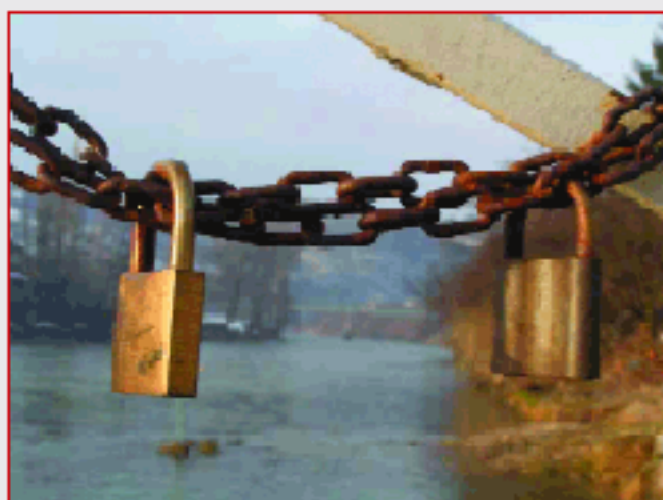


Balkan Case Studies:  
**Bridging the gap  
between  
EBRD rhetorics  
and reality**



may 2006

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## INTRODUCTION

"Bridging the gap between EBRD rhetoric and reality" is a collection of eight case studies from five countries presenting the work of the EBRD in the Balkans. Some of these projects are often used as 'show-cases' to illustrate the achievements of the bank in building bridges and promoting prosperity in the region. Others are used by local politicians for short-term political purposes as it demonstrates their ability to attract investments and promote development.

A closer look at these projects, however, reveals the business-as-usual approaches used in the Balkans: the lack of transparency and proper justification of project costs, and disregard for public opinion and environmental values. The authors question who are the real beneficiaries of the EBRD's investments in our countries, and why should the public pay back loans after already paying for increased water bills and health impacts that can often result from these investments.

These case studies present not only the failure of the EBRD to fulfill its commitments to society and the environment, but also its failure to promote new improved business ethics and democracy in the Balkans. Ahead of this year's EBRD annual meeting Serbia's Finance Minister Mladjan Dinkic has been trumpeting the need for ever greater investment sums in the Balkans. As the case studies show, before discussing the quantity of future investments into the region, it would be extremely appropriate to pause and discuss their quality first.

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# Zagreb Wastewater Treatment Plant BOT<sup>1</sup>: CONSTRUCTION AND OPERATION OF WASTEWATER TREATMENT PLANT

## 1. Introduction

*by Pippa Gallop  
Green Action, Croatia*

### 1.1. Summary of the project

The Zagreb Central Wastewater Treatment Plant (CWWTP) is intended to address the fact that Zagreb currently has no wastewater treatment facilities for its 900 000 inhabitants, and wastewater passes directly into the Sava River. The new treatment plant is intended to comply with European Union wastewater environmental standards. The project is being carried out by Zagrebacke Otpadne Vode (ZOV), which is to build and operate the treatment plant for 28 years, before transferring its operation to another party. It will also construct - though not design or operate - associated infrastructure, including an access road, a collecting pipeline, a cover for a drainage canal and a large bridge over the river Sava<sup>1</sup>.

ZOV is 97 per cent owned by a consortium consisting of RWE Aqua GmbH, a subsidiary of Thames Water Aqua Holding GmbH, and WTE Wassertechnik, a subsidiary of the Austrian Utility Company EVN AG. The remaining 3 per cent is owned by Vodoprivreda Zagreb, wholly owned by the City of Zagreb<sup>2</sup>. The project is heralded by the EBRD as a showcase project of private involvement in the running of municipal infrastructure, as well as a project for the benefit of the environment<sup>3</sup>.

### 1.2. Project finance

According to the EBRD's statement of cumulative net commitments for Croatia, the total value of the project is EUR 292 719 000, with EUR 35 200 000 being lent by the EBRD<sup>4</sup>. The project is being co-financed by German bank Kreditanstalt für Wiederaufbau (KfW). Additional funds come from Vodoprivreda Zagreb and internally generated funds<sup>5</sup>. In reality, though, funding comes from the public and industry, which are paying for the plant through their water bills.

Bojan Zmaic, a member of the expert committee called upon to examine the project, also points out that the costs of the project have increased since the beginning, because of the addition of extra mechanical screens and covers, and because infrastructure costs have increased since the start of the project. In addition, the public will have to cover

1 EBRD Press Release: EBRD helps Croatia's Zagreb clean up its waste, December 14, 2001, <http://www.ebrd.com/new/pressrel/2001/01dec14x.htm>

2 EBRD Press Release: EBRD helps Croatia's Zagreb clean up its waste, 14.12.2001, <http://www.ebrd.com/new/pressrel/2001/01dec14x.htm>

3 EBRD Press Release: EBRD helps Croatia's Zagreb clean up its waste, 14.12.2001, <http://www.ebrd.com/new/pressrel/2001/01dec14x.htm>

4 EBRD Statement of cumulative net commitments, Croatia 31.12.2003.

5 EBRD Press Release: EBRD helps Croatia's Zagreb clean up its waste, 14.12.2001, <http://www.ebrd.com/new/pressrel/2001/01dec14x.htm>

maintenance and running costs for the project, so that the final cost of the project will be much more than the investment figures show<sup>6</sup>.

### 1.3. Current status of the project

Funding for the project was approved in 2001, and construction, expected to take six years,<sup>7</sup> is still in progress. The mechanical part of the plant is in operation but the biological part is not yet complete.

## 2. Public Involvement

### 2.1. EBRD information

The EBRD's involvement in the project is only occasionally mentioned in media articles on the subject, so it is unlikely that many members of the public are aware of the EBRD's involvement in the project, or the implications of this involvement.

### 2.2. Environmental reporting

The CWWTP was screened as an A/1 project in August 2001, which means it has a considerable environmental impact, and required the preparation of an Environmental Impact Assessment (EIA). An EIA for the project was carried out in 1994, but this was for a different kind of treatment plant<sup>8</sup> than the one being built now. In 2000 the EIA was once again available to the public. Separate studies were carried out for the CWWTP itself, and one for the Domovinski Bridge. The EIA for the Domovinski Bridge found that the bridge would lead to increased pollution and noise, but the mitigation measures suggested only consisted of regularly checking vehicles so that those exceeding legal emissions levels would be taken out of circulation. In the same section it is stated that it is city policy to reduce the usage of vehicles running on fossil fuels,<sup>9</sup> but the building of a new bridge, which is at least partially for road traffic, seems to contradict this.

The EIA for the CWWTP found that it would cause an impact during building and operation. The most important impact would be the production of large amounts of sludge from the treated water. The only solution included in the project is the provision of storage facilities for this sludge for five years or longer. It then states that the City of Zagreb is in the planning process for a combined solid waste and strained sludge incinerator.<sup>10</sup> Being even more controversial than the wastewater treatment plant, this part of the process is treated as a separate issue, and not examined within the EIA, even though the ultimate disposal of the sludge is very much an impact of the wastewater plant.

Passing the buck for the sludge by relying on an incinerator which has not yet been built - and may never be - cannot count as a sufficient mitigation measure, particularly considering the negative experience which Zagreb has had with its only other incinerator, PUTO, which resulted from the rehabilitation of the Jakusevac landfill site.

6 Interview with Bojan Zmaic, 17.03.2005

7 EBRD Press Release: EBRD helps Croatia's Zagreb clean up its waste, 14.12. 2001, <http://www.ebrd.com/new/pressrel/2001/01dec14x.htm>

8 Zmaic, Bojan: Meeting with Pippa Gallop, 17.03.2005

9 EBRD: Executive Summary: Environmental Impact Study for Domovinski Bridge, 2000? [www.ebrd.com](http://www.ebrd.com)

10 EBRD: Executive Summary: Environmental Impact Study for The Central Wastewater Treatment Plant of Zagreb, 2000 [www.ebrd.com](http://www.ebrd.com)

### 2.3. Public information about the project

The first information given to the public was in 1982 when the location for the project was disclosed.<sup>11</sup> In 1995 the first EIA was disclosed, but it is not clear how many people knew about this, since no comments were received<sup>12</sup>. From December 19, 2000 until February 19, 2001 the EIA was made available to the public again. It is easy to find information on the basic facts about the project, but the media discussion concerning the project has been largely technical and until recently there was no reason for the majority of citizens in Zagreb to feel that the project would greatly affect them. The largest omission was the lack of warning that citizens and industry would pay for the CWWTP through increased water bills. In addition, as we will see below, the project has been heavily criticised, and no explanation has been given as to why Zagreb City Council decided to go ahead with the project, which has led to assumptions that corruption was involved.

The choice of concession-holders was also unfortunate. Thames Water has an abysmal environmental record in the UK, having been successfully prosecuted for environmental violations no less than 24 times between 1999 and 2002. Thames Water also has a 48 percent share in a consortium which built a BOT plant in Izmit, Turkey, and in 2002 was asked to renegotiate its contract based on allegations of misconduct and financial problems. State auditors claim that the plant cost more than double its proposal.<sup>13</sup>

### 2.4. Public consultation

After the completion of the EIA the public was allowed to give comments, but no comments were received. Public discussion was held from May 15, 1995 until June 15, 1995, in accordance with Croatian regulations.<sup>14</sup> A public hearing was held but no members of the public attended.<sup>15</sup> The EIA was again available for public comments in ZOV's office in Zagreb, and the EBRD's offices in Zagreb and London from December 19, 2000 until February 19, 2001. No comments were received.<sup>16</sup>

We should not be surprised that the public did not participate. The most likely reason for this was that the issues that might have interested them were hardly -if at all - mentioned in the media, so it wouldn't have occurred to people to investigate the project. Also, in Croatia, as in many other countries, there is a strong respect for 'experts', and a corresponding lack of confidence to inform oneself and participate actively in debate. In addition, there is widespread apathy among the public towards political issues, and widespread resignation and a feeling that the public cannot change anything. This means that the minimal formal requirements for consulting the public are not likely to be very effective, and that only a much more pro-active approach to consultation would produce meaningful public participation.

In addition, it is sometimes easy to see why the public is sceptical of the ability of ordinary people to change anything. In this case, even the Expert Commission appointed by Zagreb City Council to examine the project, and which heavily criticised the project, was totally ignored.<sup>17</sup> So there is no reason to suppose that the City Council would listen to other, less informed members of the public.

11 Indic, Davor, EBRD, E-mail to Pippa Gallop, 14.03.2005

12 Indic, Davor, EBRD, E-mail to Pippa Gallop, 14.03.2005

13 Polaris Institute, RWE Corporate Profile, August 2003

[http://www.polarisinstitute.org/polaris\\_project/water\\_lords/corp\\_profiles/corp\\_profile\\_rwe.html](http://www.polarisinstitute.org/polaris_project/water_lords/corp_profiles/corp_profile_rwe.html)

14 Indic, Davor, EBRD, E-mail to Pippa Gallop, 14.03.2005

15 Zmaic, Bojan, E-mail to Pippa Gallop, 11.03.2005

16 Indic, Davor, EBRD, E-mail to Pippa Gallop, 14.03.2005

17 Zmaic, Bojan, Meeting with Pippa Gallop 17.03.2005

The public was invited to comment on the information that was openly available, that is the EIA. However, the most important decisions concerning the plant had already been made by the City Council. Namely, in involving the private sector in the project, Zagreb City Council had already committed the public to water bills increased not only at a rate with which to break even, but a rate necessary to generate profits for the concession-holders.

In addition, the decision to build a bridge as part of the project was taken as a result of policies included in the Regional plan of the City of Zagreb and the Zagreb Master Plan,<sup>18</sup> in which it is highly unlikely that the public were meaningfully consulted. In 2000, Claudio Kramaric, a journalist from the Vjesnik newspaper, pointed out that the Domovinski Bridge would add 200 000 000 Kuna to the cost of the project, which would be borne by citizens, and that it wasn't really necessary.<sup>19</sup> This was backed up by the Expert Commission, which also agreed that the bridge was unnecessary, since it was possible to have a smaller mechanical treatment plant on the south side of the river. However, there was no opportunity for citizens to express their opinions on the building of the bridge and the change in Zagreb's traffic system that it will bring, even though the impacts of this will be felt within a wider radius than the effects of construction.

### 3. Expectations, benefits and outcome

#### 3.1. Expectations from the project

The project was presented as an environmental project, which could only benefit Zagreb. This was undoubtedly one of the reasons for the apparent lack of public interest: even if there were some flaws, surely it would be better to have a wastewater treatment plant than none at all?

#### 3.2. Social, health and environmental issues

The CWWTP is not finished yet, so most of the effects are predicted rather than actual. The Expert Commission appointed to examine the project described it as "totally unsuitable for the current state of the sewage system and drainage conditions of Zagreb" and indicated that it will not lead to the improvements expected.<sup>20</sup>

They gave several reasons for this:

- The River Sava has become much cleaner since the decline of heavy industry in Zagreb, and during dry periods the quality of the Sava usually meets legal requirements. In addition the river becomes cleaner as it flows downstream towards Serbia. **The wastewater plant can only clean water to a fractionally better standard, if at all.**
- Zagreb's wastewater is not separated from the many streams flowing down from Sljeme, the mountain overlooking the city. This means that in wet periods, there are massive amounts of highly diluted wastewater. This has three consequences for the CWWTP: i) the wastewater is usually very diluted, which negatively affects the efficiency of the biological part of the plant, because there is not enough food for the microorganisms; ii) the times when pollution levels are high are when there has been heavy rain and a large amount of

<sup>18</sup> EBRD: Executive Summary: Environmental Impact Study for Domovinski Bridge, 2000 [www.ebrd.com](http://www.ebrd.com)

<sup>19</sup> Kramaric, Claudio, Zagrepanci ce odluciti o procistacu s mostom ili bez njega, a potom sve platiti, Vjesnik, 30.08.2000

<sup>20</sup> Jorgensen, Prof.dr.sc Sven Erik et al.: Zaključak komisije, 12.09.2000

waste is swept into the sewer system, but the CWWTP will not be able to cope with such large fluctuations in the flow of water. Therefore the plant has been designed so that when the water reaches a certain volume, it will bypass the plant. This means that **the CWWTP will have almost no effect on pollution levels**; iii) even if it worked properly, it would be inefficient to have more water than necessary passing through the plant because it would entail higher maintenance costs.

