. PAPs will be compensated for affected land, either through receiving replacement land or replacement cost for their land.

(3) All compensation for affected land, structures, and other fixed assets shall be paid at replacement cost.

(4) The resettlement transition period will be minimized and the acquisition of assets, compensation, resettlement and rehabilitation for a segment/section or phase (except where long-term rehabilitation measures such as vocational training) will be completed at least one (1) month prior to the initiation of construction work under the respective segment/section or phase thereof.

(5) In the case of a partial impact on the assets, i.e., partial loss of land or structures and the remaining assets remain viable for continued use, compensation for the affected assets will be paid in cash.

(6) Other types of landholders who are on a right of way or public land as of the cut-off date will be compensated for affected structures, other fixed assets and other losses but not for land. However, such affected persons shall receive special assistance such that they are not made worse off by the project taking the land on which they were located.

(7) In case of land for land for residential and commercial sites, the Implementing Agency shall provide PAPs the appropriate plot of land with basic services such as electricity, water, drainage, emergency sanitation service, and access at least at the pre-project level.
(8) For resettlement site land, the plot owner of the proposed relocation site will also be entitled to compensation for his/her land, and depending on his/her choice, the compensation may be in cash or in the form of a replacement land within or outside the relocation site.

(9) The project authorities will provide resettlement assistance and the following minimum allowances to eligible PAPs:

(a) **Disruption allowance** shall be given to PAPs whose business income is temporarily lost due to the project. The independent shops on a right of way that temporarily lose business during construction are eligible for this allowance. The allowance should be provided in cash based on the temporary projected business income lost.

(b) **Vulnerable group** assistance shall be provided for vulnerable families, such as female-headed household, poor families, and disabled headed households in an amount that shall assist them to become economically viable. In addition to any specific allowances to which members of vulnerable groups may be entitled, they shall also receive rehabilitation assistance based on their priorities and needs.

(c) **Rental allowance** shall be given to house tenants of affected main structures who will be forced to find a new place to live, at an amount equivalent to three month's rent. It shall also be given to affected persons forced to lease premises until replacement land and housing is available to them up to a maximum period of three months.

(d) **Transportation allowance** (in cash or in kind according to mutual agreement of the PAP and the project authorities) to relocating PAPs. When the allowance is in cash, it shall be an amount equivalent to actual transportation costs.

(e) **Repair allowance** is given to PAPs affected by a partial loss of structures and those affected during moving locations based on cost of repairs.

(10) Rehabilitation assistance is a form of special skills training or other development support to PAPs severely affected due to the loss of productive assets and/or their only source of income and which will require them to engage in some other income-earning activities. The project authorities, by consulting with stakeholders, will coordinate closely with concerned agencies (local authorities and independent assigned NGOs) that have the mandate and the expertise to undertake the needed rehabilitation assistance.

(11) The project authorities will provide vulnerable PAPs the rehabilitation assistance needed to cope with a new environment and to improve their status. This assistance shall be based on the needs and priorities of the vulnerable groups.

(12) Any PAPs’ loss due to any acquisition or restriction on access to common resources as a common property will be mitigated by arrangements of such property that will
ensure, as a first option, that new access of those PAPs to an equivalent resource will occur on a continuing basis, if feasible. If it is not feasible, then other alternatives shall be identified in consultation with the PAPs.

(13) Resettlement programs will include adequate institutional arrangements to ensure effective and timely design, planning, consultation and implementation of compensation and resettlement. The project authorities will ensure effective coordination with relevant agencies for the implementation of the Resettlement Plan (RP).

(14) Adequate arrangements will be made for the timely conduct of social assessments, inventory of affected assets, socioeconomic survey, and the preparation and implementation of RPs, including the timely conduct of internal and external monitoring of RP implementation.

28. The matrix below defines the proposed eligibility for compensation and/or rehabilitation assistance for impacts/losses for different types of assets for different categories of project affected persons.