- The project does not take account of the prevailing socio-economic conditions in Zagreb and the cost of the CWWTP will place a heavy financial burden on citizens.<sup>21</sup> This part of the expert committee's predictions has already come true, and **water prices have almost doubled** since the start of the project, even outside of the area which will be served by the CWWTP.<sup>22</sup>

The Expert Commission instead proposed to:

- carry out a proper analysis of the River Sava, before proposing appropriate solutions;
- gradually build facilities to comply with international regulations, whilst carrying out further research and better training for those working in the area;
- carry out works to separate the streams from the drainage system to improve the functioning of water treatment equipment;
- give priority to a simple and much cheaper mechanical system whilst undertaking work to upgrade the city sewer system (a mechanical system could be at least ten times cheaper than the CWWTP );<sup>23</sup>
- build a retention system to prevent storm water flowing straight into the Sava;
- concentrate on carrying out research and regulating the flow of waste water before examining the final purification of wastewater.

### 3.3. Beneficiaries of the project

It is hard to see how local people might benefit from this project. Their water prices have nearly doubled and the River Sava is not likely to be any cleaner as a result of the project.

Local companies have also suffered from increased water prices, and several companies are refusing to pay. By the end of August 2004, only 20 million out of a total of 53 million Kuna owed by industry had been paid.<sup>24</sup>

There has been some speculation about the benefits of the project for Zagreb City Council. The fact that the Expert Commission heavily criticised the project, only to be ignored, suggests that the Council must have had a clear idea as to why the project should be realised. No conclusive evidence has been produced to show that corruption was involved but it cannot be ruled out.

The obvious beneficiaries of the project are the concession-holders, RWE Aqua GmbH and WTE Wassertechnik, which will operate the plant at a profit (if they manage to get industry to pay its bills!), irrespective of whether it is useful or not. Vodoprivreda Zagreb also stands to gain but since it only owns 3 percent of the company, its profits will be dwarfed by those of RWE and WTE. In other words, part of the water bills paid by citizens of Zagreb and the surrounding area for an almost useless project will end up in the pockets of the shareholders of German and Austrian companies.

21 Jorgensen, Prof.dr.sc Sven Erik et al.: Zaključak komisije, 12.09.2000

22 Palinkas, Lijana: E-mail to Milica Opacic, Hrvatski društvo za zastitu voda, 14.03.2005

23 Zmaic, Bojan, Meeting with Pippa Gallop 17.03.2005

24 Hrgovic, Maja: Industrijski potrosaci od svibnja nisu platili racune za prociscavanje otpadnih voda, Novi List, 27.08.2004

#### **4. Monitoring**

It is unclear what official monitoring will be carried out to ascertain the effectiveness of the CWWTP, as the Expert Commission has now been dismissed. Regarding environmental monitoring, the EIA made suggestions regarding the monitoring of pollution and noise pollution on the new bridge, but this is not complete yet and it is not known whether these recommendations will be followed.

A representative of the EBRD's Environmental Department carried out an environmental monitoring visit in October 2003, but it is not clear what was being monitored or how. In any case, it seems that monitoring is too little, too late, and that the project should never have been funded.

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## City of Subotica municipal infrastructure reconstruction programme:

# MISDIRECTED FOCUS AND LACK OF TRANSPARENCY

EBRD Project No 26807

## 1. Background

*By Natasa Djereg  
CEKOR, Subotica, Serbia*

The City of Subotica installed its wastewater treatment plant three decades ago, coinciding with the "century challenge" - the sanitation and rehabilitation of the dead lake Palic, a victim of untreated wastewater industrial discharge. This succeeded in solving the problem but only as an "end of pipe" solution. However, the current situation has only improved due to the fact that industries are now operating at limited capacities. The "polluter pays" principle is not being observed in Serbia: the main polluters continue operations despite not having any treatment facilities installed<sup>1</sup> and fines on environmental damage are negligible at best.

30-50 percent of the citizens of Subotica are not connected to the water supply and sewage systems. This translates into wells and septic tanks in immediate proximity to one another.

## 2. Project summary

The project aim is the modernisation and rehabilitation of the wastewater treatment plant in Subotica, including the replacement and renewal of all mechanical and electrical equipment. The new WWTP, with a 38 percent increase in treatment facilities by 2007<sup>2</sup>, is intended to solve two problems: first, under-capacity (Subotica has 45,000 inhabitants and the facility covers only one third of the population); second, the pollution of the main recipients: lake Palic and lake Ludas, highly protected areas and Ramsar sites.

The project is presented as affecting the entire region and as part of the city's long-term development plan.<sup>3</sup> The struggle to save the lake, an important recreational centre of Subotica, has been stressed much more than the struggle for better drinking water for those citizens who are still getting water from wells, often in close proximity to wastewater. The project will not remedy their situation, but will in fact have postponing effects for those who wish to be connected to present water supply and sewage systems, as they will have to wait until the reconstruction has been completed.<sup>4</sup>

The project has been defined by EBRD as environmental category B/0, "requiring environmental analysis, which may include an environmental action plan"<sup>5</sup>. Environmental analysis and the Environmental Action Plan were carried out by Bluewater Consultants the Public Utilities Commission and concluded that this project does require an Environmental Impact Assessment. The Environmental Action Plan is now being reviewed by the local EBRD office.<sup>6</sup> Unfortunately, public access to this document has not been provided as the Manager of the Wastewater Department claims it is still a draft text.

<sup>1</sup> Interview with Dusan Vasiljev, manager of waste water department "Vodovod i kanalizacija", 18.03.2005

<sup>2</sup> Sasa Vucinic, 08.12.2004 material for the Local Parliament discussion

<sup>3</sup> Subotica's Mayor Geza Kucsera

<sup>4</sup> Interview with the Director of the Public Utilities Commission, 18.03.2005

<sup>5</sup> www.ebrd.com, project related documentation

<sup>6</sup> Interview with Dusan Vasiljev, Manager of the Wastewater Department "Vodovod i kanalizacija", 20.April 2005

The loan will be used by the Subotica water and wastewater utilities enterprise, Subotica Vodovod i Kanalizacija. It was signed in November 2004 and approved by the local Parliament in December 2004. Construction is expected to begin in autumn 2005 at the earliest, with the utilities committee to do some preparation work during the summer 2005.<sup>7</sup>

### **3. Project finance**

Initial project cost estimations were set at EUR 12 million: EUR 9 million from a EBRD sovereign guaranteed long-term loan with co-financing from the European Agency for Reconstruction (EAR) as well as from local sources. Finally, it was agreed that the value of the project would total EUR 14 million, with additional support from the city in the amount of EUR 3 million and EUR 2 million provided by the EAR.

It is estimated that EBRD project finance costs would be paid back by 2019 with the revenue generated from services supplied to consumers within the Subotica municipality.

The public will pay for wastewater treatment, which is very normal, but the major polluters of the lake: "Fresh&Co", "Si&Si", "Pionir" and "Mlekara" do not have the necessary equipment for primary water treatment, the environmental problems will remain.<sup>8</sup> The solution that the present project provides does not allow for the separation of household and industrial wastewater.

A canal for diverting industrial wastewaters from lake Palic was built in 1985, but it has never been put to regular use.

### **4. Public information about the project and public consultation**

The work on the WWTP solution started some four years ago. The public was informed about the possibility of receiving EBRD credit after all project related communication had already taken place. No details about the project were presented to local experts and citizens, nor were technical specifics or budget justification for the project given. These are issues of great concern to the wider public, which ultimately pays the bill and cares for lake Palic as the prime tourist destination in the area.

A few days before the decision was to be made even the local parliamentarians, i.e. the decision-makers, remained poorly informed about project details. They asked why there was no public hearing and public involvement and why alternative solutions were not considered. It is clear that the initiation of the project and the negotiations around it were conducted by a closed circle of officials, without transparency and consultation process with all stakeholders.

### **5. Social, health and environmental issues**

The project's environmental objectives are to restore ecological balance to the area and increase the recreational value of Lake Palic.<sup>9</sup> It is highly questionable whether the project will bring significant changes to the quality<sup>10</sup> of the lake, although the loan is given for the improvement of the wastewater treatment plant capacity, and for nitrogen and phosphorous

<sup>7</sup> Interview with Dusan Vasiljev, Manager of the Waste Water Department "Vodovod i kanalizacija", 20. April 2005  
<sup>8</sup> SCG Pregled 481, 13.09.2004

<sup>9</sup> www.ebrd.com project related documentation

<sup>10</sup> Boni Laszlo- interview on the local TV station, 12.01.2005 YU EKO TV

removal (to prevent eutrofication and algal blooms). There is an estimation of some three percent improvement in water quality, but only if there is no industrial pollution.

Water prices will increase by twenty three percent starting from May 2005, because of the EBRD credit, and all consumers - industry, households, public institutions will pay the same price.<sup>11</sup> According to the Mayor of Subotica *"without real prices it is not possible to take loans, since then you cannot pay the debt."* The problem is that while ninety percent of household consumers pay their bills, the industry and other public "beneficial" consumers do not pay their bills for years, thus raising water prices is not the most adequate solution for revenue generation.

Above all, the main social problem of water supply and wastewater treatment which has not been regarded is the fact that a significant number of citizens are not connected to the present water supply and sewage systems. Thus this project is another case of development where economic objectives, i.e. developing tourism on Lake Palic, outweigh social objectives.

It is not surprising that the focus of the project overlooks major social concerns, since the citizens of Subotica were never asked what kind of solution they needed. The project was imposed on citizens (and decision-makers) without a transparent and public consultation process.

## **6. Beneficiaries of the project**

The main beneficiaries of the project are expected to be the utilities commission, tourism companies and hotels, and the local municipality. Local people will not benefit from the project, especially if the utilities commission is to be privatised after it has received significant public support. The privatisation of water services will surely lead to uncontrolled price increases, without guarantees of better service.

All public enterprises in Serbia are on their way to privatization; the national strategy in this field is currently in the drafting process.<sup>12</sup> There is unofficial information that five public water enterprises in Serbia will soon be privatized, all five of these water companies have received EBRD loans.

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<sup>11</sup> Interview with Dusan Vasiljev, Manager of the Waste Water Department "Vodovod i kanalizacija", 20.April 2005  
<sup>12</sup> Politika, 20.04.2005, Komunalna preduzeća na putu privatizacije

# Mass and uncontrolled construction of mini hydro power plants: THE THREAT TO BULGARIAN NATURE

## 1. Introduction

*By Andrey Kovatchev  
Balkani Wildlife Society,  
Bulgaria*

Seven years ago the Bulgarian government initiated a programme for the development of the renewable energy sources as an environmentally safe alternative to heat and nuclear power stations. The main points in this policy are preferential prices for buying electricity from such sources, as well as an easier regime for issuing environmental licenses. This policy relates to the implementation of the Kyoto protocol for the decrease of green-house gas emissions and the European directives for the increase in shares of renewable energy.

As a result, there has been a boom in the mini hydro power plants (MHPPs) construction in the country during the last seven years. Around 800 MHPPs have been constructed so far, the majority of which were not subject to Environmental Impact Assessment and public consultations. By 2009 the number of MHPPs is expected to exceed a thousand, which translates into construction on almost every Bulgarian river that meets the technical requirements for hydro power generation.

## 2. EBRD role

In January 2005 the press in Southwest Bulgaria announced the construction of a new MHPP in the Kresna Gorge. EBRD money through an intermediary Bulgarian bank was cited as the source of financing for the project. The implementation of such a project will be in direct contradiction to European environmental legislation and thus should not receive support from the EBRD or its intermediary banks.

The legal contradiction can be proved by the fact that in December 2004 the Sitting Committee of the Bern Convention opened a file on the Kresna case, among the reasons for this decision were the lack of preventive protection of the Kresna Gorge and the issuing of construction permits for several MHPPs in the area (from 2002 and 2003). The famous gorge is a place of extreme nature conservation value and one especially vulnerable to MHPPs. It is a priority for the protection of *Platanus orientalis* forests, otters, leopard snakes, fou-lined snakes and endemic fish, all of which are vulnerable to MHPP construction.

The EBRD could be seriously implicated into the general MHPP problem through its newly initiated program for energy efficiency and renewable energy, i.e. **the Bulgarian Energy Efficiency and Renewable Energy Credit Line (BEERECL)**<sup>1</sup>. This programme is meant to encourage energy efficiency and renewable energy, which is generally welcomed by the environmental movement in Bulgaria. However, the good intentions of the programme should not be achieved by flawed means.

<sup>1</sup> Bulgarian Energy Efficiency and Renewable Energy Credit Line (BEERECL), <http://www.beerecl.com/>

It is expected that the EBRD credit line, BEERECL, will cause increased interest for investments in the mini hydro power sector. Yet, the positive environmental goals of this credit line will only be achieved if broader environmental concerns are not compromised. In other words, the implementation of this programme requires strict rules for the impact assessment of renewable energy projects on habitats and species from NATURA 2000, in accord with Directive 92/43/EC.

Of particular concern is the fact that the scheme will be implemented by intermediary Bulgarian banks, namely: Bulbank, Bulgarian Post Banks, DSK Bank, HVB Bank Biohim, Unionbank and United Bulgarian Bank. These are commercial banks without experience in the fields of environmental policy and protection, which do not necessarily share the commitments of EBRD as a public institution.

### 3. The problems

#### 3.1. Threats to the environment

The consequences of this policy are irreversible. The construction of run-off-river MHPPs leads to the destruction of long river stretches and drying of riverbanks, terraces and agricultural lands along rivers. Under immediate threats are: The Oriental Plane tree communities (*Platanus orientalis*), which grow in the conditions of the dry Mediterranean climate, on rivers with inconsistent currents in Southwest and Southeast Bulgaria. This species directly depends on the periods of full current, which will be disrupted by the MHPPs. Similar will be the effects on Ash forests (*Alnus glutinosa*, *Salix* sp.), which are more common, but the mass construction of MHPPs would pose a serious challenge for these forests. River streams with *Ranunculus* communities and tall herb communities on river banks will be threatened as well. The habitats of protected fish species, the leopard snake and the otter will also be directly effected. All these habitats are protected under EU regulations.

MHPPs with dams cause change in the course of the few natural fast-running big rivers that have remained in Bulgaria. Damming ultimately causes complete change of fish fauna, i.e. the species characteristic for the fast streams disappear, as they cannot or are hindered in crossing the dam walls. The dam accumulation drastically changes the water regime in the terraces and forests along the banks, disturbing plant communities characteristic to such rivers.

The construction of MHPPs is controversial in sensitive areas with high values of nature conservation. Among these are:

- Kresna gorge, Skrinski gorge and Zemenski gorge on the Struma river;
- Momina Klisura on the Mesta river;
- the Harmanliiska river near Haskovo, the Arda river, the White river and the Luda river in the Rhodopi mountains;
- a number of smaller natural rivers inside of the potential NATURA 2000 sites.

MHPPs built on these rivers will cause the destruction of 80 percent of Ash forests, 100 percent of Oriental Plane forests, the habitats of the leopard snake, all protected by the Habitat Directive and the Bern Convention. 80 percent of the populations of endemic fish species living only in the rivers of the Aegean basin will be affected.

This means that Bulgaria will break its obligations to the European Council (the Bern Convention) and the European Union (Habitats Directive, 92/43/EC). The country has made the **commitment to protect around 60 percent of endangered habitats and**

**species in the framework of the European environmental networks Emerald and NATURA 2000. Additionally, massive and uncontrolled MHPP construction clashes with the Water Framework Directive 200/60/EC, which requires:**

- the integrated management of rivers;
- the protection of all rivers important for the survival of protected habitats and species, and of agriculturally valuable species;
- and the protection of rivers important for the development of recreational and tourism activities.

Furthermore, Bulgaria, together with all the EU members, has the obligation to stop the loss of biodiversity, which directly relates to river ecosystems.

The above mentioned legal obligations of Bulgaria require revision of the programmes encouraging the uncontrolled construction of MHPPs, especially in sensitive areas with high natural values. The two environmental policies of the EU, the environmental policy and the policy for the development of renewable energy, are artificially made to contradict one another, without any attempts of the Bulgarian government to find a balance between them.

### **3.2. Threats to tourism**

The destruction of the natural rivers and the surrounding landscape directly compromises the opportunities for sustainable development and alternative tourism based on the river resources, such as rafting, waterfall climbing, fishing and canoe/kayaking sports will be impossible, as well as all other kinds of recreational activities. If only some rivers were open for energy generation, while others were left for biodiversity conservation and eco-tourism, the two water uses could be in balance. At the moment, though, there is no compromise, thus the river tourism potential is being destroyed and the basis for alternative tourism forms is threatened.

Among the most drastic examples of the threats to tourism development are: the Trigrad and Buinovsko canyons in the Rhodopi mountains; the Kresna gorge and the Lebnica river in Southwest Bulgaria; the rivers of the cross-border West Balkan Nature Park; the river Vidima and its tributaries in the skirts of the Central Balkan National Park.

### **3.3. Social implications**

Additionally, there are cases of MHPP construction without consultation with the local people, which jeopardise traditional water uses, i.e. for irrigation of agricultural areas and drinking areas for livestock. There are numerous signals for permit issuing contradicting the Bulgarian legislations, and thus implying corruption in the local authorities responsible for it. The local people rarely benefit from MHPP construction: they do not even participate as employees, since companies hire qualified labour from far away. The result is public discontent and the formation of initiative committees of locals, who seek the support of environmentalists and groups interested in the water and adventure sports.

### **3.4. Climate implications**

Climate drying has been clearly observed by Bulgarian biologists. Species characteristic of a dryer climate significantly increase their populations unlike those relying on wetter conditions. This is just the beginning of the expected natural changes. This tendency is presently stronger in the southern most regions of Bulgaria, which are in general dryer than the rest of the country. These are regions extremely sensitive to water decreases in the ecosystems. This effect of MHPP construction has been disregarded up to now. Here we see a paradox: renewable energy is supposed to address global warming, but in this case it actually increases its effects on local ecosystems.

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## 4. Solutions to the problem:

4.1. MHPPs construction **should be stopped and disallowed in all existing protected areas and the future sites of the European environmental network**. Besides their importance to nature conservation, these territories will be important for the development of eco-tourism.

4.2. MHPPs that were given permission or, even worse, **those that were already built in territories with priority importance for nature conservation** (e.g. in vulnerable ecosystems in Southern Bulgaria) should be stopped, and the territories should be re-cultivated. Examples of such are: the Trigrad and Buinovo canyons in the Rhodopi mountains; the Kresna gorge on the Struma river; the Lebnitsa river near Sandanski; the Chereshnichka river near Melnik, etc.

4.3. MHPP construction should follow strict environmental norms and implement measures for preventing or decreasing negative environmental impacts:

- larger quantities of water should be left into the river, as this should be controlled by automatic appliances;
- fish passages should be provided;
- artificial barriers on rivers should be removed;
- Pipes and wires should be put into the ground;
- Buildings should be designed to merge into the landscape and after construction the area should be re-cultivated with natural flora, in order to avoid landscape and wildlife disturbances;
- Where the above have not been taken at present the owners should be requested to implement measures within a period of 5 years.

## Recommendations to the EBRD

Each hydro project funded by the EBRD via an intermediary bank in Bulgaria needs a detailed assessment with an overview of the vulnerability of protected habitats and species present at the site. This procedure should be done regardless of Bulgarian legislation and should include public consultation with all stakeholders.

Among the parties interested in participating in the public consultation process are:

- local citizens and initiative committees;
- organisations working on the inventory of the Natura 2000 sites and the preparing their documentation, namely: Green Balkans Federation, Bulgarian Biodiversity Foundation, Balkani Wildlife Society, Center for Environmental Information and Education, the organisations working for saving the Kresna gorge and the coalition for saving the Bulgarian rivers;
- organisations and companies working on eco-tourism, namely the Bulgarian Association for Alternative Tourism, the Bulgarian Association for rural and eco-tourism, rafting and fishing clubs;

The EBRD should closely control the activities of the intermediary banks participating in the Bulgarian Energy Efficiency and Renewable Energy Credit Line (BEERECL).

The recommendations should also be followed for projects involving other controversial renewable energy projects in environmentally sensitive areas (e.g. wind generators on bird migration routes).

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# PREMATURE PRIVATISATION OF THE MACEDONIAN ELECTRICAL COMPANY

## 1. Introduction

By Marija Jankovska  
Eco-Sense, Macedonia

The process of restructuring and privatising the Macedonian electrical company ESM (Elektrostopanstvo na Makedonija) began in 2002. The agreement between the Macedonian government and the consultant for this process, Meinel Bank, was signed in February 2002. EBRD lent EUR 45 million to the Republic of Macedonia for the ESM pre-privatisation transformation process. As a result of this, "EBRD is expected to receive company shares once ESM is privatised"<sup>1</sup>. After restructuring, the company was divided into two new companies:

- ESM, operator of the production and the distribution electricity systems, and
- MEPSO, operator of the electricity transmission system.

It is expected that the systems for production and distribution of electricity will be split within the coming months. Meinel Bank developed several models for the ESM privatisation. The Macedonian government chose the model under which 51 percent of the production and distribution systems should be sold to one strategic investor. The other shares will be allotted to EBRD, the government, and up to 10 percent to employees. According to the government's plans, the pre-tender will be announced in May 2005 and it is expected that ESM will be sold by the end of the year.

The Minister of Economy, Mr. Besimi, justified this with the statement: "The state is not a good manager of the company. Because of this we need a strategic investor who will make the electro-energetic system stable, consistent and competitive in the region".<sup>2</sup>

According to the economy experts, one of the reasons why the government wants to sell the company is because it is not capable of developing the national economy. This deal is the easiest way of showing economical growth in the country and of acquiring finances for paying off the debts, including the EUR 45m debt that Macedonia has to return to EBRD for the pre-privatisation transformation process in the electro-energetic company.

## 2. Problems and facts

### 2.1. Lack of transparency

Detailed information on the project was presented only after the privatisation model had been chosen. This decision was a directly related to the reactions of journalists and experts. The public and independent experts were excluded from the decision-making process. The political decision to sell 51percent of ESM shares to one strategic investor is opposed by the majority of the public and also by economic and energy experts. "The privatisation of ESM cannot be a decision made solely by the government. A consensus from all concerned parties (experts, NGOs, citizens) is needed,"<sup>3</sup> said Atanasko Tunevski, a professor at the Mechanics Dept. of Skopje University.

<sup>1</sup> EBRD Activities in FYR Macedonia, 31 December 2004

<sup>2</sup> "Chumu", A1 Television, 1 March 2005

<sup>3</sup> "Chumu", A1 Television, 1 March 2005

Many experts believe that the government has not given sufficiently strong arguments as to why the company should be sold. Moreover, all experts are of the opinion that it should not be done now and it should not involve the majority of the shares. Their suggestions on the process and possible models for privatisation come at a time when the government's decision has already been made, thus the possibility for these suggestions being accepted is almost nil.

The government is currently promoting transparency during the tender process, i.e. at a very late stage.

## 2.2. Timing and legislation

The process of restructuring and privatising parts of the Macedonian electrical company comes at a time when a great part of significant legislation, e.g.. new energy law, has not been adopted yet. It is not clear in this situation how the government intends to establish relationships with the new strategic investor in order to protect the interests of its people. There is a serious risk that these interests will be endangered due to the lack of properly functioning regulatory and implementing institutions within the energy sector.

Furthermore :

- the law on the electricity market is also in the Ministerial Board's procedure ,
- the new tariff system is in a preparatory phase,
- and the newly formed companies, ESM and MEPSO still don't have working licenses, because supplementation of the current energy law is needed and this is also in the Ministerial Board's procedure;
- the water law, which regulates the means and rights for water use, issues water use licenses and which is connected to the water concession which is to be assigned to the new owner of HPPs, is still in the Ministerial Board's procedure;
- Macedonia does not have an energy strategy.

Professor Kocho Angjusev believes that: "The process should be done in the opposite manner. Firstly, the legislation should be put in place and after that the processes of transformation and privatisation should start. A test period for the new legislation is needed. If something doesn't work in reality, it should be changed. But this must happen before the privatisation."<sup>4</sup>

## 2.3. The hydropower plants

In the Macedonian electricity system the electricity produced from hydro power plants is the cheapest to produce, but the most expensive to sell as peak-demand energy. The hydro power plants' expenses are just 1.2 percent of the produced energy cost, while the same expenses in thermal power plants amount to 80 percent (80 percent from the electricity produced in Macedonia is from thermal power plants and 20 percent is produced in hydro power plants). According to energy experts, hydro power plants are the only profitable part of the electricity company: the annual profit of the electrical company from the plants is around EUR 50 million.

Suggestions not to sell the hydro power plants have also come from the World Bank, which is a strong opponent of this governmental decision: "...contracts should be signed such that benefits of low cost hydro power are retained - at least in part - for power consumers..."<sup>5</sup>

<sup>4</sup> "Chumu", A1 Television, 1 March 2005

<sup>5</sup> The World Bank letter to the Government ,3 February 2005; daily "Vreme", 2 March 2005

## 2.4. Social issues

"The price of electricity has not changed for a long time and the electricity company is not subsidized by the state. This results in a reduction of investments, which means that further expansion of the company is simply not possible. This is the main reason why the company must be sold,"<sup>6</sup> stated Ms. Borozan, member of the governmental committee handling the project.

The government's position that the Macedonian energy system must be sold because higher electricity prices are needed is not sustainable. Raising the electricity price can be done within the current position of the company. According to the statement from professor Natalija Nikolovska<sup>7</sup>, the new owner may reject the electricity price given by the Regulatory Commission for Energy. In that case, Macedonian citizens will be faced with significant increases in electricity prices, because ultimately the new owner will be there to make profit from the company.

According to the Minister of Economy Mr. Besimi, the government is working together with EBRD on developing a package for socially disadvantaged groups that will pay preferential electricity prices. To the contrary, the Regulatory Commission for Energy stated that such beneficiary categories would not be present in the new energy law. Having in mind that Macedonia has an unemployment rate of more than 30 percent, and that the standard of living even for employed people is not very high, increasing prices is an unpopular issue for politicians, however, it is a responsibility that should remain under state control.