<table>
<thead>
<tr>
<th>ASSET ACQUIRED</th>
<th>TYPE OF IMPACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGRICULTURAL LAND</td>
<td>Not applicable, as no construction work can be carried out on plots of land which belong to the Fund of Agricultural Land</td>
</tr>
<tr>
<td>COMMERICAL LAND</td>
<td>Expropriation of land in exceptional cases when such action is in the public interest</td>
</tr>
<tr>
<td></td>
<td>Title holder</td>
</tr>
<tr>
<td>RESIDENTIAL LAND</td>
<td>Expropriation of land in exceptional cases when such action is in the public interest</td>
</tr>
<tr>
<td></td>
<td>Title holder</td>
</tr>
<tr>
<td>STRUCTURES</td>
<td>Expropriation of structures in exceptional cases when such action is in the public interest</td>
</tr>
<tr>
<td></td>
<td>Title holder</td>
</tr>
<tr>
<td>TREES</td>
<td>Trees lost</td>
</tr>
<tr>
<td></td>
<td>Title holder</td>
</tr>
<tr>
<td>TEMPORARY ACQUISITION</td>
<td>Temporary acquisition</td>
</tr>
<tr>
<td></td>
<td>PAP (whether owner, tenant, or squatter)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ENTITLED PERSON</th>
<th>COMPENSATION ENTITLEMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGRICULTURAL LAND</td>
<td>Cash compensation based on market value</td>
</tr>
<tr>
<td>COMMERICAL LAND</td>
<td>Cash compensation based on market value</td>
</tr>
<tr>
<td>RESIDENTIAL LAND</td>
<td>Cash compensation based on market value</td>
</tr>
<tr>
<td>STRUCTURES</td>
<td>Cash compensation based on market value</td>
</tr>
<tr>
<td>TREES</td>
<td>Cash compensation based on type, age and productive value of affected trees.</td>
</tr>
<tr>
<td>TEMPORARY ACQUISITION</td>
<td>Cash compensation for any assets affected (e.g. boundary wall demolished, trees removed)</td>
</tr>
</tbody>
</table>
29. The seller (MoE) is therefore prepared to accept specific conditions related also to the prevention of adverse social impacts.

30. The subsidies shall be granted to owners of buildings, not to developers or construction companies. The obligations to prevent involuntary resettlement must be legally transferred to the subsidy recipients.

31. Socially vulnerable groups: There are policies and measures formally adopted by the Czech government to protect socially vulnerable groups, which have been identified recently (see Annex). The major instrument is an National Action Plan on Social Inclusion (NAPSI) derived from the Operational Program "Human Resource Development" (2004-2006), respectively the Operational Program "Human Resources and Employment" (2007-2013). NAPSI is related to the Government’s priority of "Strengthening Social Cohesion".

32. Socially vulnerable groups could be negatively impacted due to: (i) reconstructions of older apartment houses with sub-standard apartments (lower rents), (ii) new constructions (greenfield or brownfield) and (iii) rehabilitation of slum areas inhabited by socially excluded groups (Roma minority, homeless dwellers).

33. A safeguard system proposed for EMF is integrated also with the screening out all sub-projects with likely negative social impacts related to OP/BP/GP 4.12 *Involuntary Resettlement*. During the screening carried out at the first level by the assisting banks, following sub-projects should be identified:

   (i) new constructions carried out on public owned or municipal land used by general public before the purchase, e.g. public parks and green belts, public playgrounds, publicly accessible river or lake banks etc.

   (ii) reconstructions of residential areas or apartment buildings either public or commercial inhabited by tenants belonging to socially vulnerable groups.

34. The above sub-projects should be examined closer by SEF to prevent any mismanagement of public property and/or harm caused to socially vulnerable tenants. RPF is focused on the illegal practices related to reconstruction of rented apartments. Also "privatization" of municipal green areas, which are sold to private owners and developers despite sustainable land use planning, should be identified in the course of application process being often related to dissent and complaints of general public. In a broader sense, the screening should meet requirement of "a good practice to undertake a social assessment and implement measures to minimize and mitigate adverse social impacts, especially those affecting poor and vulnerable groups" as spelled out by OP/BP/GP 4.12 *Involuntary Resettlement*.