EBRD's position on this issue is: "The Bank has agreed with the government to implement a transparent tariff methodology and tariff system for the energy sector. The new tariff system is a precondition for the successful restructuring of the energy sector in Macedonia. However, the Bank is not part of the preparation process and it is responsibility of the Energy Regulatory Commission to put together and make the new operational system fully operational"<sup>8</sup>.

## 3. Conclusions and recommendations

The selling of the Macedonian electro-energetic company is a bad political decision, at a bad time and with a significant number of unclear points. This is partially a result of

- the absence of important legislation, which would regulate the rules and the relations in the electro-energetic sector and
- the government's bad transparency issues and hidden intentions.

The privatisation should not take place in these inappropriate circumstances, when a lot of malformations and harmful steps could easily be made.

"If the privatisation is conducted it should be done with the minority of the shares, and hydro power plants must stay under state ownership. It would be useful to mention that some countries, like Slovenia, returned the sold parts of their electricity system to state ownership, and Hungary has intentions to do the same"<sup>9</sup> - said professor Arsen Arsenov.

Many experts agree with the point that the state should keep the majority of the shares of the electro-energetic system in its hands, especially when it concerns the hydro power

6 "Chumu", A1 Television, 1 March 2005

7 personal communication with Ms. Natalija Nikolovska, 30 April 2005

8 personal communication with the EBRD office in Skopje, e-mail from 26 April 2005

9 personal communication with Mr. Arsen Arsenov, 29 March 2005

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plants. They are also of the opinion that the process of privatisation should not start before clear and defined rules in the restructured electro-energetic system are set.

"The first notable result from the privatisation will be the higher electricity prices, which will lead to even more expensive production and no export opportunities for our products. With this we do not have any chances for lifting ourselves out of state economic stagnation"<sup>10</sup> said professor Jane Miljoski.

The government justifies the decision to sell the company to one strategic investor due to the higher selling price for the company. But isn't this against the essential purpose of market liberalisation and demonopolisation? Doesn't this lead the Macedonian electricity market from state monopoly to some other monopoly or oligopoly?

As result of the pressure World Bank experts, the government has announced that the selling model for the Macedonian electrical company will be revised, however, significant changes are not expected.

### **Final recommendations:**

1. the segments of the electro-energetic system should not be sold before the appropriate legislation is in place and before the country has an energy strategy; additionally, the ways of the developing regional energy market should be taken into account when the appropriate model of privatisation is under consideration;
2. the chosen model should be appropriate to the social circumstances in the country, not creating a problematic and difficult social situation;
3. the majority part of the electro-energetic system should remain state owned, especially the hydro power plants. In this way energy safety and independence as well as the water needs of the country are not put at risk;
4. selling of the electro-energetic system should be removed from every day politics and human greed;
5. EBRD should not force or support premature decisions as regards this case, but should instead require the appropriate legal context to be in place;
6. EBRD should not support projects like this, which are implemented without proper public consultation and compromise the principle of transparency

# EBRD ENVIRONMENTAL LOAN TO SIDEX GALATI, ROMANIA

## 1. Introduction

*By Ion Constantin Zamfir  
Prietenii Pamantului, Galati*

Prietenii Pamantului (Earth Friends) is one of the oldest Romanian environmental NGOs, located in Galati, the site of SIDEX - the biggest Iron and Steel Works in Romania. Since 1991 Earth Friends has been monitoring the environmental performance of SIDEX<sup>1</sup> in Galati, the main polluter in the region.

In 1997, new Romanian environmental legislation required a new environmental permitting system for operating industrial facilities.

At that moment Earth Friends has pushed for the implementation of the new law, and the Environment Protection Agency (EPA) has organised one of the first public hearings in Romania, for SIDEX S.A. The environmental permit covered a five year period. As a result of Earth Friends' efforts, the former management team of the company (the company was still state-owned) understood the need for an open dialogue with local authorities and the public on environmental issues related to the operation of the metallurgy plants.

In 2001 SIDEX S.A. was privatised. The new owner of the company, LNM Mittal<sup>2</sup> was required by Romanian Law to ask for a new environmental permit. "Negotiations" among the EPA and the ISPAT reached the conclusion that the public hearing within the framework of the environmental permitting procedure could be avoided (March 2002). The alternative "offered" by the EPA and ISPAT Sidex was a call for written submissions from the affected public with the intention of allowing their voices to be heard. This "procedure" was adopted in a period when even very small companies were required to organise public hearings in order to get environmental permits.



*Two pictures representing the same plant in two different days : top February 18, 2005; bottom- Sunday, February 20, 2005.*

*Source: Viata Libera, newspaper, February 23, 2005*

The reaction of Earth Friends was to send letters asking for transparency in the process of environmental permitting after privatisation and to review the EPA's decision to ISPAT SIDEX, EPA, Prefect of Galati County, and Ministry of Environment. Earth Friends didn't receive a written response to its letters from any of the institutions mentioned, as required by law, however, it seems that one of the results of Earth Friends' actions was the dismissal of the EPA Director.

1 The integrated Iron and Steel complex was built in the early 1970s with a nominal capacity of 10,000,000 tones crude steel, of which 750,000 tones/year produced in two electric steel plants. It now produces 5 million t/y of various steel products for specialised industrial applications ranging from the automotive sector to nuclear energy.

2 The sale of local steel firm Sidex - now called Ispat Sidex- in November 2001 to the Anglo-Indian LNM Group, owned by Indian tycoon Lakshmi Mittal; it was the country's largest privatization

## 2. EBRD involvement

Finding that ISPAT Sidex signed an agreement with EBRD for a loan, and knowing that EBRD is using an extremely severe environmental auditing system, Earth Friends sent a letter presenting the case to EBRD. The bank answered the letter and invited Earth Friends to consult the Project Summary Document (PSD) for an EBRD loan for ISPAT SIDEX and to send comments before the project is submitted to the EBRD Board of Directors.

ISPAT SIDEX did receive a USD 100 million loan from EBRD in 2001. In September 2002, at the request of ISPAT SIDEX, EBRD decided to replace the USD 100 million short-term loan with a long-term loan of the same amount.

"The project aims to support the restructuring at Ispat-Sidex, which will transform the company into an internationally competitive steel-maker. The loan proceeds will be used towards financing the expenditure programme as agreed between Ispat and the (Romanian) government at privatisation. This will include environmental and efficiency improvements, as well as working capital....The Bank has requested Ispat-Sidex to develop and implement a public information programme to inform the local population and other interested groups about its work, in terms of how they address the existing environmental issues. Ispat Sidex has already planned appropriate action in this respect. Galati is one of the most polluted areas of the Danube Delta Region. The Bank's financial involvement in the privatisation of Ispat-Sidex has attracted the attention of local and international non-governmental environmental organizations..."<sup>3</sup>

In August 2002, an EBRD expert came to Galati and visited ISPAT SIDEX, the EPA, Earth Friends, one more NGO.... During the meeting with Earth Friends, the EBRD expert mentioned that he was informed by ISPAT Sidex people about a Public Information Programme they will implement.

One month later, after being unsuccessful in finding any trace of information for the public, Earth Friends sent a fax message to the EBRD expert just before the loan project passed the EBRD Final Review Board.

The loan was approved and Ispat Sidex never did anything in order to fulfil the requirement concerning public information on environmental issues.

*Extract from Earth Friends' fax message sent on 17.09.2002 to Denes Bulkai, EBRD Senior Environmental Advisor after his visit in Galati*

...During our discussion you mentioned that the management of Ispat Sidex informed you about the existence of a Public Information Program for the Iron and Steel Works that was published in an internal Trade Union Newspaper. We have done some research, we've contacted the Environmental Protection Inspectorate Galati, but until now, we haven't managed to get any information about such a program.....

...The management team should know that the community of Galati is fully supporting the Iron and Steel Works, which secures working places for thousands and thousands of people. These people have the right to know, and to formulate pertinent proposals for a better understanding among the company and the local community.

We will continue to pay attention to this topic and a letter of intention for collaboration was sent to the Environmental Protection Inspectorate in Galati. We hope that this approach will make a difference and we are certain that we will also collaborate with you and the institution you are representing as well...

Recently, the National Environmental Guard made a thorough inspection in Mittal Steel Company (the new name of ISPAT SIDEX) and found a lot of non-conformity in several factories, resulting in many fines. The action was presented in the local newspaper Viata Libera.

### **3. Conclusions**

Our conclusion to date was that the EBRD mission in Galati was not conclusive. The inaction on the side of the iron and steel company demonstrates the lack of interest in dialogue with the public. Earth Friends considers that:

- a) the company did not deliver the promised results concerning its environmental protection activity
- b) the company feels very well protected against the public, as it claims on any occasion that it secures jobs for the people of Galati

We believe that many people do understand that the operation of such colossus in Galati is providing jobs for more than 20,000 people. But the promises largely promoted during the privatisation process and further during negotiations for the EBRD loan were followed only by silence.

During two meetings dedicated to the Environmental Monitoring and Assessment Program in the Urban Agglomeration Areas neighbouring the Industrial Platforms (TAIEX workshop) and a public consultation concerning regional investments (World Bank), which took place over the last two months, Earth Friends asked the Director of the Environmental Protection Department in Mittal Steel to meet their obligations with the Public Information Programme. He was evasive in his answers, and the company is still not acting with respect to their requirements

### **4. Recommendations**

Earth Friends' recommendations are mostly related to the EBRD environmental assessment system. We asked the EBRD to check the stage of the implementation for the Programme concerning Public Information and dialogue, and to also look at the documents proving the company management's commitment to this point of the agreement.

Taking into account the long period of time since the approval of the loan, we are asking for a thorough analysis of the procedures concerning the complaints coming from NGOs and the public as well as an analysis of the effectiveness of the expert's visit in 2002.

### **5. Final remarks**

The actions of Earth Friends had an echoing effect with the environmental authorities. The EPA now advises companies asking for environmental permits to invite environmental NGOs (in writing) to the public hearings. On April 5th, 2005, during the first meeting with environmental NGOs, the new minister of the environment invited civil society representatives to take part in the Technical Committee's analysis of the documentations for the environmental permits.

Mittal Steel continues to refuse communication with the public. They haven't issued any material on the activities implemented by the company in the field of environmental

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protection. The only signal emitted by the giant is the ever-increasing dense smog that covers the city.

The privatisation gave tremendous financial facilities for the new owner, in comparison with other big privatisations in Romania. EBRD offered Mital Steel an opportunity to improve its environmental performance, but closed its eyes to the evidence of its missing transparency on environmental issues.



*Source: Galati EPA*

Afraid of losing their jobs thousands of people in Galati haven't got the courage to ask the foreign owners for a transparent environmental policy.

At the moment Earth Friends has taken action against Ispat Sidex. Romanian bodies and international institutions have found the level of reaction quite amazing for a small environmental NGO in Romania. The cases of Rosia Montana, Bechtel highway, and the Bastroe channel emerged later, which demonstrated that the watch-dogs were and are well-establishing in Romania. However, there is a big need for cooperation, mutual support and common strategies for NGOs committed in the fight against illegal actions that affect and often devastate

## Zagreb solid waste management programme: **COMPLETION OF TWO LANDFILLS**

### 1. Introduction

*By Pippa Gallop  
Green Action Croatia*

#### 1.1. Project summary

The Zagreb Solid Waste Management Programme, carried out by a city-owned company called ZGOS, comprises the rehabilitation of Zagreb's Jakusevec landfill site, which is widely reported to be the largest uncontrolled dump in Central and Eastern Europe. Originally approved in 1998, the project was carried out in two stages, with money for the construction of the last two landfills being allocated in 2003.

#### 1.2. Project financing

The EBRD first signed its funding approval in 1998. The total value of the project at that time was EUR 61 988 000, with the EBRD funding EUR 32 181 000. In 2003 a second financing agreement was signed, this time with a total value of EUR 33 000 000 of which EBRD finance covered EUR18 810 000.<sup>1</sup> The aim of this was to refinance part of the existing ZGOS loan, and to finance the completion of the last two land-fill cells. The second loan is not guaranteed but is supported by a Municipal Support Agreement relating to responsibilities of the City in relation to tariff policy, corporate governance and regulatory framework.<sup>2</sup>

#### 1.3. Current status of the project

The first phase of the project was officially completed on September 13, 2003, although the ceremony held to mark this event made it appear that the whole project was finished. Local residents pointed out that it was not actually finished, and were extremely concerned about this, as they maintained that the project had not yet met its objective of safeguarding the local water supply.<sup>4</sup> The second phase, which involved completing the two final landfill cells, was funded in 2003 and full completion of the project is expected this year.<sup>5</sup>

## 2. Public information about EBRD involvement and procedures

### 2.1. EBRD information

It is not clear whether the public was aware of the EBRD's involvement and procedures at the beginning of the project. In any case, the EBRD's minimum standards only involved complying with national legislation, and at that time there was no recourse mechanism, so the public could not gain much from knowing about the EBRD's involvement.

<sup>1</sup> EBRD: Statement of cumulative net commitments, as at 31 December 2003, [www.ebrd.com](http://www.ebrd.com)

<sup>2</sup> EBRD Project Summary Statement: ZGOS - Zagreb Solid Waste Management Programme, <http://www.ebrd.com/projects/psd/psd2003/33247.htm>

<sup>3</sup> Trajkovic, Sergei: Završena Sanacija Smetista Jakusevec, Vecernji List, 14.09.03

<sup>4</sup> Kovac, Ivan: Sanacija Jakusevca Gotova, Jutarnji List 13.09.03

## 2.2. Environmental reporting

The project was screened as a B/1 project in May 1998. According to the EBRD Project Summary, detailed environmental due diligence was carried out for the project, which, it is claimed, confirmed the ability of the project to bring the existing facilities into compliance with applicable Croatian and EU environmental standards. It also assessed possible environmental liabilities associated with previous waste management practices and suggested mitigation measures.<sup>5</sup>

Environmental liabilities include the serious matter of hazardous waste recovered from the dump, which was to be dealt with by burning it in the nearby PUTO incinerator. The PUTO part of the project was extremely non-transparent: one of the experts called on to conduct the EIA complained that he was not allowed access to PUTO's technical documentation,<sup>7</sup> and the building permit was issued by the City Council although it did not have the authority to do so.<sup>8</sup> In 2002 PUTO was closed after a series of scandals and incidents. In addition, after the closure of the incinerator there were 500 tonnes of hazardous ashes to be dealt with and no facilities within Croatia for dealing with them<sup>9</sup>, so burning the waste in the incinerator was not a satisfactory mitigation measure.

## 2.3. Public information about the project

ZGOS claims to have undertaken an impressive number of actions to inform the public about waste management and the Jakusevec rehabilitation. In relation to the Jakusevec rehabilitation, these included: public opinion polls on the Zagreb solid waste landfill (ZGO & IGH - July 1993); several public hearings with people living near Jakusevec and other citizens of Zagreb before and during the pilot project (1992, 1993, 1994, 1995, 1996); around 6 000 radio and TV documentaries (impressive but not verified) about environment, of which many discussed the problems of waste disposal in the City - Jakusevec (1993, 1994); an information brochure about Jakusevec and a 10 minute video about Jakusevec in English, German and Croatian (1996)<sup>10</sup> Without having seen any of the above it is impossible to comment on their quality, especially when in some cases no information has been presented on how these were distributed.

## 2.4. Consultation

The EBRD states that "The project sponsors has (sic) carried out an extensive public consultation and environmental awareness programme regarding the proposed rehabilitation and investment programme. The programme included several public opinion polls, public hearing, seminars, TV and radio documentaries<sup>11</sup>". Since the public consultations regarding the landfill took place between 12 and 9 years ago, it is not easy to comment on their quality. However, according to local people, no public consultation took place regarding the nearby PUTO incinerator<sup>12</sup>, which was a direct result of the rehabilitation project, even though it was presented and funded as if it was unconnected.

5 Indic, Davor, E-mail to Pippa Gallop, 14.03.2005

6 EBRD: Project Summary Document, ZGOS: Zagreb Solid Waste Programme  
<http://www.ebrd.com/projects/psd/psd2003/33247.htm>

7 Ursic, Stanko: Lose postrojenje na krivom mjestu, Kana, January 2003

8 Tesic, Mladenka, interview with officials from the MEPP - Ministry of the Environment and Physical Planning and Construction, Zagreb, 2004

9 Kovac, I.: PUTO tek sad izvozi 500 tona opasnog pepela, Vecernji List, 28th October 2002

10 Nikolic, Stjepan/ZGO: 'Informing the Public about Waste Management and Rehabilitation of the Landfill Jakusevec - Zagreb', 14.05.1998

11 EBRD: Environmental Review Memo, 21.05.200? Section 7

12 Tesic, Mladenka, interview with members of UZOJ - Jakusevec Association for Environmental Protection, Zagreb, 2004

### 3. Expectations, benefits and outcome

#### 3.1. Expectations from the project

According to the first EBRD project summary,<sup>13</sup> the project will have a positive impact on the environment. The project has two aims: to comply with EU regulations, and to protect Zagreb's water sources from pollutants leaking from the dump. Health, environmental and social benefits were promised for the residents of Zagreb, as their drinking water would be protected from leaching from the dump, which included hazardous waste materials. This would seem to be uncontroversial and beneficial. The city authorities were even more enthusiastic about the outcome of the project: Vice-Mayor Milan Bandic went as far as to say that he would set himself alight if there were not green spaces, a recreational area and a lake on the rehabilitated site,<sup>14</sup> though luckily for him he did not set a deadline for this.

#### 3.2. Social, health and environmental issues

The project itself was widely predicted to have environmental benefits, therefore it is perhaps surprising that such an apparently beneficial project has been the subject of so much concern and anger among local residents. However, as we will see below, the rehabilitation project was carefully designed to avoid including the difficult subject of what to do with the hazardous waste which would be removed from the site; although project planners may have treated these as separate issues, for local people they are intimately connected.

Indeed it may be that the two projects were deliberately kept separate in order to ensure that the rehabilitation project would be more attractive to investors, whereas the disposal of hazardous waste was extremely problematic. In a country like Croatia, where law enforcement in the environmental arena is patchy, and project approval procedures often lack transparency, it was fairly easy to foresee that corners would be cut when dealing with the hazardous waste left untouched by the project.

The most visible problems have been at the consultation and implementation stages. Local residents have not been kept well informed about the project, which has led to resentment and suspicion about its implementation. Members of the local UZOJ pressure group claim that they have not been shown the plans for the project.<sup>15</sup> An example of the misleading information given is the supposed finishing of the project on September 13, 2003, which included a ceremony with local dignitaries present, and attendant media reports. Members of the Jakusevec UZOJ maintained that one of the eastern piles of waste near to their houses had not been moved, and that it remained above the water source for the Crnkovec settlement, thus threatening its purity.<sup>16</sup> Since safeguarding the local water supply was a main aim of the project, this would be a serious omission.

Likewise, members of Zelena Akcija Jakusevec and Micevec maintained that an unrehabilitated area at the south of the site was still threatening water supplies.<sup>17</sup> It is possible that these concerns have subsequently been addressed by the second phase of the project, but this seems unlikely as in September 2003 the Director of ZGOS, Zdravko Vac, stated

13 EBRD Project Summary Document: Zagreb Solid Waste Management Programme, 1998?: <http://www.ebrd.com/projects/psd/psd1997/4092.htm>

14 Trajkovic, Sergej: Jakusevcani: Nisu Napravili Obecano, Vecernji List 14.09.03

15 Tesic, Mladenka, Interview with Members of UZOJ - Jakusevec Association for Environmental Protection, Zagreb, 2004

16 Kovac, Ivan: Sanacija Jakusevca Gotova, Jutarnji List 13.09.03

17 Trajkovic, Sergej: Jakusevcani: Nisu Napravili Obecano, Vecernji List 14.09.03

that: "We have an absolutely secure landfill, which in its current technological condition cannot contaminate underground water"<sup>18</sup>. Since there was no recognition of any remaining problems it is unlikely that they would have been effectively addressed.

Just a few weeks later, in late October 2003, it was reported that the Environmental Inspectorate was issuing a fine to ZGOS for discharging the contents of a biodegradation pool onto land adjacent to the River Sava,<sup>19</sup> suggesting that even if the site was technically safe, ZGOS was still endangering the local water supply with its operations.

Additionally, in December 2003, Zeleni 2003, a green political party, raised doubts about the technical aspect of the project. It was reported that one of the protective layers in the Jakusevec landfill had broken, and that a rehabilitation of the rehabilitation would be needed, raising questions about the quality of the work done.<sup>20</sup> In addition, it was asked why waste was being brought to the site at night, when state waste inspectors only work during the day.<sup>21</sup> Members of UZOJ also allege that the technical aspect of the project was not carried out properly. The concrete layers put into the landfill were supposed to be several metres thick, but according to UZOJ they are only 1.5 metres thick and still leak.<sup>22</sup> This rather defeats the object of the project.

Air pollution levels at the site were also found to exceed legal levels in April 2003 and the Ministry of the Environment threatened to impose a fine on ZGOS unless emissions decreased.<sup>23</sup> In August 2003, emissions from the site were again found to be above the legal level on three consecutive days.<sup>24</sup>

The most serious outcome of the project is the removal and treatment of hazardous waste from the site. Between the beginning of the rehabilitation and 2003, 1000 tonnes of hazardous waste was found in the Jakusevec dump.<sup>25</sup> This had to be disposed of by safer means, and it was decided that an incinerator would be built nearby. This was not included in the project, though the main reason for the incinerator was to burn waste from the rehabilitation project<sup>26</sup>, so the outcome of the incinerator operations may legitimately be regarded as a consequence of the rehabilitation.

The PUTO incinerator started operating in 1998. Local people began to complain of health problems which they attributed to the incinerator, including hormonal disorders, indigestion and breathing difficulties, and they claim that life expectancy in the area has decreased, while cases of cancer have increased.<sup>27</sup> In addition they claim that fruit trees stopped bearing fruit and that birds vacated the area.<sup>28</sup>

There were several incidents at the plant, when chemical reactions caused fires to break out. In October 2001, thick purple smoke billowed from the plant for days, which irritated

18 Trajkovic, Sergej: Jakusevcani: Nisu Napravili Obecano, Vecernji List 14.09.03

19 Juresa, Robert: ZGOS-u Prijeti Kazna do 400 Tisuca Kuna, Vjesnik, 21.10.2003

20 Juresa, Robert: Zasto Smece na Jakusevec Stize I Nocu, Vjesnik, 3.12.2003

21 Ibid.

22 Tesic, Mladenka, interview with members of UZOJ - Jakusevec Association for Environmental Protection, Zagreb, 2004

23 'N.C': Bozo Kovacevic: Jakusevec Natkriti Satorom, Novi List 17.04.2003

24 Juresa, Robert: Pri Sanaciji Radnici Pronasli Tisucu Tona Opasnog Otpada, Vjesnik, 27.08.2003

25 Ibid.

26 Tesic, Mladenka, interview with officials from the MEPP - Ministry of the Environment and Physical Planning and Construction, Zagreb, 2004

27 Tesic, Mladenka, interview with members of UZOJ - Jakusevec Association for Environmental Protection, Zagreb, 2004

28 Tesic, Mladenka, interview with members of UZOJ - Jakusevec Association for Environmental Protection, Zagreb, 2004

the eyes and caused breathing difficulties. Local people pressed charges against the owners of PUTO.<sup>29</sup>

It was widely alleged that the incinerator was used to burn illegally-imported hazardous waste in order to increase its income. This was based on the sightings of foreign-registered vehicles at the plant displaying hazardous waste symbols.<sup>30</sup> This appears to have been ignored by the authorities, but the Environmental Inspectorate did take a number of legal proceedings against PUTO during 2000 and 2001, related to emissions and hazardous waste storage.<sup>31</sup> In March 2002 the Inspectorate threatened to prohibit the further admission of waste if the storage area was not upgraded to comply with regulations.<sup>32</sup>

In August 2002, a major fire broke out in a storage site, and about 100 tonnes of hazardous waste was burned, spreading poisonous gases like dioxin and carbon monoxide across the local area. The fire seems to have been caused by explosions of gases, probably resulting from leaks from containers stored outside of the covered storage area.<sup>33</sup> After this incident the incinerator was finally banned from operating until regulatory requirements are met. However, in spite of investment by PUTO's owners, the ban is still in place and PUTO was declared bankrupt on July 8, 2004.<sup>34</sup>

The extremely detrimental effects of the incineration plant necessitated by the rehabilitation of the landfill, together with the doubts cast on the effectiveness of the rehabilitation itself, raise questions about the overall environmental benefits of the project. It is clear that doing nothing to the dump was not an option, but it seems that this project has not met its overall aim of protecting the local water supply, and has therefore not delivered the environmental benefits promised.

In addition, the fact that the project did not incorporate the safe disposal of the hazardous waste from the Jakusevec site has left open the question of what exactly will happen to the hazardous waste generated in Croatia. Since the closure of PUTO, there has been no hazardous waste disposal facility in Croatia, and since exporting it is expensive, it has most likely ended up in municipal waste dumps,<sup>35</sup> thus invalidating legal and technical efforts to rehabilitate landfill sites.

### 3.3. Beneficiaries of the project

ZGOS, the city-owned company responsible for running and rehabilitating the waste dump, benefited from the project by being able to improve its landfill site. However, if the allegations made by UZOJ are true, it is possible that the company benefited more than it was supposed to, putting less concrete in the landfill than required, and therefore saving money.<sup>36</sup>

The local authority, which is also the owner of ZGOS, was supposed to benefit from a safer landfill which fully respected EU and Croatian regulations. Considering the allegations

29 Tesic, Mladenka, interview with members of UZOJ - Jakusevec Association for Environmental Protection, Zagreb, 2004. The main investor in PUTO was the City of Zagreb, together with the companies Hafner (Bolzano) and IRS (Meinheim) (UNECE, Environmental Performance Review: Croatia, UN, 1999).

30 Tesic, Mladenka, interview with members of UZOJ - Jakusevec Association for Environmental Protection, Zagreb, 2004

31 Buksa, Z.: 'Ekoinspekcija upozoravala i tuzila ali bez koristi', Vjesnik, 02.08.2002

32 Buksa, Z.: 'Ekoinspekcija upozoravala i tuzila ali bez koristi', Vjesnik, 02.08.2002

33 Klobucar, D: 'Požar i eksplozije u spalionici opasnog otpada' Vecernji List, 02.08.2002

34 Vecernji List: 'Poglavarstvo grada Zagreba za stečaj spalionice PUTO', 10.007.2004

35 Tesic, Mladenka, Unpublished Dissertation, 2004

36 Tesic, Mladenka, interview with members of UZOJ - Jakusevec Association for Environmental Protection, Zagreb, 2004

about the sufficiency and quality of the work, combined with the leakage and discharges from the site since the project's completion, it is not clear whether the local authority has benefited as much as it expected to. In addition, it has invested a considerable amount of money in the PUTO incinerator, but it is unclear to what extent the local authority has benefited from this considering that PUTO has been declared bankrupt.