35. Monitoring and reporting of the RPF will be carried out as a part of EMF (see indicators proposed in EMF).

36. This draft document will be consulted with MOLSA, office of Ombudsman and the abovementioned NGOs active in the social area. The final RPF shall be part of implementation manuals of CZ GIS.
Annex: National Action Plan on Social Inclusion

It should be kept in mind that the Czech Republic regularly submits to the EC a biannual National Action Plan on Social Inclusion (NAPSI) addressing broad spectrum of issues related to social exclusion. Our following analysis should therefore take into account any relationships between CZ GIS and social problems addressed in NAPSI.

The overall concept of strategies of social protection and social inclusion of the Czech Republic comprises the National Action Plan on Social Inclusion (NAPSI), National strategic report on pensions and National strategy of health and long-term care. All strategic documents declare its relation to revised Lisbon strategy of growth and employment.

The Ministry of Labour and Social Affairs of the Czech Republic (MoLSA) prepared a methodology for drafting action plans on social exclusion at regional and local (municipal) level. The process of regional planning is however in its initial phase as further discussed. The individual social exclusion policies are focused on particular most vulnerable groups of people threatened by social exclusion:

a. Ethnic minorities and immigrants,
b. Persons with physical and mental disabilities,
c. Persons with low qualification,
d. Single parents,
e. Children, youth and young adults from socially vulnerable environment, including children from child’s homes,
f. Older people (pensioners) and elderly people loosing job,
g. Homeless people,
h. Persons leaving social institutions and ex-prisoners,
i. Drugs addict persons.

Key themes of the current SE strategies are mainly the employment, social integration, education and human resource development.

In the Czech Republic, National Action Plan on Social Inclusion (NAPSI) is derived from the Operational Program "Human Resource Development" (2004-2006), respectively the Operational Program "Human Resources and Employment" (2007-2013). Purpose of NAPSI is to achieve strategic objectives related to the priority "Strengthening Social Cohesion" via:

1. facilitating participation in labour market and access by all to the public resources, rights, goods and social services;
2. preventing the risk of social exclusion;
3. assisting to the most vulnerable (target groups);
4. mobilizing all relevant bodies (state administration and agencies, non-profit sector).

In the framework of NAPSI 04-06, a methodology for preparation of local and regional plans has been drafted and tested via several pilot projects (local and regional action plans) launched in following regions and municipalities. NAPSI 06-08 has been focused upon the North-Western Bohemia and the Moravia-Silesia Region (large unemployment and frequency of socially pathological behaviour):

1. Karviná municipality,
2. Olomouc region,
3. Havlíčkův Brod municipality,
4. Vsetín municipality.
NAPSI 06-08 is based upon funding from the structural EU funds and from European social fund by means of OP „Human resources and employment“, Priority 3 „Social integration and equal opportunities“. Relevant measures will be co-financed from government budget (MOLSA, Ministry of the Regional Development, Regions and other parts of the public administration).

As NAPSI was formulated as an umbrella document coordinating other regional and sectoral operational programs (OPs), the relevant segments are summarized and quantified. In November 2008, revised NAPSI (2008-10) was submitted to the EC. The main goal of this document is to assure the following socially beneficial measures:

a. sufficient financing, protection of rights and providing of services necessary for effective social inclusion, prevention of social exclusion and eradication of all forms of discrimination leading to social exclusion,

b. active support of social inclusion for every adult via access to labour market with simultaneous eradication of poverty and social exclusion,

c. efficient coordination of social inclusion policies to activate all levels of public administration and relevant stakeholders, including vulnerable groups. Those social inclusion policies should be effectively focused on economic and budgetary measures, educational and vocational training and efficient use of the EU Structural Funds (especially the European Social Fund).