The benefits to the general public are the least clear. At first glance the project appears flawless - who could argue with making a landfill safe? However, the flaws in the implementation of the project, and the resulting leakage from the dump, cast doubt on the benefits to the public. If the dump is safer than before it may be said that there have been some benefits to the public. However, the exceeding of emissions levels, the illegal discharge of biological materials and the leakage from the rehabilitated site, combined with citizens' allegations of poor quality work, and the question of what is happening to hazardous waste materials, would suggest that the benefit to the public is marginal at best.

#### **4. Monitoring**

Some monitoring is being carried out, but it is unclear whether it has more than a cursory scope. A representative of the EBRD's Environmental Department carried out environmental monitoring visits to the landfill in September 2000, March 2001, and October 2003<sup>37</sup>. In addition, some figures about the composition of waste at the landfill are available on ZGOS' website, though it is unclear whether these are independently verified. Monitoring of PUTO has taken place, with the results described above, although local people were calling for monitoring of pollutants in the local area for several years - this did not happen, even during and after the 2002 fire, and is only now starting to be undertaken.<sup>38</sup>

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<sup>37</sup> Indic, Davor, E-mail to Pippa Gallop, 14.03.2005

<sup>38</sup> Tesic, Mladenka: 'Waste Management and Capacity Building in Croatia's Environmental Policy', Unpublished Dissertation, 2004

Voices in the dark

# EBRD REGIONAL ROAD DEVELOPMENT PROGRAMME FOR BOSNIA AND HERZEGOVINA

## 1. Introduction

*By Miodrag Dakic  
Young Researchers from  
Banja Luka,  
Bosnia and Herzegovina*

The Banja Luka-Gradiska motorway is a connection to the Pan-European Corridor 10 and is a component of the EBRD Regional Road Development Programme for Bosnia and Herzegovina. The other component of this programme is the construction of the Sarajevo Bypass, which will form part of the Pan-European Corridor 5c.

The total project cost for both components is estimated at EUR 235 million but information about the funds share between these two components of the project is not available. The only information available concerns the sovereign loan of EUR 70 million to Bosnia and Herzegovina. Additionally, it is known that the project will be co-financed by the European Investment Bank (EIB) and the OPEC Fund. The project was signed on November 26, 2004.

The Banja Luka-Gradiska motorway is 44,3 km long: from Banja Luka the motorway heads north and crosses the Sava River at Gradiska (at the border with Croatia) before it connects with Corridor 10 in Okucani. The motorway was cut into three sections. The longest, 29 km long section, from Gradiska to the Mahovljani Airport, will be financed by the EBRD and EIB, while the two remaining sections, from the Mahovljani Airport to Banja Luka, will be constructed with funds provided by the Government of the Republic of Srpska.

## 2. Environmental impact assessment with thick glasses

EIA, information disclosure and public consultation on the project were performed for the section from Mahovljani Airport to Gradiska and they were seriously flawed, considering the policies of the bank and the national legislation.

The first general design of the Banja Luka - Gradiska motorway was made in 1987. An updated general design from 1999 was a precondition for preparation of the Environmental Impact Assessment (EIA) document, requested by the EIB as a potential creditor at that time. One year later, the EIA was ready, but local people did not have the opportunity to comment on it. The Deputy Minister of the Environment said that public consultations took place, but they were not consistent and wide enough.

A new round for the EIA started in 2003, when the EBRD became interested in the project. The project was screened A/O, thus requiring EIA preparation according to the bank's environmental policy. The previous EIA document from 2000 was categorised as a preliminary EIA since it didn't include a scoping process. During the scoping process the project

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sponsor did not identify adequately all the interested parties for the meeting where the Public Consultation and Disclosure Plan (PCDP) was presented. A part of the most active environmental NGOs were not invited to the meeting either.

The scoping meeting was organised on January 28-29, 2004. The consultations were held on working days and during working time in Banja Luka, which is more than 20 km away from the closest part of the targeted section of the road. Thus, most identified parties (affected communities, governmental institutions, agencies, faculties, companies and NGOs) were not able to participate, and only 9 out of 33 were present at the meeting.

It is important to say that the meeting mentioned was the only place where information on the PCDP was available to the public before the end of the scoping process. At the meeting the PCDP was distributed in English. After complaints of the attendees, the PCDP was translated into local language in a few days, but the deadline for sending comments remained the same. Less than a week was left for comments on the preliminary EIA. Representatives of identified interested parties received a questionnaire, which is a very unusual method for attaining opinion. According to the investor's report, only four questionnaires were returned. Contrary to the statements in the EIA summary, the EIA document was not available on the web site of the project sponsor, nor on the EBRD's site, but only on the web page of the Ministry of Urbanism, Civil Engineering and Ecology, written in Cyrillic and without maps nor the English version.

### **3. Public participation - a joke**

It is very likely that the project will cause serious harm to the communities along the route. However, since the process of information disclosure and public consultation was not performed in line with the EBRD's Environmental Policy, this impact was not considered properly.

According to the project documentation, the motorway will pass through Jelica Brdo, the western part of the Laktasi municipality area. As early as 2003, people from the Jelica Brdo area started making appeals for the moving of the projected motorway a few hundred meters to the west, since numerous reasons favour such a modification. Moreover, on 23 November 2003 they sent a letter to the Institute of the Faculty of Transport and Traffic Engineering in Belgrade, one of institutions involved in route planning, asking that they reconsider the planned route through the Laktasi area.

The citizens of Laktasi stated nine reasons for changing the route:

1. The initial plans for this route were made almost 30 years ago when this municipality had two times less inhabitants. Nowadays there is ten times more business and living facilities in the area of the planned motorway.
  2. The planned route is very close to the water reservoir that supplies Laktasi and the surrounding area, and it is on the borderline of catchments area. According to geological surveys, the geological structure is not stable and many older residents have witnessed of landslides in that area.
  3. The planned route goes through the most attractive area for extension of urban space of Laktasi. Moving the route to the East, it would cross state-owned land and the expenses for expropriation would be much lower. Moreover, the eviction of 30 families and destroying their houses would not be needed.
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4. Thousands of people who will have to live in immediate proximity to the motorway.
5. The route passes through the protection zone of the Laktasi Spa thermal wells, whose management board did not give permission for this plan.
6. The route passes about **200 meters from the city center and less than 100 meters from a kindergarten**. What would be the effects of pollution from the estimated traffic of about 20 000 vehicles per day?
7. It is very strange that road construction has already started in its middle section through Laktasi, which is 5,6 km long, while the investor still does not know where the motorway would cross the Sava River in the north and where it would pass Banja Luka in the south.
8. There is a route option on the west from Laktasi, called "Military Road", which would satisfy all our wishes, and we don't know why this route is not taken.
9. We are in favour for motorway construction, but not through cities when there are other options. There are by-passes, or they are being planned, in most cities in Bosnia and Herzegovina which allow for the future development and extension of city urban zones. We want to know why it should be different in the case of Laktasi.

The citizens of Laktasi never received an answer from the Institute. According to an earlier report of the Institute, the only fixed part of the motorway route is the one passing through the Laktasi area. All five alternative routes have one common section, the controversial one that passes through Laktasi and requires a tunnel close to the city centre.

Affected people from Jelica Brdo collected more than 200 signatures; they addressed several letters to the Laktasi municipality, the Office of the High Representative and the EU Special Representative in BiH with a request for help in their struggle for the relocation of the motorway section and a timely information campaign on the development of the project. Help never came.

Representatives of the affected group participated in the consultation meetings around both the scoping and the EIA processes. During the scoping meeting, representatives of the affected group from Jelica Brdo were very persistent in their efforts to explain their concerns about the project to EBRD officials, the project sponsor, the Ministry of Environment and other authorities. But all attempts to elaborate on the problems identified during the scoping process consultations and the EIA public consultations were blocked with a comment that the section they were concerned about is not the subject of discussion, but the motorway section Gradiska - Mahovljani Airport.

Public consultations on the EIA were organised in two municipalities which are nearest to the project site: in Gradiska on May 26 2004 and in Laktasi one day later. Very few of the representatives of affected groups were present. Those few present tried again to raise their voices to protect their rights. At the meeting in Gradiska, local farmers were very concerned about the motorway impact on horticultural production in the surrounding area, since most people in the few villages on the motorway route have very small land areas and earn their living on primary vegetable production.

Also, they complained that the planned route passes through the middle of Romanovci village, less than 100 meters away from its primary school and houses. Municipality officials raised questions on the places for gravel extraction for the motorway construction

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and suggested that gravel should not be extracted from the very fertile Lijevce plain, as that would be catastrophic for the local communities.

According to the minutes from the meeting, most of the highly important questions and remarks remained without answers or proper comments from the investor. At the meeting in Laktasi, local people again raised their concerns about the motorway route through Laktasi, but both representatives of the investor and officials of the Ministry of Environment were not interested in hearing their problems. The mayor of Laktasi suggested that an alternative route through Laktasi should be chosen, since there was still time to do such changes and a construction permit had not yet been issued. The Deputy Minister for Environment answered that the object of consultations is the EIA, and not the motorway route.

#### **4. Conclusions**

To date, the affected citizens haven't succeeded in getting answers to numerous questions since the EIA for the controversial section has not been publicly presented and public discussions were not conducted.

The Banja Luka-Gradiska motorway project illustrates the basic and recurring contradiction between the declared European principles of public participation and the attitudes of project promoters. The project is stuck in the distant past when there was no public discussion of alternatives and the promoters have exploited the gaps in the legal system of Bosnia and Herzegovina.

The EBRD is comfortable in its position, i.e. providing funding for the non-controversial part of the motorway, while pretending not to hear or be responsible for a motorway section 'bringing benefits' to the kindergarten 100 metres away. The bank is paying for the non controversial 'piece of salami ' in the middle of the sandwich, not for the 'rotten bread.' It is incredible how the bank can discharge liability in such a case and simply discard the social and environmental standards it pretends to promote.

#### **5. Recommendations to the EBRD**

The Bank should not involve into projects that are partially all right, but partially unacceptable to the affected communities and environment. A single motorway should not be cut into separate projects, with EBRD support conveniently going to the non-controversial part, thus escaping responsibility for the rest of the route.

When the EBRD supports a project, it should take responsibility for all the ins and outs of this project, or simply avoid engagement if a negative social or environmental effect is expected upstream or downstream. The bank should assure that the environmental procedures are applied to the whole project (be it a motorway, a landfill rehabilitation etc.) in all its parts.

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# BANSKO SKIING ZONE - A CALAMITY FOR BULGARAN NATURE

(Implications and recommendations  
for EBRD's involvement)

## 1. Background and history

*By For the Earth,  
Bulgaria*

Pirin National Park is a Bulgarian National Park,<sup>1</sup> inscribed on UNESCO's World Heritage List because of its primeval alpine landscape, old-growth forests and endemic species. The site has also been accorded the highest conservation status by Bulgarian environmental legislation.<sup>2</sup>

Pirin National Park spans a territory of more than 40 000 ha, including two natural reserves - "Baiuvi Dupki" and "Iulen" - 11 nature-wonder sites and 113 caves. In Pirin National Park the second highest peak in the Balkans is located (Vihren, 2915 meters). More than 186 lakes and 35 big water circuses are located in the park. A spectacular biodiversity with 1089 plant (1/3 of all flora species in Bulgaria) and 172 animal species (114 of which endangered) are hosted in the National Park, including endemic species such as the Macedonian Pine, which is protected by the Bern convention.

As a site with outstanding environmental qualities, the National Park attracted the interests of investors in winter ski tourism looking for quick and high economic profits. In 2000, the Bulgarian company Iulen started an initiative for the three-fold extension of the old and illegally constructed skiing-zone in the park. After a two-year period of administrative arrangements, and with the financial support of the Bulgarian First Investment Bank, the company obtained all permits and financing needed for the new skiing zone.

However, an analysis of all of the Environmental Impact Assessment (EIA) reports, showed a poor estimation of all of the habitats and species protected under the Bulgarian Nature Protection Act and the Bern Convention such as the spruce forests and the

Macedonian pine forests. The EIA reports were heavily criticised by the Bulgarian Academy of Science, National Museum of Natural History and biodiversity protection NGOs. The concerns expressed in the statements made by the Academy and the NGOs were ignored and the concerned scientific institutes and NGOs were never consulted officially.



*Clearcuts in the Unesco site and National Park Pirin*

By April 2002 the Ministry of Environment and Waters gave final approval to the construction of five new ski slopes, seven ski-lifts and one cabin cableway within Pirin National Park. By May 2002 more than

<sup>1</sup> [www.pirin-np.com](http://www.pirin-np.com)

<sup>2</sup> <http://whc.unesco.org>

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seventy appeals altogether were placed before the Supreme Administrative Court by the names of physical persons, both for administrative and biodiversity conservation legislation violations.

## **2. EBRD involvement**

With its 20 percent stake, the EBRD is the second largest shareholder in the main project sponsor, that is the Bulgarian First Investment Bank (FIB). The Bulgarian bank has received EUR 10 725 million in loans from the EBRD.

At the EBRD's annual meeting in 2004, Bulgarian civil society monitors of the Pirin case introduced the EBRD to the legal, social and environmental problematic issues surrounding the Bansko project and FIB. The Bulgarian NGO Za Zemiata, with the support of CEE Bankwatch Network, demanded that EBRD step out of FIB and publicly announce their decision.

At the 2004 AGM, EBRD staff informed Bulgarian NGO representatives that the Bank actually had plans to disinvest from FIB, for reasons other than the Pirin project.

One year later (as of April 2005), neither EBRD disinvestment from FIB nor stronger measures which could enhance FIB's accountability have been taken by the EBRD.

## **3. Controversies with First Investment Bank's "Bansko Skiing Zone" project**

### **3.1. Legal violations**

#### **Initiation of construction works in a National Park**

The environmental approval for the Bansko Skiing Zone project was given in violation of art. 21 of the Bulgarian Protected Areas Act, which explicitly forbids the construction of new sport facilities, clear cuttings and any activities which can lead to negative impacts on the biodiversity on the territory of Bulgaria's National Parks. The project also contradicted the two main objectives of the management of the park, which refer to the conservation of ecosystems and biodiversity.

The agreed ski facilities and construction sites have lead to the destruction of animal and plant species protected under the Bulgarian Biodiversity Act. Furthermore the project has lead to the destruction of specimens and habitats of species protected under the Convention on the conservation of wild European fauna and flora and natural habitats (the Bern convention, in force in Bulgaria since 1991) and the Convention concerning the World Cultural and Natural Heritage of UNESCO.

Appeals against the environmental approvals, issued by the Bulgarian Environmental Ministry, were lodged by NGOs and individuals in the Supreme Administrative Court of Bulgaria; the appeals were subsequently rejected. The act was a clear sign of the weak implementation of legal nature-protection standards in Bulgaria and the incompetence of the domestic juridical authorities in the enforcement of nature-protection legislation.

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### Legal violations after the commencement of construction works

The Ministry of Environment and Waters (MEW), as the senior decision-maker and manager of the National Park, gave the desired (by the project initiator - the Bulgarian company "Iulen") territory in Pirin under concession. Nevertheless MEW gave the concession in breaching of Bulgaria's nature-protection legislation. This was only the opening act in a chain of crimes which followed after the project was initiated.

The concession contract, the Environmental Approval decisions and Bulgarian legislation have all been breached since the very beginning of the construction works. The most notable crimes were: the tripling of the ski slopes' width (from the legal restriction of 30 metres to a width of 140 meters); and the unlawful use of equipment and explosives for large-scale excavation and earth removal works. The most recent violations include the expansion of the concession territory, going 55 ha (with loggings) above the legally allowed amounts in the direction of and in dangerous proximity to IULEN nature reserve. (See maps in Annex1).



*Illegal water catchment and lake for making artificial snow*

Water-catchments and an artificial lake (which did not even get a water-use permit) were constructed without an EIA. Similarly, a ski slope and a lift "Zhelezni Most - Platoto" were constructed without official authorisation (EIA) by MEW. In addition, all EIA decisions have been seriously violated in more than one count. (See Annex 2: Response from the MEW to an information request from Za Zemiata regarding violations in the construction of the skiing zone)

In conclusion, references from MEW, photo and map materials, and documented reports from civil society inspections of the area demonstrate that the concessioner has deliberately violated its concession contracts and the legislation of Bulgaria. No efforts to stop or restrict legal breaches committed by IULEN and contracted firms under the auspices of the main project sponsor - FIB - were made, although the latter was well-informed about project developments and their contradiction with the obtained permissions.

## 3.2. Other environmental and social problems

### Logging of primeval forests

For the construction of all ski facilities within the Bansko Skiing Zone, permissions were given to log 100 ha in total of centuries old pine and spruce forests. Clear cutting in ordinary forests is allowed for up to 25 ha, according to Bulgarian legislation. In one of the highly protected nature sites, clear cutting activities between 200 and 300 ha were carried out illegally. (See Annex 3: an article from the Bulgarian Forest Institute for more information on the forest issue).

### Water pollution and shortage

The Bansko Skiing Zone redirects some of the waters needed for the town of Bansko. The clearing of the steep mountain slopes restricted the ability of the soil to retain the water from the melting snows and rainfalls.

The rivers of Ikrishte, Damianitsa and Bynderitsa fall within the scope of the skiing zone. Ikrishte river is highly polluted by the earth masses dug and disposed into it. The water of the Damianitsa and Bynderitsa rivers provide water for the artificial snow machines and for the buildings located in the zone. The town of Bansko, which has always had problems with water shortages, is currently suffering even greater declines in drinkable water. The waste waters from the skiing zone buildings and the ski slopes treatment are freely disposed in the rivers or end up in the underground waters in the park, endangering the quality of Bansko's drinkable water.

According to unofficial reports, chemicals are used during the creation and treatment of the artificial snow for the ski slopes, despite an explicit ban on the use of chemical substances laid down in the environmental approvals.

### **Landscape and erosion**

The new ski slopes are subject to severe erosion and destroy the unique landscape of Pirin mountain. During the construction works, the explicit ban on the uprooting of tree trunks was violated from the very beginning, which lead to regular erosion processes along all the newly-built ski slopes. The shallow soil coverage on the steep slopes started to be stripped away after each rainfall.



*Erosion on the ski slopes outside of the skiing season*

The large-scale excavation works and steepness of the ski slopes of up to 20-50 percent at times caused severe land slides.

It is unlikely that this process can be stopped considering that the high altitude weather conditions at the skiing zone predispose severe wind and rain soil erosion. The entire soil layer is expected to gradually be stripped away, causing danger to humans, animals and plants.

Until now, no anti-erosion measures in the skiing zone have been undertaken. No assessment of the unrepairable damage on the mountain slopes and overall landscape in Bunderishka valley has been made.<sup>3</sup>

### **Biodiversity loss**

The construction of the Bansko Skiing Zone is causing and facilitating the loss of typical, rare and endangered species living in the Pirin mountain. The logging and construction works, the large scale excavation activities, erosion, noise and water pollution constantly impact the habitats of all animal species residing in the Bunderitsa valley.

During the construction works, forest communities of predominantly Macedonian pine and spruce, protected by Bulgarian legislation and the Bern convention, were destroyed. The process lead to severe fragmentation of the remaining old-growth forest, endangering future subsistence.<sup>4</sup>

<sup>3</sup> "Landscape impact assessment of the Bansko Skiing Zone", a report prepared by Za Zemiata and independent landscape experts, April 2005)

<sup>4</sup> "Biodiversity impact assessment of the Bansko Skiing Zone", a report prepared by For the Earth and independent biodiversity experts, April 2005



*On September 26, 2004, cars driving along the road beneath the newly built ski slope "Torodka - Bunderishka poliana" were dragged down from the land and mud slide, coming from the ski slope.*

### **Human rights and rights to justice**

During a visit to the project site in June 2003, the NGO coalition observed a number of violations committed by Iulen, the project-implementing agency financed by the EBRD's financial intermediary. The NGO observers immediately telephoned the MEW to ask for a police investigation of the case. Shortly after the call was made, representatives of the project investor appeared at the site, demanded a confiscation of film materials recorded by the NGO representatives, and threatened the observers with physical violence.

In February 2001, after the MEW decision on the "Territorial and Management Plan for the Bansko Skiing Zone" came into force, six environmental NGOs lodged an appeal with the Supreme Administrative Court against the decision taken. In May 2002, more than 52 appeals were lodged with the Supreme Administrative Court for administrative and biodiversity conservation legislation violations in the Bansko Skiing Zone project. All appeals were rejected in November and December 2002.

According to the Aarhus Convention (now ratified by the Bulgarian Parliament) and the basic principle of administrative law in Bulgarian legislation, an administrative decision cannot be implemented while it is being appealed in court and the project cannot start. Nevertheless, the skiing zone construction started during the summer of 2002.

### **3.3. Violations of the EBRD's Environmental Procedures**

Contrary to the findings of the EBRD's Environmental Specialists, who visited Bulgaria to investigate the case, EBRD's Environmental Procedures, as of 1996, were indeed violated in the FIB case.

As stated on page 29 of the "Environmental procedures, European Bank for Reconstruction and Development" (as of September 1996), "The Bank will adopt the same principles of environmental appraisal on its intermediated financing as it adopts when it directly funds operations. It will ensure that its financial intermediaries have the capability and commitment to ... monitor the environmental components of their activities."<sup>5</sup>

In a response to an information request from Za Zemiata, the MEW gave a description of the violations on the Environmental Approvals for the Bansko Skiing Center made by the parties implementing the project. (Unfortunately Za Zemiata was denied access by MEW to the very documents where the specific penalties are described.) The letter certifies that no additional EIA has been issued, which implies that the ski slope and facilities "Zhelezni Most - Planoto", the mini dam on the Bunderishka meadow, together with the two water catchments in the area, have been built illegally.

The letter describes only part of the crimes committed during the implementation of the project and identified by independent civil society observers. Thus poor monitoring took place

not only on the side of MEW. There was no effective enforcement of the Environmental Approval and concession contract conditions for the ski-facilities development on the side of FIB. FIB, although it is so obliged, according to the EBRD's Environmental Procedures, to monitor the environmental components of the project development, did not prevent the violations from taking place, despite its close links to the implementing company. (A simple illustration of the statement is that Mr. Boyan Marianov is the executive director of IULEN, the implementing company, and simultaneously a stakeholder in First Financial Brokerage House, which has a 13.9 percent stake in FIB, the project sponsor<sup>6</sup>.)

Thus although "all necessary permits and approvals for the project were in place", as the EBRD's environmental specialists state, the actual implementation of the project was in violation with most of these and all of the Environmental Approvals overruled existing environmental laws in Bulgaria.

## **4. Recent implications of the Bansko Skiing Zone project**

### **4.1. Economic implications for the Bansko region and the EBRD**

The investor promised "bread for Bansko", "European" standards in terms of ski facilities, economic development and the well-being of the Bansko region. In reality the company has gradually become a regional monopoly in offering ski services. IULEN bought the biggest hotels and a large amount of real estate in the Bansko region, and thus offered the greatest share of accommodation, giving the company the opportunity to independently set the prices of accommodation.

IULEN has monopolised entrance to the park, setting the price for the cable-way independently, and as the owner of all ski facilities and slopes IULEN has charged optimum prices for their use. In addition, the company expelled all independent small-scale businesses (ski-schools and services), who thrived on the skiing zone before its large-scale extension. The project has provided minimal employment possibilities for the local population, both in the construction and tourist service work.<sup>7</sup>

Thus the regional economic impact in terms of quality and equity is highly dubious. The income from the destruction of the National Park was collected by firm-monopolist. At the same time the small-scale business in the sphere, which employs the largest share of the population, had difficulties surviving.

In conclusion, it is the citizens of Bansko who bear the potential water shortages and pollution, the deforestation impacts and biodiversity loss and whose economic position is undermined by the IULEN market monopoly in the area. The project has led to large-scale profits for IULEN and FIB respectively, but at the same time has deepened economic inequality in the Bansko region. It has enhanced the short-term private interest of a company-monopolist to the detriment of public interest - the sustainable and long-term utilisation of the unique nature resources of the country.

### **4.2. Expansion of the Bansko Skiing Zone concept**

An alarming current development with this case is the double extension of the already expanded skiing zone, a decision which was taken by the city council of Bansko on March 22, 2005. The proposal includes 112 ha of new ski facilities and slopes and is in violation with the Bulgarian government's recently approved Management Plan of Pirin National

<sup>6</sup> [www.fibank.bg](http://www.fibank.bg)

<sup>7</sup> 60 interviews with citizens of Bansko, conducted by For the Earth

Park, according to which no further construction of ski facilities should take place in the park. The proposal also violates Bulgarian legislation.

Projects for skiing zones in other parts of Bulgaria have been developed recently. The "Super Borovets" and "Panichishte" projects in Rila National Park, which involve the construction of new ski slopes and facilities, each of them spreading over larger areas than the Bansko Skiing Zone, are on course to receive their Environmental Approvals from MEW. Similar projects for large-scale ski resort construction exist for Chepelare, Smolyan, Siutka, Kom and Uzana, located in the mountains of "Rhodopes" and "Stara Planina".

Thus the Bansko Skiing Zone 'spill over' effect is marked. Tempted by the high economic returns of IULEN, projects in all of Bulgaria's other high mountainous regions are springing up.

The weak enforcement of environmental legislation and the position of MEW, the 'legal' accessory tool used by investors in the Bansko Skiing Zone project, will be utilised by others, speeding up the logging and nature destruction processes and creating the biggest environmental catastrophe in Bulgarian history.

## 5. Conclusions about the role of EBRD; recommendations

In conclusion, if the EBRD commits to promoting competition, privatisation and entrepreneurship as part of its mission, the Bansko Skiing Zone project and FIB cannot continue to be a part of the EBRD's investment portfolio. The EBRD should ask itself whether high economic returns, as in the case of FIB and Bansko, should be the dominating evaluation criteria in the investment decision-making of a public financial institution. After all, it also states that "Respect for the environment is part of the strong corporate governance attached to all EBRD investments."<sup>10</sup>

If the principle of social and environmental equity is not meaningfully taken into consideration by the EBRD during its evaluation and monitoring of investment decisions, the EBRD will simply enhance inequality and social and environmental destruction, rather than environmental sensitivity and democratic governance.

The controversies and negative implications of the Bansko Skiing Zone project and the key role of FIB in the process show that its investment in FIB was a bad decision on the part of the EBRD. Not only, were the EBRD's environmental procedures violated, but the support for institutions such as FIB contradicts the EBRD's mission statement of enhancing respect for the environment and nurturing a new private sector in a democratic environment. First Investment Bank is a prime example of an undemocratic and unaccountable institution, the kind of institution which the EBRD has no business supporting.

Thus, we ask the EBRD:

I. with regard to the FIB case, to:

- i. Critically evaluate its involvement in FIB and publicly step out of the Bulgarian bank, as was disclosed to NGOs in April 2004.
- ii. Activate the Compliance Officer at EBRD to investigate the violations of the EBRD's environmental procedures and the extent to which the project fits the sustainability mandate of EBRD.

<sup>10</sup> www.ebrd.org

II. With regard to investing in financial intermediaries in general to:

Strengthen its policy on screening and monitoring financial intermediaries's performance and:

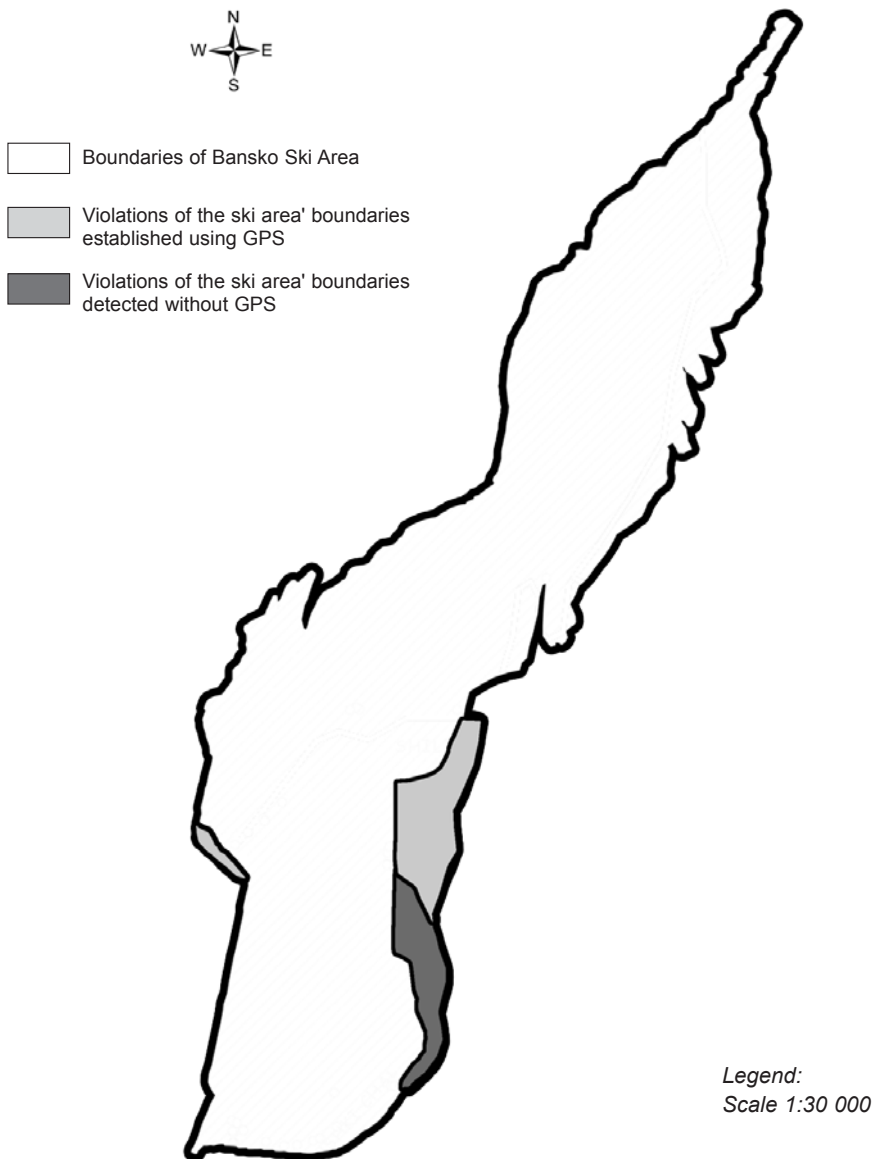
5. prior to investment decisions, open the investment screening procedures for public and civil society scrutiny and participation

6. following investment decisions are made, undertake regular independent evaluations (including non-governmental or civil society representatives) on the performance of financial intermediaries, and make the findings public. Evaluation should be based on social, economic and environmental criteria, developed jointly with civil society stakeholders.

7. following investment decisions, demand progress reports on environmental, social and economic performance from all financial intermediaries, which should be made available to the public.

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## Annex 1



This map is produced by comparing GPS field measurements done by experts of Green Balkans and For The Earth with the boundaries of the ski area provided by the MEW. Season 2004-2005

## Annex 2

**Reference, granted by the Ministry of Environment and Waters in response of Za Zemiata's Request of access of public information /FOA request/ № 2468/09.12.04 and MEW's Decision to grant access to the required public information № 89/03.01.05**

**Dear Ms. Iotsova,**

On the grounds of art 26, par 1 from the Law for the Protection of the Environment and in relation to art 27 from the Access to Public Information Law, regarding your request for access to information we **provide you with the following reference:**

**Regarding point II from your request: entrance number: FOA request - 2081/28.10.2004:**

No decisions for assessment of the necessity for conducting EIA<sup>9</sup> on the Bansko Ski Zone Territory have been issued;

**Regarding point III from your request:**

No decisions for assessment of the necessity for conducting EIA, nor decisions on EIA for: "Water catchment - Bunderishka Meadow", "Dam in the Bunderishka Meadow area", and "Water catchment along the road to Bunderitsa Hut" have been issued.

**Regarding points IV,V,VII from your request:**

The subject of the concession is maintainance, construction and utilisation of the existing and newly-built tracks and facilities for ski-sport within the boundaries of the concession territory.

Construction of objects and facilities was implemented according to the current "Detailed Territorial Development Plan" of "Ski Zone with a Center Bansko", included in the concession contract and the yearly investment programmes approved by the Minister of environment and waters.

During the daily controls conducted by Pirin National Park, a number of violations, related to the construction of the ski tracks and related facilities were found.

On September 2nd and 6th 2002, deviations from the preliminary approved and concured activities were identified, which resulted in giving two charges for administrative violations. During the construction of the obejcts: Cabin Cableway "Bansko - Bynderishka Polyana"and "Childen ski-track" fines of two and six thousand leva were imposed on the concessioner, which are paid.

On June 9th 2003, two violations, made by the firm executing the construction of "Saddle Cableway "Bunderishka Polyana - Todorka Peak" " were found. The issued pentalties were respectively for five thousand and two and a half thousand leva. The sums have been transferred to the bank account of Pirin National Park.

On July 17th 2003, two charges for violations in the object: ski-track "Bynderitsa" were given. The penalties were fines for four thousand leva each.

On August 7th 2003, a charge for conducting a violation was given to a contracted from the concessioner construction firm. The imposed administrative punishment - "a fine" - was for five thousand leva. The Agency for State Receipts was authorized to collect the fine.

On October 6th 2003, two violations on different spots along the "Skiing road Shiligarnika - Chalin Valog" were found. Two charges for respectively five and eight thousand leva were given to the two contracted by the concessioner persons. The charge was sent to the Agency for State Receipts.

Due to the fact that for the third time a violation had been noted, made by one and the same firm, the director of Pirin National Park has demanded its oustering.

In 2004 until the current moment three violations were found, representing implementation of unauthorized activities (untimely coordination of the working process with the park administration). On July 29th and 30th and August 3rd 2004, charges for administrative violations were given, on the basis of which three fine penalties for 9 000, 7 000 and 5 000 leva were issued. The sums were transferred to the account of Pirin National Park. The contracted firm was dismissed from works and their contact ceased due to the violations made.

As a result of all authorised penalties, fines for 49 500 leva were gathered. According to the Tax Procedures Index the Agency for State Receipts was authorised to gather fine penalties for 21 000 leva. 325 cubic meters of timber were confiscated, which with decree N 54 from March 29th 2004 and with the help of the Agency for State Receipt was sold at an auction. The logged trees were on random spots along the respective objects. Thus there are no significant changes in the areas of the logged-tree corridors.

Up to now no violation on the borders of the concession territory has been found on our side.

## **Annex 3**

### **Bansko ski runs consume nature**

Article from Alexander H. Alexandrov, - Director of the Forest Institute at the Bulgarian Academy of Science, published in Duma Newspaper on March 22, 2005.

The Bansko case is a little bit more peculiar and deserves special attention. In 2004 the Forest Institute at the Bulgarian Academy of Science conducted research on virgin forests in the Pirin National Park on expedition basis. The working group identified flagrant environmental violations. The construction of an indecently large number of ski runs and facilities, inconsistent with landscape, have caused felling of valuable populations of spruce (*Picea excelsa* Link), white fir (*Pinus peuce*), Bosnian pine (*Pinus heldraichii*) and pine-scrub (*Pinus mugo*), and have destroyed the natural environment at many sites. Ski runs cut through the forests in long distances and high upland - from mountain tops down to Bansko. This felling has destroyed Pirin's nature and even the large timber production performed 3-4 decades ago appears insignificant compared to what have happened recently and will happen in near future. The existing ski runs are 11 km long starting from 1150 m above sea level to 2 600 m above sea level, and the ski facilities are 8 km long. But those built under the project go twice over their total, which results in clear cuts and urbanisation, destroyed nature and large profits for some in the business. Ski runs cut through forest vegetation to an extent which has strongly reduced their resistance to winds.

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Upon snow melt or after continuous rainfalls, the earth of spruce forests, which has a generally shallow root system, diminishes its clutching capacity making trees vulnerable to wind throw, and the substrate to landslide. The stripes of spruce forests, extremely prone to snow falls and wind throws, are rather threatened standing in between close openings. Erosion processes along the ski runs in the vicinity of Bansko are progressing and gullies are already appearing. Forest plantations on large slopes and long distances were cut in service of the elite ski sport, and in order to acquire the desired slant, gullies were dug into some sections of the traces, thus favoring erosion and torrents. Torrents flooding and pouring over Bansko or part of it are just a matter of time. Such nature disaster could be a catastrophe and then losses will be counted in death toll, destroyed buildings, communication and other damages. Some partial attempts to tame erosion on ski runs using biological methods in the mid-mountain parts have insignificant effect, being almost inapplicable and unfruitful in the highlands. Besides, the steep ski runs in some parts create favorable conditions for avalanches and their destructive action will inevitably be proved. The combination of irrational anthropogenic intervention in North-east Pirin will cause local ecological disaster, leading to waste of landscape and dissipation of numerous nature resources. The destruction of Pirin National Park nature in the area of Bansko is a result of cupidity, absurdity and incompetence, and the striking fact here is that exactly the authority responsible for nature protection (MOEW) destroys it systematically and in large scales. And who is to bear the responsibility for this crime - those permitting the cuts and construction of so many ski runs and facilities, or the assigners and assignees? This is subject to the Prosecutor's Office and the Court, assisted by civil society structures if there are any. The research of the Forest Institute coincides to a great extent with the results of the project work on "Civil society acting against violations and poaching in forests" implemented by the Green Balkans NGO. The violations in protected areas and around them are dangerous precedent. Bulgaria will benefit if it conserves its residues of preserved wildlife, and will lose if it urbanises it unscrupulously.

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**BALKANI Wildlife Society** is a non-profit organisation, working for the public benefit. The main aims of the Society are study, conservation and restoration of flora and fauna in natural ecosystems, their preservation for future generations and raising public awareness on the problems of nature conservation.

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**Center for Ecology and Sustainable Development (CEKOR), Belgrade**

Center for Ecology and Sustainable Development (CEKOR) is working to solve environmental problems applying principles of sustainable development.

CEKOR is active as a nongovernmental organization since 1999, and have implemented number of projects related to the protection of the rivers and encouraging public participation in environmental decision making. In 2004 we start to work on project of monitoring IFIs activities in Serbia and Montenegro operating from our office in Subotica.

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**Eco-sense's** mission is to initiate positive changes in the field of environment in Macedonia. Primary interests are solving the problems with waste management, promotion and information dissemination about the new and sustainable ways to use energy (biogas and bio-fuel, solar energy, etc), promotion of environmentally- friendly and sustainable transport in Macedonia and the promotion of transparency in the work of International Financial Institutions (IFIs) in Macedonia.

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**Zelena Akcija/ Green Action** is a non-governmental, non-profit organization, whose goal is to promote environmentally sound and sustainable development. Our key priority is to encourage and facilitate public participation in all decision-making processes relevant to the environment and the improvement of the quality of life in Croatia.

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**Young Researcher of Banja Luka (YRBL)** is non-profit, non-partisan NGO for protection and improvement of environment and advocating of sustainable development, on local, regional, national and international level, through informing and public participation in decision-making processes, and non-violent direct actions.

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**Prietenii Pamantului (Earth Friends)** is one of the first Romanian non-governmental organizations (registered in 1991), focussed since the beginning on developing ways of coloboration with public administration and environmental authorities.

Prietenii Pamantului is devoted to the principle that a community could be prosperous only there where everyone cares about what is hapening and pays special attention to attracting the Galati citizens to participate in the most important local envirmmental decisions as the General Urbanistic Plan, public debates for environmental permits, campaign for enlarging green areas in the city, etc. Prietenii Pamantului is an active presence in national networks of environmental NGOs: Green Agenda, Romanian Working Group for Sustainable Energy, Romanian Working Group for Sustainable Transport.

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**Za Zemiata (For the Earth)** is a Bulgarian environmental non-governmental organisation, registered in 1995 and determined to work for sustainable life on our planet and to combat exploitation of people and nature.  
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